

SABA SOFTWARE INC
Form S-4
November 14, 2005
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 14, 2005

Registration No. 333-

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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)
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Saba Software, Inc.

2400 Bridge Parkway

Redwood Shores, CA 94065

(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)

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With Copies to:

Paul Chip L. Lion III, Esq.

Robert L. Birnbaum, Esq.

Mary J. Shimizu, Esq.

Gerard P. O Connor, Esq.

Morrison & Foerster LLP

Foley Hoag LLP

755 Page Mill Road

155 Seaport Boulevard

Palo Alto, California 94304

Boston, Massachusetts 02210

(650) 813-5600

(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. "

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price per Share (2)	Proposed Maximum Aggregate Offering Price (3)	Amount Of Registration Fee
Common Stock, \$0.001 par value per share	10,720,546		\$30,798,856	\$3,630

- (1) This registration statement covers the maximum number of shares of common stock, \$0.001 par value per share of Saba Software, Inc., a Delaware corporation (Saba) estimated to be issued pursuant to the merger of a subsidiary of Saba with and into Centra Software, Inc., a Delaware corporation (Centra), calculated as the product of (a) the estimated number of shares of common stock, \$0.001 par value per share of Centra held by stockholders of Centra on the closing date of the merger and (b) the exchange ratio of 0.354 of a share of Saba common stock for each such share of Centra common stock. This registration statement also covers additional shares of Saba common stock that may be issued resulting from any stock split, stock dividend or similar transaction involving Saba common stock or Centra common stock, pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act).
- (2) Omitted pursuant to Rule 457(o) under the Securities Act.
- (3) Estimated solely for the purposes of calculating the registration fee required by the Securities Act and computed pursuant to Rule 457(c), Rule 457(f)(1) and Rule 457(f)(3) under the Securities Act based on the market value of the securities of Centra to be cancelled in the merger, as established by the average of the high and low per share sale prices of Centra common stock on The Nasdaq National Market on November 9, 2005 which was \$1.68, multiplied by 30,284,028 which is the expected maximum number of shares of Centra common stock to be cancelled in the merger in exchange for cash and common stock of Saba, assuming the issuance, prior to the merger, of 2,000,000 shares of Centra common stock pursuant to the exercise of outstanding Centra stock options. This amount has, pursuant to Rule 457(f)(3), been reduced by the cash expected to be paid by Saba in the merger.

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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The information in this prospectus is not complete and may be changed. Saba may not issue the securities to be issued in connection with the mergers described in this document until the registration statement filed with the Securities and Exchange Commission is effective. Any representation to the contrary is a criminal offense. This prospectus is not an offer to sell the securities and Saba is not soliciting an offer to buy the securities in any state where the offer or sale is not permitted.

Subject to Completion, dated November 14, 2005

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 November 9, 2005, Saba common stock closed at \$3.34 per share. Based on the number of shares of common stock of Saba and Centra outstanding on November 4, 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.

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 _____, 2005 and is first being mailed to the Saba stockholders on or about _____, 2005.

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SABA SOFTWARE, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TIME: _____, Pacific Time
DATE: _____, 2005
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 _____, 2005, 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 _____, 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

, 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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The information in this document is not complete and may be changed. Saba may not issue the securities to be issued in connection with the merger described in this document until the registration statement filed with the Securities and Exchange Commission is declared effective. Any representation to the contrary is a criminal offense. This document is not an offer to sell the Saba securities and Saba is not soliciting an offer to buy the Saba securities in any state where the offer or sale is not permitted.

Subject to Completion, dated November 14, 2005

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 November 9, 2005, the last sale price of per share Saba common stock was \$3.34. Based on the number of shares of common stock of Saba and Centra outstanding on November 4, 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.

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 _____, 2005 and is first being mailed to the Centra stockholders on or about _____, 2005.

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CENTRA SOFTWARE, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m., Pacific Time

DATE: , 2005

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 , 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 , 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

, 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 _____, 2005 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
450 Fifth Street, N.W.
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, 450 Fifth Street, N.W., Suite 1024, 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 from this document and may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which this document refers or that are incorporated by reference herein in order to understand fully the merger. The merger agreement is attached as Annex A to this document. Saba and Centra encourage you to read the merger agreement in its entirety as it is the legal document that governs the merger and related transactions. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled "Where You Can Find More Information" on page ii of this document.

The Companies

Saba Software, Inc.

2400 Bridge Parkway

Redwood Shores, CA 94065

Telephone: (650) 696-3840

<http://www.saba.com>

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 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.

Spruce Acquisition Corporation

c/o Saba Software, Inc.

2400 Bridge Parkway

Redwood Shores, CA 94065

Spruce Acquisition, LLC

c/o Saba Software, Inc.

2400 Bridge Parkway

Redwood Shores, CA 94065

Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba, was incorporated on October 3, 2005 in the State of Delaware. Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba, was formed on September 22, 2005 in the State of Delaware. These companies have not engaged in any operations and exist solely to facilitate this transaction. Therefore, although they will be parties to the merger, when we discuss the merger in this document, we generally refer only to Saba.

Centra Software, Inc.

430 Bedford Street

Lexington, MA 02420

Telephone: (781) 861-7000

<http://www.centra.com>

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

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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.

The Transaction

The Merger (See page 44)

Saba and Centra are proposing a business combination transaction in which each share of Centra common stock will be converted into the right to receive (a) 0.354 of shares of Saba common stock and (b) \$0.663 in cash. The exchange ratio is described in more detail in the section titled *The Merger - General Description of the Merger and Conversion of Centra Common Stock* beginning on page 44 of this document. The transaction will involve two mergers. First, Spruce Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Saba, will merge with and into Centra. In the second merger, Centra will merge with and into Spruce Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Saba.

Exchange of Stock Certificates (See page 77)

After the merger is completed, Centra stockholders will receive a letter of transmittal that will provide instructions on how to exchange their Centra stock certificates for new Saba stock certificates.

Please do not send your Centra common stock certificates at this time.

Saba Stockholder Meeting (See page 38)

Under the rules of the Nasdaq National Market, Saba stockholders must vote to approve the issuance of Saba securities pursuant to the merger in order for Saba and Centra to complete the merger.

The Saba stockholder meeting will be held at 10:00 a.m. on _____, 2005 at the offices of Saba, located at 2400 Bridge Parkway, Redwood Shores, CA 94065. At the stockholder meeting, Saba stockholders will be asked to vote to approve the issuance of Saba securities pursuant to the merger.

Record holders of Saba common stock at the close of business on _____, 2005, which is the record date for the Saba meeting, may vote, or submit a proxy to vote, at the Saba meeting. Saba stockholders who return a proxy may revoke it at any time before the vote at the Saba meeting by sending a later-dated proxy or a written notice revoking the proxy to the secretary of Saba, or by attending the meeting and voting in person.

Centra Stockholder Meeting (See page 38)

Under Delaware law, Centra stockholders must vote to approve the merger agreement and the merger in order for Centra and Saba to consummate the merger.

The Centra stockholder meeting will be held at 10:00 a.m. on _____, 2005 at Centra's offices, located at 430 Bedford Street, Lexington, MA 02420. At the stockholder meeting, Centra stockholders will be asked to vote to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement.

Record holders of Centra common stock at the close of business on _____, 2005, which is the record date for the Centra stockholder meeting, may vote, or submit a proxy to vote, at the Centra stockholder meeting. Centra stockholders who return a proxy may revoke it at any time before the vote at the Centra stockholder meeting by sending a later-dated proxy or a written notice revoking the proxy to the secretary of Centra or by attending the meeting and voting in person.

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Vote Required (See pages 39-40)

Saba. Holders of a majority of the shares of Saba common stock present in person or by proxy and entitled to vote at the Saba stockholder meeting must vote to approve the issuance of Saba securities pursuant to the merger.

Holders of approximately 30% of the outstanding shares of Saba have entered into voting agreements with Centra, under which they agreed to vote their shares of Saba common stock in favor of the merger. For more information about the terms of the voting agreement, please see the section of this document titled *The Voting Agreements* beginning on page 86.

Centra. Holders of a majority of the shares of Centra common stock issued and outstanding on _____, 2005, the record date for the Centra stockholder meeting, must vote to approve the merger agreement and the merger. Centra's stockholders are entitled to cast one vote for each share of Centra common stock they owned as of _____, 2005. If a Centra stockholder does not send in a completed proxy, or attend the stockholder meeting to vote shares of Centra common stock in person, the effect will be the same as a vote against the merger.

Holders of approximately 12% of the outstanding shares of Centra have entered into voting agreements with Saba, under which they agreed to vote their shares of Centra common stock 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 adoption of the merger agreement.

For more information about the terms of the voting agreements, please see the section of this document titled *The Voting Agreements* beginning on page 86.

Recommendation to Centra Stockholders (See page 39)

After careful consideration, Centra's board of directors unanimously approved the merger agreement and the merger, determined that the merger is advisable, and unanimously resolved to recommend that Centra stockholders vote to approve the merger agreement and the merger as required under Delaware law.

THE CENTRA BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE HOLDERS OF CENTRA COMMON STOCK APPROVE THE MERGER AGREEMENT AND THE MERGER.

Opinion of Centra's Financial Advisor (See page 51)

On October 4, 2005, Jefferies Broadview met with the board of directors of Centra and reviewed with them its financial analysis of the proposed merger. On October 5, 2005, Jefferies Broadview delivered to the board of directors of Centra its opinion, that, as of October 5, 2005, and based upon and subject to the considerations and limitations set forth in the opinion, the aggregate consideration to be received by holders of Centra

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common stock in the merger is fair from a financial point of view to such holders. The full text of the written opinion of Jefferies Broadview, which sets forth the procedures followed, assumptions made, general procedures followed, matters considered and limits on review undertaken, has been attached as Annex D to this document. You are encouraged to read this opinion carefully in its entirety. The opinion of Jefferies Broadview is addressed to the Centra board of directors and relates only to the fairness, from a financial point of view, of the aggregate consideration to the holders of Centra common stock. The opinion does not address any other aspects of the proposed merger and does not constitute an opinion or recommendation to Centra, its board of directors, any stockholder or any other person as to any specific action which should be taken with respect to the merger, including with respect to how any Centra stockholder should vote at the stockholder meeting.

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Recommendation to Saba Stockholders (See page 39)

After careful consideration, Saba's board of directors unanimously approved and adopted the merger agreement, and determined that the merger and the issuance of Saba securities in the merger, are in the best interests of Saba and its stockholders, and unanimously determined to recommend that Saba stockholders vote to approve the issuance of Saba securities pursuant to the merger.

THE SABA BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE HOLDERS OF SABA STOCK APPROVE THE ISSUANCE OF SABA SECURITIES IN THE MERGER.

Opinion of Saba's Financial Advisor (See page 65)

In connection with the merger, Banc of America Securities LLC, which is referred to in this joint proxy statement/prospectus as Banc of America Securities, delivered to the Saba board of directors a written opinion, dated October 4, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to Saba of the merger consideration to be paid by Saba pursuant to the merger agreement. The full text of the written opinion, dated October 4, 2005, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this joint proxy statement/prospectus and is incorporated by reference in its entirety into this joint proxy statement/prospectus. Holders of Saba common stock are encouraged to read the opinion carefully in its entirety. Banc of America Securities provided its opinion to the Saba board of directors to assist the board in its evaluation of the merger consideration to be paid by Saba pursuant to the merger agreement. The opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote at the special meetings. Banc of America Securities' opinion speaks only as of the date of the opinion, and Banc of America Securities is under no obligation to confirm its opinion as of a later date.

Interests of Centra's Officers and Directors in the Merger (See page 72)

When considering the recommendation of Centra's board of directors, you should be aware that some Centra directors and executive officers have interests in the merger that are different from, or are in addition to, your interests. Some of the directors and officers of Centra participate or will participate in employment and other arrangements and have continuing indemnification against liabilities. The members of the Centra board of directors knew about these additional interests, and considered them, when they approved the merger and the merger agreement.

As a result of these interests, these directors and officers might be more likely to vote to approve the merger agreement and the merger than they would be if they did not hold these interests. You should consider whether these interests may have influenced these directors and officers to support or recommend the merger and the adoption of the merger agreement.

Treatment of Centra Stock Options by Saba (See page 84)

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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.

Limitation on Centra's Ability to Consider Other Acquisition Proposals (See page 82)

Centra has agreed, unless it receives a superior acquisition proposal as defined in the merger agreement, not to take any action to solicit, initiate, or encourage any proposal for a merger or other business combination

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involving Centra, or involving the acquisition or purchase of a fifteen percent or greater equity interest in, or fifteen percent or more of the assets of, Centra or any of its subsidiaries, prior to the completion of the merger or the earlier termination of the merger agreement. If the Centra board believes, after consultation with its financial advisors, that a takeover proposal it receives is a superior proposal, it may change or withdraw its recommendation to the merger.

Conditions to Completion of the Merger (See page 84)

Saba and Centra will complete the merger when all of the conditions to completion of the merger are satisfied or waived, including approval of the merger agreement and the merger by the stockholders of Centra and approval of the issuance of Saba securities pursuant to the merger agreement by the Saba stockholders. Saba and Centra are working towards completing the merger as quickly as reasonably possible.

Termination of the Merger Agreement (See page 85)

Saba and Centra can terminate the merger agreement under certain circumstances, including if the merger is not consummated by March 1, 2006.

Termination Fees (See page 85)

The merger agreement requires Centra to pay Saba a termination fee equal to \$1,798,625 if the merger agreement is terminated by Saba under certain circumstances. The merger agreement requires Saba to pay Centra a termination fee equal to \$1,798,625 if the merger agreement is terminated by Centra under certain circumstances.

Material United States Federal Income Tax Consequences of the Merger (See page 74)

It is intended that, for United States federal income tax purposes, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Each company's obligation to consummate the merger is conditioned on its receipt of an opinion from its counsel to the effect that the merger will so qualify. Either Saba or Centra may waive such condition. Assuming that the merger qualifies as a reorganization under Section 368(a) of the Internal Revenue Code, then, in general, a Centra stockholder:

will recognize gain (but not loss) with respect to its Centra common stock in an amount equal to the lesser of (i) any gain realized with respect to such stock or (ii) the amount of cash received with respect to such stock (other than any cash received instead of a fractional share of Saba common stock); and

will recognize gain (or loss) to the extent any cash received instead of a fractional share of Saba common stock exceeds (or is less than) the basis of such fractional share.

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No gain or loss will be recognized by Saba, Centra or the Saba stockholders as a result of the merger.

Tax matters are very complicated, and the tax consequences of the merger to a Centra stockholder will depend on the facts of each stockholder's own situation. For a description of the material United States federal income tax consequences of the merger, please see the information set forth in *Material United States Federal Income Tax Consequences* beginning on page 74. Centra stockholders are also urged to consult their tax advisors for a full understanding of the tax consequences of the merger.

Appraisal Rights (See page 76)

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

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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 securities provided for in the merger agreement. The value of the Centra common stock for this purpose will exclude any actual or expected impact on value arising 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 at the Centra stockholder meeting as provided by Delaware law.

Restrictions on the Ability to Sell Saba Stock (See page 77)

All shares of Saba common stock received by a Centra stockholder in connection with the merger will be freely transferable unless the stockholder is considered an affiliate of either Saba or Centra under the federal securities laws. Saba will be entitled to place appropriate legends on the certificates evidencing any Saba common stock to be received by affiliates of Centra in the merger.

Expenses (See page 78)

Except for the termination fees payable by Saba and Centra in certain circumstances, each company has agreed to pay the expenses that it incurs in connection with the merger, whether or not the merger is completed. In addition, each company will pay 50% of the SEC filing fees in connection with this joint proxy/prospectus, certain notifications to be provided to the Nasdaq Stock Market, and other necessary consents, authorizations, filings, approvals and registrations.

Differences in the Rights of Holders of Centra and Saba Common Stock (See page 100)

Holders of Centra common stock will receive Saba common stock and become a stockholder of Saba after the merger. Their rights as a Saba stockholder will continue to be governed by Delaware law but rather than being governed by Centra's certificate of incorporation and bylaws, their rights will be governed by Saba's certificate of incorporation and bylaws.

Regulatory Approvals (See page 76)

Other than the SEC declaring Saba's registration statement on Form S-4 relating to this transaction effective, Saba and Centra do not believe that any additional material governmental filings are required with respect to the transaction.

Where You Can Find More Information (See page ii)

If you would like more information about Saba or Centra, you can find this information in documents filed by Saba and Centra with the SEC.

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SABA SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table should be read in conjunction with Saba's consolidated financial statements and related notes and Saba's Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in Saba's annual reports, quarterly reports and other information on file with the Securities and Exchange Commission and incorporated herein by reference. Historical results are not necessarily indicative of the results to be expected in the future.

The selected historical financial data as set forth below has been derived from Saba's audited consolidated historical financial statements for each of the five years ended May 31, 2005 and from the unaudited historical consolidated financial statements as of August 31, 2005 and for the three months ended August 31, 2005 and 2004. In the opinion of Saba's management, the unaudited financial statements reflect all adjustments, consisting of normal recurring adjustments, which Saba considers necessary to present fairly its results of operations and financial position for such interim periods. Operating results for the three months ended August 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ended May 31, 2006.

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	Year Ended May 31,					Three Months Ended August 31,	
	2001	2002	2003	2004	2005	2004	2005
	(In Thousands, Except Per Share Data)					(Unaudited)	
Consolidated Statements of Operations Data:							
Revenues:							
Licenses	\$ 24,845	\$ 27,277	\$ 16,440	\$ 9,838	\$ 13,846	\$ 2,522	\$ 3,396
Services	30,110	28,371	27,976	24,633	28,364	6,791	10,232
Total revenues	54,955	55,648	44,416	34,471	42,210	9,313	13,628
Cost of Revenues:							
Cost of license	68	186	156	222	404	79	259
Cost of Services	23,452	14,456	13,258	12,057	12,466	3,015	5,042
Amortization of acquired developed technology		1,536	1,358	401		2	
Total cost of revenues	23,520	16,178	14,772	12,680	12,870	3,096	5,301
Gross profit	31,435	39,470	29,644	21,791	29,340	6,217	8,327
Operating expenses:							
Research and development	19,503	14,628	11,817	9,972	9,349	2,365	2,758
Sales and marketing	52,048	30,360	26,047	17,947	17,520	4,337	5,470
General and administrative	9,662	6,855	6,514	4,357	5,499	1,132	1,432
amortization of deferred stock compensation and other stock charges	15,256	7,113	1,850	45			
Amortization of purchased intangible assets	424	3,657	855	139	51		170
Acquired in-process research and development		2,199					
Settlement of litigation				1,701			
Total operating expenses	96,893	64,812	47,083	34,161	32,419	7,834	9,830
Loss from operations	(65,458)	(25,342)	(17,439)	(12,370)	(3,079)	(1,617)	(1,503)
Interest income (expense) and other, net	2,736	39	407	(205)	(89)	(18)	(111)
Loss before provision for income taxes	(62,722)	(25,303)	(17,032)	(12,575)	(3,168)	(1,635)	(1,614)
Provision for income taxes	(69)	(164)	(175)	(108)	(248)	(42)	(8)
Net loss	\$ (62,791)	\$ (25,467)	\$ (17,207)	\$ (12,683)	\$ (3,416)	\$ (1,677)	\$ (1,622)
Basic and diluted net loss per share	\$ (5.95)	\$ (2.19)	\$ (1.35)	\$ (0.95)	\$ (0.22)	\$ (0.12)	\$ (0.09)
Shares used in computing basic and diluted net loss per share	10,556	11,623	12,775	13,411	15,687	14,026	17,295

As of May 31,					As of August 31,
2001	2002	2003	2004	2005	2005

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	(In Thousands)					(Unaudited)
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	\$ 34,333	\$ 22,141	\$ 21,197	\$ 16,778	\$ 15,408	\$ 11,802
Working capital	18,956	14,325	13,318	2,606	5,099	3,011
Total assets	68,111	48,688	40,836	31,741	54,299	49,618
Long-term obligations, less current portion	4,290	3,443	3,964	3,370	6,286	2,909
Total stockholders' equity	27,959	24,346	18,460	6,521	20,834	19,263

Table of Contents**CENTRA SELECTED HISTORICAL FINANCIAL DATA**

The selected historical financial data as set forth below has been derived from Centra's audited consolidated historical financial statements for each of the five years ended December 31, 2004 and from its unaudited historical consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2005 and 2004. The selected historical financial data set forth below should be read in conjunction with Centra's consolidated financial statements and related notes contained in Centra's annual reports, quarterly reports and other filings it makes with the Securities and Exchange Commission which are incorporated by reference into this joint proxy statement/prospectus.

	Year Ended December 31,					Nine Months Ended	
						September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(In Thousands, Except Per Share Data)					(Unaudited)	
Consolidated Statements of Operations Data(1):							
Revenues:							
License	\$ 18,697	\$ 28,815	\$ 15,967	\$ 20,342	\$ 11,650	\$ 7,972	\$ 7,654
Software services	408	2,716	5,478	8,235	10,338	7,671	7,874
Maintenance and professional services	3,868	7,586	11,955	14,464	16,076	11,951	13,159
Total revenues	22,973	39,117	33,400	43,041	38,064	27,594	28,687
Cost of revenues:							
License	314	505	434	581	277	194	415
Amortization of acquired developed technology		467	700	700	233	233	
Software services	241	2,216	2,286	2,320	2,386	1,784	1,674
Maintenance and professional services	3,164	4,360	4,119	4,218	4,549	3,244	3,253
Total cost of revenues	3,719	7,548	7,539	7,819	7,445	5,455	5,342
Gross profit	19,254	31,569	25,861	35,222	30,619	22,139	23,345
Operating expenses:							
Sales and marketing	22,964	25,872	20,975	22,146	22,496	16,815	10,487
Product development	8,642	12,675	12,113	11,513	10,029	7,889	6,716
General and administrative	5,316	7,731	8,121	9,736	8,630	6,583	6,553
Acquired in-process research and development		2,200					
Amortization of goodwill		783					
Amortization of other intangible assets		66					
Impairment of goodwill			5,885				
Merger transaction costs			1,238				
Restructuring charges			439		788	788	
Total operating expenses	36,922	49,327	48,771	43,395	41,943	32,075	23,756
Operating loss	(17,668)	(17,758)	(22,910)	(8,173)	(11,324)	(9,936)	(411)
Other income, net	3,810	1,076	440	262	219	152	394
Net loss	(13,858)	(16,682)	(22,470)	(7,911)	(11,105)	(9,784)	(17)
Accretion of discount on preferred stock	649						

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Net loss attributable to common stockholders	\$ (14,507)	\$ (16,682)	\$ (22,470)	\$ (7,911)	\$ (11,105)	\$ (9,784)	\$ (17)
Basic and diluted net loss per common share	\$ (0.67)	\$ (0.68)	\$ (0.88)	\$ (0.30)	\$ (0.41)	\$ (0.36)	\$ (0.00)

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	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(In Thousands, Except Per Share Data)					(Unaudited)	
Weighted average common shares outstanding, basic and diluted	21,781	24,449	25,601	26,502	27,367	27,299	27,844
Pro forma basic and diluted net loss per common share (2)	\$ (0.64)						
Pro forma weighted average common shares outstanding, basic and diluted(2)	22,608						

- (1) Includes the impact of the acquisition of MindLever from the date of acquisition in April 2001.
- (2) Pro forma basic and diluted net loss per common share includes accretion of \$649 based on the assumption that the full amount of the discount is expensed at conversion.

	As of December 31,					As of September 30,
	2000	2001	2002	2003	2004	2005
	(In Thousands)					(Unaudited)
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	\$ 65,187	\$ 48,183	\$ 38,244	\$ 28,888	\$ 25,135	\$ 24,536
Working capital	59,927	42,188	28,127	16,549	12,604	13,955
Long-term investments				5,888	743	
Goodwill and other intangible assets, net		6,955	933	233		
Total assets	75,064	70,977	51,424	46,028	37,228	33,769
Long-term debt, net of current maturities	1,894	2,631	2,027	553	1,012	784
Total stockholders' equity	61,874	51,347	30,490	24,325	14,191	14,724

Table of Contents**SABA SELECTED UNAUDITED PRO FORMA****CONDENSED COMBINED CONSOLIDATED FINANCIAL DATA**

The selected unaudited pro forma condensed combined consolidated financial data set forth below gives effect to the proposed acquisition of Centra as if the acquisition had been completed on June 1, 2004 for statements of operations purposes and August 31, 2005 for balance sheet purposes, and is derived from the unaudited pro forma condensed combined consolidated financial information included elsewhere in this joint proxy statement/prospectus. This pro forma financial data should be read in conjunction with the unaudited pro forma condensed combined consolidated financial information and related notes, which are included elsewhere in this joint proxy statement/prospectus, and the separate historical financial statements and related notes of Saba and Centra which are incorporated by reference in this joint proxy statement/prospectus. For pro forma purposes, Saba has combined the unaudited results of operations of Centra for the twelve months ended June 30, 2005 with the audited results of operations of Saba for the year ended May 31, 2005 and the unaudited results of operations of THINQ Learning Solutions, Inc., for the eleven months ended March 31, 2005. Previously on May 5, 2005, Saba acquired THINQ Learning Solutions (THINQ) in a transaction accounted for as a purchase. The operating results of THINQ are included in the historical results of operations of Saba for all periods subsequent to May 5, 2005. The Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations Data for the year ended May 31, 2005, gives effect to the acquisition of THINQ as if it was acquired on June 1, 2004. Because of differing accounting periods and the one month of operating results of THINQ already included in Saba's historical operating results for the year ended May 31, 2005, the Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations Data for the year ended May 31, 2005, combines the operating results of THINQ for the eleven months ended March 31, 2005 with the results of Saba for the 12 months ended May 31, 2005. The accompanying Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations of Saba also reflect the unaudited results of operations of Centra for the three months ended September 30, 2005 with the unaudited results of operations of Saba for the three months ended August 31, 2005, respectively. The total estimated purchase price of the acquisition of Centra has been allocated on a preliminary basis to assets acquired and liabilities assumed based on management's best estimates of their fair value with the excess cost over the net tangible and identifiable intangible assets acquired allocated to goodwill. This allocation is subject to change pending a final analysis of the total purchase cost and the fair value of the assets acquired and liabilities assumed at the closing date of the acquisition. The impact of these changes could be material. The unaudited pro forma condensed combined consolidated financial data is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the dates indicated, nor is it necessarily indicative of future operating results or financial position of Saba.

	As of and for the Three Months Ended August 31, 2005	For the Year Ended May 31, 2005
	(In thousands,	
	except per share data)	
Pro Forma Condensed Combined Consolidated Statements of Operations Data:		
Revenues	\$ 22,792	\$ 85,621
Amortization of acquired developed technology	298	1,192
Amortization of purchased intangibles	652	2,656
Loss from operations	(1,860)	(20,528)
Net loss	\$ (1,927)	\$ (21,507)
Net loss per share:		
Basic and diluted	\$ (0.07)	\$ (0.78)
Weighted-average shares used in per share calculations:		
Basic and diluted	27,524	27,538
Pro Forma Condensed Combined Consolidated Balance Sheet Data:		
Cash, cash equivalents and investments	\$ 17,198	
Working capital	352	

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Total assets	102,733
Long-term liabilities, net of current portion	6,554
Total stockholders' equity	55,859

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The following table presents certain historical per share data of Saba and Centra and certain unaudited pro forma per share data that reflects the combination of Saba and Centra using the purchase method of accounting. This data should be read in conjunction with the audited consolidated financial statements of Saba that are incorporated by reference into this joint proxy statement/prospectus, the consolidated financial statements of Centra that are incorporated by reference, and the Saba unaudited pro forma condensed combined consolidated financial statements included elsewhere in this joint proxy statement/prospectus. The pro forma combined per share data is presented for illustrative purposes only and does not necessarily indicate the operating results that would have been achieved had the combination of Saba and Centra actually occurred at the beginning of the periods presented nor does it indicate future results of operations or financial position.

	As of and for the Year Ended May 31, 2005			
	Historical		Pro Forma	
	Saba	Centra (1)	Saba (2)	Centra Equivalent (3)
	<u>Saba</u>	<u>Centra (1)</u>	<u>Saba (2)</u>	<u>Centra Equivalent (3)</u>
Net loss per share:				
Basic and diluted	\$ (0.22)	\$ (0.14)	\$ (0.78)	\$ (0.28)
Book value per common share at period end	\$ 1.16	\$ 0.53		

	As of and for the Three Months Ended August 31, 2005			
	Historical		Pro Forma	
	Saba	Centra (4)	Saba (5)	Centra Equivalent (3)
	<u>Saba</u>	<u>Centra (4)</u>	<u>Saba (5)</u>	<u>Centra Equivalent (3)</u>
Net income (loss) per share:				
Basic and diluted	\$ (0.09)	\$ 0.03	\$ (0.07)	\$ (0.02)
Book value per common share at period end	\$ 1.08	\$ 0.53	\$ 1.99	\$ 0.70

- (1) Because Centra's fiscal year end differs from Saba's, the amounts represent the unaudited financial information relating to Centra's twelve months ended June 30, 2005. For purposes of computing net loss per share basic and diluted for the twelve months ended June 30, 2005, Centra's unaudited loss of \$3.9 million was divided by weighted average shares of 27,789,000.
- (2) The unaudited pro forma comparative per share data for the year ended May 31, 2005 is based on the Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations of Saba included elsewhere in this joint proxy statement/prospectus after giving effect to the merger with Centra and THINQ as described in the footnotes accompanying the pro forma financial statements of Saba.
- (3) The Centra pro forma equivalent per share amounts are computed by multiplying the Saba pro forma combined per share amounts by the exchange ratio of 0.354 shares of Saba common stock for each share of Centra common stock.
- (4) Because Centra's fiscal year end differs from Saba's, the amounts represent the unaudited financial information relating to Centra's three months ended September 30, 2005.
- (5) The unaudited comparative per share data for the three months ended August 31, 2005 is based on the Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations of Saba included elsewhere in this joint proxy statement/prospectus, after giving effect to the merger with Centra as described in the footnotes accompanying the pro forma financial statements of Saba. For purposes of computing pro forma book value per share as of August 31, 2005, the pro forma book value of \$55.9 million was divided by pro forma common shares of 28,072,000.

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RISK FACTORS

By voting to approve the merger agreement, the merger and related transactions, Centra stockholders will be choosing to invest in Saba securities. An investment in Saba securities involves a high degree of risk which risk may be in addition to or different from the risk of investment in Centra securities. You should consider the following risk factors in deciding whether to approve the merger agreement, the merger and related transactions. In evaluating the merger, you should consider these risk factors in connection with the other information that Saba and Centra have included or incorporated by reference into this document.

Saba's Risks Related to the Merger

The shares of Saba common stock to be received by Centra stockholders in the merger may decrease in value.

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. As the exchange ratio is fixed, the number of shares of Saba common stock that Centra stockholders will receive in the merger will not change, even if the market price of Saba common stock changes. There will be no adjustment to the exchange ratio or right to terminate the merger agreement or the merger based solely on fluctuations in the price of Saba common stock. In recent periods, the stock market in general has experienced extreme price and volume fluctuations. These market fluctuations may adversely affect the market price of Saba common stock. The market price of Saba common stock upon and after completion of the merger could be lower than the market price on the date of the merger agreement or its current market price. You should obtain recent market quotations of Saba common stock before you return your proxy card or cast your vote on the issuance of Saba securities in the merger at the Saba stockholder meeting or your vote on the merger at the Centra stockholder meeting.

In particular, the market price of Saba common stock may fluctuate significantly in response to various factors, including:

quarterly variations in operating results or growth rates;

the announcement of technological innovations and other actions by competitors;

the introduction of new products;

changes in estimates by securities analysts;

market conditions in the industry and general economic conditions; and

patents and other intellectual property rights issued to competitors of Saba.

Failure to retain key employees could diminish the benefits of the merger.

The successful combination of Saba and Centra will depend in part on the retention of key personnel. Saba has entered into employment agreements with three of Centra's officers, Richard Cramer, John Walsh and Michelle Caggiano. However, there can be no assurance that Saba will be able to retain Centra's key personnel, or that Saba will realize the anticipated benefits of the merger in any event.

If Saba and Centra are not successful in integrating their organizations, the anticipated benefits of the merger may not be realized.

Achieving the anticipated benefits of the merger will depend, in part, on the integration of technology, operations and personnel of Saba and Centra. Saba and Centra cannot assure you that the integration will be successful or that the anticipated benefits of the merger will be fully realized. The challenges involved in this integration include the following:

satisfying the needs of the combined company's customers in a timely and efficient manner;

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persuading the employees that Saba's and Centra's business cultures are compatible, and retaining the combined company's key personnel;

realizing anticipated cost synergies within the expected time period;

maintaining the dedication of Saba's and Centra's management resources to integration activities without diverting attention from the day-to-day business of the combined company;

maintaining Saba's and Centra's management's ability to focus on anticipating, responding to or utilizing changing technologies in Saba's and Centra's industry;

maintaining Saba's and Centra's key supplier relationships; and

competing with the introduction of new, disruptive technologies to the marketplace which could reduce Saba's and Centra's market share prior to the successful integration of the two companies.

In addition, after the transaction, Saba intends to more tightly integrate Centra's products and intellectual property with Saba's products and intellectual property. This may result in longer product development cycles, which may cause the revenue and operating income of Centra and the revenue and operating income of Saba's businesses that are collaborating with Centra to fluctuate and fail to meet expectations.

It is not certain that Saba and Centra can be successfully integrated in a timely manner or at all or that any of the anticipated benefits will be realized. In addition, Saba cannot assure you that there will not be substantial unanticipated costs associated with the integration process, that integration activities will not result in a decrease in revenues, a decrease in the value of Saba common stock, or that there will not be other material adverse effects from Saba's integration efforts.

If Saba is unable to successfully integrate Centra, or if the benefits of the merger do not meet the expectations of financial or industry analysts, the market price of Saba common stock may decline.

Completion of the merger may result in dilution of future earnings per share to the stockholders of Saba.

The completion of the merger may not result in improved earnings per share of Saba or a financial condition superior to that which would have been achieved by either Saba or Centra on a stand-alone basis. The merger could fail to produce the benefits that the companies anticipate, or could have other adverse effects that the companies currently do not foresee. In addition, some of the assumptions that either company has made, such as the achievement of operating synergies, may not be realized. In this event, the merger could result in a reduction of earnings per share of Saba as compared to the earnings per share that would have been achieved by Saba or Centra if the merger had not occurred.

Sales of substantial amounts of Saba common stock in the open market by Centra stockholders could depress Saba's stock price.

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Other than shares held by affiliates of Centra or Saba, shares of Saba common stock that are issued to stockholders of Centra will be freely tradable by the stockholders of Centra without restrictions or further registration under the Securities Act. If the merger with Centra closes and if Centra's stockholders sell substantial amounts of Saba common stock in the public market following the transaction, the market price of Saba common stock may decrease substantially. These sales might also make it more difficult for Saba to sell equity or equity-related securities at a time and price that it otherwise would deem appropriate.

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. Based on the number of shares of Centra common stock outstanding as of _____, Saba will issue _____ shares of Saba common stock to the Centra stockholders.

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Customer and employee uncertainty related to the merger could harm the combined company.

Customers of Saba or Centra may, in response to the announcement of the merger, delay or defer purchasing decisions. Any delay or deferral in purchasing decisions by Saba's or Centra's customers could seriously harm the business of the combined company. Similarly, Saba and Centra employees may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. This may adversely affect the combined company's ability to attract and retain key management, marketing, sales, customer support and technical personnel, which could harm the combined company.

Saba and Centra expect to incur significant costs associated with the merger.

Saba and Centra estimate that they will incur direct transaction costs of approximately \$3.7 million associated with the merger which will be capitalized as part of the overall purchase cost. Saba and Centra believe the combined entity may incur charges to operations, which are not reasonably capable of estimation at this time, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. There is no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

If the merger is not completed, Saba's and Centra's stock prices and future business and operations could be harmed.

If the merger is not completed, Saba and Centra may be subject to the following material risks, among others:

the prices of Saba and Centra common stock may change to the extent that the current market prices of Saba and Centra common stock reflect an assumption that the merger will be completed;

Saba's and Centra's costs related to the merger, such as legal, accounting and some of the fees of their financial advisors, must be paid even if the merger is not completed; and

under some circumstances (more fully described under the heading, *Terms of the Merger Agreement Expenses; Payment of Termination Fees* on page 85 of this document), Centra may be required to pay Saba a termination fee of \$1,798,625 if the merger agreement is terminated by Saba under certain circumstances, and Saba may be required to pay Centra a termination fee of \$1,798,625 if the merger agreement is terminated by Centra under certain circumstances.

Further, with respect to Centra, if the merger is terminated and Centra's board of directors determines to seek another merger or business combination, it is not certain that Centra will be able to find a merger partner or that the new merger partner would be willing to pay an equivalent, higher or more attractive price than that which would be paid by Saba in the merger. While the merger agreement is in effect, subject to specified exceptions, Centra may not (a) take any action to solicit, initiate or encourage any takeover proposal or (b) take any action to solicit, facilitate, encourage or engage in negotiations or discussions with, disclose any nonpublic information relating to Centra or any of its subsidiaries to, or afford access to the properties, books or records of Centra or any of its subsidiaries to, any person that has advised Centra that it may be considering making, or that has made, a takeover proposal. These restrictions could limit Centra's ability to enter into an alternative transaction at a favorable price.

Centra's directors and officers have interests that may influence them to support or approve the merger.

Certain directors and officers of Centra have employment agreements or other arrangements with Centra and have received or may receive offers of employment with Saba after the merger and have continuing indemnification against liabilities that provide them with interests in the merger that are different from, or in addition to, yours and may therefore be more likely to vote to approve the merger agreement and the merger than if they did not have these interests. Centra stockholders should consider whether these interests may have influenced these officers and directors to support or recommend the merger. You should read more about these interests under *The Merger Interests of Centra's Officers and Directors in the Merger* on page 72 of this document.

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Failure to achieve and maintain effective internal controls could have a material adverse effect on the combined company's business, operating results and stock price.

The Securities and Exchange Commission has enacted rules under Section 404 of the Sarbanes-Oxley Act of 2002 requiring public companies to include in their annual reports a report of management on internal control over financial reporting, including management's assessment of the effectiveness of the company's internal control over financial reporting as of the company's year end. Centra's independent public accounting firm has provided a report on management's assessment as of December 31, 2004, in which the firm expressed its opinion that Centra maintained in all material respects effective internal control over financial reporting as of that date. See **Risks Related to Centra's Business**. If Centra were to identify and report material weaknesses in its internal controls over financial reporting, investors could lose confidence in the reliability of Centra's financial statements, which could result in a decrease in the value of its common stock. Saba is in the process of documenting and testing its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires an annual management assessment of the design and effectiveness of Saba's internal controls over financial reporting and a report by its independent registered public accounting firm addressing this assessment. See **Risks Related to Saba's Business**. Failure to achieve and maintain effective internal controls could have a material adverse effect on Saba's business, operating results and stock price.

Depending on Saba's market capitalization on November 30, 2005, it will be required to comply with Section 404 of the Sarbanes-Oxley Act for either the fiscal year ending May 31, 2006 or May 31, 2007. During the course of Saba's testing, it may identify significant deficiencies or material weaknesses which it may not be able timely to remediate. Moreover, effective internal controls will be necessary for the combined company to produce reliable financial reports and are important to helping prevent financial fraud. If Saba cannot provide reliable financial reports or prevent fraud, its business and operating results could be harmed, investors could lose confidence in its reported financial information, and the trading price of Saba stock could drop significantly.

Centra Risks Related to the Merger

Failure to complete the merger with Saba could damage Centra's financial condition and its business.

If the merger with Saba is not completed for any reason, Centra will be subject to a number of material risks, including:

a provision in the merger agreement provides that under certain circumstances described in the merger agreement, Centra could be required to pay Saba a termination fee in the amount of \$1.8 million;

Centra will have to pay certain costs related to the merger, such as legal, financial due diligence and accounting fees and a portion of the investment banking fees, even if the merger is not completed;

benefits that Centra expects to realize from the merger would not be realized; and

the diversion of management attention from its day-to-day business and the disruption to its employees and its relationships with customers and suppliers during the period before the expected consummation of the merger could damage its competitive position and its business.

During the pendency of the merger, Centra may not be able to enter into a merger or business combination with another party that might be advantageous to it, because of restrictions in the merger agreement.

Covenants in the merger agreement may impede Centra's ability to make acquisitions or complete other transactions outside the ordinary course of its business pending completion of the merger. As a result, if the merger is not consummated, Centra may be at a disadvantage to its competitors. In addition, while the merger agreement is in effect and subject to narrowly defined exceptions, Centra is prohibited from entering into certain extraordinary transactions, such as a merger, sale of assets or other business combination outside the ordinary course of business with any third party. As a result, Centra might be prevented from entering into transactions which might otherwise have been favorable to its stockholders.

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Centra may lose key personnel, customers and business partners due to uncertainties associated with the merger.

Pending the closing of the merger, Centra's current and prospective employees, customers and business partners may experience uncertainty about their future relationships with the resulting combined company. Such uncertainty may adversely affect its ability to attract and retain key management, sales, marketing and technical personnel. Current and prospective customers and business partners may, in response to the announcement of the merger agreement, delay or cancel purchasing decisions. Any delay in, or cancellation of, purchasing decisions could adversely affect its business and results of operations.

Centra's partners or customers may react unfavorably to the proposed combination.

Centra is party to certain relationships, and may seek to enter other relationships, with numerous other technology companies, including software and services firms, to acquire rights to technology included in its products and service and to deliver its products and services to customers. Some of these partners may conclude that the proposed merger poses new competitive threats to their businesses and as a result may discontinue their relationships with Centra. In addition, some of Centra's customers may view Saba as a competitor to them and, therefore, terminate their relationships with Centra.

Risks Related to Saba's Business

Saba has a history of losses, expects future losses and cannot assure you that it will achieve profitability.

Saba has incurred significant losses and negative cash flows from operations since its inception. Saba has not achieved profitability and cannot be certain that it will realize sufficient revenues to achieve or sustain profitability. Saba expects to derive substantially all of its revenues for the foreseeable future from the licensing of Saba Enterprise Learning and providing related services. Over the longer term, Saba expects to derive revenues from new products such as Saba Enterprise Performance and related services. In the future, Saba expects to continue to incur non-cash expenses relating to the amortization of purchased intangible assets that will contribute to its net losses, along with any potential goodwill impairment. As of August 31, 2005, Saba had \$4.8 million of purchased intangible assets to be amortized as a result of its May 2005 acquisition of THINQ Learning Solutions, Inc., and its remaining goodwill balance was \$15.2 million. As a result, Saba expects to incur losses for the foreseeable future. Saba will need to generate significantly higher revenues and manage expenses in order to achieve profitability or control negative cash flows. If Saba achieves profitability, it may not be able to sustain it on a consistent basis.

Fluctuations in Saba's results could cause its stock price to experience significant fluctuations or declines.

Saba's operating results have varied significantly in the past and will likely fluctuate significantly in the future. For instance, in fiscal 2005 and in fiscal 2004, Saba's quarterly revenues have fluctuated between approximately \$12.0 million and \$7.8 million and its quarterly net loss fluctuated between approximately \$500,000 and \$5.9 million. Saba's quarterly operating results are likely to be particularly affected by the number of customers licensing its products during any quarter and the size of such licensing transactions. As a result, Saba has limited visibility into its future revenue, especially license revenue, which often has been heavily concentrated in the third month of each quarter. Since Saba forecasts its expenses based in part on future revenue projections, its operating results would be adversely affected if it cannot meet those revenue projections.

Other factors that could affect Saba's quarterly operating results include:

the demand for Saba's products and professional services and its efficiency in rendering its professional services;

the variability in the mix of Saba's license and services revenue in any quarter;

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the variability in the mix of the type of services delivered in any quarter and the extent to which third party contractors are used to provide such services;

the size and complexity of Saba's license transactions and potential delays in recognizing revenue from license transactions;

the amount and timing of Saba's operating expenses and capital expenditures; the performance of its international business, which accounts for a substantial part of its consolidated revenues; and

fluctuations in foreign currency exchange rates.

Due to these and other factors, Saba believes that quarter-to-quarter comparisons of its revenues and operating results are not necessarily meaningful and should not be relied upon as indicators of future performance. It is possible that in some future quarter Saba's operating results may be below the expectations of public market analysts or investors, which could cause the market price of its common stock to fall.

Saba's operating expenses are based on its expectations of future revenues and are relatively fixed in the short-term. During fiscal 2004 and fiscal 2003, Saba took actions to reduce its operating expenses and, while it may from time to time reduce operating expenses in response to variability in its revenues, including variability caused by downturns in the United States and/or international economies, over the long term, Saba generally expects to increase its operating expenses to expand its sales and marketing operations, fund greater levels of research and development, develop new alliances, increase its services and support capabilities and improve its operational and financial systems. If Saba's revenues do not increase along with these expenses, its business would be seriously harmed and net losses in a given quarter would be even larger than expected. Saba may undertake future restructuring to align such expenses with revenues.

Saba's products have a long sales cycle, which increases the cost of completing sales and renders completion of sales less predictable.

The period between Saba's initial contact with a potential customer and the purchase of its products and services is often long. A customer's decision to purchase Saba's products and services requires the commitment to increase performance through human capital development and management, involves a significant allocation of resources, and is influenced by a customer's budgetary cycles. To successfully sell Saba's products and services, it generally must educate its potential customers regarding the use and benefits of its products and services. Saba may commit a substantial amount of time and resources to potential customers without assurance that any sales will be completed or revenues generated. Many of Saba's potential customers are large enterprises that generally take longer to make significant business decisions. Saba's public sector customers, in particular, are subject to extensive procurement procedures that require many reviews and approvals. Saba's typical sales cycle has been approximately six to 12 months, making it difficult to predict the quarter in which it may recognize revenue. The delay or failure to complete sales in a particular quarter could reduce Saba's revenues in that quarter. If Saba's sales cycle were to unexpectedly lengthen in general or for one or more large orders, it would adversely affect the timing of Saba's revenues. If Saba were to experience a delay on a large order, it could harm its ability to meet its forecasts for a given quarter.

A decline in the price of, or demand for, Saba's main product, Saba Enterprise Learning, or Saba's related services offerings, would seriously harm our revenues and operating margins.

To date, Saba Enterprise Learning and related services have accounted for a substantial majority of Saba's revenues. Saba anticipates that revenues from Saba Enterprise Learning and related services will continue to constitute a substantial majority of its revenues for the foreseeable future. Consequently, a decline in the price of, or demand for, Saba Enterprise Learning or failure to achieve broad market acceptance would

seriously harm Saba's business. If Saba's new products, including Saba Enterprise Performance, fail to achieve market acceptance, its reliance on Saba Enterprise Learning will deepen.

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Saba experiences seasonality in its sales, which could cause its quarterly operating results to fluctuate from quarter to quarter.

Saba experiences quarterly seasonality in the licensing of its products and delivery of its services. For example, revenue has historically been lower in Saba's first fiscal quarter than in the immediately preceding fourth fiscal quarter. Contributing to this seasonality is the timing of Saba's first fiscal quarter that occurs during the summer months when general business activities slow down in a number of territories where it conducts its operations, particularly Europe. Saba's commission structure and other sales incentives also tend to result in fewer sales in the first fiscal quarter than in the fourth fiscal quarter. These seasonal variations in Saba's revenue are likely to lead to fluctuations in its quarterly operating results.

Saba's performance depends on a new market: human capital management.

The market for software solutions that automate human capital management is at an early stage of development and rapidly evolving. Substantially all of Saba's revenues are attributable to the suite of products and services in this market. If this market fails to develop or develops more slowly than Saba expects its business would be harmed. If the market grows, the prices of Saba's products may decline rapidly as alternative products are introduced into the market. In addition, Saba's products may become obsolete if it fails to anticipate or adapt to evolving technology standards, or if it fails to identify the challenges and risks in this new market or successfully address these risks.

Changes in accounting regulations and related interpretations and policies, particularly those related to revenue recognition, could cause Saba to defer recognition of revenue or recognize lower revenue or to report lower earnings per share.

While Saba believes that it is in compliance with Statement of Position 97-2, *Software Revenue Recognition*, as amended, the American Institute of Certified Public Accountants continues to issue implementation guidelines for these standards and the accounting profession continues to discuss a wide range of potential interpretations. Additional implementation guidelines, and changes in interpretations of such guidelines, could lead to unanticipated changes in Saba's current revenue accounting practices that could cause it to defer the recognition of revenue to future periods or to recognize lower revenue.

The Financial Accounting Standards Board (FASB) has adopted Statement No. 123R, which requires Saba to recognize as an expense stock-based compensation to employees based on their fair values, and eliminates the ability to account for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25. As a result, when Saba records an expense for its stock-based compensation plans using the fair value method beginning in fiscal year 2007, it may have significant compensation charges. For example, for the fiscal years 2005, 2004 and 2003, had Saba accounted for stock-based compensation plans under Statement No. 123R, using the Black-Scholes option pricing model, it estimates that, basic and diluted net loss per share, using the fair value method, would have been increased by \$0.50, \$0.89 and \$1.02 per share, respectively.

Failure to achieve and maintain effective internal controls could have a material adverse effect on Saba's business, operating results and stock price.

Saba is in the process of documenting and testing its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires an annual management assessment of the design and effectiveness of Saba's internal controls over financial reporting and a report by its independent registered public accounting firm addressing this assessment. Depending on our market capitalization

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on November 30, 2005, we will be required to comply with Section 404 of the Sarbanes-Oxley Act for either the fiscal year ending May 31, 2006 or May 31, 2007. During the course of Saba's testing, it may identify significant deficiencies or material weaknesses which it may not be able to remediate prior to its fiscal year end. In addition, if Saba fails to achieve and maintain the adequacy of its internal controls, as such standards are modified, supplemented or amended from time to time, it may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover,

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effective internal controls are necessary for Saba to produce reliable financial reports and are important to helping prevent financial fraud. If Saba cannot provide reliable financial reports or prevent fraud, its business and operating results could be harmed, investors could lose confidence in its reported financial information, and the trading price of its stock could drop significantly.

The loss of Saba's senior executives and key personnel would likely cause its business to suffer.

Saba's ability to implement a successful long-term strategy, strengthen its competitive position, expand its customer base, and develop and support its products depends to a significant degree on the performance of the senior management team and other key employees. The loss of any of these individuals could harm Saba's business. Saba does not have employment agreements with any of its executives or other key employees, and it does not maintain key person life insurance for any officers or key employees.

Intense competition in Saba's target market could impair its ability to grow and achieve profitability.

The market for Saba's products and services is intensely competitive, dynamic, and subject to rapid technological change. The intensity of the competition and the pace of change are expected to increase in the future. Increased competition is likely to result in price reductions, reduced gross margins and loss of market share, any one of which could seriously harm Saba's business. Competitors vary in size and in the scope and breadth of the products and services offered. Saba encounters competition with respect to different aspects of its solution from a variety of sources including:

companies that market and license training, learning, performance, content, resource, talent, and staffing management systems;

enterprise software vendors that offer human resources information systems and employee relationship management systems with training and performance modules;

potential customers' internal development efforts;

companies that operate Internet-based marketplaces for the sale of on-line learning;

companies that operate Internet-based marketplaces for the sale of goods and services and could potentially decide to evolve their marketplaces to include content offerings; and

Internet portals that offer learning content, performance support tools or recruiting services.

Saba expects competition from a variety of companies.

Many of Saba's competitors have longer operating histories, substantially greater financial, technical, marketing or other resources, or greater name recognition than Saba does, enabling them to respond more quickly than Saba can to new or emerging technologies and changes in

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customer requirements. Such resources also enable Saba's competitors to withstand prolonged periods of negative cash flows and unfavorable economic, political, and market conditions. Competition could seriously impede Saba's ability to sell additional products and services on terms favorable to it. Saba's current and potential competitors may develop and market new technologies that render its existing or future products and services obsolete, unmarketable or less competitive. Saba's current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with other partners, thereby increasing the availability of their services to address the needs of Saba's current and prospective customers. Saba may not be able to compete successfully against its current and future competitors, and competitive pressures that Saba encounters may seriously harm its business.

Saba's past and future acquisitions may result in disruptions to its business if Saba fails to adequately integrate acquired businesses.

In 2001, Saba acquired Human Performance Technologies, Inc. and Ultris Inc. and in May 2005 Saba acquired THINQ Learning Solutions, Inc. Saba cannot assure that the THINQ acquisition will advance Saba's

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long-term strategy. Saba may incur greater than anticipated costs from assuming obligations to support THINQ products, diverting resources from new products. THINQ customers may decline to upgrade to Saba Enterprise Learning, instead adopting competitors' software. In addition, THINQ's suppliers, distributors and key technical, sales and senior management personnel may terminate their relationship with Saba. As part of Saba's overall business strategy, it expects to continue to acquire complementary businesses or technologies that will provide additional products or services offerings, additional industry expertise or an expanded geographic presence. In line with that strategy, on October 5, 2005 Saba announced its agreement to acquire Centra Software, Inc. Saba cannot assure you that the anticipated cost synergies and other anticipated benefits of the Centra acquisition, if consummated, would be realized. In addition, these acquisitions could result in the use of significant amounts of cash, the incurrence of debt, or potentially dilutive issuances of equity securities which may reduce earnings per share. In addition, any acquisition may increase the risk of future write-offs for acquired in-process research and development, write-offs for the impairment of goodwill or long-lived assets, or amortization of expenses related to intangible assets, any of which could materially adversely affect Saba's business and its operating results. For example, as of August 31 2005, Saba's remaining goodwill balance was \$15.2 million. Acquisitions that Saba completes expose Saba to numerous risks, including:

difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company;

the diversion of management's attention from other business concerns;

risks of entering markets in which Saba has no or limited prior experience;

the potential loss of key employees, significant customers and strategic partners of the acquired company; and

exposure to claims by terminated employees, stockholders of the acquired company or other third parties related to the acquisition. Although Saba generally obtains indemnification and other contractual protection against such claims, Saba cannot assure that they will be enforceable or sufficient to protect Saba.

If Saba is unable to manage the complexity of conducting business globally, its international revenues may suffer.

International revenues accounted for 42% of revenues in fiscal 2005 and 44% of revenues in fiscal 2004. Although Saba intends to continue to expand its international presence, in the future Saba may not be able to successfully market, sell or distribute its products and services in foreign markets. The reallocation of certain design, development and testing functions from the United States to Saba's lower-cost development center in India intensifies its exposure to international uncertainties. Factors that could materially adversely affect Saba's international operations, and its business and future growth include:

difficulties in staffing and managing foreign operations, including language barriers;

difficulties in maintaining control over product development and quality, and timing of product releases;

seasonal fluctuations in purchasing patterns in other countries, particularly declining sales during July and August in European markets;

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difficulties in collecting accounts receivable in foreign countries, particularly European countries in which collections take considerably more time than the United States and collections are more difficult to effect;

currency exchange rate fluctuations, particularly in countries where Saba sells its products in denominations other than U.S. dollars, such as in the United Kingdom, the euro zone, and Japan, or have exposures in inter-company accounts denominated in foreign currencies;

costs attributable to development of internationalized versions of Saba's products and marketing and sales materials;

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the burdens of complying with a wide variety of foreign laws and reduced protection for intellectual property rights in some countries;

tariffs, export controls, and other trade barriers, and

exposure to geopolitical instability, natural disasters and acts of war or terrorism.

Delays in releasing new products or enhanced versions of Saba's existing products could adversely affect its competitive position.

As part of Saba's strategy, it expects to regularly release new products and new versions of its existing products. Even if Saba's new products or new versions of its existing products contain the features and functionality its customers want, in the event Saba is unable to timely introduce these new products or product releases, its competitive position may be harmed. Saba cannot assure you that it will be able to successfully complete the development of currently planned or future products or product releases in a timely and efficient manner. Due to the complexity of Saba's products, internal quality assurance testing and customer testing of pre-commercial releases may reveal product performance issues or desirable feature enhancements that could lead it to postpone the release of these products. In addition, the reallocation of resources associated with any postponement would likely cause delays in the development and release of other future products or enhancements to Saba's currently available products. The reallocation of certain design, development and testing functions to Saba's new lower-cost development center heightens risks relating to product design, development, testing, and introduction. Any delay in releasing future products or enhancements of Saba's products could harm its business.

If Saba releases products containing defects, it may need to halt further shipments and its business and reputation would be harmed.

Products as complex as Saba's often contain unknown and undetected errors or performance problems. Although Saba's products are subject to rigorous testing and quality control processes, serious defects are frequently found during the period immediately following introduction and initial shipment of new products or enhancements to existing products. Although Saba attempts to resolve all errors that it believes would be considered serious by its customers before shipment to them, Saba's products are not error-free. These errors or performance problems could result in lost revenues or delays in customer acceptance and would be detrimental to Saba's business and reputation. As is typical in the software industry, with each release Saba has discovered errors in its products after introduction. Saba will not be able to detect and correct all errors before releasing its products commercially and these undetected errors could be significant. Saba cannot assure you that undetected errors or performance problems in its existing or future products will not be discovered in the future or that known errors considered minor by Saba will not be considered serious by its customers, resulting in cancellation of orders, loss of customers, difficulties in achieving its sales goals, increased demands on its support services, and a decrease in its revenues. To correct such errors, Saba may expend considerable time and resources to develop and release modif