

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2009.

OR

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

For the transition period from _____ to _____

Commission file number: 0-27544

OPEN TEXT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA
(State or other jurisdiction of
incorporation or organization)

98-0154400
(IRS Employer
Identification No.)

275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1
(Address of principal executive offices)

Registrant's telephone number, including area code: (519) 888-7111
(Former name former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if smaller reporting company) Smaller reporting company ☐

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

At October 26, 2009, there were 56,380,735 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION
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OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share data)

	September 30, 2009 (unaudited)	June 30, 2009
ASSETS		
Cash and cash equivalents	\$ 212,190	\$ 275,819
Short-term investments (note 3)	19,768	—
Accounts receivable trade, net of allowance for doubtful accounts of \$4,464 as of September 30, 2009 and \$4,208 as of June 30, 2009 (note 4)	135,575	115,802
Income taxes recoverable (note 13)	6,225	4,496
Prepaid expenses and other current assets	27,858	18,172
Deferred tax assets (note 13)	22,185	20,621
Total current assets	423,801	434,910
Investments in marketable securities	—	13,103
Capital assets (note 5)	57,435	45,165
Goodwill (note 6)	718,600	576,111
Acquired intangible assets (note 7)	384,242	315,048
Deferred tax assets (note 13)	75,211	69,877
Other assets (note 8)	18,871	13,064
Long-term income taxes recoverable (note 13)	42,391	39,958
Total assets	\$ 1,720,551	\$ 1,507,236
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 128,660	\$ 115,018
Current portion of long-term debt (note 11)	3,489	3,449
Deferred revenues	205,998	189,397
Income taxes payable (note 13)	7,707	10,356
Deferred tax liabilities (note 13)	2,083	508
Total current liabilities	347,937	318,728
Long-term liabilities:		
Accrued liabilities (note 9)	21,506	23,073
Pension liability (note 10)	16,510	15,803
Long-term debt (note 11)	299,182	299,234
Deferred revenues	10,969	7,914
Long-term income taxes payable	53,465	47,131
Deferred tax liabilities (note 13)	134,543	108,889
Total long-term liabilities	536,175	502,044
Shareholders' equity:		
Share capital (note 12)		
56,373,651 and 52,716,751 Common Shares issued and outstanding at September 30, 2009 and June 30, 2009, respectively; Authorized Common Shares: unlimited	588,871	457,982
Additional paid-in capital	55,307	52,152
Accumulated other comprehensive income	86,052	71,851
Retained earnings	106,209	104,479
Total shareholders' equity	836,439	686,464
Total liabilities and shareholders' equity	\$ 1,720,551	\$ 1,507,236
Guarantees and contingencies (note 18)		
Related party transactions (note 21)		

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of U.S. dollars, except share and per share data)
(Unaudited)

	Three months ended September 30,	
	2009	2008
Revenues:		
License	\$ 47,329	\$ 50,074
Customer support	123,649	98,429
Service and other	40,444	34,120
Total revenues	<u>211,422</u>	<u>182,623</u>
Cost of revenues:		
License	3,145	2,893
Customer support	20,939	15,567
Service and other	33,294	27,729
Amortization of acquired technology-based intangible assets	14,142	10,747
Total cost of revenues	<u>71,520</u>	<u>56,936</u>
Gross profit	<u>139,902</u>	<u>125,687</u>
Operating expenses:		
Research and development	31,542	28,578
Sales and marketing	50,690	44,832
General and administrative	21,225	18,387
Depreciation	4,147	2,698
Amortization of acquired customer-based intangible assets	8,917	8,215
Special charges (note 16)	18,589	—
Total operating expenses	<u>135,110</u>	<u>102,710</u>
Income from operations	<u>4,792</u>	<u>22,977</u>
Other income, net	3,440	729
Interest expense, net	<u>(3,046)</u>	<u>(2,994)</u>
Income before income taxes	5,186	20,712
Provision for income taxes (note 13)	<u>3,456</u>	<u>5,932</u>
Net income before minority interest	1,730	14,780
Minority interest	—	119
Net income for the period	<u>\$ 1,730</u>	<u>\$ 14,661</u>
Net income per share—basic (note 20)	<u>\$ 0.03</u>	<u>\$ 0.29</u>
Net income per share—diluted (note 20)	<u>\$ 0.03</u>	<u>\$ 0.28</u>
Weighted average number of Common Shares outstanding—basic	<u>55,388</u>	<u>51,298</u>
Weighted average number of Common Shares outstanding—diluted	<u>56,469</u>	<u>52,990</u>

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands of U.S. dollars)
(Unaudited)

	Three months ended September 30,	
	2009	2008
Retained earnings, beginning of period	\$ 104,479	\$ 47,541
Net income	1,730	14,661
Retained earnings, end of period	<u>\$ 106,209</u>	<u>\$ 62,202</u>

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(Unaudited)

	Three months ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income for the period	\$ 1,730	\$ 14,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,206	21,660
Share-based compensation expense	3,506	1,423
Employee long-term incentive plan	2,675	1,059
Excess tax benefits on share-based compensation expense	(691)	(6,629)
Undistributed earnings related to minority interest	—	119
Pension expense	192	—
Amortization of debt issuance costs	266	224
Unrealized (gain) loss on financial instruments	(2,390)	(722)
Release of unrealized gain on marketable securities to income	(4,353)	—
Deferred taxes	(2,957)	(256)
Changes in operating assets and liabilities:		
Accounts receivable	7,928	27,946
Prepaid expenses and other current assets	(3,218)	(1,926)
Income taxes	(4,787)	4,731
Accounts payable and accrued liabilities	(9,343)	(18,369)
Deferred revenue	(12,437)	(19,430)
Other assets	1,175	322
Net cash provided by operating activities	4,502	24,813
Cash flows from investing activities:		
Additions of capital assets-net	(7,665)	(3,887)
Purchase of Vignette Corporation, net of cash acquired	(90,600)	—
Purchase of eMotion LLC, net of cash acquired	—	(3,635)
Purchase of a division of Spicer Corporation	—	(10,836)
Purchase consideration for prior period acquisitions	(4,801)	(3,293)
Investments in marketable securities	—	(3,608)
Maturity of short-term investments	27,171	—
Net cash used in investing activities	(75,895)	(25,259)
Cash flow from financing activities:		
Excess tax benefits on share-based compensation expense	691	6,629
Proceeds from issuance of Common Shares	4,477	5,542
Repayment of long-term debt	(864)	(867)
Debt issuance costs	(1,024)	—
Net cash provided by financing activities	3,280	11,304
Foreign exchange gain (loss) on cash held in foreign currencies	4,484	(15,641)
Decrease in cash and cash equivalents during the period	(63,629)	(4,783)
Cash and cash equivalents at beginning of the period	275,819	254,916
Cash and cash equivalents at end of the period	<u>\$212,190</u>	<u>\$250,133</u>
Supplementary cash flow disclosures (note 19)		

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements (consolidated financial statements) include the accounts of Open Text Corporation and our wholly owned subsidiaries, collectively referred to as “Open Text” or the “Company”. All inter-company balances and transactions have been eliminated.

These consolidated financial statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). These financial statements are based upon accounting policies and the methods of their application are consistent with those used and described in our annual consolidated financial statements for the fiscal year ended June 30, 2009. The consolidated financial statements do not include certain financial statement disclosures included in the annual consolidated financial statements prepared in accordance with U.S. GAAP and therefore should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009.

The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Vignette Corporation (Vignette), with effect from July 22, 2009 (see Note 17). The operating results for the three months ended September 30, 2009 are not necessarily indicative of the results expected for any succeeding quarter or the entire fiscal year ending June 30, 2010.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) testing goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) long-lived assets, (vi) the recognition of contingencies, (vii) facility and restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) asset retirement obligations, (x) realization of investment tax credits, (xi) the valuation of stock options granted and liabilities related to share-based payments, including the valuation of our long-term incentive plan, (xii) the valuation of financial instruments, (xiii) the valuation of pension assets and obligations, and (xiv) accounting for income taxes.

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

Comprehensive income (loss)

The following table sets forth the components of comprehensive income (loss) for the reporting periods indicated:

	Three months ended September 30,	
	2009	2008
Net income for the period	\$ 1,730	\$ 14,661
<i>Other comprehensive income (loss)—net of tax, where applicable:</i>		
Foreign currency translation adjustments	18,448	(41,255)
Unrealized loss on short-term investments	(37)	—
Unrealized loss in investment in marketable securities	—	(259)
Release of unrealized gain on marketable securities to income	(4,353)	—
Unrealized gain on cash flow hedges	413	—
Actuarial loss relating to defined benefit pension plans	(270)	—
Comprehensive income (loss) for the period	<u>\$15,931</u>	<u>\$(26,853)</u>

NOTE 2—NEW ACCOUNTING PRONOUNCEMENTS AND ACCOUNTING POLICY UPDATES

Business Combinations

On July 1, 2009, we adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805 “Business Combinations” (FASB ASC Topic 805). Our acquisition of Vignette was accounted for in accordance with this new business combination standard. (see Notes 6 and 17).

Accounting Standards Codification

In June 2009, the FASB issued Statement No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162” (the Codification). The Codification has become the single source of authoritative non-government U.S. generally accepted accounting principles (GAAP), superseding various existing authoritative accounting pronouncements. The Codification eliminates the GAAP hierarchy contained in Statement No. 162 and establishes one level of authoritative GAAP. All other U.S. GAAP literature is considered non-authoritative. This Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We have adopted the Codification in our first quarter of Fiscal 2010. There was no change to our consolidated financial statements due to the implementation of the Codification other than changes in reference to various authoritative accounting pronouncements in our Notes to consolidated financial statements.

Measuring Liabilities at Fair Value

In August 2009, the FASB issued Accounting Standards Update 2009-05, “Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value” (Update 2009-05). Update 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value of such liability using one or more of the techniques prescribed by the update. We have adopted Update 2009-05 in our first quarter of Fiscal 2010 and its adoption did not have a material impact on our consolidated financial statements.

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

Revenue Recognition Updates

In October 2009, the FASB issued Accounting Standards Update 2009-13, “Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements” (Update 2009-13). Update 2009-13 applies to multiple-deliverable revenue arrangements that are currently within the scope of FASB ASC Subtopic 605-25 (previously included in Emerging Issues Task Force Issue no. 00-21, “Revenue Arrangements with Multiple Deliverables”). Update 2009-13 provides principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. It also requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price. The guidance eliminates the use of the residual method, requires entities to allocate revenue using the relative-selling-price method, and significantly expands the disclosure requirements for multiple-deliverable revenue arrangements. Additionally, in October 2009 the FASB also issued Accounting Standards Update 2009-14 (Topic 985): “Certain Revenue Arrangements that Include Software arrangements” (Update 2009-14). Update 2009-14 focuses on determining which arrangements are within the scope of the software revenue guidance in ASC Topic 985 (previously included in AICPA Statement of Position no. 97-2, Software Revenue Recognition) and which are not. Update 2009-14 removes tangible products from the scope of the software revenue guidance if the products contain both software and non-software components that function together to deliver a product’s essential functionality and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are within the scope of the software revenue guidance. Both of these Updates are effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently assessing the impact of these Updates on our future consolidated financial statements.

NOTE 3—SHORT-TERM INVESTMENTS

Short-term investments consist of certain marketable investments in U.S. government agencies. These investments were acquired by us as part of our acquisition of Vignette (see Note 17), and are accounted for as “Available-for-sale” investments. Unrealized gains or losses on these investments are included in Accumulated Other Comprehensive Income (AOCI). An unrealized loss of \$37,000 was recorded within AOCI relating to the change in fair value of these investments from the date of acquisition of Vignette (July 21, 2009) to September 30, 2009. As of September 30, 2009, the fair value of these investments was \$19.8 million based upon quoted market prices.

NOTE 4—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance of allowance for doubtful accounts as of June 30, 2009	\$ 4,208
Bad debt expense for the period	929
Write-offs /adjustments	<u>(673)</u>
Balance of allowance for doubtful accounts as of September 30, 2009	<u>\$ 4,464</u>

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

NOTE 5—CAPITAL ASSETS

	As of September 30, 2009		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 14,332	\$ 8,936	\$ 5,396
Office equipment	8,344	6,990	1,354
Computer hardware	87,893	72,824	15,069
Computer software	32,030	23,674	8,356
Leasehold improvements	26,013	14,385	11,628
Land and buildings	17,365	1,733	15,632
	<u>\$ 185,977</u>	<u>\$ 128,542</u>	<u>\$ 57,435</u>

	As of June 30, 2009		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 11,472	\$ 7,677	\$ 3,795
Office equipment	8,696	7,674	1,022
Computer hardware	77,813	66,118	11,695
Computer software	28,094	20,679	7,415
Leasehold improvements	19,662	13,074	6,588
Land and buildings	16,163	1,513	14,650
	<u>\$ 161,900</u>	<u>\$ 116,735</u>	<u>\$ 45,165</u>

NOTE 6—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2009:

Balance, June 30, 2009	\$ 576,111
Acquisition of Vignette Corporation (note 17)	133,655
Adjustments relating to prior acquisitions	6
Adjustments on account of foreign exchange	8,828
Balance, September 30, 2009	<u>\$ 718,600</u>

NOTE 7—ACQUIRED INTANGIBLE ASSETS

	Technology Assets	Customer Assets	Total
Net book value, June 30, 2009	\$173,547	\$141,501	\$315,048
Acquisition of Vignette Corporation (note 17)	68,200	22,700	90,900
Amortization expense	(14,142)	(8,917)	(23,059)
Foreign exchange and other impacts	493	860	1,353
Net book value, September 30, 2009	<u>\$228,098</u>	<u>\$156,144</u>	<u>\$384,242</u>

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

The range of amortization periods for intangible assets is from 4-10 years.

The following table shows the estimated future amortization expense for the fiscal years indicated below. This calculation assumes no future adjustments to acquired intangible assets:

	Fiscal years ending June 30,
2010 (nine months ended June 30)	\$ 71,760
2011	93,693
2012	91,114
2013	88,422
2014 and beyond	39,253
Total	<u>\$ 384,242</u>

NOTE 8—OTHER ASSETS

	As of September 30, 2009	As of June 30, 2009
Debt issuance costs	\$ 5,489	\$ 4,728
Deposits and restricted cash	8,548	4,615
Long-term prepaid expenses and other long-term assets	4,491	3,130
Pension assets	343	591
	<u>\$ 18,871</u>	<u>\$ 13,064</u>

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining long-term debt used to partially finance the Hummingbird acquisition and are being amortized over the life of the long-term debt. Deposits and restricted cash relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of facility-based lease agreements. Long-term prepaid expenses and other long-term assets primarily relate to certain advance payments on long-term licenses that are being amortized over the applicable terms of the licenses. Pension assets relate to defined benefit pension plans for legacy IXOS employees and directors (see Note 10), recognized under FASB Accounting Standards Codification Topic 715 “Compensation—Retirement Benefits”.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of September 30, 2009	As of June 30, 2009
Accounts payable—trade	\$ 9,353	\$ 15,465
Accrued salaries and commissions	35,555	31,973
Accrued liabilities	61,324	49,527
Amounts payable in respect of restructuring (note 16)	11,968	5,061
Amounts payable in respect of acquisitions and acquisition related accruals	10,460	12,992
	<u>\$ 128,660</u>	<u>\$ 115,018</u>

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

Long-term accrued liabilities

	As of September 30, 2009	As of June 30, 2009
Amounts payable in respect of restructuring (note 16)	\$ 716	\$ 849
Amounts payable in respect of acquisitions and acquisition related accruals	5,619	7,128
Other accrued liabilities	6,392	7,936
Asset retirement obligations	8,779	7,160
	<u>\$ 21,506</u>	<u>\$ 23,073</u>

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. We have accounted for such obligations in accordance with FASB Accounting Standards Codification Topic 410 “Asset Retirement and Environmental Obligations”. As of September 30, 2009 the present value of this obligation was \$8.8 million (June 30, 2009 – \$7.2 million), with an undiscounted value of \$10.6 million (June 30, 2009 – \$8.7 million).

Accruals relating to acquisitions

In relation to our acquisitions made before July 1, 2009, the date on which we adopted FASB ASC Topic 805, we have accrued for costs relating to legacy workforce reductions and abandonment of excess legacy facilities. Such accruals are capitalized as part of the cost of the subject acquisition and in the case of abandoned facilities, have been recorded at present value less our best estimate for future sub-lease income and costs incurred to achieve sub-tenancy. The accrual for workforce reductions is extinguished against the payments made to the employees and in the case of excess facilities, will be discharged over the term of the respective leases. Any excess of the difference between the present value and actual cash paid for the excess facility will be charged to income and any deficits will be reversed to goodwill. The provisions for abandoned facilities are expected to be paid by February 2015.

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

The following table summarizes the activity with respect to our acquisition accruals during the three months ended September 30, 2009.

	Balance June 30, 2009	Initial Accruals	Usage/ Foreign Exchange/ Other Adjustments	Subsequent Adjustments to Goodwill	Balance September 30, 2009
Captaris					
Employee termination costs	\$ 4,916	\$ —	\$ (2,347)	\$ (39)	\$ 2,530
Excess facilities	6,123	—	(442)	(4)	5,677
Transaction-related costs	—	—	(49)	49	—
	<u>11,039</u>	<u>—</u>	<u>(2,838)</u>	<u>6</u>	<u>8,207</u>
Hummingbird					
Employee termination costs	25	—	(13)	—	12
Excess facilities	1,463	—	(240)	—	1,223
Transaction-related costs	—	—	—	—	—
	<u>1,488</u>	<u>—</u>	<u>(253)</u>	<u>—</u>	<u>1,235</u>
IXOS					
Employee termination costs	—	—	—	—	—
Excess facilities	7,483	—	(952)	—	6,531
Transaction-related costs	—	—	—	—	—
	<u>7,483</u>	<u>—</u>	<u>(952)</u>	<u>—</u>	<u>6,531</u>
Centrinity					
Employee termination costs	—	—	—	—	—
Excess facilities	110	—	(4)	—	106
Transaction-related costs	—	—	—	—	—
	<u>110</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>106</u>
Totals					
Employee termination costs	4,941	—	(2,360)	(39)	2,542
Excess facilities	15,179	—	(1,638)	(4)	13,537
Transaction-related costs	—	—	(49)	49	—
	<u>\$20,120</u>	<u>\$ —</u>	<u>\$ (4,047)</u>	<u>\$ 6</u>	<u>\$ 16,079</u>

The adjustments to goodwill primarily relate to adjustments to amounts accrued for employee termination costs and excess facilities accounted for in accordance with EITF 95-3. The goodwill adjustments relating to amounts accrued for transaction costs are accounted for in accordance with SFAS 141, as they relate to acquisitions consummated prior to the adoption of FASB ASC Topic 805 (on July 1, 2009).

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the Three Months Ended September 30, 2009
(Tabular amounts in thousands, except per share data)

NOTE 10—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

CDT Defined Benefit Plan and CDT Long-term Employee Benefit Obligations:

On November 1, 2008, the following unfunded defined benefit pension plan and long-term employee benefit obligations were acquired, relating to legacy Captaris employees of a wholly owned subsidiary of Captaris called Captaris Document Technologies GmbH (CDT). As of September 30, 2009 and June 30, 2009, the balances relating to these obligations were as follows:

	Total benefit obligation	Current portion of benefit obligation*	Noncurrent portion of benefit obligation
CDT defined benefit plan	\$ 15,628	\$ 375	\$ 15,253
CDT Anniversary plan	964	222	742
CDT early retirement plan	515	—	515
Total as of September 30, 2009	<u>\$ 17,107</u>	<u>\$ 597</u>	<u>\$ 16,510</u>
	Total benefit obligation	Current portion of benefit obligation*	Noncurrent portion of benefit obligation
CDT defined benefit plan	\$ 14,828	\$ 362	\$ 14,466
CDT Anniversary plan	960	214	746
CDT early retirement plan	591	—	591
Total as of June 30, 2009	<u>\$ 16,379</u>	<u>\$ 576</u>	<u>\$ 15,803</u>

* The current portion of the benefit obligation has been included within Accounts payable and accrued liabilities within the Condensed Consolidated Balance Sheets.

CDT Defined Benefit Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

The following are the components of net periodic benefit costs for the CDT pension plan and the details of the change in the benefit obligation for the periods indicated below:

	As of September 30, 2009	As of June 30, 2009
Benefit obligation—beginning	\$ 14,828*	\$ 13,489**
Service cost	108	349
Interest cost	230	585
Benefits paid	(74)	(134)
Curtailment gain	—	(271)
Actuarial gain	—	(734)
Foreign exchange	536	1,544
Benefit obligation—ending	15,628	14,828
Less: current portion	(375)	(362)
Noncurrent portion of benefit obligation	<u>\$ 15,253</u>	<u>\$ 14,466</u>

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- * Benefit obligation as of June 30, 2009.
 ** Benefit obligation as of November 1, 2008.

The following are the details of net pension expense for the CDT pension plan for the period:

	Three months ended September 30, 2009
Pension expense:	
Service cost	\$ 108
Interest cost	230
Net pension expense	<u>\$ 338</u>

The CDT pension plan is an unfunded plan and therefore no contributions have been made since the inception of the plan.

In determining the fair value of the CDT pension plan as of September 30, 2009, we used the following weighted average key assumptions:

Assumptions:	
Salary increases	2.25%
Pension increases	1.50%
Discount rate	6.00%
Employee fluctuation rate:	
to age 30	1.00%
to age 35	0.50%
to age 40	0.00%
to age 45	0.50%
to age 50	0.50%
from age 51	1.00%

Anticipated pension payments under the CDT pension plan, for the fiscal years indicated below are as follows:

2010 (nine months ended June 30)	\$ 301
2011	420
2012	456
2013	522
2014	615
2015 to 2019	4,362
Total	<u>\$6,676</u>

CDT Long-term Employee Benefit Obligations.

CDT's long-term employee benefit obligations arise under CDT's "Anniversary plan" and an early retirement plan. The obligation is unfunded and carried at a fair value of \$1.0 million for the Anniversary plan

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and \$0.5 million for the early retirement plan, as of September 30, 2009 (\$1.0 million and \$0.6 million, respectively, as of June 30, 2009).

The Anniversary plan is a defined benefit plan for long-tenured CDT employees. The plan provides for a lump-sum payment to employees of two months of salary upon reaching the anniversary of twenty-five years of service and three months of salary upon reaching the anniversary of forty years of service. The early retirement plan is designed to create an incentive for employees, within a certain age group, to transition from (full or part-time) employment into retirement before their legal retirement age. This plan allows employees, upon reaching a certain age, to elect to work full-time for a period of time and be paid 50% of their full-time salary. After working within this arrangement for a designated period of time, the employee is eligible to take early retirement and receive payments from the earned but unpaid salaries until they are eligible to receive payments under the postretirement benefit plan discussed above. Benefits under the early retirement plan are generally based on the employee's compensation and the number of years of service.

IXOS AG Defined Benefit Plans

Included within "Other Assets" are net pension assets of \$0.3 million (June 30, 2009 – \$0.6 million) relating to two IXOS defined benefit pensions plans (IXOS pension plans) in connection to certain former members of the IXOS board of directors and certain IXOS employees, respectively (See Note 8). The net periodic pension cost with respect to the IXOS pension plans is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets. The fair value of our total plan assets under the IXOS pension plans, as of September 30, 2009, is \$3.8 million (June 30, 2009 – \$3.5 million). The fair value of our total pension obligation under the IXOS pension plans as of September 30, 2009 is \$3.5 million (June 30, 2009 – \$2.9 million).

NOTE 11—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of September 30, 2009	As of June 30, 2009
Long-term debt		
Term loan	\$ 290,264	\$ 291,012
Mortgage	12,407	11,671
	<u>302,671</u>	<u>302,683</u>
Less:		
Current portion of long-term debt		
Term loan	2,993	2,993
Mortgage	496	456
	<u>3,489</u>	<u>3,449</u>
Long-term portion of long-term debt	<u>\$ 299,182</u>	<u>\$ 299,234</u>

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Term loan and Revolver

On October 2, 2006, we entered into a \$465.0 million credit agreement (the credit agreement) with a Canadian chartered bank (the bank) consisting of a \$390.0 million term loan facility (the term loan) and a \$75.0 million committed revolving long-term credit facility (the revolver). The term loan was used to finance a portion of our Hummingbird acquisition. We have not made any withdrawals under the revolver from the inception date to current date. During the quarter ended September 30, 2009 we incurred approximately \$1.0 million of debt issuance costs relating to certain covenant related amendments to the credit agreement that do not impact the payments, outstanding amount or the interest rates under the credit agreement (a copy of the amended credit agreement has been filed by us under a Form 8-K during September 2009).

Term loan

The term loan has a seven year term, expires on October 2, 2013 and bears interest at a floating rate of LIBOR plus 2.25%. The quarterly scheduled term loan principal repayments are equal to 0.25% of the original principal amount, due each quarter with the remainder due at the end of the term, less ratable reductions for any non-scheduled prepayments made. From October 2, 2006 (the inception of the loan) to September 30, 2009, we have made total non-scheduled prepayments of \$90.0 million towards the principal on the term loan. Our current quarterly scheduled principal payment is approximately \$0.7 million.

For the three months ended September 30, 2009, we recorded interest expense of \$1.8 million (three months ended September 30, 2008 – \$3.5 million) relating to the term loan.

Revolver

The revolver has a five year term and expires on October 2, 2011. Borrowings under this facility bear interest at rates specified in the credit agreement. The revolver is subject to a “stand-by” fee ranging between 0.30% and 0.50% per annum depending on our consolidated leverage ratio. There were no borrowings outstanding under the revolver as of September 30, 2009.

For the three months ended September 30, 2009, we recorded an expense of \$0.06 million (three months ended September 30, 2008 – \$0.06 million), on account of stand-by fees relating to the revolver.

Mortgage

The mortgage consists of a five year mortgage agreement entered into during December 2005 with the bank. The original principal amount of the mortgage was Canadian \$15.0 million. The mortgage: (i) has a fixed term of five years, (ii) matures on January 1, 2011, and (iii) is secured by a lien on our headquarters in Waterloo, Ontario. Interest accrues monthly at a fixed rate of 5.25% per annum. Principal and interest are payable in monthly installments of Canadian \$0.1 million with a final lump sum principal payment of Canadian \$12.6 million due on maturity.

As of September 30, 2009, the carrying value of the building was \$15.6 million (June 30, 2009 – \$14.7 million).

For the three months ended September 30, 2009, we recorded interest expense of \$0.2 million (three months ended September 30, 2008 – \$0.2 million), relating to the mortgage.

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NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of first preference shares. No preference shares have been issued.

We did not repurchase any Common Shares during the three months ended September 30, 2009 and 2008.

On July 21, 2009, as part of the equity consideration for our acquisition of Vignette (see Note 17), we issued 3,440,984 Common Shares.

Share-Based Payments

Summary of Outstanding Stock Options

As of September 30, 2009, options to purchase an aggregate of 2,620,134 Common Shares were outstanding and 1,674,595 Common Shares were available for issuance under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. The exercise price of the options we grant is set at an amount that is not less than the closing price of our Common Shares on the trading day for the NASDAQ immediately preceding the applicable grant date.

A summary of option activity under our stock option plans for the three months ended September 30, 2009 is as follows:

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2009	2,828,989	\$ 20.71		
Granted	25,000	38.33		
Exercised	(232,191)	18.35		
Forfeited or expired	(1,664)	23.13		
Outstanding at September 30, 2009	<u>2,620,134</u>	<u>\$ 21.09</u>	<u>4.05</u>	<u>\$ 42,584</u>
Exercisable at September 30, 2009	<u>1,606,801</u>	<u>\$ 17.56</u>	<u>3.35</u>	<u>\$ 31,771</u>

We estimate the fair value of stock options using the Black-Scholes option pricing model, consistent with the provisions of FASB Accounting Standards Codification Topic 718 “Compensation—Stock Compensation” (FASB ASC Topic 718) and SEC Staff Accounting Bulletin No. 107. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, while the options issued by us are subject to both vesting and restrictions on transfer. In addition, option-pricing models require input of subjective assumptions including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

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For the three months ended September 30, 2009, the weighted-average fair value of options granted, as of the grant date, was \$13.54, using the following weighted average assumptions: expected volatility of 40%; risk-free interest rate of 2.2%; expected dividend yield of 0%; and expected life of 4.3 years. A forfeiture rate of 5%, based on historical rates, was used to determine the net amount of compensation expense recognized.

For the three months ended September 30, 2008, the weighted-average fair value of options granted, as of the grant date, was \$13.69, using the following weighted average assumptions: expected volatility of 42%; risk-free interest rate of 3.8%; expected dividend yield of 0%; and expected life of 4.4 years. A forfeiture rate of 5%, based on historical rates, was used to determine the net amount of compensation expense recognized.

As of September 30, 2009, the total compensation cost related to the unvested stock awards not yet recognized was \$9.0 million, which will be recognized over a weighted average period of approximately 2 years.

As of September 30, 2008, the total compensation cost related to the unvested stock awards not yet recognized was \$12.0 million, which will be recognized over a weighted average period of approximately 3 years.

In each of the above periods, no cash was used by us to settle equity instruments granted under share-based compensation arrangements.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

For the three months ended September 30, 2009, cash in the amount of \$4.3 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three months ended September 30, 2009 from the exercise of options eligible for a tax deduction was \$0.7 million, which was recorded as additional paid-in capital.

For the three months ended September 30, 2008, cash in the amount of \$5.3 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three months ended September 30, 2008 from the exercise of options eligible for a tax deduction was \$6.6 million, which was recorded as additional paid-in capital.

Restricted Stock Awards (RSAs)

On July 21, 2009, we granted, as part of our acquisition of Vignette, 570,548 Open Text RSAs to certain legacy Vignette employees and directors as replacement for similar restricted stock awards held by these employees and directors when they were employed by Vignette. These awards were valued at \$13.33 on July 21, 2009, and a portion has been allocated to the purchase price of Vignette. The remaining portion will be amortized as part of the share-based compensation expense over the vesting period of these awards. The pre-combination portion of share-based compensation included in the purchase price of Vignette was \$3.8 million.

Share-based compensation cost included in the Condensed Consolidated Statements of Income for the three months ended September 30, 2009 was approximately \$3.5 million, inclusive of a charge of \$2.2 million booked to Special charges (see Note 16).

Share-based compensation cost included in the Condensed Consolidated Statements of Income for the three months ended September 30, 2008 was approximately \$1.4 million.

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Long Term Incentive Plans

On September 10, 2007, our Board of Directors approved the implementation of a Long-Term Incentive Plan called the “Open Text Corporation Long-Term Incentive Plan” (LTIP). Grants made in Fiscal 2008 under the LTIP (LTIP 1) took effect in Fiscal 2008, starting on July 1, 2007. The LTIP is a rolling three year program whereby we make a series of annual grants, each of which covers a three year performance period, to certain of our employees, and which vests upon the employee and/or the Company meeting pre-determined performance and market-based criteria. Awards under LTIP 1 may be equal to either 100% or 150% of target. The maximum amount that an employee may receive with regard to any single performance criterion is 1.5 times the target award for that criterion. Grants made in Fiscal 2009 under the LTIP (LTIP 2) took effect in Fiscal 2009 starting on July 1, 2008. Awards under LTIP 2 may be equal to 100% of the target. We expect to settle the LTIP 1 and LTIP 2 awards in cash.

Consistent with the provisions of FASB ASC Topic 718, we have measured the fair value of the liability under the LTIP as of September 30, 2009 and recorded an expense relating to such liability to compensation cost in the amount of \$2.7 million for the three months ended September 30, 2009 (three months ended September 30, 2008 – \$1.1 million), inclusive of an amount of \$0.2 million which was recorded within Special charges (see Note 16) relating to LTIP 1 accruals for certain employees who have been terminated as part of the Fiscal 2010 Restructuring Plan. The outstanding liability under the LTIP as of September 30, 2009 was \$8.9 million (June 30, 2009 – \$6.2 million) and is re-measured based upon the change in the fair value of the liability, as of the end of every reporting period, and a cumulative adjustment to compensation cost for the change in fair value is recognized. The cumulative compensation expense recognized upon completion of the LTIP will be equal to the payouts made.

NOTE 13—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

Interest related to liabilities for income tax expense is classified under the “Interest income (expense), net” line and penalties related to liabilities for income tax expense under the “Other income (expense)” line of our Condensed Consolidated Statements of Income. For the three months ended September 30, 2009, we recognized interest and penalties in the amounts \$0.9 million (three months ended September 30, 2008, \$0.5 million) and a recovery of \$0.2 million (three months ended September 30, 2008, nil), respectively. The amount of interest and penalties accrued as of September 30, 2009 was \$5.5 million (\$4.1 million as of June 30, 2009) and \$9.8 million (\$9.4 million as of June 30, 2009), respectively. Included in these balances as of September 30, 2009, are accrued interest and penalties of \$0.6 million each, respectively, relating to the acquisition of Vignette (see Note 17).

We believe that it is reasonably possible that the unrecognized tax benefits, as of September 30, 2009 could increase in the next 12 months by \$1.5 million (June 30, 2009, decrease by \$0.2 million), relating primarily to the expiration of competent authority relief prior to tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our three most significant tax jurisdictions are Canada, the United States and Germany. Our tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. Tax years that remain open to examinations by local taxing authorities vary by jurisdiction up to ten years.

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We are subject to tax examinations in all major taxing jurisdictions in which we operate and currently have examinations open in Canada, Germany, the United States, France and Spain. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes.

We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax examinations and that any settlement will not have a material adverse effect on our consolidated financial position or results of operations. However, we cannot predict with any level of certainty the exact nature of any future possible settlements.

NOTE 14—FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification Topic 820 “Fair Value Measurements and Disclosures” (FASB ASC Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of September 30, 2009:

		Fair Market Measurements using:		
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
September 30, 2009		(Level 1)	(Level 2)	(Level 3)
Financial Assets:				
Short-term investments	\$ 19,768	\$ 19,768	\$ n/a	\$ n/a
Derivative financial instrument assets (note 15)	4,728	n/a	4,728	n/a
	<u>\$ 24,496</u>	<u>\$ 19,768</u>	<u>\$ 4,728</u>	<u>\$ n/a</u>
Financial Liabilities:				
Derivative financial instrument liabilities (note 15)	\$ 1,333	\$ n/a	\$ 1,333	\$ n/a

Our valuation techniques used to measure the fair values of our marketable securities were derived from quoted market prices as an active market for these securities exists. Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from the pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for the derivative instruments. Our discounted cash flow techniques use observable market inputs, such as monthly LIBOR-based yield curves, and foreign currency spot and forward rates.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the three months ended September 30, 2009, no indications of impairment were identified and therefore no fair value measurements were required.

NOTE 15—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Currency Forward Contracts

On December 30, 2008, we entered into a hedging program with a Canadian chartered bank, to limit the potential foreign exchange fluctuations on future intercompany royalties and management fees that are expected to be earned by our Canadian subsidiary from one of our U.S. subsidiaries. The program seeks to hedge intercompany royalties and management fees. The contracts settle within eight to twelve months from inception date and we do not use these forward contracts for trading or speculative purposes.

Our hedging strategy, under this program, is to limit the potential volatility associated with the foreign currency gains and losses that may be experienced upon the eventual settlement of these transactions.

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We have designated these transactions as cash flow hedges of forecasted transactions under FASB Accounting Standards Codification Topic 815 “Derivatives and Hedging” (FASB ASC Topic 815). Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within other comprehensive income. Unrealized gains or losses on the ineffective portion of these forward contracts, and the gain or loss on ineffective hedges that have been excluded from effectiveness testing have been classified within “Other income (expense)”. The fair value of the contracts, as of September 30, 2009 and June 30, 2009, is recorded within “Prepaid expenses and other current assets”.

As of September 30, 2009, the notional amount of forward contracts we held, to sell U.S. dollars in exchange for Canadian dollars was \$33.0 million (June 30, 2009 – \$44.0 million).

In addition to the above we acquired a non-material foreign currency forward contract as a part of our acquisition of Vignette (See Note 17). This contract is used to manage balance sheet exposures in a non-functional currency and has not been designated as a hedging instrument pursuant to FASB ASC Topic 815. Accordingly, the change in the fair value of this contract has been recorded within “Other income (expenses)” and the fair value thereof has been recorded within “Accounts payable and accrued liabilities”. As of September 30, 2009 the notional amount of this contract payable is \$1.2 million.

Interest Rate Collar

As part of the requirements of the term loan credit agreement (see Note 11) we are required to maintain, from thirty days following the date on which the term loan was entered into through to the third anniversary or such earlier date on which the term loan is paid, an interest rate hedging arrangement with counter parties in respect of the term loan. Accordingly, in October 2006, we entered into a three year interest rate collar that had the economic effect of circumscribing the floating portion of the interest rate obligations associated with the term loan within an upper limit of 5.34% and a lower limit of 4.79%. As of September 30, 2009 and June 30, 2009, the notional amount of the interest rate collar was \$100.0 million.

FASB ASC Topic 815 requires that written options meet certain criteria in order for hedge accounting to apply. We determined that these criteria were not met and hence hedge accounting was not applied to the interest rate collar.

The quarterly unrealized gains or losses on the interest rate collar and quarterly amounts payable by us to the counter party are included within interest expense and the fair value of the interest rate collar is recorded with “Accounts payable and accrued liabilities.”

Fair value of Derivative Instruments and Effect of Derivative Instruments on Financial Performance

The effect of these derivative instruments on our consolidated financial statements as of, and for the three months ended September 30, 2009, were as follows (amounts presented do not include any income tax effects).

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Fair value of Derivative Instruments in the Condensed Consolidated Balance Sheet (see Note 14)

<u>Asset derivatives Designated as Hedging Instruments</u>		<u>Balance Sheet Location</u>	<u>Fair Value</u>
Foreign currency forward contracts designated as cash flow hedges		Prepaid expenses and other current assets	\$ 4,728
<u>Liability derivatives Not Designated as Hedging Instruments</u>			
Interest rate collar not designated as a hedging instrument		Accounts payable and accrued liabilities	\$ 1,151
Foreign currency forward contracts not designated as hedges		Accounts payable and accrued liabilities	182
			<u>\$ 1,333</u>

Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

<u>Derivatives in Cash Flow Hedging Relationships</u>	<u>Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)</u> Three months ended September 30, 2009	<u>Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</u>	<u>Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</u> Three months ended September 30, 2009	<u>Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</u>	<u>Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</u> Three months ended September 30, 2009
Foreign currency forward contracts	\$ 2,835	Other income (expense)	\$ 2,032	Other income (expense)	\$ 1,419
<u>Derivatives Not Designated as Hedging Instruments</u>				<u>Location of Gain or (Loss) Recognized in Income on Derivative</u>	<u>Amount of Gain or (Loss) Recognized in Income on Derivative</u> Three months ended September 30, 2009
Interest rate collar				Interest income(expense)	\$ 971
Foreign currency forward contracts not designated as hedges				Other income (expense)	(182)
					<u>\$ 789</u>

NOTE 16—SPECIAL CHARGES

Special charges relate primarily to costs related to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans. In addition, with effect from July 1, 2009, Special charges also include acquisition-related costs related to acquisitions made on or after July 1, 2009.

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The following tables summarize total Special charges incurred during the three months ended September 30, 2009.

	Three months ended September 30, 2009
Fiscal 2010 Restructuring Plan (cash portion)	\$ 12,510
Fiscal 2010 Restructuring Plan (share-based compensation expense)	2,182
Total Fiscal 2010 Restructuring Plan	14,692
Fiscal 2009 Restructuring Plan	2,505
Acquisition-related costs	1,392
Total	<u>\$ 18,589</u>

The total costs to be incurred in conjunction with the Fiscal 2010 restructuring plan are expected to be approximately \$32 million to \$40 million, of which \$14.7 million has been recorded within Special charges to date. Reconciliations of the liability relating to each of our outstanding restructuring plans are provided hereunder:

Fiscal 2010 Restructuring Plan (cash portion)

In the first quarter of Fiscal 2010, our Board approved, and we began to implement, restructuring activities to streamline our operations and consolidate certain excess facilities (Fiscal 2010 restructuring plan). These charges relate to work force reductions and other miscellaneous direct costs. The provision related to workforce reduction is expected to be paid by September 2010. On a quarterly basis, we will conduct an evaluation of the remaining balances relating to workforce reduction and revise our assumptions and estimates as appropriate.

A reconciliation of the beginning and ending liability for the three months ended September 30, 2009, is shown below.

Fiscal 2010 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2009	\$ —	\$ —	\$ —
Accruals and adjustments	12,197	313	12,510
Cash payments	(4,120)	(20)	(4,140)
Noncash draw-downs and foreign exchange	72	1	73
Balance as of September 30, 2009	<u>\$ 8,149</u>	<u>\$ 294</u>	<u>\$ 8,443</u>

Fiscal 2009 Restructuring Plan

In the second quarter of Fiscal 2009, our Board approved, and we began to implement, restructuring activities to streamline our operations and consolidate certain excess facilities (Fiscal 2009 restructuring plan). These charges related to work force reductions, abandonment of excess facilities and other miscellaneous direct costs, and do not include costs accrued for under EITF 95-3 in relation to our acquisition of Captaris (Note 9). The total costs to be incurred in conjunction with the Fiscal 2009 restructuring plan is \$16.7 million, which has been recorded within Special charges to date. The \$16.7 million charge consisted primarily of costs associated with workforce reduction in the amount of \$12.1 million and abandonment of excess facilities in the amount of

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\$4.6 million. The provision related to workforce reduction is expected to be substantially paid by December 2009 and the provision relating to facility costs is expected to be paid by April 2012. On a quarterly basis, we will conduct an evaluation of the remaining balances relating to workforce reduction and excess facilities and revise our assumptions and estimates as appropriate.

A reconciliation of the beginning and ending liability for the three months ended September 30, 2009, is shown below.

Fiscal 2009 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2009	\$ 2,718	\$ 2,933	\$ 5,651
Accruals and adjustments	1,882	623	2,505
Cash payments	(3,491)	(814)	(4,305)
Noncash draw-downs and foreign exchange	78	55	133
Balance as of September 30, 2009	<u>\$ 1,187</u>	<u>\$ 2,797</u>	<u>\$ 3,984</u>

Fiscal 2006 Restructuring Plan

In the first quarter of Fiscal 2006, our Board approved, and we began to implement restructuring activities to streamline our operations and consolidate our excess facilities (Fiscal 2006 restructuring plan). These charges related to work force reductions, abandonment of excess facilities and other miscellaneous direct costs. The total cost incurred in conjunction with the Fiscal 2006 restructuring plan was \$20.9 million which has been recorded within Special charges to date. The actions related to workforce reduction were completed as of September 30, 2007. The provisions relating to facility costs are expected to be paid by January 2014.

A reconciliation of the beginning and ending liability for the three months ended September 30, 2009 is shown below.

Fiscal 2006 Restructuring Plan	Facility costs
Balance as of June 30, 2009	\$ 259
Accruals and adjustments	—
Cash payments	(22)
Noncash draw-downs and foreign exchange	20
Balance as of September 30, 2009	<u>\$ 257</u>

NOTE 17—ACQUISITIONS

Fiscal 2010

Vignette Corporation.

On July 21, 2009, we acquired, by way of a merger agreement, all of the issued and outstanding shares of Vignette Corporation (Vignette), an Austin, Texas based company that provides and develops software used for managing and delivering business content. Per the terms of the merger agreement, each share of common stock of Vignette (not already owned by Open Text) issued and outstanding immediately prior to the effective date of the merger (July 21, 2009) was converted into the right to receive \$8.00 in cash and 0.1447 of one Open Text common share (equivalent to a value of \$5.33 as of July 21, 2009). The acquisition of Vignette is expected to

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strengthen our ability to offer an expanded portfolio of Enterprise Content Management (ECM) solutions to further consolidate our position as an independent leader in the ECM marketplace. In accordance with FASB ASC Topic 805, this acquisition is accounted for as a business combination.

The results of operations of Vignette have been consolidated with those of Open Text beginning July 22, 2009.

Total consideration for this acquisition was comprised of:

Equity consideration paid	\$ 125,223
Cash consideration paid	182,909
Fair value of total consideration transferred	308,132
Vignette shares already owned by Open Text through open market purchases (at fair value)	13,283
	<u>\$ 321,415</u>
Acquisition related costs (included in Special charges in the Condensed Consolidated Statements of Income) for the three months ended September 30, 2009	<u>\$ 1,392</u>

Assets Acquired and Liabilities Assumed

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 21, 2009 are set forth below:

Current assets (inclusive of cash acquired of \$92,309)	\$172,632
Long-term assets	22,323
Intangible customer assets	22,700
Intangible technology assets	68,200
Total liabilities assumed	<u>(98,095)</u>
Total identifiable net assets	187,760
Goodwill	<u>133,655</u>
Net assets acquired	<u>\$321,415</u>

The fair value of Common shares issued as part of the consideration was determined based upon the closing price of Open Text's common shares on acquisition date.

The factors that impact the qualitative composition of goodwill, the allocation of goodwill to our reporting units and the deductibility thereof for income tax purposes are currently being assessed.

The fair value of current assets acquired includes accounts receivable with a fair value of \$27.1 million. The gross amount receivable is \$28.3 million, of which \$1.2 million is expected to be uncollectible.

As of acquisition date, Vignette had significant deferred tax assets that were subject to valuation allowances including deferred tax assets relating to the domestic federal net operating loss (NOL) carryforwards. Internal

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Revenue Code Section 382 imposes substantial restrictions on the utilization of these NOLs in the event of an “ownership change” of the corporation. We are currently assessing our ability to utilize these tax attributes prior to their expiration. The final valuation of the deferred tax assets could result in a material change in the above indicated amount of goodwill and intangible assets.

The fair value of the acquired intangible customer assets of \$22.7 million, intangible technology assets of \$68.2 million, and deferred revenues of \$33.1 million is provisional pending receipt of the final valuations for these items.

We recognized a gain of \$4.4 million as a result of re-measuring to fair value our investment in Vignette held before the date of acquisition. The gain is included in “Other income” in our consolidated financial statements.

The amount of Vignette’s revenue and net income included in Open Text’s consolidated statement of operations for the three months ended September 30, 2009 and the revenue and net income of the combined entity, had the acquisition date been July 1, 2009 and July 1, 2008, are set forth below:

	Revenue	Net loss
Actual from July 22, 2009 to September 30, 2009	\$25,917	\$(4,284)
	Three months ended September 30,	
<i>Supplemental Proforma Information</i>	2009	2008
Total revenues	\$217,629	\$224,499
Net income (loss)	\$ (15,690)	\$ 8,063

Included within net income for both the three months ended September 30, 2009 and 2008 are the estimated amortization charges relating to the allocated values of intangible assets.

NOTE 18—GUARANTEES AND CONTINGENCIES

Guarantees and indemnifications

We have entered into license agreements with customers that include limited intellectual property indemnification clauses. Generally, we agree to indemnify our customers against legal claims that our software products infringe certain third party intellectual property rights. In the event of such a claim, we are generally obligated to defend our customers against the claim and either settle the claim at our expense or pay damages that our customers are legally required to pay to the third-party claimant. These intellectual property infringement indemnification clauses generally are subject to limits based upon the amount of the license sale. We have not made any indemnification payments in relation to these indemnification clauses.

In connection with certain facility leases, we have guaranteed payments on behalf of our subsidiaries either by providing a security deposit with the landlord or through unsecured bank guarantees obtained from local banks.

We have not disclosed a liability for guarantees, indemnities or warranties described above in the accompanying Condensed Consolidated Balance Sheets since the maximum amount of potential future payments under such guarantees, indemnities and warranties is not determinable.

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Litigation

We are subject from time to time to legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business, and accrue for these items where appropriate. While the outcome of these proceedings and claims cannot be predicted with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated financial position, results of operations and cash flows. Currently, we are not involved in any litigation that we reasonably believe could materially impact our financial position or results of operations and cash flows.

NOTE 19—SUPPLEMENTAL CASH FLOW DISCLOSURES

Supplemental disclosure of cash flow information:

	Three months ended September 30,	
	2009	2008
Cash paid during the period for interest	\$ 3,165	\$ 4,504
Cash received during the period for interest	\$ 338	\$ 1,767
Cash paid during the period for income taxes	\$ 5,736	\$ 3,452

NOTE 20—NET INCOME PER SHARE

Basic earnings per share are computed by dividing net income by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the shares used in the calculation of basic net income per share plus the dilutive effect of common share equivalents, such as stock options, using the treasury stock method. Common share equivalents are excluded from the computation of diluted net income per share if their effect is anti-dilutive.

	Three months ended September 30,	
	2009	2008
Basic earnings per share		
Net income	\$ 1,730	\$14,661
Basic earnings per share	\$ 0.03	\$ 0.29
Diluted earnings per share		
Net income	\$ 1,730	\$14,661
Diluted earnings per share	\$ 0.03	\$ 0.28
Weighted average number of shares outstanding		
Basic	55,388	51,298
Effect of dilutive securities	1,081	1,692
Diluted	56,469	52,990
Excluded as anti-dilutive *	476	64

* Represents options to purchase Common Shares excluded from the calculation of diluted net income per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares during the period.

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NOTE 21—RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2009, Mr. Stephen Sadler, a director, earned approximately \$0.3 million (Three months ended September 30, 2008 – \$0.1 million) in consulting fees from Open Text for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and is subject to the safe harbors created by those sections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "could," "would," "might," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements involve known and unknown risks as well as uncertainties, including those discussed herein and in the notes to our financial statements for the three months ended September 30, 2009, certain sections of which are incorporated herein by reference. The actual results that we achieve may differ materially from any forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. You should carefully review Part II Item 1A "Risk Factors" and other documents we file from time to time with the Securities and Exchange Commission. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to those set forth in our Annual Report on Form 10-K and Part II Item 1A "Risk Factors" and elsewhere in this report. Any one of these factors may cause our actual results to differ materially from recent results or from our anticipated future results. You should not rely too heavily on the forward-looking statements contained in this Quarterly Report on Form 10-Q, because these forward-looking statements are relevant only as of the date they were made.

The following MD&A is intended to help readers understand the results of our operation and financial condition, and is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying Notes to Condensed Consolidated Financial Statements (the Notes) under Part I, Item 1 of this Form 10-Q.

All growth and percentage comparisons made herein refer to the three months ended September 30, 2009 (first quarter of Fiscal 2010) compared with the three months ended September 30, 2008 (first quarter of Fiscal 2009), unless otherwise noted. All references to "Notes" made herein are references to the Notes to our Condensed Consolidated Financial Statements.

BUSINESS OVERVIEW

Open Text

We are an independent company providing Enterprise Content management (ECM) software solutions. ECM is the set of technologies used to capture, manage, store, preserve, find and retrieve "word" based content. We focus solely on ECM software solutions with a view to being recognized as "The Content Experts" in the software industry. We continually endeavor to be at the leading edge of content management technology, by continually upgrading and improving on our product offering. This is done internally and through acquisitions of companies that own technologies we feel will benefit our clients.

Our initial public offering was on the NASDAQ in 1996 and subsequently on the Toronto Stock Exchange in 1998. We are a multinational company and currently employ approximately 3,900 people worldwide.

Quarterly Highlights:

Some highlights of our operating results this quarter include:

- Total revenue increased by 15.8% on a quarter over quarter basis to \$211.4 million.
- Customer support revenue increased to \$123.6 million, equivalent to a 25.6% increase over the same period in the prior fiscal year.

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- We completed the acquisition of Vignette Corporation (Vignette) which we acquired for \$321.4 million, inclusive of the fair value of Vignette shares already held by us.
- This quarter, our Board approved, and we began to implement, our Fiscal 2010 restructuring plan. The total costs to be incurred in conjunction with the Fiscal 2010 restructuring plan are expected to be approximately \$32.0 to \$40.0 million, of which \$14.7 million has been recorded within Special charges to date.

Other highlights were as follows:

- In early October 2009, we announced the expansion of our SAP reseller agreement to include “SAP Extended ECM by Open Text.” This marks another expansion of the original reseller agreement signed with SAP in 2007.
- In early October 2009, we announced the latest release of Open Text Enterprise Connect. The new version furthers Enterprise Connect as a powerful content service that makes it easy to blend content and processes within users’ preferred working environments.
- In September 2009, we received the highest rating possible, a “Strong Positive,” in leading analyst firm Gartner’s 2009 “MarketScope for Records Management,” published on September 10, 2009.
- In August 2009, we were positioned in the Leaders quadrant of the Gartner 2009 Magic Quadrant for Web Content Management, based on an evaluation of the company’s ability to execute and its completeness of vision.
- In August 2009, we were included on Fortune’s 2009 List of the 100 Fastest-Growing Companies, ranking 15th overall and 6th on the list’s breakdown of “fastest-growing” technology companies.

Acquisitions

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, we regularly evaluate various acquisition opportunities within the ECM marketplace and elsewhere in the high technology industry, in addition to our internal Research and Development activities. We believe our acquisitions support our long-term strategic direction, strengthen our competitive position, expand our customer base and provide greater scale to accelerate innovation, grow our earnings and increase shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business.

On July 21, 2009, we acquired Vignette, a provider of ECM software products. Vignette is based in Austin, Texas with worldwide operations. We believe that this acquisition will further consolidate our position as an independent leader in the ECM marketplace and help strengthen our Web Content Management (WCM) product offering in conjunction with our existing RedDot products (see Note 17).

Partners

Partnerships are fundamental to the Open Text business. We have developed strong and mutually beneficial relationships with key technology partners, including major software vendors, systems integrators, and storage vendors, which give us leverage to deliver customer-focused solutions. Key partnership alliances of Open Text include, but are not limited to, Oracle®, Microsoft®, SAP®, Deloitte, and Accenture®. We rely on close cooperation with partners for sales and product development, as well as for the optimization of opportunities which arise in our competitive environment. We continually aim to strengthen our global partner program, with emphasis on developing strategic relations and achieving close integration with partners. Our partners continue to generate business in key areas such as archiving, records management and compliance.

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Our revenue from partners contributed approximately 42% of our license revenues in the three months ended September 30, 2009 compared to approximately 37% during the three months ended September 30, 2008.

Outlook for Fiscal 2010

We believe that we have a strong position in the ECM market and that the market for content solutions remains robust. We have a diversified geographic profile, in that approximately 50% of our revenues are from outside of North America. Also, over 50% of our revenues are from customer support revenues, which are a recurring source of income and as such, we expect this trend to continue. Additionally, our focus on compliance based products also helps insulate us from “downturns” in the current macroeconomic environment.

Results of Operations

Revenues

Revenue by Product Type and Geography:

The following tables set forth our revenues by product, revenue as a percentage of the related product revenue and revenue by major geography for each of the periods indicated:

Revenue by product type

(In thousands)	Three months ended September 30,		Change/ increase (decrease)
	2009	2008	
License	\$ 47,329	\$ 50,074	\$ (2,745)
Customer support	123,649	98,429	25,220
Services and Other	40,444	34,120	6,324
Total	<u>\$ 211,422</u>	<u>\$ 182,623</u>	<u>\$ 28,799</u>

(% of total revenue)	Three months ended September 30,	
	2009	2008
License	22.4%	27.4%
Customer support	58.5%	53.9%
Services and Other	19.1%	18.7%
Total	<u>100.0%</u>	<u>100.0%</u>

Revenue by Geography

(In thousands)	Three months ended September 30,		Change/ increase (decrease)
	2009	2008	
North America	\$ 107,317	\$ 84,292	\$ 23,025
Europe	91,386	89,422	1,964
Other	12,719	8,909	3,810
Total	<u>\$ 211,422</u>	<u>\$ 182,623</u>	<u>\$ 28,799</u>

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% of total revenue	Three months ended September 30,	
	2009	2008
North America	50.8%	46.2%
Europe	43.2%	49.0%
Other	6.0%	4.8%
Total	100.0%	100.0%

License Revenue consists of fees earned from the licensing of software products to customers. Our license revenues are affected by the strength of general economic and industry conditions, governmental budgetary constraints, the competitive strength of our software products, and our acquisitions. Our new license business is also characterized by long sales cycles whereby the timing of a few large software license transactions can substantially affect our quarterly new software license revenues.

License revenue decreased by approximately \$2.7 million in the three months ended September 30, 2009 as compared to the three months ended September 30, 2008. The main impact on license sales relates to our WCM products as some of our customers have temporarily deferred purchases of our WCM products in anticipation of being able to broaden their WCM capabilities in the next three to six months in response to our imminent “Roadmap” for Vignette/Red Dot WCM capabilities. Additionally, core license revenues in the current quarter were impacted by the current economic turbulence—which caused our license sales in North America to come in slightly below expectations.

Customer Support Revenue consists of revenue from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. Customer support revenue is generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods. Because of our large installed base, the renewal rate has more influence on total customer support revenue in comparison to the impact that the current software revenue has. Therefore changes in customer support revenue do not necessarily correlate directly to the changes in license revenue from period to period. The terms of support and maintenance agreements are typically twelve months, with customer renewal options. New license sales create additional customer support agreements which contribute substantially to the increase in our customer support revenue.

Customer support revenues increased by approximately \$25.2 million in the three months ended September 30, 2009. The increase in customer support revenues is attributable to an increase in North America Customer support sales of \$17.3 million, an increase in Europe customer support sales of \$5.5 million and the remainder of the increase is due to sales generated in other geographies.

Service and Other Revenue. Service revenue consists of revenues from consulting contracts, contracts to provide training and integration services (Professional Services). “Other” revenue consists of hardware revenue. These revenues are grouped within the “Service and Other” category because they are relatively immaterial. For the three months ended September 30, 2009, hardware revenues were \$3.8 million. The amount of service revenues recognized tends to lag software revenue recognition. Professional Services, if purchased, are typically performed after the purchase of new software licenses.

Service and other revenues increased by approximately \$6.3 million in the three months ended September 30, 2009. The increase in services and other revenues is due to an increase in North America service and other revenues of \$6.7 million, offset by a decrease in Europe service and other revenues by \$2.0 million. The remainder of the change in Service and other revenues is from revenue generated in other geographies.

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Cost of Revenue and Gross Margin by Product Type

The following tables set forth the changes in cost of revenues and gross margin by product type for the periods indicated:

(In thousands)	Three months ended September, 30		Change/ increase (decrease)
	2009	2008	
License	\$ 3,145	\$ 2,893	\$ 252
Customer Support	20,939	15,567	5,372
Service and Other	33,294	27,729	5,565
Amortization of acquired technology-based intangible assets	14,142	10,747	3,395
Total	<u>\$71,520</u>	<u>\$56,936</u>	<u>\$14,584</u>

Gross Margin	Three months ended September 30,	
	2009	2008
License	93.4%	94.2%
Customer Support	83.1%	84.2%
Service and Other	17.7%	18.7%

Cost of license revenue consists primarily of royalties payable to third parties and product media duplication, instruction manuals and packaging expenses.

Cost of license revenue remained consistent in the three months ending September 30, 2009 as compared to the three months ending September 30, 2008, increasing slightly by \$0.3 million. Overall gross margin on cost of license revenue has decreased slightly to approximately 93.4% primarily due to an increase in third party royalties and related costs.

Cost of customer support revenues is comprised primarily of technical support personnel and related costs, as well as third party royalty type costs.

Cost of customer support revenues increased by \$5.4 million, which is primarily due to an increase in direct costs, associated with increased customer support revenues for the three months ended September 30, 2009. Overall gross margin on cost of customer support revenue has decreased slightly to approximately 83.1% primarily due to an increase in third party royalties and higher labour costs. Headcount relating to our customer support business has increased by 129 employees from September 30, 2008 to September 30, 2009.

Cost of service and other revenues consists primarily of the costs of providing integration, customization and training with respect to our various software products. The most significant components of these costs are personnel related expenses, travel costs and third party subcontracting. Cost of service and other revenues have increased by \$5.6 million in the three months ending September 30, 2009 as compared to the three months ending September 30, 2008. The gross margin on cost of service and other revenues has decreased to approximately 17.7% primarily due to an increase in direct labor and related costs. Headcount relating to our professional services business has increased by 105 employees from September 30, 2008 to September 30, 2009.

Amortization of acquired technology-based intangible assets increased by \$3.4 million due to the increase in intangible assets as of September 30, 2009 on account of the acquisitions made by us after September 30, 2008.

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Operating Expenses

The following table sets forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

(In thousands)	Three months ended September 30,		Change/ increase (decrease)
	2009	2008	
Research and development	\$ 31,542	\$ 28,578	\$ 2,964
Sales and marketing	50,690	44,832	5,858
General and administrative	21,225	18,387	2,838
Depreciation	4,147	2,698	1,449
Amortization of acquired customer-based intangible assets	8,917	8,215	702
Special charges	18,589	—	18,589
Total	\$ 135,110	\$ 102,710	\$ 32,400

(in % of total revenue)	Three months ended September 30,	
	2009	2008
Research and development	14.9%	15.6%
Sales and marketing	24.0%	24.5%
General and administrative	10.0%	10.1%
Depreciation	2.0%	1.5%
Amortization of acquired customer-based intangible assets	4.2%	4.5%
Special charges	8.8%	0.0%

Research and development expenses consist primarily of personnel expenses, contracted research and development expenses, and facility costs. Research and development enables organic growth and as such we dedicate extensive efforts every quarter to update and upgrade our product offering. As such, research and development expenses do not necessarily correlate with revenues. The primary driver is typically budgeted software upgrades and software development.

Research and development expenses increased by approximately \$3.0 million in the three months ended September 30, 2009 as compared to the same period in the prior fiscal year, primarily due to an increase in direct labour and labour-related benefits and expenses of \$3.6 million. The remainder of the difference is due to a decrease in other research and development related expenses.

Headcount at September 30, 2009, related to research and development activities, increased by 347 employees compared to September 30, 2008.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising and trade shows, and are usually closely linked to fluctuations in our revenues, discounting for obvious fluctuations in our macroeconomic environment.

Sales and marketing expenses increased by \$5.9 million primarily due to an increase in direct labour and labour-related benefits and expenses of \$4.9 million, an increase in overhead expenses of \$0.6 million and an increase in consulting expenses of \$0.3 million. The remainder of the difference is due to an increase in other sales and marketing related expenses.

Headcount at September 30, 2009, related to sales and marketing activities, increased by 134 employees compared to September 30, 2008.

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General and administrative expenses consist primarily of salaries of administrative personnel, related overhead, facility expenses, audit fees, consulting expenses and public company costs. This quarter general and administrative expenses increased on account of the accretive effect of our acquisition of Vignette.

General and administrative expenses as a percentage of total revenue remained relatively stable at 10.0% and 10.1% for the three months ended September 30, 2009 and the three months ended September 30, 2008 respectively.

General and administrative expenses increased by \$2.8 million, which is primarily due to an increase in office expenses of \$1.9 million, an increase in direct labour and labour-related benefits and expenses in the amount of \$1.4 million, offset by a decrease in overhead expenses in the amount of \$1.3 million. The remainder of the difference is mainly due to an increase in other general and administrative expenses relating to the accretive impact of Vignette.

Headcount at September 30, 2009, related to general and administrative activities, increased by 171 employees compared to September 30, 2008.

Depreciation expenses increased by \$1.4 million, due to increased capital asset acquisitions.

Amortization of acquired intangible customer-based assets increased by \$0.7 million due to the increase in customer-based intangible assets as of September 30, 2009, on account of the acquisitions made by us after September 30, 2008.

Special charges typically relate to amounts that we expect to pay on account of restructuring plans relating to employee workforce reduction and abandonment of excess facilities, impairment of long-lived assets, acquisition related costs (with effect from July 1, 2009 and onwards) and other non-recurring charges. Generally, we implement such plans in the context of streamlining existing Open Text operations that get impacted by significant acquisitions. Actions related to such restructuring plans are, more often than not, completed within a period of one year. In certain limited situations, if the planned activity does not need to be implemented, or an expense lower than anticipated is paid out, we record a recovery of the originally recorded expense to Special charges.

In accordance with the new accounting rules which are applicable to us with effect from July 1, 2009, acquisition-related expenses are required to be included in the determination of income and may not, as was permitted earlier, be capitalized as part of the cost of the acquisition. As a result, in the quarter ended September 30, 2009, we recorded an additional expense (within Special charges) of \$1.4 million on account of expenses related to our acquisition of Vignette.

During the three months ended September 30, 2008, no restructuring related charges were recorded. In the three months ended September 30, 2009, \$18.6 million of restructuring related charges were recorded primarily due to the implementation of the Fiscal 2010 Restructuring Plan, which was announced and approved by our board this quarter. The Fiscal 2010 Restructuring Plan is designed to restructure our workforce and to rationalize and consolidate our excess facilities. For more details on Special charges, see Note 16.

Other income. Other income increased by \$2.7 million in the three months ended September 30, 2009 as compared to the three months ended September 30, 2008. This increase was due to the impact of the release of the unrealized gain (from accumulated comprehensive income to income) on Vignette shares purchased by Open Text through open market purchases in the amount of \$4.4 million. The remainder of the change in other income is due to the impact of other miscellaneous items.

Net interest expense is primarily made up of cash interest paid on our debt facilities and the unrealized gain (loss) on our interest rate collar, offset by interest income earned on our cash and cash equivalents.

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Interest expense relates primarily to interest paid on our \$390.0 million long-term debt incurred in October 2006, (the term loan), for the purpose of partially financing our Hummingbird acquisition. The term loan bears floating-rate interest at LIBOR plus a fixed rate which is currently set at 2.25% per annum.

Net interest expense remained relatively consistent at \$3.0 million for the three months ended September 30, 2009 and the three months ended September 30, 2008.

For more details on interest expenses see Note 11 and also the discussion under “Long-term Debt and Credit Facilities” under the “Liquidity and Capital Resources” section of this MD&A.

Income taxes. The tax rate in the quarter ended September 30, 2009 is higher compared to the tax rate for the quarter ended September 30, 2008 primarily due to the de-recognition of certain transfer pricing benefits that no longer offset the liability.

Liquidity and Capital Resources

The following table sets forth changes in cash flow from operating, investing and financing activities for the periods indicated:

(In thousands)	Three months ended September 30,		Change/ increase (decrease)
	2009	2008	
Cash provided by operating activities	\$ 4,502	\$24,813	\$(20,311)
Cash used by investing activities	\$75,895	\$25,259	\$ 50,636
Cash provided by financing activities	\$ 3,280	\$11,304	\$ (8,024)

Cash flows provided by operating activities

Cash flows from operating activities decreased primarily due to slower cash collections of accounts receivable as a result of the acquisition of Vignette in the amount of approximately \$12.0 million and an increase of approximately \$8.4 million on account of restructuring costs and \$1.4 million of acquisition costs expended in the current quarter. The remaining change in cash flows from operating activities is due to miscellaneous items.

Cash flows used in investing activities

Cash flows used in investing activities increased primarily as a result of an increase in cash used for the Vignette acquisition, offset by cash received from the maturity of short term investments. The remainder of the change was due to miscellaneous items.

Cash flows from financing activities

Our cash flows from financing activities consist of long-term debt financing and monies received from the issuance of shares exercised by our employees. These inflows are typically offset by scheduled and non-scheduled repayments of our long-term debt financing and, when applicable, the repurchases of our shares.

Cash flows from financing activities decreased primarily because of a decrease in excess tax benefits on share-based compensation expense and because we received less proceeds from the issuance of Common Shares.

Long-term Debt and Credit Facilities

On October 2, 2006, we entered into a \$465.0 million credit agreement (the credit agreement) with a Canadian chartered bank (the bank) consisting of the term loan facility in the amount of \$390.0 million and a \$75.0 million committed revolving long-term credit facility (the revolver). The term loan was used to partially

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finance the Hummingbird acquisition and the revolver will be used for general business purposes, if necessary. No amount has been drawn under the revolver to date. The credit agreement is guaranteed by us and certain of our subsidiaries. For details relating to this and our other credit facilities, see Note 11.

Commitments and Contractual Obligations

We have entered into the following contractual obligations with minimum annual payments for the indicated Fiscal periods as follows:

	Payments due by period ending June 30,				
	Total	2010	2011 - 2012	2013 - 2014	2015 and beyond
Long-term debt obligations	\$341,223	\$11,247	\$ 36,780	\$293,196	\$ —
Operating lease obligations *	132,827	24,718	43,131	26,598	38,380
Purchase obligations	4,871	2,012	2,486	373	—
	<u>\$478,921</u>	<u>\$37,977</u>	<u>\$ 82,397</u>	<u>\$320,167</u>	<u>\$ 38,380</u>

* Net of \$8.8 million of non-cancelable sublease income to be received from properties which we have subleased to other parties.

The long-term debt obligations are comprised of interest and principal payments on our term loan agreement and a five-year mortgage on our headquarters in Waterloo, Ontario. See Note 11.

Litigation

We are subject from time to time to legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, our management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space, computer equipment, and vehicles. None of the operating leases described in the previous sentence has, or potentially may have, a material current or future effect on our financial condition (including any possible changes in our financial condition), revenue, expenses, and results of operations, liquidity, capital expenditures or capital resources. In accordance with U.S. GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amount of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent that there are material differences between these estimates, judgments and assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Business combinations

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- Goodwill and intangible assets—Impairment Assessments
- Accounting for income taxes
- Legal and other contingencies
- The valuation of stock options granted and liabilities related to share-based payments, including the long-term incentive plan
- Allowance for doubtful accounts
- Facility and restructuring accruals
- Financial instruments
- The valuation of pension assets and obligations

Please refer to our MD&A contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 30, 2009 and Note 2 to Part I of this Form 10-Q for a more complete discussion of our critical accounting policies and estimates.

New Accounting Standards

For information relating to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are primarily exposed to market risks associated with fluctuations in interest rates on our term loan and foreign currency exchange rates.

Interest rate risk

Our exposure to interest rate fluctuations relate primarily to our term loan, as we had no borrowings outstanding under our line of credit as of September 30, 2009. As of September 30, 2009, we had an outstanding balance of \$290.3 million on the term loan. The term loan bears a floating interest rate of LIBOR plus a fixed rate of 2.25%. As of September 30, 2009, an adverse change in LIBOR of 300 basis points (3.0%) would have the effect of increasing our annual interest payment on the term loan by approximately \$8.7 million, absent the impact of our interest rate collar referred to below and assuming that the loan balance as of September 30, 2009, is outstanding for the entire period.

We manage our interest rate exposure, relating to \$100.0 million of the above mentioned term loan, with an interest rate collar that partially hedges the fluctuation in LIBOR. The collar has a notional value of \$100.0 million, a cap rate of 5.34% and a floor rate of 4.79%. This has the effect of circumscribing our maximum floating interest rate risk within the range of 5.34% to 4.79%. The collar expires in December 2009. As of September 30, 2009, the fair value of the collar was a payable in the amount of \$1.2 million.

Foreign currency risk

Our reporting currency is the U.S. dollar. On account of our international operations, a substantial portion of our cash and cash equivalents is held in currencies other than the U.S. dollar. As of September 30, 2009, this balance represented approximately 51% of our total cash and cash equivalents. A 10% adverse change in foreign exchange rates versus the U.S. dollar would have decreased our reported cash and cash equivalents by approximately 5%.

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Our international operations expose us to foreign currency fluctuations. Revenues and related expenses generated from subsidiaries, other than those located in the U.S, are generally denominated in the functional currencies of the local countries. These functional currencies include Euros, Canadian Dollars, Australian dollars and British Pounds. The income statements of our international operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the foreign currency conversion of these foreign currency denominated transactions into U.S. dollars results in reduced revenues, operating expenses and net income (loss) for our international operations. Similarly, our revenues, operating expenses and net income (loss) will increase for our international operations, if the U.S. dollar weakens against foreign currencies. We cannot predict the effect foreign exchange fluctuations will have on our results going forward. However, if there is a change in foreign exchange rates versus the U.S. dollar, it could have a material effect on our results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2009, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that material information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1A. Risk Factors

Risk Factors

In addition to the information set forth below, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended June 30, 2009. These are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies.

Our acquisition Vignette may adversely affect our operations in the short term

In July 2009, we acquired all of the issued and outstanding common shares of Vignette Corporation. This acquisition represents a significant opportunity for our business. However, this acquisition also presents certain risks, including but not limited to:

- the risk that the potential benefits of this acquisition would not be realized fully as a result of challenges we might face in integrating the customers, technology, personnel and operations of the acquired company with ours;
- the risk that the potential benefits of this acquisition would not be realized fully as a result of general industry-wide conditions, macroeconomic developments or other factors;
- the risk that Open Text’s management will need to devote substantial time and resources to the integration of the acquired corporation with ours at the expense of attending to and growing Open Text’s business or other business opportunities; and
- the risk associated with any other additional demands that this acquisitions would place on our management.

We cannot ensure that we will be successful in retaining key Vignette employees. In addition, our operations may be disrupted if we fail to adequately retain and motivate all of the employees who work for the combined entity.

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Item 6. Exhibits

The following exhibits are filed with this report:

Exhibit Number	Description of Exhibit
10.29	Second Amendment to the Credit Agreement between Open Text Corporation and Royal Bank of Canada and others, dated September 24, 2009. (1)
10.30*	(Revised) Employment Agreement, dated July 1, 2009 between John Wilkerson and the Company
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL instance document
101.SCH	XBRL taxonomy extension schema
101.CAL	XBRL taxonomy extension calculation linkbase
101.DEF	XBRL taxonomy extension definition linkbase
101.LAB	XBRL taxonomy extension label linkbase
101.PRE	XBRL taxonomy extension presentation linkbase

* Indicates management contract relating to compensatory plans or arrangements.

(1) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on September 30, 2009 and incorporated herein by reference.

OPEN TEXT CORPORATION

By: /s/ JOHN SHACKLETON
John Shackleton
President and Chief Executive Officer

/s/ PAUL MCFEETERS
Paul McFeeters
Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 1ST Day of July, 2009
(the “**Effective Date**”)

A M O N G

OPEN TEXT, INC.

a corporation incorporated under the laws of
the State of Illinois (hereinafter referred to as
the “Corporation”)

OF THE FIRST PART

- and -

JOHN WILKERSON,

a resident of the State of Texas,
(hereinafter referred to as the “Executive”)

OF THE SECOND PART

WHEREAS the Corporation is a wholly-owned subsidiary of Open Text Corporation, a corporation amalgamated under the laws of Ontario, Canada (hereinafter “**Open Text Corporation**”);

WHEREAS the Executive has agreed to enter into and deliver this Agreement in consideration of receiving certain additional benefits and other additional compensation as provided for pursuant to the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms shall have the following meanings, respectively:

- a. **“Affiliate”** means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. For the purposes of this definition and Agreement, the term **“Control”** means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise;
- b. **“Agreement”** means this Employment Agreement as may be amended or supplemented from time to time, including any and all schedules annexed hereto;
- c. **“Annual Base Salary”** has the meaning ascribed to that term in Section 5(a) hereof;
- d. **“Board of Directors”** means the board of directors of Open Text Corporation as may be constituted from time to time, and **“Directors”** means the directors of Open Text Corporation;
- e. **“Change of Control”** means either of the following events:
 - i. the sale of all or substantially all of the assets of Open Text Corporation; or
 - ii. any transaction whereby any person, together with Affiliates and Associates of such person, or any group of persons acting in concert (collectively, “Acquiror” or “Acquirors”), acquires beneficial ownership of more than 50% of the issued common shares of Open Text Corporation on a fully diluted basis, or any transaction as a result of which beneficial ownership of common shares constituting more than 50% in the aggregate of the issued common shares of Open Text Corporation on a fully diluted basis cease to be held by persons who are shareholders of Open Text Corporation as at the date hereof or by Affiliates or Associates of such present shareholders;

(for the purposes of this definition and this Agreement, the terms **“Associate,” “group,”** and **“beneficial ownership”** shall have the meanings ascribed thereto under Rule 14a-1(a) of the General Rules of the Exchange Act, Section 14(d)(2) of the Exchange Act, and Rule 13d-3 of the General Rules of the Exchange Act, respectively);

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- f. **“Compensation Committee”** means the compensation committee of the Board of Directors of Open Text Corporation as may be constituted from time to time;
 - g. **“Date of Termination”** shall mean the date of termination of the Executive’s employment, whether by death of the Executive, by the Executive or by the Corporation pursuant to the terms of this Agreement;
 - h. **“Disability”** has the meaning ascribed to that term in Section 11(b) hereof;
 - i. **“Exchange Act”** means the *Securities Exchange Act* of 1934, as amended from time to time;
 - j. **“Incumbent Director”** shall mean any member of the Board of Directors who was a member of the Board of Directors immediately prior to a Change of Control and any successor to an Incumbent Director who was recommended or appointed to succeed any Incumbent Director by the affirmative vote of the Directors when that affirmative vote includes the affirmative vote of a majority of the Incumbent Directors then on the Board of Directors;
 - k. **“Just Cause”** shall mean:
 - i. the failure by the Executive to perform his duties according to the terms of his employment or in a manner satisfactory to the Board of Directors (other than those (A) that follow a demotion in his position or duties or (B) resulting from the Executive’s Disability) after the Corporation has given the Executive reasonable notice of such failure and a reasonable opportunity to correct it;
 - ii. the engaging by the Executive in any act that is materially injurious to the Corporation, monetarily or otherwise, but not including, following a Change of Control, the expression of opinions contrary to those directors of the Corporation who are not Incumbent Directors or those of the Acquirors;
 - iii. the engaging by the Executive in any illegal conduct or any act of dishonesty resulting or intended to result directly or indirectly in personal gain of the Executive at the Corporation’s expense, including the failure by the Executive to honor his fiduciary duties to the Corporation and his duty to act in the best interests of the Corporation;

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- iv. the failure by the Executive to comply with the provisions of Section 11(d) where the Executive elects to terminate his employment with the Corporation unless notice of such termination of employment is properly given in accordance with the terms of Section 14(b) hereof;
 - v. the failure of the Executive to abide by the terms of any resolution passed by the Board of Directors; or
 - vi. the failure by the Executive to abide by the policies, procedures and codes of conduct of Open Text Corporation and the Corporation.
- l. **“Person”** or **“persons”** includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his capacity as trustee, executor, administrator or other legal representative;
- m. **“Parachute Event”** means the occurrence of the following without the Executive’s written consent (except in connection with the termination of the employment of the Executive for Just Cause or Disability or termination of the Executive’s employment because of the death of the Executive):
- i. a material change (other than those that are consistent with a promotion) in the Executive’s position or duties, responsibilities, title or office in effect immediately prior to the Change of Control (except for a change in any position or duties as a director of the Corporation), which includes any removal of the Executive from or any failure to re-elect or re-appoint the Executive to any such positions or offices.
 - ii. a material reduction by the Corporation or any of its subsidiaries of the Executive’s salary, benefits or any other form of remuneration payable by the Corporation or its subsidiaries; or
 - iii. any material failure by the Corporation or its subsidiaries to provide any benefit, bonus, profit sharing, incentive, remuneration or compensation plan, stock ownership or purchase plan, pension plan or retirement plan in which the Executive is participating or entitled to participate immediately prior to a Change of Control, or the Corporation or its subsidiaries taking any action or failing to take any action that would materially adversely affect the Executive’s participation in or materially reduce his rights or benefits under or pursuant to any such plan;
 - iv. any other material breach by the Corporation of this Agreement;

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- n. **“Voluntary Termination”** means the termination of the Executive’s employment with the Corporation by the Executive at his discretion in accordance with the provisions of Section 11(d) of this Agreement.

2. TERM

The initial term of this Agreement shall be one (1) year commencing on the Effective Date of this Agreement (**“Initial Term”**), subject to earlier termination as provided for in this Agreement. At the end of the Initial Term and each subsequent year thereafter, this Agreement shall be deemed to be extended automatically for an additional one-year term on the same terms and conditions unless either party gives contrary written notice to the other party no less than three (3) months prior to the date on which this Agreement would otherwise be extended.

3. DUTIES

The Executive is engaged and agrees to perform services for and on behalf of the Corporation as its **EVP, Global Sales, Services and Support** or in such other capacity to which the Executive may be assigned by the Corporation from time to time. The Executive shall perform such duties and exercise such powers pertaining to the management and operation of the Corporation and any subsidiaries and Affiliates of the Corporation as may be determined from time to time by the Chief Executive Officer (**“CEO”**) and the Reporting Manager (as defined below) consistent with the office of the Executive. The Executive shall:

- a. devote his full time, attention, and best efforts to the business, affairs, and goodwill of the Corporation;
- b. perform those duties that may be assigned to the Executive diligently and faithfully to the best of the Executive’s abilities and in the best interests of the Corporation; and
- c. use his best efforts to promote the interest and goodwill of the Corporation.

4. REPORTING PROCEDURES

The Executive shall report to John Shackleton. The Executive shall report fully on the management, operations, and business affairs of the Corporation and advise to the best of his ability and in accordance with business standards on business matters that may arise from time to time during the term of this Agreement.

5. REMUNERATION AND BENEFITS

- a. The Corporation shall pay to the Executive as compensation for his services provided hereunder an annual base salary (“**Annual Base Salary**”) for each year of the term of this Agreement, which shall be determined by the Reporting Manager and the CEO (and the Compensation Committee, as may be required) and set out in a separate document, subject to the provisions of Section 7, and which shall be exclusive of bonuses, benefits and other compensation as provided for herein. The Annual Base Salary shall be payable in accordance with the Corporation’s regular payroll practices for senior executives or in such other manner as may be mutually agreed upon, less, in any case, all applicable deductions or withholdings as required by law. The Annual Base Salary shall be in accordance with Schedule “A” subject to the provisions of Section 7.
- b. The Corporation shall provide the Executive with employee benefits comparable to those provided by the Corporation from time to time to other senior executives of the Corporation. Benefits to be enjoyed by the Executive during the term of this Agreement shall include, but not be limited to, those benefits set forth in Schedule “B”, as amended from time to time, and shall include reimbursement of any properly incurred expenses as provided for in Section 10 hereof.
- c. The Executive will be eligible to participate in the “**Long-Term Incentive Program**” (LTIP) upon the July 1st immediately following accepting employment with the corporation. The value of the LTIP is determined at the beginning of the LTIP term in relation to the Executive’s on-target-earnings. (OTE = Executive’s annual base salary + variable compensation at target). This value target will be used for the three-year term of the incentive plan.

6. ANNUAL VARIABLE COMPENSATION

In addition to the Executive’s Annual Base Salary, the Executive may be awarded an additional bonus (the “**Variable Compensation**”), which shall be based upon performance goals approved by the CEO (and the Compensation Committee, as may be required) from time to time and set forth in a separate document. Any changes respecting the amount or other terms of the Variable Compensation payable to the Executive must be approved by the CEO (and if required, the Board of Directors). The Variable Compensation target at 100% shall be in accordance with Schedule “A” subject to the provisions of Section 7.

7. SALARY AND/OR BONUS ADJUSTMENTS

Other than as herein provided, there shall be no cost-of-living increase or merit increase in the Annual Base Salary or increases in any variable compensation payable to the Executive unless agreed to in writing by the Reporting Manager. The Reporting Manager shall review annually the Annual Base Salary and all other compensation to be received by the Executive under this Agreement along with the Compensation Committee of the Board of Directors.

8. OPTIONS and SHARES

- a. **Options.** The Corporation shall permit the Executive to participate in any share option plan, share purchase plan, retirement plan or similar plan offered by the Corporation from time to time to its senior executives in the manner and to the extent authorized by the Compensation Committee of the Board of Directors. The Compensation Committee of the Board of Directors may, in its absolute discretion, grant additional options, subject to approval by the Board of Directors, and it may review the advisability of additional option grants for the Executive.
- b. **Shares.** The Executive agrees to comply with the Equity Ownership Policy as set out in accordance with Exhibit II.

9. VACATION

The Executive shall be entitled to 20 days paid vacation per fiscal year of the Corporation at a time approved in advance by the CEO, which approval shall not be unreasonably withheld but shall take into account the staffing requirements of the Corporation and the need for the timely performance of the Executive's responsibilities. Any vacation entitlement hereunder shall be subject to the Corporation's policy respecting same in effect from time to time.

10. EXPENSES

Subject to the terms of this section, the Executive shall be reimbursed for all reasonable travel and other out-of-pocket expenses actually and properly incurred by the Executive from time to time in connection with carrying out his duties hereunder. Determination of whether expenses are reasonable or not shall be made by the CEO. For all such expenses the Executive shall furnish to the Corporation originals of all invoices or statements in respect of which the Executive seeks reimbursement.

11. TERMINATION

a. For Just Cause

The Corporation may immediately terminate the employment of the Executive for Just Cause without notice or any payment in lieu of notice, and for purposes of greater certainty, the Corporation shall have no obligation to make any payments to the Executive on account of severance or bonuses or partial bonuses or any other amounts except as expressly stipulated in Section 12(a) hereof.

b. For Disability

- i. This Agreement may be immediately terminated by the Corporation by notice to the Executive if the Executive is determined to suffer from disability (hereinafter referred to as “Disability”). The Executive shall be deemed to suffer from Disability if in any year during the employment period, because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive’s duties for 120 consecutive days, or if, during any year of the employment period, the Executive has been unable or unwilling or has failed to perform his duties for a total of 180 days, consecutive or not. The CEO, acting reasonably (subject to Section 32 below), shall finally determine if the Executive is suffering from ill health, physical or mental disability or other causes beyond his control during the time periods as hereinbefore set forth in the event of any dispute between the Executive and the Corporation concerning the occurrence of Disability for purposes of this Section.
- ii. Notwithstanding any short term or long term corporate benefits or insurance policies relating to disability maintained by the Corporation at the relevant time, if during any period of ill health, physical or mental disability or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive’s duties less than 120 consecutive days (the “Short-Term Illness”), the Executive shall continue to receive all amounts of remuneration and benefits otherwise payable to and enjoyed by the Executive under this Agreement less any and all amounts received by and/or payable to the Executive in connection with benefits paid and/or payable as a result of such Short-Term Illness.
- iii. Upon termination of this Agreement as a result of Disability, the Corporation shall pay to the Executive the severance payment provided for in Subsection 12(b) hereof less any and all amounts received by and/or payable to the Executive in connection with benefits paid and/or payable as a result of the Disability.
- iv. The term “any year of the employment period” means any period of 12 consecutive months during the employment period.

c. For Death

This Agreement shall terminate immediately, without notice or any payment in lieu thereof, upon the death of the Executive.

d. Voluntary Termination by Executive

If the Executive is desirous of voluntarily terminating his employment with the Corporation at any time during the Agreement or in accordance with the terms for non-renewal under Section 2 hereof, the Executive agrees to give the Corporation 3 months advance written notice of such termination and further agrees that he shall not be entitled to any payment on account of severance under Section 12(b) hereof. The Reporting Manager or the CEO may waive such notice in writing after consulting with the Board of Directors, in their sole and absolute discretion, in which case the Executive's employment shall be deemed to terminate immediately, provided the Executive shall still be entitled to compensation due on account of Annual Base Salary and benefits earned up to the last date of the 3 month advance written notice period given by the Executive and any Variable Compensation earned and prorated during such 3 month notice period. Provided that the Executive gives the 3 month notice as required hereunder, any unvested options which would have otherwise vested during such advance written notice period shall be permitted to continue to vest during such period. The Executive shall have the right to exercise any options which are vested as at the Date of Termination for the period which is 90 days following such Date of Termination (the "90 Day Period"). For purposes of this Section 11(d), the term "Date of Termination" shall mean the actual day on which the Executive ceases to be employed plus the remainder of the 3 month notice period if and to the extent waived by the Reporting Manager or the CEO in consultation with the Board of Directors. Any termination properly given under Section 14(b) hereof and in accordance with the terms thereof shall not be considered a voluntary termination under this Section 11(d).

e. Termination by Corporation Other than For Just Cause, Disability or Death

The Corporation may terminate the employment of the Executive for any reason other than Just Cause, Disability or death of the Executive, notwithstanding any other provision of this Agreement, upon compliance with the terms of Section 12(b) hereof. In the event of non-renewal of this Agreement by the Corporation in accordance with Section 2 hereof, the Corporation shall comply with the terms of Section 12(b) hereof.

12. SEVERANCE PAYMENTS

- a. Upon termination of the Executive's employment for Just Cause, the Executive shall not be entitled to any severance or other payment other than Annual Base Salary earned by the Executive before the Date of Termination calculated pro rata up to and including the Date of Termination and all outstanding and accrued vacation pay to the Date of Termination. Upon termination of the Executive's employment: (i) for death; or (ii) by the voluntary termination of employment by the Executive pursuant to Section 11(d) hereof, the Executive shall not be entitled to any severance or other payment other

than Annual Base Salary and any Variable Compensation earned by the Executive before the Date of Termination calculated pro rata up to and including the Date of Termination (which under Section 11(d) shall be as defined therein) and all outstanding and accrued vacation pay to the Date of Termination.

Notwithstanding the foregoing, the Executive shall not be entitled to any Variable Compensation earned by the Executive before the Date of Termination unless the Executive gives the Corporation the advanced written notice required by Section 11(d) hereof.

- b. If the Executive's employment is terminated by the Corporation for any other reason other than the reasons set forth in Section 11(a) the Executive shall be entitled to an amount equal to the total of:
- (i) All outstanding base salary earned before the Date of Termination, less any amounts that the Executive received in connection with benefits paid or payable as a result of Disability if applicable;
 - (ii) Any Variable Compensation which has been earned by the Executive before the Date of Termination calculated on a pro rata basis based on the number of months in the current bonus period up to and including the Date of Termination ((pro rata Variable Compensation = annual Variable Compensation target / 12) × the number of months in the then-current bonus period up to and including the Date of Termination);
 - (iii) Additional payments based on the Executive's length of service with the Company, calculated as Executive's monthly base salary for the number of months set forth in the chart on Exhibit 1, less any amounts received by and/or payable to Executive in connection with benefits paid or payable as a result of the Disability if applicable (for purposes of this section 11.b.(iii), Executive's service start date is **8/14/2006**);
 - (iv) An amount equal to $\frac{1}{12}$ of the Variable Compensation payments earned by Executive during the bonus year preceding the current bonus year times the number of months referred to in the chart on Exhibit 1, based on Executive's length of service with the Company.
 - (v) All outstanding and accrued vacation pay;

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- (vi) All properly incurred and reasonable business expenses owing to Executive as of the Date of Termination; and
 - (vii) Executive's benefits provided for in Section 5(b) shall continue only through the Date of Termination. If Executive elects to continue his health and dental insurance coverage pursuant to COBRA, reimbursement for the COBRA premiums for Executive and his dependents for the number of months corresponding to the months of Executive's severance payments as set forth in the chart on Exhibit 1.

If, at the Date of Termination, there were any memberships in any clubs, social or athletic organizations paid for by the Corporation pursuant to Schedule B hereof at the Date of Termination, the Corporation will not take any action to terminate such memberships but will not renew any such membership that expires or reimburse the Executive for any further payments thereunder.

Any amounts due under Sections 12(b)(iii), and 12(b)(iv) hereunder shall be paid by the Company to Executive on a semi-monthly basis commencing 30 days following the Date of Termination and in all events, the Company will make all payments to the Executive under this Agreement not later than 2 1/2 months after the end of the later of the fiscal year or calendar year in which the payments are no longer subject to a substantial risk of forfeiture. All salary, Variable Compensation, vacation and severance payments and COBRA reimbursements will be subject to applicable state and federal taxes and FICA withholding.

- c. Except as expressly stipulated in Sections 11(d) or 14 hereof or in this Section 12(c), any options which have not vested as of the Date of Termination (being in the case where the Corporation gives notice, the date specified by the Corporation as the date on which the Executive's employment will terminate) shall terminate and be of no further force and effect as of the Date of Termination and neither any period of notice nor any payment in lieu thereof upon termination of employment hereunder shall be considered as extending the period of employment for the purposes of vesting of options notwithstanding anything to the contrary in any other agreement between the Corporation and the Executive. Notwithstanding anything contained in this Section 12, in the event of termination by the Corporation other than for Just Cause, the Executive shall have the right to exercise any options which are vested as at the Date of Termination for the 90 Day Period as defined in Section 11(d). Any unvested options which would have otherwise vested during such 90 Day Period shall continue to vest during that period and to the extent any unvested options have vested during such 90 Day Period, the Executive shall also be entitled to exercise those options within a rolling 90 day period after the date of vesting of such options, which period will not exceed 180 days following the Date of Termination. In addition, notwithstanding

anything contained in this Section 12 or elsewhere in this Agreement, in the event of termination due to death of the Executive, the estate of the Executive shall be entitled, at any time during the period which is 12 months following the date of death of the Executive (the "12 Month Period"), to exercise any options which have vested as at the date of death of the Executive. In addition, any unvested options which would have otherwise vested during such 12 Month Period shall continue to vest during that period and to the extent of any unvested options have vested during such period, the Executive's estate shall be entitled to exercise those options within a period which starts on the day of vesting and ends 12 months from the date of death of the Executive.

For purposes of greater certainty, if the Executive is terminated for Just Cause, Death or if the Executive's employment hereunder is terminated by the Executive pursuant to Section 11(d) then no payment whatsoever shall be made to the Executive under Sections 12(b).

13. NO FURTHER ENTITLEMENTS

Except as expressly provided in Sections 11 and 12 above and Section 14 below, where the Executive's employment has been terminated by the Executive or terminated or deemed to have been terminated by the Corporation for any reason, the Executive will not be entitled to receive any further payments, in lieu of notice or as damages for any reason whatsoever. Except as to any entitlement as expressly provided in this Agreement, the Executive hereby waives any claims the Executive may have against the Corporation for or in respect of termination pay, severance pay, or on account of loss of office or employment or notice in lieu thereof.

14. OPTION ACCELERATION AND SEVERANCE PAYMENTS ON CHANGE OF CONTROL

a. Termination by the Corporation

If the Executive's employment is terminated by the Corporation upon the giving of written notice of such termination to the Executive at any time within the 6 month period following a Change of Control (other than for Just Cause, Disability or Death), then the Executive shall be entitled to the following:

- i. such payments on account of severance as provided for under Section 12(b) of this Agreement; and
- ii. notwithstanding anything to the contrary in Section 12 hereof or in this Agreement, all options granted by the Corporation to the Executive shall, following the giving of any notice by the Corporation under this Section 14(a),

be deemed to vest immediately and shall be exercisable by the Executive for a period of 90 days following the giving of such notice by the Corporation hereunder.

b. Termination by Executive

If the Executive's employment is terminated by the Executive upon the giving of written notice of such termination to the Corporation within the 6 month period following a Change of Control, and within 60 days following the occurrence of a Parachute Event, which shall be described in detail by the Executive in the written notice of termination given to the Corporation, the Executive shall be entitled to the following:

- i. such payments on account of severance as provided for under Section 12(b) of this Agreement;
- ii. notwithstanding anything to the contrary in Section 12 hereof or in this Agreement, all options granted by the Corporation to the Executive shall, following the giving of proper notice by the Executive, under this Section 14(b), be deemed to vest immediately and shall be exercisable by the Executive for a period of 90 days following the giving of such notice.

15. DISCLOSURE

During the employment period, the Executive shall promptly disclose to the Reporting Manager full information concerning any interest, direct or indirect, of the Executive (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his family in any business that is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, the Corporation or to any of its suppliers or customers.

16. NON-COMPETITION/NON-SOLICITATION/PROPRIETARY RIGHTS AGREEMENT

The Executive agrees to execute contemporaneously with his execution of this Agreement the confidentiality, non-solicitation, non-competition and inventions/proprietary rights agreement in substantially the form annexed hereto as Schedule "C".

17. RETURN OF MATERIALS

All files, forms, brochures, books, materials, written correspondence, memoranda, documents, manuals, computer disks, software products and lists (including lists of customers, suppliers, products and prices) pertaining to the business of the Corporation or any of its subsidiaries, Affiliates, and Associates that may come into the possession or control of the Executive shall at all times remain the property of the Corporation or such subsidiary, Affiliate or Associate, as the case may be. On termination of the Executive's employment for any reason, the Executive agrees to deliver promptly to the Corporation all such property of the Corporation in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for his personal or business use or that of any other party, reproductions or copies of any such property or other property of the Corporation.

18. GOVERNING LAW

This agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

19. SEVERABILITY

If any provision of this Agreement, including the breadth or scope of such provision, shall be held by any court of competent jurisdiction to be invalid or unenforceable, in whole or in part, including the Schedules attached hereto and incorporated by reference, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

20. ENFORCEABILITY

The Executive hereby confirms and agrees that the covenants and restrictions pertaining to the Executive contained in this Agreement, are reasonable and valid and hereby further acknowledges and agrees that the Corporation would suffer irreparable injury in the event of any breach by the Executive of his obligations under any such covenant or restriction. Accordingly, the Executive hereby acknowledges and agrees that damages would be an inadequate remedy at law in connection with any such breach and that the Corporation shall therefore be entitled in lieu of any action for damages, temporary and permanent injunctive relief enjoining and restraining the Executive from any such breach.

21. ASSIGNMENT OF AGREEMENT

The Executive may not assign, pledge or encumber the Executive's interest in this agreement nor assign any of the rights or duties of the Executive under this agreement without the prior written consent of the Corporation. This Agreement may be freely assigned by the Corporation to a purchaser of all or substantially all of the assets of the Corporation, a subsidiary of the Corporation, a division of the Corporation or the Affiliates or Associates of the Corporation, as long as the purchaser/assignee expressly agrees in writing to assume the obligations of the Corporation under this Agreement.

22. SUCCESSORS

This agreement shall be binding on and enure to the benefit of the successors and assigns of the Corporation and the heirs, executors, personal legal representatives and permitted assigns of the Executive.

23. NOTICES

Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or mailed by prepaid registered mail. At any time other than during a general discontinuance of postal service due to strike, lock-out or otherwise, a notice so mailed shall be deemed to have been received three business days after the postmarked date thereof or, if delivered by hand, shall be deemed to have been received at the time it is delivered. If there is a general discontinuance of postal service due to strike, lock-out or otherwise, a notice sent by prepaid registered mail shall be deemed to have been received three business days after the resumption of postal service. Notices shall be addressed as follows:

- i. If to the Corporation:
c/o Open Text Corporation
275 Frank Tompa Drive
Waterloo, Ontario
Canada N2L 0A1

ii. If to the Executive:

John Wilkerson
6632 Woodland Hills Lane
Plano, Texas
USA, 75024

24. LEGAL ADVICE

The Executive hereby represents and warrants to the Corporation and acknowledges and agrees that he had the opportunity to seek and was not prevented nor discouraged by the Corporation from seeking independent legal advice prior to the execution and delivery of this agreement and that, in the event that he did not avail himself of that opportunity prior to signing this agreement, he did so voluntarily without any undue pressure and agrees that his failure to obtain independent legal advice shall not be used by him as a defense to the enforcement of his obligations under this agreement.

25. RESIGNATION OF DIRECTORSHIPS, ETC.

The Executive agrees that after termination of his employment, he will, at the request of the CEO or the Reporting Manager, tender his resignation from any position he may hold as an officer or director of the Corporation or any of its subsidiaries, Affiliates or Associates, and the Executive further covenants and agrees, if so requested by the CEO or the Reporting Manager, not to stand for re-election to any office of the Corporation or any of its subsidiaries, Affiliates or Associates at any time following termination of the Executive's employment hereunder.

26. NO DEROGATION

Nothing herein derogates from any rights the Executive may have under applicable law, except as set out in this section. The parties agree that the rights, entitlements and benefits set out in this Agreement to be paid to the Executive are in full satisfaction of any rights or entitlements the Executive may have as against the subsidiaries, Affiliates and Associates of the Corporation as a result of the termination of his employment with such subsidiaries, Affiliates or Associates.

27. CURRENCY

All dollars referenced herein are in United States dollars unless expressly provided to the contrary.

28. WITHHOLDING

The Corporation shall have the right to withhold from any and all payments required to be made to the Executive pursuant to this Agreement all federal, state, local, and/or other taxes which the Corporation determines are required to be withheld in accordance with applicable statutes or regulations.

29. NON-DISPARAGEMENT

The Executive covenants and agrees that he shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the Corporation, its subsidiaries, Affiliates or Associates or its and their management.

30. PRIVACY

- a. The Executive acknowledges and agrees that the Corporation may collect, use and disclose his personal information for purposes relating to his employment with the Corporation. The purposes of such collection, use and disclosure include, but are not limited to:
 - i. ensuring that the Executive is paid for his services to the Corporation which includes disclosure to third party payroll providers;
 - ii. administering and/or facilitating the provision of any benefits to which the Executive is or may become entitled to, including bonuses, medical, dental, disability and life insurance benefits, pension, group RRSP and/or stock options. This shall include the disclosure of the Executive's personal information to the Corporation's third party service providers and administrators;

-
- iii. compliance by the Corporation with any regulatory reporting and withholding requirements relating to the Executive's employment;
 - iv. in the event of a sale or transfer of all or part of the shares or assets of the Corporation or its subsidiaries or Affiliates, disclosing to any potential acquiring organization the Executive's personal information solely for the purposes of determining the value of the Corporation and its assets and liabilities and to evaluate the Executive's position in the Corporation. If the Executive's personal information is disclosed to any potential acquiring organization, the Corporation will require the potential acquiring organization to agree to protect the privacy of the Executive's personal information in a manner that is consistent with any policy of the Corporation dealing with privacy that may be in effect from time to time and/or any applicable law that may be in effect from time to time;
 - v. compliance by the Corporation of its obligations to report improper or illegal conduct by any of its directors, officers, employees or agents under any applicable securities, criminal or other law; and
 - vi. monitoring the Executive's access to the Corporation's electronic media services in order to ensure that the use of such services is in compliance with the Corporation's policies and procedures and is not in violation of any applicable laws.
- b. If the Executive's specific consent to the collection, use or disclosure of his personal information is required in the future, the Executive hereby agrees to provide such consent, and if the Executive refuses to provide or withdraws his consent, the Executive acknowledges that his employment and/or his entitlement to certain employment benefits may be negatively affected.

31. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, among the parties relating to such subject matter, including any other employment agreement made between the Corporation and the Executive.

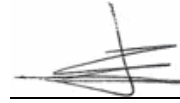
32. ARBITRATION

With the exception of an action to enforce the restrictive covenants in Schedule C hereof, any dispute arising out of or relating to this Agreement shall be resolved by final and binding arbitration in accordance with the then-current rules of the American Arbitration Association ("AAA"). The arbitration hearing shall be held in Chicago, Illinois, unless otherwise agreed to by the parties,

before a panel of three arbitrators selected in accordance with the procedures established by the AAA. An action by the Corporation to enforce the restrictive covenants in Schedule C may be filed in a court of competent jurisdiction as provided in Schedule C.

The party who initiates the arbitration shall pay the filing fees. The Corporation shall bear the fees of the arbitrator and any costs of or assessed by the arbitrator. Each party shall bear the costs and expenses of its own counsel, technical advisors and expert witnesses, unless the decision of the arbitrator otherwise directs. The decision of the arbitrators shall be tendered within sixty (60) days of final submission of the parties in writing or any hearing before the arbitrators and shall include their individual votes. Either party may enforce the arbitration award in any court of competent jurisdiction or in the forum selected in Section 34 below. The parties understand and acknowledge that they are waiving their rights to a jury trial regarding any matters subject to arbitration under this Agreement.

Signature of Executive: _____



33. FORUM SELECTION

The parties hereby agree that all demands, claims, actions, causes of action, suits, proceedings and litigation between or among the parties or arising out of the employment relationship between the Executive and the Corporation not subject to the Arbitration provision in Section 32 hereof shall be filed, tried and litigated only in a federal or state court located in Chicago, Illinois. In connection with the foregoing, the parties hereto irrevocably consent to the jurisdiction and venue of such court and expressly waive any claims or defenses of lack of jurisdiction of or proper venue by such court.

34. NO CONFLICTING OBLIGATIONS

The Executive represents and warrants that none of the negotiation, entering into or performance of this Agreement has resulted in or may result in a breach by the Executive of any agreement, duty or other obligation with or to any Person, including, without limitation, any agreement, duty or obligation not to compete with any Person or to keep confidential the confidential information of any Person, and there exists no agreement, duty or other obligation binding upon the Executive that conflicts with the Executive's obligations under this Agreement. The Executive agrees to indemnify and hold the Corporation and its subsidiaries and Affiliates, and their officers, directors, employees, agents and consultants harmless against any and all claims, liabilities, damages or costs incurred by any of them by reason of an alleged violation by the Executive of the representations contained in this Section.

35. NO SET-OFF

The existence of any claim, demand, action or cause of action of the Executive against the Corporation, whether or not based upon this Agreement, will not constitute a defense to the enforcement by the Corporation of any covenant or agreement of the Executive contained herein.

36. AMENDMENT

This Agreement may be amended, modified or supplemented only by a written agreement executed by each of the parties hereto.

37. HEADINGS

The headings in this Agreement have been inserted solely for ease of reference and shall not be considered in the interpretation or construction of this Agreement.

38. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first above written.

OPEN TEXT, INC.

Per:

/s/ Tony Preston

Tony Preston

SVP, Global Human Resources

Authorized Signing Officer

SIGNED, SEALED AND DELIVERED

in the presence of:

)
)
)
)

/s/ John Wilkerson

John Wilkerson

SCHEDULE “A”

Remuneration – Salary and Variable Compensation

Schedule “A” to the Employment Agreement made as of the 1st Day of July, 2009 by and between Open Text Inc. (the “Corporation”) and **John Wilkerson** (the “Executive”).

a) The Annual Base Salary is \$400,000

b) The Variable Compensation at 100% target is \$ 300,000

Both “a” and “b” are subject to the provisions of Section 7 of the Employment Agreement.

SCHEDULE "B"

Remuneration – Executive Benefits

Schedule "B" to the Employment Agreement made as of the 1st Day of July 2009, by and between Open Text Corporation (the "Corporation") and **John Wilkerson** (the "Executive").

Benefits to be enjoyed by the Executive during the term of this Agreement shall include:

- (i) reimbursement of reasonable cell-phone or Blackberry expenses consistent with corporate policy;
- (ii) each fiscal year you will be entitled to a **\$5,000 (USD currency equivalent)** perquisite allowance which may be used for reimbursement of the following types of services or fees:
 - Financial planning
 - Tax planning
 - Estate planning
 - Athletic/Health Club
- (iii) the services of Medisys Health Group Inc, or a provider of your choice (Medcam), shall be retained to provide annual mandatory and regular Health Examinations to our senior executive team.

SCHEDULE C

**EMPLOYEE CONFIDENTIALITY AND
NON-SOLICITATION AGREEMENT – GENERAL**

As an employee of Open Text Corporation or any related or affiliated company (the “Company”):

A. I understand and agree that I have a responsibility to protect and avoid the unauthorized use or disclosure of confidential information of the Company; and

B. I have a responsibility not to solicit or entice away from the Company any customer of the Company or any employee of the Company.

- I. Confidential Information.** For purposes of this Agreement, the term “confidential information” means all information that is not generally known and which I obtained from the Company, or learn, discover, develop, conceive or create during the term of my employment with the Company, and which relates directly to the business or to assets of the Company. Confidential information includes, but is not limited to: inventions, discoveries, know-how, ideas, computer programs, designs, algorithms, processes and structures, product information, research and development information, lists of clients and other information related thereto, financial data and information, business plans and processes, and any other information of the Company that the Company informs me, or which I should know by virtue of my position or the circumstances in which I learned it, is to be kept confidential. Confidential information also includes information obtained by the Company in confidence from its vendors or its clients. Confidential information may or may not be labeled as “confidential”. If I am unsure as to whether information is “confidential”, I will ask my manager for assistance.

Confidential information does not include any information that has been made generally available to the public. It also does not include any general technical skills or general experience gained by me during my employment with the Company. I understand that the Company has no objection to my using these skills and experience in any new business venture or employment following the cessation of my employment with the Company.

I recognize and acknowledge that in the course of my employment with the Company I may obtain knowledge of confidential and proprietary information of a special and unique nature and value and I may become familiar with trade secrets of the Company relating to the conduct and details of the Company’s business. While I am employed by the Company and for a period of three years following the cessation of my employment I agree:

A. to keep confidential and hold in secrecy and not disclose, divulge, publish, reveal or otherwise make known, directly or indirectly, or suffer or permit to be disclosed, divulged, published, revealed or otherwise made known to any person whatsoever, or used (except for the benefit and proper purposes of the Company), and shall faithfully do all in my power to assist the Company in holding in secrecy all of the Company’s confidential information as defined above.

B. to keep confidential and hold in secrecy and not disclose, divulge, publish, reveal or otherwise make known, directly or indirectly, or suffer or permit to be disclosed, divulged, published, revealed or otherwise made known to any person whatsoever, or used (except for the benefit and proper purposes of the Company) any and all secrets or confidential information related to the Company’s activities or affairs which I now know or which are hereafter disclosed or made known to me or otherwise learned or acquired by me, including information respecting the business affairs, prospects, operations or strategic plans respecting the Company, which knowledge I gain in my capacity as an employee of the Company and which knowledge is not publicly available or disclosed.

II. Agreement Not to Solicit. I agree that while I am an employee of the Company and for six (6) months thereafter that I will:

A. not solicit or entice or attempt to solicit or entice away from the Company any of the employees of the Company to enter into employment or service with any person, business, firm or corporation other than the Company;

B. not solicit or entice or attempt to solicit or entice away from the Company any customer or any other person, firm or corporation dealing with the Company.

III. Return of Documents. Upon the cessation of my employment with the Company for any reason, I agree to return to the Company all records, documents, memoranda, or other papers, copies or recordings, tapes, disks containing software, computer source code listings, routines, file layouts, record layouts, system design information, models, manuals, documentation and notes as are in my possession or control. I acknowledge and agree that all such items are strictly confidential and are the sole and exclusive property of the Company.

IV. General.

A. I further represent and warrant that I have not entered into any Agreement with any previous or present employer which would prevent me from accepting employment with the Company or which would prevent me from lawfully executing this Agreement.

B. I understand that the obligations outlined in this Agreement are the concern and responsibility of all employees of the Company. I agree to report in writing any violations of these policies to my manager or to the Vice-President of Human Resources.

C. All the provisions of this Agreement will be deemed severable, and if any part of any provision is held illegal, void or invalid under applicable law, such provision may be changed to the extent reasonably necessary to make the provision, as so changed, legal, valid and binding. If any provision of this Agreement is held illegal, void or invalid in its entirety, the remaining provisions of this Agreement will not in any way be affected or impaired, but will remain binding in accordance with its terms.

D. This Agreement and all the rights and obligations arising here from shall be interpreted and applied in accordance with the laws of the Province of Ontario and in the courts of the Province of Ontario there shall be exclusive jurisdiction to determine all disputes relating to this Agreement and all the rights and obligations created hereby. I hereby irrevocably attorn to the jurisdiction of the courts of the Province of Ontario.

E. I acknowledge that my employment with the Company is contingent on my acceptance and my observance of this Agreement, and that such employment is adequate and sufficient consideration to bind me to all of the covenants and agreements made by me under this Agreement.

Judith Wilkerson
Print Name of Witness

/s/ Judith Wilkerson
Signature of Witness

Date: _____

John D. Wilkerson
Print Name of Employee

/s/ John D. Wilkerson
Signature of Employee

Exhibit 1*Severance Payment vs. Length of Service*

Length of Service (years)	Severance Payments in Months
Less than or equal to 1 year employment, but less than 10 years	12 months severance
Greater than or equal to 10 years continuous employment	12 months severance for employment up to 10 years. Employment exceeding 10 years, executive will receive an additional (1) month severance for each additional year of employment over 10 years. Up to a maximum of 24 months severance.

Exhibit II

EQUITY OWNERSHIP POLICY

In a continuing effort to align the interests of the Executives of Open Text Corporation, with the interests of OPEN TEXT's shareholders, the Board of Directors (the "Board") hereby establishes required OPEN TEXT equity ownership guidelines (the "Guidelines").

COVERED EXECUTIVES

OPEN Text's Executive Chairman/CSO, CEO/President, All NEO's (Named Executive Officers), Executive Leadership Team (ELT-Tier 1), any other Executives (Tier 2) having an Executive Agreement with a "Change of Control" (the "CoC") clause is a covered executive (the "Covered Executive") under this policy.

EQUITY OWNERSHIP LEVEL

The Board establishes that the Covered Executives listed below achieve the equity ownership levels shown within five (5) years of the date of the establishment of this Policy (i.e., by October 1, 2014) or, for an executive who becomes a Covered Executive after the date this Policy was adopted, within five (5) years after the date of his/her qualification as a Covered Executive, and hold the number of OPEN TEXT shares or share equivalents for so long as they are Covered Executives.

- | | |
|--|----------------|
| • Executive Chairman* | 4x base salary |
| • CFO/President* | 4x base salary |
| • ELT (Tier 1) | 2x base salary |
| • Executives with CoC Agreement (Tier 2) | 1x base salary |

** The share ownership level for new incumbents to the Executive Chairman and CEO roles will be reviewed and approved by the Compensation Committee at that time.*

Covered Executives may achieve their associated level through the award of stock option exercises, purchases under the OPEN TEXT Employee Stock Purchase Plan (ESPP), through open market purchases made in compliance with applicable securities laws and exchange rules or through any equity plans OPEN TEXT may adopt from time to time.

Until required ownership levels have been reached, Covered Executives are required to retain a minimum of 50% of the net proceeds of any stock option exercise, or LTIP award to be used towards share ownership.

For compliance purposes, the shares will be valued at the greater of their book value (i.e., purchase price) or the current market value. The CEO/President will address non-compliance issues for Tier 1 and Tier 2 Covered Executives, as necessary. The Compensation Committee will address non-compliance issues for the CEO/President and the Executive Chairman, as necessary.

The Board shall have the power to, at any time and from time to time either prospectively or retrospectively, (i) suspend or terminate the Policy, (ii) amend the Policy if required under applicable law, and (iii) to amend this Policy for administrative or other non-substantive amendments.

CERTIFICATIONS

I, John Shackleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JOHN SHACKLETON
John Shackleton
 President and Chief Executive Officer

Date: October 28, 2009

CERTIFICATIONS

I, Paul McFeeters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ PAUL MCFEETERS
Paul McFeeters
Chief Financial Officer

Date: October 28, 2009

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Shackleton, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN SHACKLETON

John Shackleton
President and Chief Executive Officer

Date: October 28, 2009

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul McFeeters, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PAUL MCFEETERS

Paul McFeeters
Chief Financial Officer

Date: October 28, 2009

