

SABA SOFTWARE INC
Form S-4/A
December 15, 2005
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 15, 2005

Registration No. 333-129685

United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Saba Software, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

7372
(Primary Standard Industrial
Classification Code Number)

94-3267638
(I.R.S. Employer
Identification Number)

Saba Software, Inc.
2400 Bridge Parkway
Redwood Shores, CA 94065

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(650) 581-2500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Peter E. Williams III, Esq.

Chief Financial Officer

Saba Software, Inc.

2400 Bridge Parkway

Redwood Shores, CA 94065

(650) 581-2500

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

With Copies to:

Paul Chip L. Lion III, Esq.

Mary J. Shimizu, Esq.

Morrison & Foerster LLP

755 Page Mill Road

Palo Alto, California 94304

(650) 813-5600

Robert L. Birnbaum, Esq.

Gerard P. O Connor, Esq.

Foley Hoag LLP

155 Seaport Boulevard

Boston, Massachusetts 02210

(617) 832-1000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed mergers described herein have been satisfied or waived.

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

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

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

INTRODUCTORY NOTE

The pages numbered S1-S2 of this document will be the form of cover and introductory pages to the proxy statement/prospectus of Saba Software, Inc. The pages numbered C1-C2 of this document will be the form of cover and introductory pages to the proxy statement of Centra Software, Inc.

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SABA SOFTWARE, INC.

2400 Bridge Parkway

Redwood Shores, CA 94065

To the Stockholders of Saba Software, Inc.

Merger Proposal Your Vote is Very Important

Dear Saba Software, Inc. Stockholders:

We are pleased to report that on October 5, 2005, the boards of directors of Saba Software, Inc. and Centra Software, Inc. unanimously approved a definitive agreement and plan of reorganization, pursuant to which a wholly-owned subsidiary of Saba would be merged with and into Centra, with Centra being merged with and into another wholly-owned subsidiary of Saba immediately thereafter.

As a result of the merger, each share of Centra common stock will be converted into the right to receive (a) 0.354 of a share of Saba common stock and (b) \$0.663 in cash. Accordingly, the value and the number of shares of Saba common stock that Centra stockholders will receive in the merger will vary depending upon the market price of Saba common stock and the number of shares of Centra common stock outstanding at the time of the consummation of the merger. Saba common stock is listed on the Nasdaq National Market under the trading symbol SABA, and on December 14, 2005, Saba common stock closed at \$4.16 per share. Based on the number of shares of common stock of Saba and Centra outstanding on December 14, 2005, the former stockholders of Centra will own approximately 36% of Saba common stock after the merger.

Centra and Saba cannot complete the merger unless Saba stockholders, holding a majority of the votes present and voting at a special meeting of Saba stockholders, approve the issuance of Saba common stock pursuant to the merger. Holders of approximately 30% of the outstanding shares of Saba common stock entered into voting agreements with Centra. Under the voting agreements, these stockholders agreed to vote their Saba shares in favor of the merger **Your vote is very important. Whether or not you plan to attend your stockholders meeting, please complete, sign, date and return the accompanying proxy in the enclosed self-addressed stamped envelope.** Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

After careful consideration, the Saba Board of Directors determined the merger to be advisable and unanimously approved the merger agreement, the merger and the issuance of Saba common stock in the merger. The Saba Board of Directors unanimously recommends that you vote FOR the proposed issuance of Saba common stock pursuant to the merger.

A copy of our annual report on Form 10-K for the year ended May 31, 2005 and a copy of our quarterly report on Form 10-Q for the quarter ended August 31, 2005 accompany this prospectus/proxy statement.

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This document provides you with information concerning Saba, Centra and the merger. Please give all of the information contained in this document your careful attention. **In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page 17 of this document.**

Saba sincerely appreciates your interest in, and consideration of, this matter.

Sincerely,

/s/ BOBBY YAZDANI
Chairman of the Board and Chief Executive Officer

Saba Software, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This document is dated December 20, 2005 and is first being mailed to the Saba stockholders on or about December 23, 2005.

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SABA SOFTWARE, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m., Pacific Time
DATE: January 26, 2006
PLACE: 2400 Bridge Parkway
Redwood Shores, CA 94065
PURPOSE: To consider and vote on the issuance of Saba common stock pursuant to the proposed merger of Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba, with and into Centra Software, Inc., a Delaware corporation, with Centra merging with and into Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba, immediately thereafter.

TO THE STOCKHOLDERS OF SABA SOFTWARE, INC.:

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of Saba Software, Inc., a Delaware corporation, will be held on January 26, 2006, at 10:00 a.m., Pacific Time, at its offices located at 2400 Bridge Parkway, Redwood Shores, California 94065, for the following purposes, as more fully described in the document accompanying this Notice:

1. To consider and vote upon a proposal to issue Saba common stock pursuant to the Agreement and Plan of Reorganization, dated October 5, 2005, by and among Saba, Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba, Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba, and Centra Software, Inc., a Delaware corporation (see Annex A). Under the terms of the definitive merger agreement, (i) Spruce Acquisition Corporation would merge with and into Centra, with Centra as the surviving corporation, and (ii) immediately thereafter, Centra would merge with and into Spruce Acquisition, LLC, with Spruce Acquisition, LLC as the surviving company. As a result of the merger of Spruce Acquisition Corporation with and into Centra, each share of Centra common stock held by stockholders of Centra will be converted into the right to receive (a) 0.354 of a share of Saba common stock and (b) \$0.663 in cash.
2. To grant Saba management the discretionary authority to adjourn the special meeting, if necessary, in order to enable the Saba board of directors to solicit additional proxies in favor of the merger.
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on December 16, 2005 are entitled to notice of, and to vote at, the special meeting. The stock transfer books will not be closed between the record date and the date of the meeting. A list of stockholders entitled to vote at the special meeting will be available for inspection at the executive offices of Saba.

All stockholders are cordially invited to attend the special meeting in person. Whether or not you plan to attend, please sign and return the enclosed proxy as promptly as possible in the envelope enclosed for your convenience. Should you receive more than one proxy because your

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shares are registered in different names and addresses, each proxy should be signed and returned to assure that all your shares will be voted. You may revoke your proxy at any time prior to the special meeting. If you attend the special meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the special meeting will be counted.

By Order of the Board of Directors

/s/ BOBBY YAZDANI

Chairman and Chief Executive Officer

Saba Software, Inc.

Redwood Shores, California

December 20, 2005

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED DOCUMENT CAREFULLY. TO ENSURE THAT YOUR SHARES ARE PRESENT AT THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.

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CENTRA SOFTWARE, INC.

430 Bedford Street,

Lexington, MA 02420

To the Stockholders of Centra Software, Inc.

Merger Proposal Your Vote is Very Important

Dear Centra Software, Inc. Stockholders:

We are pleased to report that on October 5, 2005, the boards of directors of Centra Software, Inc. and Saba Software, Inc. unanimously approved a definitive agreement and plan of reorganization, pursuant to which a wholly-owned subsidiary of Saba would be merged with and into Centra, with Centra being merged with and into another wholly-owned subsidiary of Saba immediately thereafter.

As a result of the merger, each share of Centra common stock will be converted into the right to receive (a) 0.354 of a share of Saba common stock and (b) \$0.663 in cash. Accordingly, the value and the aggregate number of shares of Saba common stock that Centra stockholders will receive in the merger will vary depending upon the market price of Saba common stock and the number of shares of Centra common stock outstanding at the time of the consummation of the merger. Saba common stock is listed on the Nasdaq National Market under the trading symbol SABA, and on December 14, 2005, the last sale price of per share Saba common stock was \$4.16. Based on the number of shares of common stock of Saba and Centra outstanding on December 14, 2005, after the merger the former stockholders of Centra will own approximately 36% of Saba common stock.

Saba and Centra cannot complete the merger unless Centra stockholders holding a majority of the outstanding shares of Centra approve the merger agreement and the merger. Holders of approximately 12% of the outstanding shares of Centra have entered into a voting agreement with Saba, under which they have agreed to vote their Centra shares in favor of the merger. The merger and the merger agreement will be approved if only an additional approximately 38% of the shares of Centra vote in favor of the merger and the merger agreement. Your vote is very important. **Whether or not you plan to attend your stockholders meeting, please complete, sign, date and return the accompanying proxy in the enclosed self-addressed stamped envelope.** Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

After careful consideration, the Centra Board of Directors determined the merger to be advisable and unanimously approved the merger agreement and the merger. The Centra Board of Directors unanimously recommends that you vote FOR the proposed merger and the merger agreement.

A copy of our annual report on Form 10-K for the year ended December 31, 2004 and a copy of our quarterly report on Form 10-Q for the quarter ended September 30, 2005 accompany this prospectus/proxy statement.

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This document provides you with information concerning Saba, Centra and the merger. Please give all of the information contained in this document your careful attention as an investment in Saba common stock involves risk. **In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page 17 of this document.**

Centra sincerely appreciates your interest in and consideration of this matter.

Sincerely,

/s/ LEON NAVICKAS

Leon Navickas

Chief Executive Officer

Centra Software, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Saba securities to be issued in connection with the merger or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

This document is dated December 20, 2005 and is first being mailed to the Centra stockholders on or about December 23, 2005.

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CENTRA SOFTWARE, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m., Pacific Time
DATE: January 26, 2006
PLACE: Centra Software, Inc.
430 Bedford Street
Lexington, MA 02420
PURPOSE: To consider and vote on the proposed merger of Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba Software, Inc., a Delaware corporation, with and into Centra Software, Inc., a Delaware corporation.

TO THE STOCKHOLDERS OF CENTRA SOFTWARE, INC.:

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of Centra Software, Inc., a Delaware corporation, will be held on January 26, 2006, at 10:00 a.m., Eastern Time, at our offices located at 430 Bedford Street, Lexington, MA 02420, for the following purposes, as more fully described in the document accompanying this Notice:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, dated October 5, 2005, by and among Saba, Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba, Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba, and Centra Software, Inc. (see Annex A). Under the terms of the definitive merger agreement, (i) Spruce Acquisition Corporation would merge with and into Centra, with Centra as the surviving corporation, and (ii) immediately thereafter, Centra would merge with and into Spruce Acquisition, LLC, with Spruce Acquisition, LLC as the surviving company. As a result of the merger of Spruce Acquisition Corporation with and into Centra, each share of Centra common stock held by stockholders of Centra will be converted into the right to receive (a) 0.354 of a share of Saba common stock and (b) \$0.663 in cash. Approval of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement.
2. To grant Centra management the discretionary authority to adjourn the special meeting, if necessary, in order to enable the Centra board of directors to solicit additional proxies in favor of the merger.
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on December 20, 2005 are entitled to notice of and to vote at the special meeting. A list of stockholders entitled to vote at the special meeting will be available for inspection at the executive offices of Centra Software, Inc.

All stockholders are cordially invited to attend the special meeting in person. Whether or not you plan to attend, please sign and return the enclosed proxy as promptly as possible in the envelope enclosed for your convenience. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be signed and returned to assure that all your shares will be voted.

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Pursuant to the Delaware General Corporation Law, holders of outstanding shares of common stock of Centra Software, Inc. who do not vote in favor of the approval of the merger and the merger agreement and who comply with the requirements of Section 262 of the Delaware General Corporation Law will have, if the merger is consummated, the right to seek appraisal of their shares of Centra common stock. For a more complete description of such appraisal rights, see *The Merger Appraisal Rights* beginning on page 76 in the accompanying document.

By Order of the Centra Software, Inc. Board of Directors

/s/ LEON NAVICKAS
Leon Navickas

Chief Executive Officer and Director

Lexington, Massachusetts

December 20, 2005

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED DOCUMENT CAREFULLY. TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.

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DOCUMENTS INCORPORATED BY REFERENCE

This joint proxy statement/prospectus incorporates by reference important business and financial information that is not presented in or delivered with this document.

The SEC allows us to incorporate by reference information into this document, which means that it can disclose important information to you by referring you to another document filed separately with the SEC. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this document, to the extent that a statement contained in or omitted from this document, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document. This document incorporates by reference the documents described below that we have previously filed with the SEC. These documents contain important information about Saba and Centra.

The following documents that Saba previously filed with the SEC are incorporated herein by reference:

Saba's Form 10-K for the year ended May 31, 2005 filed on August 29, 2005;

Saba's Form 10-Q for the quarter ended August 31, 2005 filed on October 17, 2005;

Saba's Form 8-K/A filed on July 19, 2005;

Saba's Form 8-K filed on September 22, 2005;

Saba's Form 8-K filed on October 6, 2005; and

Saba's Form 8-K filed on November 14, 2005.

The following documents that Centra previously filed with the SEC are incorporated herein by reference:

Centra's Form 10-K for the year ended December 31, 2004 filed on March 16, 2005;

Centra's Form 10-Q for the quarter ended March 31, 2005 filed on May 9, 2005;

Centra's Form 10-Q for the quarter ended June 30, 2005 filed on August 9, 2005;

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Centra s Form 10-Q for the quarter ended September 30, 2005 filed on November 9, 2005;

Centra s Form 8-K filed on February 18, 2005;

Centra s Form 8-K filed on March 8, 2005;

Centra s Form 8-K filed on April 7, 2005;

Centra s Form 8-K filed on May 4, 2005;

Centra s Form 8-K filed on June 8, 2005;

Centra s Form 8-K filed on June 20, 2005;

Centra s Form 8-K filed on July 20, 2005;

Centra s Form 8-K filed on October 6, 2005; and

Centra s Form 8-K filed on October 11, 2005.

We have not authorized anyone to give any information or make any representation about the merger that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated by reference into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. The information contained in this document speaks only as of the date of this document, unless the information specifically indicates that another date applies.

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WHERE YOU CAN FIND MORE INFORMATION

The documents incorporated by reference into this joint proxy statement/prospectus are available from us upon request. We will provide a copy of any and all information that is incorporated by reference in this joint proxy statement/prospectus not including exhibits to the information unless those exhibits are specifically incorporated by reference into this joint proxy statement/prospectus, to you, without charge, upon written or oral request. **You should make any request for documents by January 13, 2006 to ensure timely delivery of the documents.**

Requests relating to Saba should be directed to:

Saba Software, Inc.
Investor Relations
2400 Bridge Parkway
Redwood Shores, California 94065
(650) 581-2500

Requests relating to Centra should be directed to:

Centra Software, Inc.
Investor Relations
430 Bedford Street
Lexington, Massachusetts 02420
(781) 861-7000

Saba and Centra are required to file annual, quarterly and special reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy this information in person at the following location of the SEC:

Public Reference Room
100 F Street, N.E.
Washington, D.C. 20549

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You may also obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E. , Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like Saba and Centra, that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

Saba has filed a registration statement on Form S-4 to register with the SEC the Saba securities to be issued pursuant to the transaction. This document is a part of that registration statement. As allowed by SEC rules, this document does not contain all the information you can find in the registration statement or the exhibits to the registration statement. You may obtain a copy of the Form S-4, and any amendments to that document, in the manner described above.

This document constitutes part of the registration statement on Form S-4 filed with the SEC by Saba Software, Inc. This document does not contain all of the information included in the registration statement, certain items of which are contained in schedules and exhibits to the registration statement as permitted by the rules and regulations of the SEC. You should refer to the registration statement and its exhibits to read that information. Statements made in this document as to certain of our contracts, agreements or other documents referred to are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. This information is available at the Internet website that the SEC maintains at <http://www.sec.gov>, as well as from other sources, including from Saba at the address provided below.

This document does not constitute an offer to sell, or a solicitation of an offer to purchase, the Saba common stock or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make the offer, solicitation or an offer or proxy solicitation in that jurisdiction. Neither the delivery of this joint proxy statement/prospectus nor any distribution of securities means, under any circumstances, that there has been no change in the information set forth or incorporated by reference or in our affairs since the date of this joint proxy statement/prospectus.

Saba® is a registered trademark of Saba Software, Inc. Centra® and the Centra logo are registered trademarks of Centra in the United States and other countries. All other trade names and trademarks appearing in this document are the property of their holders.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Why am I receiving a joint proxy statement/prospectus?

A: You are receiving this joint proxy statement/prospectus because you have been identified as a stockholder of either Saba or Centra, and thus you may be entitled to vote at such company's special meeting. This document serves as both a joint proxy statement of Saba and Centra, used to solicit proxies for the special meetings, and as a prospectus of Saba, used to offer shares of Saba common stock to Centra stockholders as part of the merger consideration Centra stockholders would receive as a result of the merger.

Q: Who is Saba?

A: Saba is the leading provider of human capital management solutions, which are designed to increase organizational performance through the implementation of a management system for aligning goals, developing and motivating people and measuring results. Saba's solutions can help large enterprises to align their workforce around the organization's business objectives, efficiently manage regulatory compliance, increase sales and channel readiness, accelerate time-to-competency of people across the extended enterprise, increase speed of customer acquisition, shorten the time-to-market of new products and increase visibility into organizational performance. Saba's leadership position is supported by publicly available reports published by independent, third-party analysts that research vendors in Saba's industry and rank them based on a number of factors, including product offerings, technology and customer base.

Q: Who is Centra?

A: Centra provides software and services for online learning and training. Centra enables groups to work faster and more effectively by automating critical learning and training initiatives online through virtual classrooms, online meetings and Web conferences. Centra's customers can use its solutions to deliver hands-on training and support of new software applications, expand training and certification to employees and external channel partners, and support change management activities. In addition, Centra offers consulting, education, content creation and support services that enable its customers to successfully implement, deploy and support its products and solutions throughout their organizations.

Q: Why are Saba and Centra proposing the merger?

A: The boards of directors of Saba and Centra believe that this merger will create a stronger, more competitive company, capable of achieving greater financial strength, market share, operating efficiencies, technology development, earning power and growth potential than either company would have on its own.

Q: What will happen in the transaction?

A: The companies will combine their businesses through the proposed mergers, in which a wholly-owned subsidiary of Saba will merge with and into Centra, immediately following which Centra will merge with and into another wholly-owned subsidiary of Saba. The surviving company in this second merger will continue as a wholly-owned subsidiary of Saba. Centra stockholders will become stockholders of the combined company because they will receive Saba common stock and cash for their Centra shares of common stock. The two mergers described above will be referred to in this document collectively as the merger, or the transaction.

Q: What will Centra stockholders receive in exchange for their shares of Centra common stock?

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- A: In the merger, each share of Centra common stock held by stockholders of Centra will be converted into the right to receive (a) 0.354 of a share of Saba common stock and (b) \$0.663 in cash. Accordingly, the value and the number of shares of Saba common stock that Centra stockholders will receive in the merger will vary depending upon the market price of Saba common stock and the number of shares of Centra common stock outstanding at the time of the consummation of the merger.

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Q: How long will it take to complete the merger?

A: The merger will occur after the approvals of Saba and Centra stockholders are obtained and the other conditions to the merger are satisfied or waived. Subject to such stockholder approvals and other conditions to the merger, the merger is expected to be completed in Saba's third fiscal quarter ending February 28, 2006 and Centra's first quarter ending March 31, 2006.

Q: Do Saba and Centra have the right to terminate the merger agreement based upon their stock prices?

A: No. The exchange ratio is fixed and, subject to satisfaction of the conditions to closing the merger, neither Saba nor Centra has the right to walk away from the transaction based on the fact that its or the other party's stock price increases or decreases.

Q: How will the merger affect Centra stock options?

A: Centra option holders may exercise their vested stock options through the closing of the merger (targeted to be during Saba's third quarter ending February 28, 2006 and Centra's first quarter ending March 31, 2006). Additionally, all unvested Centra options will become exercisable immediately prior to the closing of the merger. After the closing of the merger, all unexercised Centra stock options will be cancelled.

Q: Will Centra stockholders be able to trade the Saba common stock they receive in the merger?

A: Yes. The Saba common stock will be listed on the Nasdaq Stock Market under the symbol SABA. Certain persons who are deemed affiliates of Centra will be required to comply with Rule 145 under the Securities Act if they sell their shares of Saba common stock received in the merger.

Q: What vote is required to approve the merger?

A: For Centra, the merger will require the affirmative vote of holders of a majority of the shares of Centra common stock issued and outstanding on the record date. For Saba, approval of the proposal to issue shares of Saba common stock in the merger will require the affirmative vote of holders of a majority of the shares of Saba common stock present and entitled to vote at the Saba special meeting.

Q: Are Centra stockholders entitled to appraisal rights?

A: Yes. Centra stockholders will have appraisal rights under Delaware law in connection with the merger. Any Centra stockholder who has not voted shares of Centra common stock in favor of the merger agreement has the right to demand appraisal of, and to be paid the fair market value for, such shares of Centra common stock in lieu of the cash and Saba common stock provided for in the merger agreement. The value of the Centra common stock for this purpose will exclude any impact on value arising from, or expected to arise from, the merger. In order for the holder of Centra common stock to exercise its right to an appraisal, if any, such holder must deliver to Centra a written demand for an appraisal of the shares of Centra common stock prior to the time the vote is taken on the merger agreement at the Centra stockholder meeting as provided by Delaware law. For more detail, see *The Merger Appraisal Rights* on page 76.

Q: Are Saba stockholders entitled to appraisal rights?

A: No.

Q: Are there risks I should consider in deciding whether to vote for the merger?

A: Yes. We have set out in the section entitled *Risk Factors* beginning on page 17 of this document a number of risk factors that you should consider in connection with the merger.

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Q: How will Centra fit into Saba after the merger?

A: Centra will merge with and into Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba, and will operate as a wholly-owned subsidiary of Saba. Employees of Centra who are retained by Saba will become employees of the surviving company or of Saba.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this document. You should then complete and sign your proxy card and return it in the enclosed return envelope as soon as possible so that your shares will be represented at the stockholder meeting.

Q: What do I do to vote on the merger?

A: Following your review of this document, complete and sign the enclosed proxy card, and then mail it in the enclosed return envelope as soon as possible so that your shares can be voted at the Centra stockholder meeting at which the merger agreement and the merger will be presented and voted upon or the Saba stockholder meeting at which issuance of Saba securities will be voted upon. You may also attend the stockholder meeting and vote in person instead of submitting a proxy.

Q: What happens if I return my proxy card but don't indicate how to vote?

A: If you sign your proxy properly, but do not include instructions on how to vote, your shares will be voted FOR each of the proposals, including approval of the merger agreement and the merger (for Centra stockholders), the issuance of Saba securities (for the Saba stockholders), and the related merger transactions.

Q: What happens if I don't return a proxy card at all?

A: If you are a Centra stockholder, not returning your proxy card will have the same effect as voting against approval of the merger agreement, the merger and the related transactions. If you are a Saba stockholder, assuming a quorum is present at the Saba special meeting, not returning your proxy card will have no effect on approval of the issuance of Saba securities to the Centra stockholders.

Q: Can I change my vote after I mail my signed proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can change your vote in one of three ways. First, you can send a written notice to Saba or Centra, as applicable, stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card reflecting a later date. If you choose to change your vote by either of these two methods, you must submit your notice of revocation or your new proxy before the vote at the stockholder meeting to the applicable address on page 41 of this document if you are a Saba stockholder or page 43 of this document if you are a Centra stockholder. Third, you can attend the stockholder meeting and vote in person.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: Yes, but your broker will not be able to vote your shares without instructions from you. If you have instructed a broker to vote your shares and want to change your instructions, you must follow directions received from your broker to do so.

Q: Should I send in my stock certificates now?

A: No, do not send in your stock certificates now. After the consummation of the merger, Saba will send Centra stockholders written instructions on how to exchange their Centra stock certificates for new Saba certificates.

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Q: Where can I find more information about Saba and Centra?

A: You can find more information about Saba and Centra in the section entitled *Where You Can Find More Information*, on page ii of this document.

Q: Who can help answer questions about the merger?

A: If you are a Saba stockholder with questions about the merger or voting your shares, please contact:

Saba Software, Inc.
Investor Relations
2400 Bridge Parkway
Redwood Shores, California 94065
(650) 581-2500

If you are a Centra stockholder with questions about the merger or voting your shares, please contact:

Centra Software, Inc.
Investor Relations
430 Bedford Street
Lexington, Massachusetts 02420
(781) 861-7000

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SUMMARY OF THE JOINT PROXY STATEMENT/PROSPECTUS

This summary highlights selected information fro