OPEN TEXT CORP
Form 10-K
August 20, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2010

OR

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

For the transition period from to

Commission files number 0-27544

OPEN TEXT CORPORATION

(Exact name of Registrant as specified in its charter)

Canada	**98-0154400**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
275 Frank Tompa Drive,	
Waterloo, Ontario, Canada	**N2L 0A1**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (519) 888-7111

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock without par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

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

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

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 x 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 Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

Large accelerated filer x 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 x

Aggregate market value of the Registrant s Common Shares held by non-affiliates, based on the closing price of the Common Shares as reported by the NASDAQ Global Select Market (NASDAQ) on December 31, 2009, the end of the registrant s most recently completed second fiscal quarter, was approximately $1.9 billion. The number of the Registrant s Common Shares outstanding as of August 16, 2010 was 56,847,607.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K 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 harbours 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 ident forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objections, 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 Consolidated Financial Statements for the year ended June 30, 2010, which are set forth in Part II, Item 8 of this report. 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 I, 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 Part I, 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 Annual Report on Form 10-K, because these forward-looking statements are relevant only as of the date they were made.

Item 1. Business

Overview

Open Text Corporation was incorporated on June 26, 1991. References herein to the Company , Open Text , we or us refer to Open Text Corporation and, unless context requires otherwise, its subsidiaries. Our current principal office is at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, and our telephone number at that location is (519) 888-7111. Our internet address is www.opentext.com. Throughout this Annual Report on Form 10-K: (i) the term Fiscal 2010 means our fiscal year beginning on July 1, 2009 and ending June 30, 2010; (ii) the term Fiscal 2009 means our fiscal year beginning on July 1, 2008 and ending June 30, 2009; and (iii) the term Fiscal 2008 means our fiscal year beginning on July 1, 2007 and ending June 30, 2008. Our Consolidated Financial Statements are presented in U.S. dollars and, unless otherwise indicated, all amounts included in this Annual Report on Form 10-K are expressed in U.S. dollars.

Access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished to the United States Securities and Exchange Commission (the SEC) may be obtained free of charge through the Investor Relations section of our website at *www.opentext.com* as soon as is reasonably practical after we electronically file or furnish these reports. Information on our Investor Relations page and our website is not part of this Annual Report on Form 10-K or any other securities filings of ours unless specifically incorporated herein or therein by reference. In addition, our filings with the SEC may be accessed through the SEC s website at *www.sec.gov*. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

Our operations fall into one dominant industry segment: Enterprise Content Management (ECM) software. Unless otherwise indicated, the information presented in this Item 1 reflects material details regarding the business of Open Text as a consolidated, unified entity.

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For information regarding our revenue and assets by geography for Fiscal 2010, Fiscal 2009 and Fiscal 2008, see Note 15 Segment Information in the Notes to Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

General

We are an independent company providing ECM software solutions that help people to work, interact, and innovate in a secure, engaging and productive way. We build software that combines collaboration with content management. We focus on ECM software solutions and generally expand our product and service offerings both internally and through strategic acquisitions, with the view of striving to become recognized as The Content Experts in the ECM industry.

Our flagship offering is the Open Text ECM Suite which brings together the content management capabilities needed to manage various types of enterprise content including business documents, vital records, Web content, digital assets (images, audio, and video), email, forms and reports, while aiming to foster team collaboration with project and community workspaces, forums, blogs, wikis, and real-time instant messaging and collaboration. The Open Text ECM Suite also provides business process management tools that are designed to allow organizations to build the processes that connect their people and content.

This year we unveiled Open Text Everywhere, a new application designed to allow the Open Text ECM suite to be available via mobile devices and to add many unique capabilities for our ECM customers.

We also provide ECM software, solutions and expertise for governments, Global 2000 organizations and mid-market companies. Our software helps customers to respond to regulatory and operational compliance requirements and leverage their strategic investments in enterprise applications from Microsoft, SAP and Oracle.

Open Text ECM Suite

The Open Text ECM Suite represents the core Open Text offering. It brings together the content management capabilities needed to manage a wide range of enterprise content, including business documents, vital records, Web content, digital assets (images, audio, and video), email, forms and reports. The Open Text ECM Suite provides all of the components of a comprehensive ECM suite based on the modular, flexible, and integrated Open Text ECM Suite Shared Services. This architecture provides the customer with the benefits of common integration layers, improving suite communication and information sharing, while at the same time offering flexibility and agility aimed to address the specific requirements of the customer s business.

The Open Text ECM Suite is comprised of the following components:

Document Management provides the repository for business documents (Microsoft Office, CAD, PDF, etc.) and allows for the organizing, displaying, classifying, access control, version control, event auditing, rendition, and search services for documents and their content.

Collaboration offers a range of tools designed to better facilitate people working with each other, with content, and with processes. These tools include project and community workspaces, real-time instant messaging, instant online meetings, screen sharing, wikis, polls, blogs, and discussion forums.

Web Content Management provides tools for authoring, maintaining, and administering sophisticated Web sites designed to offer a visitor experience that integrates content from internal and external sources.

Records Management enables control of the complete lifecycle of content objects by associating robust retention and disposition rules with each content asset. These rules aim to control if and when content can or must be deleted or archived on less costly storage media.

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Email Management services are designed to enable the archiving, control, and monitoring of email to reduce the size of the email database, improve email server performance, control the lifecycle of email content, and monitor email content to improve compliance.

Archiving helps reduce storage expenses through optimization of storage use. It manages content storage policies according to business context, harnessing the rich metadata of IT applications to optimize storage use including de-duplicating and migrating data automatically through multiple storage tiers, and leveraging less expensive media while providing high-end storage services to further reduce storage demands.

Capture & Delivery tools provide the means of converting documents from analog sources such as paper or facsimile (fax) to electronic documents and applying value-added functions to them, such as optical/intelligent character recognition (OCR/ICR), barcode scanning etc., and then releasing them into the Open Text ECM Suite repository where they can be stored, managed, and searched.

Digital Asset Management provides a specialized set of content management services for ingesting, browsing, searching, viewing, assembling, and delivering rich media content such as images, audio and video.

Business Process Management (BPM) provides the tools for analyzing, deploying, executing, and monitoring the daily business processes in which content is referenced to make decisions and in which people make the decisions. BPM often involves interaction with other enterprise applications, such as those from SAP and Oracle.

Content Reporting provides tools for analyzing content and generating reports on virtually any set of data and organizing and formatting data output for distribution to channels such as print, email, fax, Web sites, and portals.

Open Text Everywhere allows the Open Text ECM Suite to be available via mobile devices. It is designed to deliver an improved view of business processes, and allow access to content and workplace social collaboration tools, through the use of one s mobile device. The first applications have been introduced for BlackBerry smart phones.

We also offer customers industry-specific solutions based on the foundation of the Open Text ECM Suite for the following sectors: government, high-technology/manufacturing, energy, financial services, pharmaceutical and life sciences, legal, and media.

Open Text ECM Suite Shared Services are designated to enable information workers to manage and exploit content types in a unified way at three critical levels and are comprised of the following core elements:

Open Text Enterprise Library provides a repository designed to enforce and manage retention schedules, corporate governance, and regulatory compliance policies for various types of content enterprise-wide.

Open Text Enterprise Process Services are a comprehensive set of business process management (BPM) and workflow services aimed to help organizations automate business processes spanning any of the ECM Suite components as well as any other relevant application.

Open Text User Experience Services provides capabilities designed to deliver consistent user experience via Web interfaces, portals, the desktop applications, and mobile devices.

Open Text Support program

Through our Open Text Support Program, customers receive access to software upgrades, a support knowledge base, discussions, product information and an on-line mechanism to post and review trouble tickets . In addition our support teams handle questions on the use, configuration, and functionality of Open Text products and can help identify software issues, develop solutions, and document enhancement requests for consideration in future product releases.

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Open Text Consulting, Learning and Hosting Services

Our Consulting Services help customers build solutions that enable them to leverage their investments in our technology and in existing enterprise systems. The implementation of these services can range from simple modifications to meet specific departmental needs to enterprise applications that integrate with multiple existing systems.

Our Learning Services consultants analyze our customers education and training needs, focusing on key learning outcomes and timelines, with a view to creating an appropriate education plan for the employees of our customers who work with our products. Education plans are designed to be flexible and can be applied to any phase of implementation: pilot, roll-out, upgrade or refresher. Open Text s learning services employs a blended approach by combining mentoring, instructor-led courses, webinars, eLearning and focused workshops.

Our Hosting Services provide an alternative method of deployment and aim to achieve optimum performance without the administrative and implementation costs associated with installing and managing an in-house system.

Marketing and Sales

Customers

Our customer base consists of a number of Global 2000 organizations, mid-market companies and government agencies. Historically, including Fiscal 2010, no single customer has accounted for 10% or more of our revenues.

Global Distribution Channels

We operate on a global basis and in Fiscal 2010 we generated approximately 48% of our revenues from outside North America. A significant portion of our sales of products and services is direct, primarily through our subsidiary sales and service organizations. In North America, our sales and service employees are based in our headquarters and in field offices throughout the United States and Canada. Outside of North America, our international subsidiaries license our software in their local countries as well as within other foreign countries where we do not have a sales subsidiary.

Open Text Global Partner Program

We also market our products worldwide through indirect channels. We partner with prominent organizations in enterprise software and hardware in an effort to enhance the value of our ECM solutions and the investments our customers have made in their existing systems. We create mutually beneficial relationships with systems integrators, consultants, and software and hardware developers that augment and extend our products and services. Through these relationships, we and our partners are better able to fulfill key market objectives, drive new business, establish a competitive advantage, and create demonstrable business value. We have two broad categories of partnerships: Global Strategic Alliances and Global Systems Integrators.

Global Strategic Alliances

These alliances are strategic partnerships, cultivated over time and often involve close collaboration of the partner s solution and our solutions to create an extended and integrated solution for the customer.

Open Text and SAP

Open Text and SAP have shared years of partnership and close collaboration. Our solutions help customers improve the way they manage content from SAP systems in order to assist them to improve efficiency in key processes, manage compliance and reduce costs. Our targeted solutions let customers create, access, manage and securely archive all content for SAP systems, including data and documents. In addition, our solutions for SAP allow customers to address stringent requirements for risk reduction, operational efficiency and information technology consolidation. Open Text products are typically used by SAP customers as part of their business processes.

Open Text and Microsoft Corporation

Our strategic alliance with Microsoft offers improved integration between our ECM solutions and Microsoft s desktop and server products, such as Microsoft SharePoint. We provide support for Microsoft platforms such as Windows 7 and SQL Server and integration with many Microsoft products such as Exchange, Rights Management and Windows Azure. The integration of our solutions with Microsoft Office and SharePoint allows an Open Text customer to work with information from ERP, CRM, ECM and other enterprise applications from within the Microsoft SharePoint or Microsoft Office interface.

Microsoft SharePoint provides functionality for team collaboration and document sharing. We offer solutions that better allow our customers to realize SharePoint s ease of use, while seamlessly tying into established regulatory and compliance policies for enterprise content consistently applied to all sources of content in the enterprise through use of the Open Text ECM Suite.

Open Text and Oracle Corporation

This partnership extends our enterprise solutions framework, and builds upon the Oracle-Fusion based integration between Open Text and Oracle. The partnership with Oracle allows us to focus more on building content-enabled solutions that better solve complex, industry-specific problems. Our alliance with Oracle enables our customers to fortify their existing investments in Oracle applications, particularly in accounts payable, and report and output management solutions. We provide a comprehensive portfolio of solutions that enhance Oracle applications such as PeopleSoft Enterprise, JD Edwards EnterpriseOne, JD Edwards World, Oracle E-Business Suite, and Siebel.

Global Systems Integrators

Our Systems Integrator partners create an extended organization to develop technologies, repeatable service offerings, and turnkey solutions that enhance the way our customers leverage our software. We work closely with our Systems Integrator partners to support and implement new and evolving industry standards.

Accenture Ltd (Accenture), a global management consulting, technology services and outsourcing company, is one of our Systems Integrator partners. Together we provide strategic ECM solutions. Accenture s extensive experience with enterprise-rollout planning and design, combined with our ECM technology, provides solutions designed to address an organization s ECM requirements.

Other Open Text Systems Integrator partners include Deloitte Consulting LLP, Cap Gemini Inc. and Logica Holding Inc.

International Markets

We provide our ECM services worldwide, with a primary focus on Europe and North America. Our geographic coverage allows us to draw on business and technical expertise from a geographically diverse workforce, providing greater stability to our operations and revenue streams by diversifying our portfolio to better mitigate against the risks of a single geographically focused business.

There are inherent risks to conducting operations internationally. For more information about these risks, see Risk Factors included in Item 1A to this Annual Report on Form 10-K.

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Competition

The market for our products is highly competitive, and we expect competition will continue to intensify as the ECM markets consolidate. We compete with a large number of ECM providers, management companies, web content management businesses, as well as management, workflow, document imaging and electronic document management companies. International Business Machines Corporation (IBM) is the largest company that competes directly with us in the ECM market. Another significant competitor is EMC Corporation (EMC), a large storage technology company and Autonomy plc (Autonomy), an infrastructure software company based in the United Kingdom. In addition to the competition posed by IBM, EMC, and Autonomy, numerous smaller software vendors also compete in each product area. We also face competition from systems integrators who configure hardware and software into customized systems.

Large infrastructure vendors such as Oracle and Microsoft have developed products, or plan to offer products, in the content management market. Other large infrastructure vendors may follow in due course.

Vendors such as Iron Mountain Incorporated and Symantec Corporation have approached the ECM market from their distinct, individual market segments, and each company may compete more intensely with us in the future. Additionally, new competitors or alliances among existing competitors may emerge and rapidly acquire significant market share. We also expect that competition will increase as a result of ongoing software industry consolidation.

We believe that the principal competitive factors affecting the market for our software products and services include: (i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training, and (ix) the ability to address specific customer business problems. We believe the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

Research and Development of Our ECM Solutions

The industry in which we compete is subject to rapid technological developments, evolving industry standards, changes in customer requirements and competitive new products and features. As a result, our success, in part, depends on our ability to continue to enhance our existing products in a timely and efficient manner and to develop and introduce new products that meet customer needs while reducing total cost of ownership. To achieve these objectives we have made and expect to continue to make investments in research and development, through internal and third-party development activities, third-party licensing agreements and potentially through technology acquisitions. Our research and development expenses were $129.4 million for Fiscal 2010, $116.2 million for Fiscal 2009 and $107.2 million for Fiscal 2008. We believe our spending on research and development is in line with our mission to be generally recognized as The Content Experts in the ECM marketplace. We expect to continue to invest in research and development.

Acquisitions during the last five fiscal years

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 Fiscal 2010, we made the following acquisitions:

On May 27, 2010, we completed our acquisition of Burntsand Inc., (Burntsand) for $10.8 million, inclusive of cash acquired. Burntsand, based in Toronto, Ontario, Canada, is a provider of technology consulting services for customers with complex information processing and information management

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requirements, focusing in particular in areas such as Enterprise Content Management, Collaboration and Service Management. We believe Burntsand will complement and enhance our current service offerings to further strengthen our position in the ECM market.

On April 16, 2010, we acquired for $4.0 million, the key assets of New Generation Consulting, Inc., (New Generation), a Chicago, Illinois based professional services company that delivers content enabled solutions to various U.S. based customers. Of this amount, $0.5 million has been held back and not paid to the seller, and pending the resolution of certain post closing purchase price adjustments, will be paid in and around the second quarter of Fiscal 2011. This acquisition is expected to enhance our professional services capabilities for content enabled solutions on Oracle business applications.

On April 1, 2010, we acquired Nstein Technologies Inc., (Nstein) a software company based in Montreal, Quebec, Canada, for $33.9 million, inclusive of cash acquired, and consideration paid in Open Text shares. Nstein provides content management solutions which help enterprises centralize, understand and manage large amounts of content. Nstein s solutions include its patented Text Mining Engine which allows users to more easily search through different content and data. Our goal is to use Nstein s solutions to leverage and better enhance our own product offering, thus further strengthening our position as an independent leader in the ECM market.

On July 21, 2009, we acquired, by way of merger, all of the issued and outstanding shares of Vignette, an Austin, Texas based company that provides and develops software used for managing and delivering business content for $321.4 million, inclusive of cash acquired, equity consideration provided and the fair value of shares already owned prior to acquisition date. Pursuant to 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 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.

Prior to Fiscal 2010, we completed the following acquisitions

In April 2009, we completed the acquisition of Toronto-based Vizible Corporation (Vizible), a privately held maker of digital media interface solutions for $0.9 million. The addition of Vizible expands our Digital Media solutions.

In October, 2008, we completed the acquisition of Captaris Inc. (Captaris), a provider of software products that automate document-centric processes, for $101.0 million, net of cash acquired. The acquisition of Captaris has strengthened our ability to offer an expanded portfolio of solutions that integrate with SAP, Microsoft and Oracle solutions.

In July 2008, we completed the acquisition of eMotion LLC from Corbis Corporation, for $4.2 million, net of cash acquired. This acquisition enhances our capabilities in the digital asset management market, providing us a broader portfolio of offerings for marketing and advertising agencies, adding capabilities that complement our existing enterprise asset-management solutions.

In July 2008, we completed the acquisition of substantially all of the assets of a division of Spicer Corporation (Spicer), (a privately held company) that specializes in file format viewer solutions for desktop applications, integrated business process management (BPM) systems, and reprographics. We purchased the assets for $11.4 million.

In March 2007, we completed the acquisition of Momentum Inc. (Momentum), a privately held company that specializes in providing ECM solutions to U.S. government agencies, for $4.1 million, net of cash acquired. The acquisition of Momentum has enhanced our ability to provide services to the U.S. government. Established in 1993 and based in Arlington, Virginia, Momentum had been serving the government sector for more than 12 years prior to our acquisition, by providing technical expertise to automate business processes.

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In October 2006, we completed the acquisition of Hummingbird Corporation (Hummingbird), an enterprise software solutions company that specialized in the development of decision enabling web-based environments, for $412.5 million, net of cash acquired. The acquisition of Hummingbird has strengthened our ability to offer an expanded portfolio of solutions.

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.

Intellectual Property Rights

Our success and ability to compete depends on our ability to develop and maintain our intellectual property and proprietary technology and to operate without infringing on the proprietary rights of others. Our software products are generally licensed to our customers on a non-exclusive basis for internal use in a customer s organization. We also grant rights in our intellectual property to third parties that allow them to market certain of our products on a non-exclusive or limited-scope exclusive basis for a particular application of the product(s) or to a particular geographic area.

We rely on a combination of copyright, patent, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We have obtained or applied for trademark registration for most strategic product names in most major markets. We have a number of United States and foreign patents and pending applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. The duration of our patents is determined by the laws of the country of issuance and for the U.S. is typically 17 years from the date of issuance of the patent or 20 years from the date of filing of the patent application resulting in the patent. While we believe our intellectual property is valuable and our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular patent, trademark, license, or other intellectual property right.

Employees

As of June 30, 2010, we employed a total of 3,861 individuals. The composition of this employee base is as follows: (i) 756 employees in sales and marketing, (ii) 1,097 employees in product development, (iii) 832 employees in professional services, (iv) 612 employees in customer support, and (v) 564 employees in general and administrative roles. We believe that relations with our employees are strong. None of our employees are represented by a labour union, nor do we have collective bargaining arrangements with any of our employees. However, in certain international jurisdictions that we operate in, a Workers Council represents our employees.

Item 1A. Risk Factors

The following important factors could cause our actual business and financial results to differ materially from our current expectations, estimates, forecasts and projections. These forward-looking statements contained in this Annual Report on Form 10-K or made elsewhere by management from time to time are subject to important risks, uncertainties and assumptions, which are difficult to predict. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our operating results, financial condition and liquidity. Our business is also subject to general risks and uncertainties that affect many other companies.

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Weakened economic conditions and uncertainty could adversely affect our operating results

Our overall performance depends in part on worldwide economic conditions. The United States, the European Union and other key international economies have experienced a prolonged downturn as a result of a multitude of factors, including, but not limited to, turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, declines in gross domestic product, increases in unemployment and volatility in commodity prices and worldwide stock markets, and excessive government debt. The severity and length of time that the downturn in economic and financial market conditions may persist, as well as the timing, strength and sustainability of any temporary recovery, are unknown and are beyond our control. During such downturns, many customers may delay or reduce technology purchases. Contract negotiations may become more protracted or conditions could result in reductions in sales of our products, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, slower adoption of new technologies and increased price competition. In addition, continued deterioration of the global credit markets could adversely impact our ability to complete sales of our solutions and services, including maintenance and support renewals. Any of these prolonged events, as well as a general weakening of, or declining corporate confidence in, the global economy, or a curtailment in government or corporate spending could delay or decrease customer purchases.

Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against

Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. For example, material increases in LIBOR or other applicable interest rate benchmarks may increase the debt payment costs for the portion of our credit facilities that we have not hedged. Credit contraction in financial markets may hurt our ability to access credit in the event that we identify an acquisition opportunity or require significant access to credit for other reasons. Similarly, volatility in our stock price due to seemingly unrelated financial developments could hurt our ability to raise capital for the financing of acquisitions or other reasons. Potential price inflation caused by an excess of liquidity in countries where we conduct business may increase the cost we incur to provide our solutions and may reduce profit margins on agreements that govern our provision of products or services to customers over a multi-year period. A reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base. As a result, these customers may need to reduce their purchases of our products or services, or we may experience greater difficulty in receiving payment for the products or services that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

The length of our sales cycle can fluctuate significantly which could result in significant fluctuations in license revenue being recognized from quarter to quarter

The decision by a customer to purchase our products often involves a comprehensive implementation process across the customer s network or networks. As a result, licenses of these products may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant expenditures and lengthy sales cycle and implementation procedures. Given the significant investment and commitment of resources required by an organization to implement our software, our sales cycle may be longer compared to other companies within our own industry, as well as companies in other industries. Over the past several fiscal years, we have experienced a lengthening of our sales cycle as customers include more personnel in their decisions and focus on more enterprise-wide licensing arrangements. In the current economic environment it is not uncommon to see reduced information technology spending. It may take several months, or even several quarters, for marketing opportunities to materialize. If a customer s decision to license our software is delayed or if the installation of our products takes longer than originally anticipated, the date on which we may recognize revenue from these licenses would be delayed. Such delays could cause our revenues to be lower than expected in a particular period.

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Our success depends on our relationships with strategic partners and with distributors and any reduction in the sales efforts by distributors, or cooperative efforts from our partners, could materially impact our revenues

We rely on close cooperation with partners for sales and product development as well as for the optimization of opportunities that arise in our competitive environment. Also, a portion of our license revenues is derived from the licensing of our products through third parties. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing distributors or develop a sufficient number of future distributors. Distributors may also give higher priority to the sale of products other than ours (which could include competitors products) or may not devote sufficient resources to marketing our products. The performance of third party distributors is largely outside of our control, and we are unable to predict the extent to which these distributors will be successful in marketing and licensing our products. A reduction in partner cooperation or sales efforts, a decline in the number of distributors, or a decision by our distributors to discontinue the sale of our products could materially reduce revenue.

If we do not continue to develop new technologically advanced products that successfully integrate with the software products and enhancements used by our customers, future revenues and our operating results may be negatively affected

Our success depends upon our ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with standard platforms and file formats. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to achieve a successful integration with third party software, we may not be successful in developing and marketing our new software products and enhancements. If we are unable to successfully integrate third party software to develop new software products and enhancements to existing products, or to complete products currently under development which we license or acquire from third parties, our operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, our operating results will materially suffer. Also, if new industry standards emerge that we do not anticipate or adapt to, our software products could be rendered obsolete and, as a result, our business and operating results, as well as our ability to compete in the marketplace, would be materially harmed.

If our products and services do not gain market acceptance, our operating results may be negatively affected

We intend to pursue our strategy of growing the capabilities of our ECM software offerings through our proprietary research and the development of new product offerings, as well as through acquisitions. In response to customer demand, it is important to our success that we continue: (i) to enhance our products; and (ii) to seek to set the standard for ECM capabilities. The primary market for our software and services is rapidly evolving which means that the level of acceptance of products and services that have been released recently or that are planned for future release by the marketplace is not certain. If the markets for our products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products, services and enhancements to current products and services, (iii) complete customer installations on a timely basis, or (iv) complete products and services currently under development. In addition, increased competition could put significant pricing pressures on our products which could negatively impact our margins and profitability. If our products and services are not accepted by our customers or by other businesses in the marketplace, our business and operating results will be materially affected.

Our investment in our current research and development efforts may not provide a sufficient, timely return

The development of ECM software products is a costly, complex and time-consuming process, and the investment in ECM software product development often involves a long wait until a return is achieved on such an investment. We make and will continue to make significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through our research and development efforts, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced for our current or historical products and services.

Product development is a long, expensive and uncertain process, and we may terminate one or more of our development programs.

We may determine that certain product candidates or programs do not have sufficient potential to warrant the allocation of resources. Accordingly, we may elect to terminate one or more of our programs for such product candidates. If we terminate a product in development which we have invested significant resources, our prospects may suffer, as we will have expended resources on a project that may not provide a return on our investment and may have missed the opportunity to have allocated those resources to potentially more productive uses.

Failure to protect our intellectual property could harm our ability to compete effectively

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of copyright, patent, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful. Enforcement of our intellectual property rights may be difficult, particularly in some nations outside of North America in which we seek to market our products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our products represents a loss of revenue to us. Where applicable, certain of our license arrangements have required us to make a limited confidential disclosure of portions of the source code for our products, or to place such source code into escrow for the protection of another party. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to: (i) copy certain portions of our products; or (ii) reverse engineer or obtain and use information that we regard as proprietary. Also, our competitors could independently develop technologies that are perceived to be substantially equivalent or superior to our technologies. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property.

Other companies may claim that we infringe their intellectual property, which could materially increase costs and materially harm our ability to generate future revenue and profits

Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although we do not believe that our products infringe on the rights of third parties, third parties may assert infringement claims against us in the future. Although most of our technology is proprietary in nature, we do include certain third party software in our products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our products, third parties may assert infringement claims against us in the future. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to our ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the patents or rework our products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on our business and operating results as well as our ability to generate future revenue and profits.

The loss of licenses to use third-party software or the lack of support or enhancement of such software could adversely affect our business

We currently depend upon a limited number of third-party software products. If such software products were not available, we might experience delays or increased costs in the development of our products. For a limited number of product modules, we rely on software products that we license from third-parties, including software that is integrated with internally developed software and which is used in our products to perform key functions. These third-party software licenses may not continue to be available to us on commercially reasonable terms, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss by us of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could adversely affect our business.

Current and future competitors could have a significant impact on our ability to generate future revenue and profits

The markets for our products are intensely competitive, and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter our markets, including those competitors who offer similar solutions as we do, but offer it through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) introduce new competitive products, (ii) add new functionality to existing products, (iii) acquire competitive products, (iv) reduce prices, or (v) form strategic alliances with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products and services, we would need to lower the prices we charge for the products we offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results. Additionally, if prospective consumers choose other methods of ECM delivery, different from that which we offer, our business and operating results could also be materially and adversely affected.

Consolidation in the industry, particularly by large, well-capitalized companies, could place pressure on our operating margins which could, in turn, have a material adverse affect on our business

Acquisitions by large, well-capitalized technology companies have changed the marketplace for our goods and services by replacing competitors which are comparable in size to our company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products that compete with the products we offer, or have the ability

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to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our products and services on the basis of sale price, marketing, services or support. They also have the ability to introduce items that compete with our maturing products and services. The threat posed by larger competitors and the goods and services that these companies may be able to produce to our target customers at a lower cost may materially reduce the profit margins we earn on the goods and services we provide to the marketplace. Any material reduction in our profit margin may have an adverse material affect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may prevent effective strategic growth or scale or put as at a disadvantage to our better capitalized competitors.

Acquisitions, investments, joint ventures and other business initiatives may negatively affect our operating results

The growth of our company through the successful acquisition and integration of complementary businesses is a critical component of our corporate strategy. Thus, we continue to seek opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our current or future business. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with our own business and products, (ii) additional demands on our resources, systems, procedures and controls, (iii) disruption of our ongoing business, and (iv) diversion of management s attention from other business concerns. Moreover, these transactions could involve: (a) substantial investment of funds or financings by issuance of debt or equity securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of our company. Any such activity may not be successful in generating revenue, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability: (i) to take advantage of growth opportunities for our business or for our products, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect our operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings which, in turn, may have an adverse material affect on the price of our Common Shares.

Our acquisition activity may lead to a material increase in the incurrence of debt which may adversely affect our finances

We may borrow money to provide the funds necessary to pay for companies we seek to acquire, if we deem such financing activity to be appropriate. The interest costs generated under any such debt obligations may materially increase our interest expense which may materially and adversely affect our profitability as well as the price of our Common Shares. Our ability to pay the interest and repay the principal for the indebtedness we incur as a result of our acquisition activity depends upon our ability to manage our business operations and our financial resources. In addition, the agreements related to such borrowings may contain covenants requiring us to meet certain financial performance targets and operating covenants, and limiting our discretion with respect to certain business matters, such as, among other things, any future payment of dividends, the borrowing of additional amounts and the making of investments.

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Businesses we acquire may have disclosure controls and procedures and internal controls over financial reporting that are weaker than or otherwise not in conformity with ours

We have a history of acquiring complementary businesses of varying size and organizational complexity. Upon consummating an acquisition, we seek to implement our disclosure controls and procedures as well as our internal controls over financial reporting at the acquired company as promptly as possible. Depending upon the nature of the business acquired, the implementation of our disclosure controls and procedures as well as the implementation of our internal controls over financial reporting at an acquired company may be a lengthy process. Typically, we conduct due diligence prior to consummating an acquisition; however, such diligence may not identify all material issues and our integration efforts may periodically expose deficiencies in the disclosure controls and procedures as well as in internal controls over financial reporting of an acquired company. If such deficiencies exist, we may not be in a position to comply with our periodic reporting requirements and, as a result, our business and financial condition may be materially harmed.

We must continue to manage our internal resources during periods of company growth or our operating results could be adversely affected

The ECM market has continued to evolve at a rapid pace. Moreover, we have grown significantly through acquisitions in the past and expect to continue to review acquisition opportunities as a means of increasing the size and scope of our business. Our growth, coupled with the rapid evolution of our markets, has placed, and will continue to place, significant strains on our administrative and operational resources and increased demands on our internal systems, procedures and controls. Our administrative infrastructure, systems, procedures and controls may not adequately support our operations. In addition, our management may not be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully implement our operational and competitive strategy. If we are unable to manage growth effectively our operating results will likely suffer which may, in turn, adversely affect our business.

If we are not able to attract and retain top employees, our ability to compete may be harmed

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers or other key employees could significantly harm our business. We do not maintain key person life insurance policies on any of our employees. Our success is also highly dependent on our continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In particular, the recruitment of top research developers and experienced salespeople remains critical to our success. Competition for such people is intense, substantial and continuous, and we may not be able to attract, integrate or retain highly qualified technical, sales or managerial personnel in the future. In addition, in our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our products or services.

Our compensation structure may hinder our efforts to attract and retain vital employees

A portion of our total compensation program for our executive officers and key personnel includes the award of options to buy our Common Shares. If the price of our Common Shares performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be proscribed by the government or any significant increases in personal income tax levels levied in countries where we have a significant operational presence, may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success. Additionally, payments under our long-term incentive plan (the details of which are described in Item 11 of this Annual Report on Form 10-K) are dependent to a significant extent upon the future performance of our company both in absolute terms and in comparison to similarly situated companies. Any failure to achieve the targets set under the long-term incentive plan could significantly reduce or eliminate payments made under this plan, which may, in turn, materially and adversely affect our ability to retain the key personnel who are subject to this plan.

We may not generate sufficient cash flow to satisfy our unfunded pension obligations

Through one of our acquisitions, we assumed its unfunded pension plan liabilities. We will be required to use the operating cash flow that we generate in the future to meet these obligations. As a result, our future net pension liability and cost may be materially affected by the discount rate used to measure these pension obligations and by the longevity and actuarial profile of the relevant workforce. A change in the discount rate may result in a significant increase or decrease in the valuation of these pension obligations, and these changes may affect the net periodic pension cost in the year the change is made and in subsequent years. We cannot assure that we will generate sufficient cash flow to satisfy these obligations. Any inability to satisfy these pension obligations may have a material adverse effect on the operational and financial health of our business.

Unexpected events may materially harm our ability to align when we incur expenses with when we recognize revenues

We incur operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses are relatively fixed, a delay in recognizing revenue from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently followed by revenues, our business, financial condition, or results of operations could be materially and adversely affected.

We may fail to achieve our financial forecasts due to inaccurate sales forecasts or other factors

Our revenues and particularly our new software license revenues are difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. We use a pipeline system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all proposals and estimate when a customer will make a purchase decision and the dollar amount of the sale. These estimates are aggregated periodically to generate a sales pipeline. Our pipeline estimates can prove to be unreliable both in a particular quarter and over a longer period of time, in part because the conversion rate or closure rate of the pipeline into contracts can be very difficult to estimate. A contraction in the conversion rate, or in the pipeline itself, could cause us to plan or budget incorrectly and adversely affect our business or results of operations. In particular, a slowdown in IT spending or economic conditions generally can unexpectedly reduce the conversion rate in particular periods as purchasing decisions are delayed, reduced in amount or cancelled. The conversion rate can also be affected by the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms, which can also impede our ability to negotiate and execute these contracts in a timely manner. In addition, for newly acquired companies, we have limited ability to immediately predict how their pipelines will convert into sales or revenues following the acquisition and their conversion rate post-acquisition may be quite different from their historical conversion rate.

The restructuring of our operations may, adversely affect our business or our finances

We often undertake initiatives to restructure or streamline our operations. We may incur costs associated with implementing a restructuring initiative beyond the amount contemplated when we first developed the initiative, and these increased costs may be substantial. As well such costs would decrease our net income and earnings per share for the periods in which those adjustments are made. We will continue to evaluate our operations, and may propose future restructuring actions as a result of changes in the marketplace, including the exit from less profitable operations or the decision to terminate services which are not valued by our customers. Any failure to successfully execute these initiatives on a timely basis may have a material adverse impact on our operations.

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Our international operations expose us to business risks that could cause our operating results to suffer

We intend to continue to make efforts to increase our international operations and anticipate that international sales will continue to account for a significant portion of our revenue. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws and regulations), costs related to localizing products for foreign markets, and costs related to translating and distributing products in a timely manner. International operations also tend to be subject to a longer sales and collection cycle. In addition, regulatory limitations regarding the repatriation of earnings may adversely affect the transfer of cash earned from foreign operations. Significant international sales may also expose us to greater risk from political and economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Also, international expansion may be more difficult, time consuming, and costly. As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our operating results will suffer. Moreover, in any given quarter, a change in foreign exchange rates may adversely affect our revenue, earnings or other financial measures.

Our products may contain defects that could harm our reputation, be costly to correct, delay revenues, and expose us to litigation

Our products are highly complex and sophisticated and, from time to time, may contain design defects or software errors that are difficult to detect and correct. Errors may be found in new software products or improvements to existing products after commencement of shipments to our customers. If these defects are discovered, we may not be able to successfully correct such errors in a timely manner. In addition, despite the extensive tests we conduct on all our products, we may not be able to fully simulate the environment in which our products will operate and, as a result, we may be unable to adequately detect the design defects or software errors which may become apparent only after the products are installed in an end-user s network. The occurrence of errors and failures in our products could result in the delay or the denial of market acceptance of our products; alleviating such errors and failures may require us to make significant expenditure of our resources. The harm to our reputation resulting from product errors and failures may be materially damaging. Since we regularly provide a warranty with our products, the financial impact of fulfilling warranty obligations may be significant in the future. Our agreements with our strategic partners and end-users typically contain provisions designed to limit our exposure to claims. These agreements regularly contain terms such as the exclusion of all implied warranties and the limitation of the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and the attendant liabilities and costs associated with such claims. Although we maintain errors and omissions insurance coverage and comprehensive liability insurance coverage, such coverage may not be adequate to cover all such claims. Accordingly, any such claim could negatively affect our financial condition.

Our products rely on the stability of infrastructure software that, if not stable, could negatively impact the effectiveness of our products, resulting in harm to our reputation and business

Our developments of Internet and intranet applications depend and will depend on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as the infrastructure software produced by Hewlett-Packard Company, Oracle, Microsoft and others. If weaknesses in such infrastructure software exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

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Business disruptions may adversely affect our operations

Our business and operations are highly automated and a disruption or failure of our systems may delay our ability to complete sales and to provide services. A major disaster or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could severely affect our ability to conduct normal business operations. This possible disruption may materially and adversely affect our future operating results.

Our revenues and operating results are likely to fluctuate which could materially impact the price of our Common Shares

We experience, and we are likely to continue to experience, significant fluctuations in revenues and operating results caused by many factors, including:

- Changes in the demand for our products and for the products of our competitors;
- The introduction or enhancement of products by us and by our competitors;
- Market acceptance of enhancements or products;
- Delays in the introduction of products or enhancements by us or by our competitors;
- Customer order deferrals in anticipation of upgrades and new products;
- Changes in the lengths of sales cycles;
- Changes in our pricing policies or those of our competitors;
- Delays in product installation with customers;
- Change in the mix of distribution channels through which products are licensed;
- Change in the mix of products and services sold;
- Change in the mix of international and North American revenues;
- Changes in foreign currency exchange rates and LIBOR rates;
- Acquisitions and the integration of acquired businesses;

- Restructuring charges taken in connection with any completed acquisition or otherwise;

- Changes in general economic and business conditions; and

- Changes in general political developments, such as international trade policies and policies taken to stimulate or to preserve national economies.

A general weakening of the global economy, or economic or business uncertainty created by North American or international political developments, could cancel or delay customer purchases. A cancellation or deferral of even a small number of licenses or delays in the installation of our products could have a material adverse effect on our operations. As a result of the timing of product introductions and the rapid evolution of our business as well as of the markets we serve, we cannot predict whether patterns or trends experienced in the past will continue. For these reasons, you should not rely upon period-to-period comparisons of our financial results to forecast future performance. Our revenue and operating results may vary significantly and this possible variance could materially reduce the market price of our Common Shares.

The volatility of our stock price could lead to losses by shareholders

The market price of our Common Shares has been subject to wide fluctuations. Such fluctuations in market price may continue in response to: (i) quarterly and annual variations in operating results; (ii) announcements of technological innovations or new products that are relevant to our industry; (iii) changes in financial estimates by

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securities analysts; or (iv) other events or factors. In addition, financial markets experience significant price and volume fluctuations that particularly affect the market prices of equity securities of many technology companies. These fluctuations have often resulted from the failure of such companies to meet market expectations in a particular quarter, and thus such fluctuations may or may not be related to the underlying operating performance of such companies. Broad market fluctuations or any failure of our operating results in a particular quarter to meet market expectations may adversely affect the market price of our Common Shares. Occasionally, periods of volatility in the market price of a company s securities may lead to the institution of securities class action litigation against a company. Due to the volatility of our stock price, we may be the target of such securities litigation in the future. Such legal action could result in substantial costs to defend our interests and a diversion of management s attention and resources, each of which would have a material adverse effect on our business and operating results.

We may become involved in litigation that may materially adversely affect us

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management s attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operations or financial condition.

Our provision for income taxes and effective income tax rate may vary significantly and may adversely affect our results of operations and cash resources.

Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years items, the impact of transactions we complete, future levels of research and development spending, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements (such as those described in Note 2 Significant Accounting Policies in the Notes to the Consolidated Financial Statements) , and/or any internal restructuring initiatives we may implement from time to time to streamline our operations, can have a material impact on our effective income tax rate.

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial results in the period or periods for which such determination is made.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our properties consist of owned and leased office facilities for sales, support, research and development, consulting and administrative personnel, totaling approximately 112,000 square feet of owned facilities and 1,226,222 square feet of leased facilities.

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Owned Facilities

Our headquarters is located in Waterloo, Ontario, Canada, and it consists of approximately 112,000 square feet. We currently utilize the entire facility for our operations. The land upon which the building stands is leased from the University of Waterloo (the University), for a period of 49 years beginning in December 2005, with an option to renew for an additional term of 49 years. The option to renew is exercisable by us upon providing written notice to the University not earlier than the 40th anniversary and not later than the 45th anniversary of the lease commencement date.

We have obtained a mortgage from a Canadian chartered bank which has been secured by a lien on our headquarters in Waterloo. For more information regarding this mortgage please refer to Note 10 Long-term Debt to the Notes to Consolidated Financial Statements, under Item 8 of this Annual Report on Form 10-K.

In May 2009, we received approval from our Board of Directors to start construction of a facility on an adjacent parcel of land to our existing Waterloo facility which will consist of 120,000 square feet. We have not commenced the construction of this facility as of yet, however we expect that the construction thereof will begin in Fiscal 2011 and will take at least 12 months.

Leased Facilities

We lease 1,226,222 square feet both domestically and internationally. Our significant leased facilities include the following:

- Grasbrunn facility, located in Germany, totaling 339,195 square feet;
- Richmond Hill facility, located in Toronto, Ontario, Canada, totaling 101,458 square feet;
- Austin facility, located in Texas, United States, totaling 85,898 square feet;
- Bellevue facility, located in Washington, United States, totaling 54,855 square feet;
- Hyderabad facility, located in India, totaling 66,838 square feet; and
- Konstanz facility, located in Germany, totaling 50,747 square feet.

Due to restructuring and merger integration initiatives, we have vacated 415,906 square feet of our leased properties. The vacated space has either been sublet or is being actively marketed for sublease or disposition.

Item 3. Legal Proceedings

In the normal course of business, we are subject to various legal claims, as well as potential legal claims. While the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a materially adverse effect on our consolidated results of operations or financial conditions.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Shares have traded on the NASDAQ stock market since 1996 under the symbol OTEX and our Common Shares have traded on the Toronto Stock Exchange (TSX) since 1998 under the symbol OTC . The following table sets forth the high and low sales prices for our Common Shares, as reported by the TSX and NASDAQ, respectively, for the periods indicated below.

	NASDAQ (in USD)		TSX (in CAD)	
	High	Low	High	Low
Fiscal Year Ending June 30, 2010:				
Fourth Quarter	$ 50.97	$ 37.07	$ 51.25	$ 39.02
Third Quarter	$ 49.55	$ 39.37	$ 51.92	$ 41.42
Second Quarter	$ 41.44	$ 35.82	$ 42.99	$ 38.39
First Quarter	$ 40.19	$ 33.69	$ 43.69	$ 37.13
Fiscal Year Ending June 30, 2009:				
Fourth Quarter	$ 37.20	$ 29.89	$ 44.58	$ 35.00
Third Quarter	$ 36.40	$ 28.93	$ 44.60	$ 35.76
Second Quarter	$ 36.46	$ 22.01	$ 39.00	$ 27.01
First Quarter	$ 39.09	$ 28.70	$ 41.14	$ 29.60

On July 7, 2010, the closing price of our Common Shares on the NASDAQ was $38.44 per share, and on the TSX was Canadian $40.25 per share.

As at July 7, 2010, we had 360 shareholders of record holding our Common Shares of which 315 were U.S. shareholders.

Unregistered Sales of Equity Securities

None.

Dividend Policy

We have historically not paid cash dividends on our capital stock. We currently intend to retain earnings, if any, for use in our business, and we do not anticipate paying any cash dividends in the foreseeable future.

Stock Purchases

The following table provides details of Common Shares purchased by the Company during the three months ended June 30, 2010:

PURCHASES OF EQUITY SECURITIES OF THE COMPANY FOR THE THREE

MONTHS ENDED JUNE 30, 2010

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or	(d) Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or

			Programs	**Programs**
04/1/10 to 04/30/10		$		
05/1/10 to 05/31/10	307,579	$ 45.52		153,790
06/1/10 to 06/30/10		$		
Total	307,579	$ 45.52		153,790

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The above represents Common Shares issuable, in the future, in connection with performance share units granted under our Fiscal 2010 long-term incentive plan. For more details of this repurchase, please see Treasury Stock under Note 11 Share Capital, Option Plans and Share-based Payments , under Item 8 of this Annual Report on Form 10-K. The price paid for the Common Shares was at the prevailing market price at the time of repurchase.

Stock Performance Graph and Cumulative Total Return

The following graph compares for each of the five fiscal years ended June 30, 2010, the yearly percentage change in the cumulative total shareholder return on our Common Shares with the cumulative total return on:

An index of companies in the internet and software services industry which is maintained by Hemscott, Inc. (herein referred to as the Hemscott Group Index);

the NASDAQ Market Index; and

the S&P/TSX Composite Index

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The graph illustrates the cumulative return on a $100 investment in our Common Shares made on June 30, 2005, as compared with the cumulative return on a $100 investment in the Hemscott Index, the NASDAQ Market Index and the S&P/TSX Composite Index (collectively referred to as the Indices) made on the same day. Dividends declared on securities comprising the respective Indices are assumed to be reinvested. The performance of our Common Shares, as set out in the graph is based upon historical data and is not indicative of, nor intended to forecast, future performance of our Common Shares. The graph lines merely connect measurement dates and do not reflect fluctuations between those dates.

The chart below provides information with respect to the value of $100 invested on June 30, 2005, in our Common Shares as well as in the other Indices, assuming dividend reinvestment when applicable:

	June 30,					
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Open Text Corporation	$ 100.00	$ 101.91	$ 153.56	$ 226.53	$ 257.02	$ 264.93
Hemscott Group Index	$ 100.00	$ 102.18	$ 127.71	$ 122.05	$ 99.54	$ 111.30
NASDAQ Market Index	$ 100.00	$ 106.44	$ 127.60	$ 113.21	$ 91.52	$ 106.15
S&P/TSX Composite	$ 100.00	$ 131.51	$ 169.24	$ 188.60	$ 122.81	$ 150.70

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Exchange Act, the foregoing Stock Performance Graph and Cumulative Total Return shall not be deemed to be soliciting materials or to be so incorporated, unless specifically otherwise provided in any such filing.

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Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth summary information relating to our various stock compensation plans as of June 30, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)		Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders:	1,658,391	$	18.20	1,382,345
Equity compensation plans not approved by security holders				
Under restricted stock awards (1)	8,886		n/a	
Under deferred / performance stock awards	4,299		n/a	307,579
Total	1,671,576	$	n/a	1,689,924

(1) These restricted stock awards were assumed in connection with our acquisitions. No additional awards were or can be granted under the plan that originally issued these awards.

Canadian Tax Matters

Dividends

Under the 1980 U.S.-Canada Income Tax Convention (the Convention), a Canadian withholding tax of 15% applies to the gross amount of dividends (including stock dividends) paid or credited to beneficial owners of our Common Shares: who are resident in the U.S. for the purposes of the Convention; and who do not hold the shares in connection with a business carried on through a permanent establishment or a fixed location in Canada.

The Convention provides an exemption from withholding tax on dividends paid or credited to certain tax-exempt organizations that are resident in the U.S. for purposes of the Convention. Persons who are subject to the U.S. federal income tax on dividends may be entitled, subject to certain limitations, to either a credit or deduction with respect to Canadian income taxes withheld with respect to dividends paid or credited on our Common Shares.

The Fifth Protocol to the 1980 tax treaty between Canada and the U.S. entered into force on December 15, 2008 and is generally effective in respect of taxes withheld at source on February 1, 2009 (and in respect of other taxes for taxation years beginning after December 31, 2008).

Under the Protocol, dividends are subject to a 5% withholding tax where the beneficial owner is a company (including fiscally transparent entities as from 1 January 2010) that holds at least 10% of the voting stock of the company paying the dividends; otherwise, the rate is 15%.

We have never paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

Sales or Other Dispositions of Shares

Gains on sales or other dispositions of our Common Shares by a non-resident of Canada are generally not subject to Canadian income tax, unless the holder realizes the gains in connection with a business carried on in Canada. A gain realized upon the disposition of our Common Shares by a resident of the U.S. that is otherwise subject to Canadian tax may be exempt from Canadian tax under the Convention.

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Item 6. Selected Financial Data

The following table summarizes our selected consolidated financial data for the periods indicated. The selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of income and balance sheet data for each of the five years indicated below has been derived from our audited financial statements. Over the last five fiscal years we have acquired a number of companies including Hummingbird Ltd., Captaris Inc., and Vignette Corporation. The results of these companies and all of our other acquired companies have been included herein and have contributed to the growth in our revenues, net income and net income per share.

	Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
	(in thousands, except per share data)				
Statement of Income Data:					
Revenue	$ 912,023	$ 785,665	$ 725,532	$ 595,664	$ 409,562
Net income	$ 87,554	$ 56,938	$ 53,006	$ 21,660	$ 4,978
Net income per share, basic	$ 1.56	$ 1.09	$ 1.04	$ 0.44	$ 0.10
Net income per share, diluted	$ 1.53	$ 1.07	$ 1.01	$ 0.43	$ 0.10
Weighted average number of Common Shares outstanding, basic	56,280	52,030	50,780	49,393	48,666
Weighted average number of Common Shares outstanding, diluted	57,385	53,271	52,604	50,908	49,950

	As of June 30,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Total assets	$ 1,714,024	$ 1,507,236	$ 1,434,676	$ 1,326,845	$ 678,035
Long-term liabilities	$ 404,912	$ 500,070	$ 491,980	$ 513,140	$ 57,108
Cash dividends per Common Share	$	$	$	$	$

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation

This Annual Report on Form 10-K, including this Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors within the meaning of the Private Securities Litigation Reform Act of 1995, and created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

Certain statements in this report may contain words such as anticipates, expects, intends, plans, believes, seeks, estimates, may, could, would and other similar language and are considered forward looking statements or information under applicable securities laws. In addition, any information or 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, and based on our current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which we operate. Such forward-looking information or statements are subject to important assumptions, risks and uncertainties that are difficult to predict, and the actual outcome may be materially different. Our assumptions, although considered reasonable by us at the date of this report, may prove to be inaccurate and consequently our actual results could differ materially from the expectations set out herein.

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You should not rely too heavily on the forward-looking statements contained in this Annual Report on Form 10-K, because these forward-looking statements are relevant only as of the date they were made. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking information or statements. You should carefully review Part I, Item 1A Risk Factors and other documents we file from time to time with the Securities and Exchange Commission and other applicable securities regulators. 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 Part I, Item 1A Risk Factors and elsewhere in this report. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results.

The following MD&A is intended to help readers understand our results of operations 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 Consolidated Financial Statements (the Notes) under Part II, Item 8 of this Form 10-K.

All percentage comparisons made herein under the section titled Fiscal 2010 Compared to Fiscal 2009 , refer to the twelve months ended June 30, 2010 (Fiscal 2010) compared with the twelve months ended June 30, 2009 (Fiscal 2009). All percentage comparisons made herein under the section titled Fiscal 2009 Compared to Fiscal 2008 , refer to Fiscal 2009 compared with the twelve months ended June 30, 2008 (Fiscal 2008).

Where we say we , us , our , Open Text or the Company , we mean Open Text Corporation or Open Text Corporation and its subsidiaries, as applicable.

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 structured and unstructured content. We focus solely on ECM software solutions with a view to being recognized as The Content Experts in the software industry. We endeavor to be at the leading edge of content management technology, by regularly upgrading and improving on our product offerings. We have endeavored to achieve this objective 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 we were subsequently listed on the Toronto Stock Exchange in 1998. We are a multinational company and currently employ approximately 3,900 people worldwide.

Fiscal 2010 Highlights and Features:

Fiscal 2010 was overall a successful year for us. In terms of our operating results:

- Total revenue increased by 16.1% on a year over year basis to $912.0 million.
- License revenue increased to $238.1 million, a 3.6% increase over Fiscal 2009.
- Customer support revenue increased to $507.5 million, a 25.2% increase over Fiscal 2009.
- Operating cash flows increased to $180.2 million, a 2.3% increase over Fiscal 2009.
- Our overall cash and cash equivalents balance at June 30, 2010 increased by $50.4 million over June 30, 2009.

Other Fiscal 2010 highlights and features were as follows:

For the June 2010 G-20 summit held in Toronto, Ontario, Canada, where leaders from around the world gathered to discuss key economic issues, Open Text provided a secure social networking application which would allow the summit delegates to communicate and collaborate with one another, both in advance of and during the summit. The application Open Text provided supported multiple languages and allowed the delegates to access secure networks from different sources, including through their mobile devices.

In May 2010, Open Text was awarded a 2010 SAP Pinnacle award , presented by SAP to partners whom SAP believes have excelled in enhancing the customer experience. Winners were selected based on over 230 nominations in 27 categories received from partners and SAP employees. This is the third year in a row in which we have received this award.

In April 2010, we acquired Nstein Technologies Inc. (Nstein). See Acquisitions below for more details. We also announced in April that we would start to integrate Nstein s technology with our own to make content analytics more pervasive across our entire ECM suite of products. The content analytics capabilities will enhance the existing information retrieval capabilities provided by the native search function inherent in our ECM suite.

In April 2010, we were recognized as one of the top 25 Canadian software companies, based on growth in revenue, as published on the Branham300 list, put out by the Branham Group, a Canadian industry analyst and strategic consulting firm serving the global information technology marketplace.

In March 2010, we announced the unveiling of a new application called Open Text Everywhere , which is an application that will make the Open Text ECM Suite available via mobile devices. The Open Text Everywhere application aligns with our strategy to continue to help organizations manage content to improve productivity, which now includes managing information sent or received from mobile devices.

In December 2009, we released version 14 of Connectivity Solutions , which leverages the new productivity and security features of Microsoft Windows 7 and offers organizations the ability to smoothly transition to the latest Microsoft platform.

In October 2009, we announced the expansion of our SAP reseller agreement to include SAP Extended ECM by Open Text. This marks a further expansion of our relationship with SAP.

In October 2009, we announced the latest release of Open Text Enterprise Connect . The new version enhances Enterprise Connect as a content service that facilitates the blending of content and processes within users preferred working environments.

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. We believe our acquisitions support our long-term strategic direction, and are intended to strengthen our competitive position, expand our customer base, provide greater scale to accelerate innovation, and increase shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business.

During Fiscal 2010 we have continued our acquisition activity with the following acquisitions:

Burntsand Inc. (Burntsand)

On May 27, 2010, we completed our acquisition of Burntsand Inc. (Burntsand) for $10.8 million, inclusive of cash acquired. Burntsand, based in Toronto, Ontario, Canada, is a provider of technology consulting services for customers with complex information processing and information management requirements, focusing in particular in areas such as Enterprise Content Management, Collaboration and Service Management. We believe

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Burntsand will complement and enhance our current service offerings to further strengthen our position in the ECM market. For more details relating to the acquisition of Burntsand, see Note 14 Acquisitions to our consolidated financial statements.

Nstein Technologies Inc.

On April 1, 2010, we acquired Nstein Technologies Inc., a software company based in Montreal, Quebec, Canada, for $33.9 million, inclusive of cash acquired, and consideration paid in Open Text shares. Nstein provides content management solutions which help enterprises centralize, understand and manage large amounts of content. Nstein s solutions include its patented Text Mining Engine which allows users to more easily search through different content and data. Our goal is to use Nstein s solutions to leverage and better enhance our own product offering, thus further strengthening our position as an independent leader in the ECM market. For more details relating to the acquisition of Nstein, see Note 14 Acquisitions to our consolidated financial statements.

Vignette Corporation (Vignette)

On July 21, 2009, we acquired Vignette, a provider of ECM software products for $321.4 million, inclusive of cash acquired, equity consideration provided and the fair value of shares already owned prior to acquisition date. Vignette is based in Austin, Texas with worldwide operations. We believe that this acquisition will further consolidate our position in the ECM marketplace and help strengthen our Web Content Management product offering in conjunction with our existing RedDot products. For more details relating to the acquisition of Vignette, see Note 14 Acquisitions to our consolidated financial statements.

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 we believe gives us leverage to deliver customer-focused solutions. Key partnership alliances of Open Text include, but are not limited to, Oracle©, Microsoft©, and SAP©. 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 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.

Outlook for Fiscal 2011

We believe that we have a strong position in the ECM market and that the market for content solutions remains generally stable. We think that our diversified geographic profile helps strengthen our position, in that approximately half of our revenues comes from outside of North America and thus helps cushions us from a downturn in any one specific region. Additionally, we believe that our focus on compliance based products also helps to partially insulate us from downturns in the macroeconomic environment. We also believe we have a strong position in the ECM market because over 50% of our revenues are from customer support revenues, which are generally a recurring source of income, and we expect this trend will continue.

We expect our revenue mix for Fiscal 2011 to be in the following ranges:

(% of total revenue)	
License	25% to 30%
Customer support	50% to 55%
Services and other	20% to 25%

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FISCAL 2010 COMPARED TO FISCAL 2009

Revenues

Revenue by Product Type and Geography:

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

Revenue by product type

(In thousands)	2010	2009	Change/ increase (decrease)
License	$ 238,074	$ 229,818	$ 8,256
Customer support	507,452	405,310	102,142
Services and Other	166,497	150,537	15,960
Total	$ 912,023	$ 785,665	$ 126,358

(% of total revenue)	2010	2009
License	26.1%	29.3%
Customer support	55.6%	51.6%
Services and Other	18.3%	19.1%
Total	100.0%	100.0%

Revenue by Geography

(In thousands)	2010	2009	Change/ increase (decrease)
North America	$ 472,157	$ 391,855	$ 80,302
Europe	372,819	351,384	21,435
Other	67,047	42,426	24,621
Total	$ 912,023	$ 785,665	$ 126,358

% of total revenue	2010	2009
North America	51.8%	49.9%
Europe	40.9%	44.7%
Other	7.3%	5.4%
Total	100.0%	100.0%

License Revenues consists of fees earned from the licensing of software products to customers. Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions.

License revenues increased by $8.3 million in Fiscal 2010 as compared to Fiscal 2009. The increase in license revenue is geographically attributable to an increase in North America license sales of $5.8 million and an increase in license sales in other geographies of $5.5 million. These increases were partially offset by a decrease in Europe of $3.0 million.

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Overall our increase in license revenue is primarily due to the impact of our Fiscal 2010 acquisitions and the result of a larger quantity of deals in excess of $1 million achieved in Fiscal 2010 compared to Fiscal 2009. (19 large deals achieved in Fiscal 2010 compared to 15 large deals achieved in Fiscal 2009).

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. Therefore, changes in customer support revenue do not always 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.

Customer support revenues increased by approximately $102.1 million in Fiscal 2010 as compared to Fiscal 2009. This was partially due to the impact of our Fiscal 2010 acquisitions and growth of our North America operations.

The increase in customer support revenues was attributable to an increase in North America customer support sales of $58.8 million, an increase in Europe customer support sales of $27.3 million and the remainder of the change due to sales generated in other geographies.

Service and Other Revenues. Service revenue consists of revenues from consulting contracts and contracts to provide implementation, 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. Professional Services, if purchased, are typically performed after the purchase of new software licenses.

Service and other revenues increased by approximately $16.0 million in Fiscal 2010 as compared to Fiscal 2009. The increase in service and other revenues is partially due to the impact of our Fiscal 2010 acquisitions. Geographically, the increase is due to an increase in North America of $15.7 million, partially offset by a decrease in revenues from Europe of $2.9 million. The remainder of the difference was due to increased revenue generated in other geographies.

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)	2010	2009	Change/ increase (decrease)
License	$ 16,922	$ 16,204	$ 718
Customer Support	83,741	68,902	14,839
Service and Other	135,396	118,998	16,398
Amortization of acquired technology-based intangible assets	60,472	47,733	12,739
Total	$ 296,531	$ 251,837	$ 44,694

Gross Margin	2010	2009
License	92.9%	92.9%
Customer Support	83.5%	83.0%
Service and Other	18.7%	21.0%

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

Cost of license revenue increased marginally by $0.7 million during Fiscal 2010 as compared to Fiscal 2009 and overall gross margin on cost of license revenue has remained stable at approximately 93%.

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

Cost of customer support revenues increased by $14.8 million during Fiscal 2010 as compared to Fiscal 2009. The increase in costs is primarily due to an increase in direct costs associated with the corresponding increase in customer support revenues.

Overall gross margin on customer support revenue has remained relatively stable at approximately 83%.

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 services and other revenues increased by $16.4 million during Fiscal 2010, primarily as a result of higher training and support costs associated with an increase in service and other revenues. Of this increase approximately $0.7 million, was the result of our Hardware costs (and sales) commencing in the second quarter of Fiscal 2009.

Overall gross margin on cost of services and other revenues has decreased compared to the prior fiscal year primarily on account of an increase in direct labour and labour-related costs.

Amortization of acquired technology-based intangible assets increased by $12.7 million due to the increase in intangible assets on account of acquisitions during Fiscal 2010.

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)	**2010**	**2009**	**Change/ increase (decrease)**
Research and development	$ 129,378	$ 116,164	$ 13,214
Sales and marketing	198,208	186,533	11,675
General and administrative	83,295	73,842	9,453
Depreciation	17,425	12,012	5,413
Amortization of acquired customer-based intangible assets	35,940	33,259	2,681
Special charges	43,666	14,434	29,232
Total	$ 507,912	$ 436,244	$ 71,668

(in % of total revenue)	**2010**	**2009**
Research and development	14.2%	14.8%
Sales and marketing	21.7%	23.7%
General and administrative	9.1%	9.4%
Depreciation	1.9%	1.5%
Amortization of acquired customer-based intangible assets	3.9%	4.2%
Special charges	4.8%	1.8%

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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 to update and upgrade our product offering. The primary driver is typically budgeted software upgrades and software development.

Research and development expenses increased by $13.2 million primarily due to an increase in direct labour and labour-related benefits and expenses of $15.9 million, partially offset by a reduction in consulting-related expenses.

Overall, our research and development expenses, as a percentage of total revenues, have remained relatively stable at roughly 14%.

Headcount at June 30, 2010 related to research and development activities, increased by 211 employees compared to June 30, 2009.

Our expectation for Fiscal 2011 is that research and development expenses will be in the range of 14%   16% of total revenue.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising and trade shows.

Sales and marketing expenses increased by $11.7 million primarily due to an increase in direct labour and labour-related benefits and expenses of $10.8 million. The remainder of the difference is principally due to changes in other miscellaneous sales and marketing-related expenses.

Overall, our sales and marketing expenses, as a percentage of total revenues, have decreased as a result of efficiencies achieved.

Headcount at June 30, 2010 related to sales and marketing activities increased by 9 employees compared to June 30, 2009.

Our expectation for Fiscal 2011 is that sales and marketing expenses will be in the range of 21% -23% of total revenue.

General and administrative expenses consist primarily of personnel expenses, related overhead, audit fees, other professional fees, consulting expenses and public company costs.

General and administrative expenses increased by $9.5 million primarily due to an increase in direct labour and labour-related benefits and expenses of $9.3 million. The remainder of the difference can be attributed to changes in other miscellaneous items.

Overall, our general and administrative expenses, as a percentage of total revenues, have remained relatively stable at roughly 9%.

Headcount at June 30, 2010 related to general and administrative activities increased by 7 employees compared to June 30, 2009.

Our expectation for Fiscal 2011 is that general and administrative expenses will be in the range of 8% -10% of total revenue.

Depreciation expenses increased by $5.4 million in Fiscal 2010, as a result of capital asset acquisitions made by us in Fiscal 2010.

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Amortization of acquired customer-based intangible assets increased by $2.7 million due to an increase in intangible assets resulting from acquisitions made by us in Fiscal 2010.

Special charges typically relate to amounts that we expect to pay in connection with 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 similar charges. Generally, we implement such plans in the context of streamlining existing Open Text operations with that of acquired entities. 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 business combination 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, we recorded an additional expense (within Special charges) of $3.2 million during Fiscal 2010 on account of expenses related to these acquisitions.

For more details on Special charges, see Note 13 to our consolidated financial statements.

Other income (expense) relates to certain non-operational charges consisting primarily of foreign exchange gains (losses), changes in the market value of financial assets/hedges, and tax-related penalties.

For Fiscal 2010, net other expense increased by $5.1 million, as compared to the prior fiscal year primarily due to the impact of transactional foreign currency adjustments, offset by a gain of $4.4 million resulting from re-measuring to fair value our investment in Vignette common shares held before the date of acquisition (see Note 14 to our consolidated financial statements).

Net interest expense is primarily made up of cash interest paid on our debt facilities offset by interest income earned on our cash and cash equivalents.

Interest expense relates primarily to interest paid on our long-term debt obtained for the purpose of partially financing our Hummingbird acquisition (the term loan). The term loan bears floating-rate interest at LIBOR plus a fixed rate which is currently set at 2.25% per annum. The carrying value of the term loan, as of June 30, 2010, is approximately $288.0 million.

Net interest expense decreased by $3.3 million primarily due to a decrease in the interest paid on the term loan on account of lower interest rates in Fiscal 2010.

For more details on interest expenses see Note 10 to our consolidated financial statements, 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 reduction in tax expense in Fiscal 2010 compared to Fiscal 2009 was primarily due to the impacts of an internal reorganization of our international subsidiaries initiated to consolidate our intellectual property within certain jurisdictions and to effect an operational reduction of our global subsidiaries with a view to, eventually, having a single operating legal entity in each jurisdiction.

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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)	2010	2009	Change/ increase (decrease)
Cash provided by operating activities	$ 180,191	$ 176,170	$ 4,021
Cash provided by (used in) investing activities	(109,821)	(160,829)	51,008
Cash provided by (used in) financing activities	(7,395)	24,798	(32,193)

Cash flows provided by operating activities

Cash flows from operating activities increased marginally by $4.0 million in Fiscal 2010 due to an increase in net income of $30.6 million and non-cash adjustments of $14.6 million. These increases were partially offset by a decrease in operating assets and liabilities of $41.2 million.

The increase in non-cash adjustments was primarily due to (i) an increase in depreciation and amortization expense of $20.8 million, largely as the result of the impact of acquisition-related activities and fixed asset purchases, (ii) an increase in excess tax benefits on share based compensation expense of $7.5 million and (iii) an increase in share based compensation expense of $4.7 million. These increases were offset by (i) a decrease in pension expense of $1.2 million, (ii) a release of an unrealized gain on marketable securities to income of $4.4 million, and (iii) a decrease in deferred taxes of $14.3 million. The remaining change in non-cash adjustments relates to miscellaneous items.

The decrease in operating assets and liabilities was primarily due to, (i) a decrease in cash flows of $19.2 million relating to a higher accounts receivable balance, (ii) a decrease in cash flows of $20.6 million as a result of a net increase in other assets, and (iii) a decrease in cash flows of $18.2 million related to a lower net income taxes payable balance. These decreases were offset by (i) an increase in cash flows of $9.9 million relating to a higher deferred revenue balance, (ii) an increase in cash flows of $4.7 million relating to a higher accounts payable balance, and (iii) an increase in cash flows of $2.3 million due to a lower prepaid and other assets balance. The remaining change in operating assets and liabilities relates to miscellaneous items.

Overall, the year over year growth in operating cash flows was adversely impacted by increased restructuring costs in Fiscal 2010. Additionally, starting in Fiscal 2010 acquisition-related costs are required to be recorded as a reduction of operating cash flow, whereas in Fiscal 2009 these could be capitalized as part of the acquisition and hence included under investing costs. Absent the incremental impact of such costs and the internal reorganization costs incurred in Fiscal 2010, operating cash flow for Fiscal 2010 was approximately $206 million.

Cash flows used in investing activities

Our cash flows used in investing activities are primarily on account of business acquisitions.

In Fiscal 2010, cash flows used in investing activities decreased by approximately $51.0 million. This was primarily due to the maturity of short-term investments we held, of $45.5 million which occurred in Fiscal 2010 and an overall reduction in acquisition related spending of approximately $3.7 million. The remainder of the decrease was due to changes in miscellaneous items.

Cash flows from financing activities

Our cash flows from financing activities consist of long-term debt financing and monies received from 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.

During Fiscal 2010, cash flow from financing activities decreased by $32.2 million primarily due to (i) a decrease in the proceeds from common shares exercised by our employees in the amount of $9.6 million, (ii) a

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decrease in excess tax benefits on share-based compensation expense in the amount of $7.5 million, and (iii) a repurchase of our shares in the amount of $14.0 million (compared to nil in Fiscal 2009), to fund an executive long-term incentive compensation plan. The remainder of the decrease was due to other financing related activities. We did not enter into any new or additional long-term debt arrangements during the year.

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 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 10 to our consolidated financial statements.

The material financial covenants under our term loan agreement are that:

- We must maintain a consolidated leverage ratio of no more than 3:1 at the end of each financial quarter. Consolidated leverage ratio is defined for this purpose as the proportion of our total debt, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation and amortization (EBITDA); and

- We must maintain a consolidated interest coverage ratio of 3:1 or more at the end of each financial quarter. Consolidated interest coverage ratio is defined for this purpose as our consolidated EBITDA over our consolidated interest expense.

As of June 30, 2010, the carrying value of the term loan was $288.0 million and we were in compliance with all loan covenants relating to this facility.

We anticipate that our cash and cash equivalents, as well as available credit facilities and committed loan facilities will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments, and capital expenditures for the foreseeable future. Any material acquisition related activities may require additional sources of financing.

Pensions

As part of the acquisition of Captaris, we acquired an unfunded pension plan and certain long-term employee benefit plans. As of June 30, 2010, our total unfunded pension plan obligation was $16.4 million, of which $0.5 million is payable within the next 12 months. We expect to be able to make the long term and short term payments related to these obligations, in the normal course. For a detailed discussion see Note 9 to our consolidated financial statements.

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			
	Total	**Period ending June 30, 2011**	**July 1, 2011 - June 30, 2013**	**July 1, 2013 - June 30, 2015**	**July 1, 2015 and beyond**
Long-term debt obligations	$ 325,074	$ 23,267	$ 20,956	$ 280,851	$
Operating lease obligations *	120,372	27,091	33,377	24,419	35,485
Purchase obligations	6,255	4,316	1,924	15	
	$ 451,701	$ 54,674	$ 56,257	$ 305,285	$ 35,485

* Net of $6.6 million of non-cancelable sublease income to be received from properties which we have subleased to other parties.

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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, Canada. See Note 10 to our consolidated financial statements. As of June 30, 2010 there were no borrowings outstanding under our revolver, however if the revolver is drawn down, it would increase our contractual obligations.

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, revenue, expenses, 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

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 materially 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) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) 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.

Revenue recognition

a) License revenues

We recognize revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition (SOP 97-2) issued by the American Institute of Certified Public Accountants (AICPA) in October 1997, as amended by SOP 98-9 issued in December 1998.

We record product revenue from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance by the customer, the fees are fixed and determinable, and collection is considered probable. We use the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element.

Our multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (PCS) are sold together. We have established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and our significant PCS renewal experience, from our existing worldwide base. Our multiple element sales arrangements generally include irrevocable rights for the customer to renew PCS after the bundled term ends. The customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

It is our experience that customers generally exercise their renewal PCS option. In the renewal transaction, PCS is sold on a stand-alone basis to the licensees one year or more after the original multiple element sales arrangement. The exercised renewal PCS price is consistent with the renewal price in the original multiple element sales arrangement, although an adjustment to reflect consumer price changes is not uncommon.

If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or all elements have been delivered.

We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. Our sales arrangements generally include standard payment terms. These terms effectively relate to all customers, products, and arrangements regardless of customer type, product mix or arrangement size. Exceptions are only made to these standard terms for certain sales in parts of the world where local practice differs. In these jurisdictions, our customary payment terms are in line with local practice.

b) Service revenues

Service revenues consist of revenues from consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, we determine VSOE of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These consulting and implementation services contracts are primarily time and materials based contracts that are, on average, less than six months in length. Revenue from these services is recognized at the time such services are rendered as the time is incurred by us.

We also enter into contracts that are primarily fixed fee arrangements wherein the services are not essential to the functionality of a software element. In such cases, the proportional performance method is applied to recognize revenue.

Revenues from training and integration services are recognized in the period in which these services are performed.

c) Customer support revenues

Customer support revenues consist of revenue derived from contracts to provide PCS to license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

Deferred revenue

Deferred revenue primarily relates to support agreements which have been paid for by customers prior to the performance of those services. Generally, the services will be provided in the twelve months from signing of the agreement.

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Long-term sales contracts

We entered into certain long-term sales contracts involving the sale of integrated solutions that include the modification and customization of software and the provision of services that are essential to the functionality of the other elements in this arrangement. As prescribed by ASC Topic 985-605, Software-Revenue Recognition (ASC Topic 985-606), we recognize revenue from such arrangements in accordance with the contract accounting guidelines in ASC Topic 605-35, Construction-Type and Production-Type Contracts (ASC Topic 605-35), after evaluating for separation of any non-ASC Topic 605-35 elements in accordance with the provisions of ASC Topic 605-25, Multiple-Element Arrangements (ASC Topic 605-25).

When circumstances exist that allow us to make reasonably dependable estimates of contract revenues, contract costs and the progress of the contract to completion, we account for sales under such long-term contracts using the percentage-of-completion (POC) method of accounting. Under the POC method, progress towards completion of the contract is measured based upon either input measures or output measures. We measure progress towards completion based upon an input measure and calculate this as the proportion of the actual hours incurred compared to the total estimated hours. For training and integration services rendered under such contracts, revenues are recognized as the services are rendered. We will review, on a quarterly basis, the total estimated remaining costs to completion for each of these contracts and apply the impact of any changes on the POC prospectively. If at any time we anticipate that the estimated remaining costs to completion will exceed the value of the contract, the loss will be recognized immediately.

When circumstances exist that prevent us from making reasonably dependable estimates of contract revenues, we account for sales under such long-term contracts using the completed contract method.

Sales to resellers and channel partners

We execute certain sales contracts through resellers and distributors (collectively, resellers) and also large, well-capitalized partners such as SAP AG and Accenture Inc. (collectively, channel partners).

We recognize revenue relating to sales through resellers when all the recognition criteria have been met in other words, persuasive evidence of an arrangement exists, delivery has occurred in the reporting period, the fee is fixed and determinable, and collectability is probable. Typically, we recognize revenue to resellers only after the reseller communicates the occurrence of end-user sales to us, since we do not have privity of contract with the end-user. In addition we assess the creditworthiness of each reseller and if the reseller is newly formed, undercapitalized or in financial difficulty any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

We recognize revenue relating to sales through channel partners in the reporting period in which we receive evidence, from the channel partner, of end user sales (collectively, the documentation) and all other revenue recognition criteria have been met. As a result, if the documentation is not received within a given reporting period we recognize the revenue in a period subsequent to the period in which the channel partner completes the sale to the end user.

Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

Allowance for product returns

We provide allowances for estimated returns and return rights that exist for certain legacy Captaris customers. In general, our customers are not granted return rights at the time of sale. However, Captaris has

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historically accepted returns and, has therefore, reduced recognized revenue for estimated product returns. For those customers to whom we do grant return rights, we reduce revenue by an estimate of these returns. If we cannot reasonably estimate these returns, we defer the revenue until the return rights lapse. For software sold to resellers for which we have granted exchange rights, we defer the revenue until the reseller sells the software through to end-users. When customer acceptance provisions are present and we cannot reasonably estimate returns, we recognize revenue upon the earlier of customer acceptance or expiration of the acceptance period.

Business combinations

In Fiscal 2010, we adopted Accounting Standards Codification (ASC) Topic 805, Business Combinations (ASC Topic 805), which revised the accounting guidance that we were required to apply for our acquisitions in comparison to prior fiscal years. The underlying principles are similar to the previous guidance and require that we recognize separately from goodwill the identifiable assets acquired and the liabilities assumed, generally at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that we identify adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Income.

As a result of adopting the revised accounting guidance provided for by ASC Topic 805 as of the beginning of Fiscal 2010, certain of our policies differ when accounting for acquisitions in Fiscal 2010 and future periods in comparison to the accounting for acquisitions in Fiscal 2009 and prior periods, including:

- The direct transaction costs associated with the business combination are expensed as incurred (prior to Fiscal 2010, direct transaction costs were included as a part of the purchase price);

- The costs to exit or restructure certain activities of an acquired company are accounted for separately from the business combination (prior to Fiscal 2010, these restructuring and exit costs were included as a part of the assumed obligations in deriving the purchase price allocation); and

- Changes in estimates associated with income tax valuation allowances or uncertain tax positions after the measurement period are generally recognized as income tax expense with application of this policy also applied prospectively to all of our business combinations regardless of the acquisition date (prior to Fiscal 2010, any such changes were generally included as a part of the purchase price allocation indefinitely).

Costs to exit or restructure certain activities of an acquired company or our internal operations are accounted for as one-time termination and exit costs pursuant to ASC Topic 420, Exit or Disposal Cost Obligations (ASC Topic 420), and, as noted above, are accounted for separately from the business combination.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date and we reevaluate these items quarterly with any adjustments to our preliminary estimates being recorded to goodwill provided that we are within the measurement period and we continue to collect information relating to facts and circumstances that existed at acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period or if they relate to facts and circumstances that do not exist at acquisition date, are recorded in our provision for income taxes in our Consolidated Statement of Income.

Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions.

Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable, that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired.

ASC Topic 350 Intangibles Goodwill and Other (ASC Topic 350) requires the carrying amounts of these assets be periodically reviewed for impairment (at least annually for goodwill and indefinite lived intangible assets) and whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The goodwill impairment analysis is comprised of two steps. In the first step, we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. Recoverability of indefinite lived intangible assets is measured by comparison of the carrying amount of the asset to the future discounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

We allocate goodwill to reporting units on a geographical basis comprising of three reporting segments: North America, Europe, and Other ; Other primarily consists of Australia, Japan, Singapore and the United Arab Emirates. The primary valuation method selected was the income approach (discounted cash flow) to estimate the fair value of the reporting units and have also considered the market approach to test the reasonableness of the conclusions reached through the primary approach. Significant management judgment is required in the forecasting of future operating results and related assumptions that are used in the preparation of the projected discounted cash flows. Should different conditions prevail, material write-downs of net intangible assets could occur. There have been no significant changes in management s valuation assumptions from the prior year assessment. The fair value of the reporting units have been determined based upon the present value of future cash flows for each of the reporting units and based upon a discount rate that represents a risk adjusted rate of return. For this purpose we have used a discount rate of 11% based upon our estimate of the weighted average cost of our capital.

Our annual impairment analysis of goodwill was performed as of April 1, 2010. The analysis indicated that carrying values were substantially above their fair values and therefore there was no impairment for goodwill in any of our reporting units during Fiscal 2010. (No impairments were recorded for Fiscal 2009 and Fiscal 2008).

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Impairment of long-lived assets

We account for the impairment and disposition of long-lived assets in accordance with ASC Topic 360, Property, Plant, and Equipment (ASC Topic 360). We test long-lived assets or asset groups, such as capital assets and definite lived intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group. We have not recorded any impairment charges for long-lived assets during Fiscal 2009 and Fiscal 2008. During Fiscal 2010 we recorded an impairment charge to intangible assets of $0.3 million. See Note 13 to our consolidated financial statements for further details.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make payments. We evaluate the creditworthiness of our customers prior to order fulfillment and based on these evaluations, we adjust our credit limit to the respective customer. In addition to these evaluations, we conduct on-going credit evaluations of our customers payment history and current creditworthiness. The allowance is maintained for 100% of all accounts deemed to be uncollectible and, for those receivables not specifically identified as uncollectible, an allowance is maintained for a specific percentage of those receivables based upon the aging of accounts, our historical collection experience and current economic expectations. To date, the actual losses have been within our expectations. No single customer accounted for more than 10% of the accounts receivable balance as of June 30, 2010 and 2009.

Income taxes

We account for income taxes in accordance with ASC Topic 740, Income Taxes (ASC Topic 740). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not capable of being sustained. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company s best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. Upon adopting the revisions in ASC Topic 740, we elected to follow an accounting policy to classify accrued interest related to liabilities for income taxes within the Interest expense line and penalties related to liabilities for income taxes within the Other expense line of our Consolidated Statements of Income (see Note 12 to our consolidated financial statements for more details).

Restructuring charges

We record restructuring charges relating to contractual lease obligations and other exit costs in accordance with ASC Topic 420, Exit or Disposal Cost Obligations (ASC Topic 420). ASC Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to ASC Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net recoverable amount of equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances. For details, see Note 13 to our consolidated financial statements.

Litigation

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with ASC Topic 450 Contingencies .

Share-based payment

We measure share-based compensation costs, in accordance with ASC Topic 718, Compensation Stock Compensation (ASC Topic 718) on the grant date, based on the calculated fair value of the award. We have elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in our circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known. For details, see Note 11 to our consolidated financial statements.

Accounting for Pensions, post-retirement and post-employment benefits

Pension expense is accounted for in accordance with ASC Topic 715, Compensation Retirement Benefits (ASC Topic 715), based upon management s assumptions. Pension expense consists of: actuarially computed costs of pension benefits in respect of the current year of service, imputed returns on plan assets (for funded plans) and imputed interest on pension obligations. The expected costs of post retirement benefits, other than pensions, are accrued in the financial statements based upon actuarial methods and assumptions. The over-funded or under-funded status of defined benefit pension and other post retirement plans are recognized as an asset or a liability (with the offset to Accumulated Other Comprehensive Income within Shareholders equity), respectively, on the balance sheet. See Note 9 to our consolidated financial statements for details relating to our pension plans.

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FISCAL 2009 COMPARED TO FISCAL 2008

Revenues

Revenue by Product Type and Geography:

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

Revenue by product type

(In thousands)	2009	2008	Change/ increase (decrease)
License	$ 229,818	$ 219,103	$ 10,715
Customer support	405,310	363,580	41,730
Services	150,537	142,849	7,688
Total	$ 785,665	$ 725,532	$ 60,133

(% of total revenue)	2009	2008
License	29.3%	30.2%
Customer support	51.6%	50.1%
Services	19.1%	19.7%
Total	100.0%	100.0%

Revenue by Geography

(In thousands)	2009	2008	Change/ increase (decrease)
North America	$ 391,855	$ 338,508	$ 53,347
Europe	351,384	350,094	1,290
Other	42,426	36,930	5,496
Total	$ 785,665	$ 725,532	$ 60,133

% of total revenue	2009	2008
North America	49.9%	46.7%
Europe	44.7%	48.2%
Other	5.4%	5.1%
Total	100.0%	100.0%

License Revenues 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, the competitive strength of our software products, and our acquisitions. Our 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 increased by approximately $10.7 million primarily as the result of increased revenues from our North America operations and the impact of increased partner influenced sales.

The increase in license revenue is geographically attributable to an increase in North America license sales of $10.8 million and an increase in license sales in other geographies of $2.4 million offset by a decrease in Europe license sales of $2.5 million.

Overall, our average license transaction size (for sales in excess of $75,000) increased in Fiscal 2009 compared to Fiscal 2008 as set out in the table below.

Fiscal Year	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2009	$ 320,000	$ 370,000	$ 240,000	$ 310,000
2008	$ 300,000	$ 290,000	$ 240,000	$ 220,000

Customer Support Revenues consists of revenues 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. Therefore changes in customer support revenues do not necessarily correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, with customer renewal options.

Customer support revenues increased in Fiscal 2009 by approximately $41.7 million. This was largely due to the growth of our North America operations.

The increase in customer support revenues was attributable to an increase in North America customer support sales of $34.2 million, an increase in Europe Customer support sales of $6.0 million and the remainder of the increase is due to sales generated in other geographies.

Service and Other Revenues. Service revenue consists of revenues from consulting contracts and contracts to provide implementation, 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. Professional Services, if purchased, are typically performed after the purchase of new software licenses.

The increase in Services and other revenues is due to an increase in North America Service and other revenues of $8.5 million, offset by a decrease in Europe Service and other revenues by $2.2 million. The remainder of the change in Service and other revenues is from revenue generated in other geographies.

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)	2009	2008	Change/ increase (decrease)
License	$ 16,204	$ 15,415	$ 789
Customer Support	68,902	58,764	10,138
Service and Other	118,998	117,037	1,961
Amortization of acquired technology-based intangible assets	47,733	41,515	6,218
Total	$ 251,837	$ 232,731	$ 19,106

Gross Margin	2009	2008
License	92.9%	93.0%
Customer Support	83.0%	83.8%

Service and Other	21.0%	18.1%

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

Cost of license revenue increased slightly by $0.8 million primarily due to an increase in direct costs associated with increased license revenues for Fiscal 2009. Overall gross margin on cost of license revenue has remained relatively stable at approximately 93%.

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

Cost of customer support revenues increased by $10.1 million, which was primarily due to an increase in direct costs, associated with increased customer support revenues for Fiscal 2009. Overall gross margin on customer support revenue has remained relatively stable at approximately 83%.

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. Also, starting in the second quarter of Fiscal 2009, the cost of selling hardware was grouped within this category.

Overall gross margins on service and other revenues have improved as a result of higher margins related to hardware sales.

Amortization of acquired technology-based intangible assets increased by $6.2 million due to the increase in intangible assets in Fiscal 2009 on account of the acquisitions made by us in Fiscal 2009.

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)	**2009**	**2008**	**Change/ increase (decrease)**
Research and development	$ 116,164	$ 107,206	$ 8,958
Sales and marketing	186,533	172,873	13,660
General and administrative	73,842	69,985	3,857
Depreciation	12,012	12,017	(5)
Amortization of acquired customer-based intangible assets	33,259	30,759	2,500
Special charges (recoveries)	14,434	(418)	14,852
Total	$ 436,244	$ 392,422	$ 43,822

(in % of total revenue)	**2009**	**2008**
Research and development	14.8%	14.8%
Sales and marketing	23.7%	23.8%
General and administrative	9.4%	9.6%
Depreciation	1.5%	1.7%
Amortization of acquired customer-based intangible assets	4.2%	4.2%
Special charges (recoveries)	1.8%	(0.1)%

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. The primary driver is typically budgeted software upgrades and software development.

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Research and development expenses as a percentage of total revenue remained stable at 14.8% for both Fiscal 2009 and 2008.

Research and development expenses increased by approximately $9.0 million, due to an increase in direct labour and labour-related benefits and expenses of $11.2 million as well as an increase in consulting expenses of $3.2 million offset by a decrease in overhead expenses of $2.7 million and a decrease in miscellaneous expenses of $2.2 million. The remainder of the difference was due to a decrease in miscellaneous research and development related expenses.

Headcount at June 30, 2009 related to research and development activities increased by 164 employees compared to June 30, 2008.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising and trade shows.

Sales and marketing expenses as a percentage of total revenue remained relatively stable at 23.7% and 23.8% for Fiscals 2009 and 2008, respectively.

Sales and marketing expenses increased by $13.7 million primarily due to an increase in direct labour and labour-related benefits and expenses of $9.5 million and an increase in consulting expenses of $2.2 million. The remainder of the difference was due to an increase in miscellaneous sales and marketing related expenses.

Headcount at June 30, 2009 related to sales and marketing activities increased by 101 employees compared to June 30, 2008.

General and administrative expenses consist primarily of personnel expenses, related overhead, audit fees, other professional fees, consulting expenses and public company costs.

General and administrative expenses as a percentage of total revenue remained relatively stable at 9.4% and 9.6% for Fiscal 2009 and 2008, respectively.

General and administrative expenses increased by $3.9 million, which was primarily due to an increase in direct labour and labour-related benefits and expenses in the amount of $4.9 million, offset by a decrease in travel expenses in the amount of $1.1 million, and a decrease in overhead expenses in the amount of $1.0 million. The remainder of the difference was due to an increase in miscellaneous general and administrative expenses.

Headcount at June 30, 2009, related to general and administrative activities increased by 111 employees compared to June 30, 2008.

Depreciation expenses remained consistent in Fiscal 2009 as compared to Fiscal 2008.

Amortization of acquired intangible customer-based assets increased by $2.5 million due to the increase in intangible assets in Fiscal 2009 on account of the acquisitions made by us in Fiscal 2009.

Special charges (recoveries) 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 and other similar 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. Prior to July 1, 2009, restructuring plans relating to legacy

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employee workforce reduction and abandonment of legacy excess facilities of the acquired company were not included within Special charges, but were accounted for as part of the cost of the acquisition, unless such charges relate to additional accruals recorded after the purchase price allocation period.

The increase in Special charges was due to the implementation of the Fiscal 2009 Restructuring Plan which was announced in the second quarter of Fiscal 2009. The Plan is designed to restructure our workforce and to rationalize and consolidate our excess facilities.

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

Interest expense relates primarily to interest paid on our $390.0 million long-term debt obtained 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 was currently set at 2.25% per annum in Fiscal 2009.

Net interest expense decreased by $9.2 million, which is primarily due to a decrease in the interest expense of the long term loan in the amount of $10.1 million with the remainder of the change due to miscellaneous items.

Item 7A. 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 revolver as of June 30, 2010. As of June 30, 2010, we had an outstanding balance of $288.0 million on the term loan. The term loan bears a floating interest rate of LIBOR plus a fixed rate of 2.25%. As of June 30, 2010, an adverse change in LIBOR of 100 basis points (1.0%) would have the effect of increasing our annual interest payment on the term loan by approximately $2.9 million, assuming that the loan balance as of June 30, 2010, is outstanding for the entire period.

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 June 30, 2010, this balance represented approximately 52% 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%.

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.

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Item 8. Financial Statements and Supplementary Data

The response to this Item 8 is submitted as a separate section of this Annual Report on Form 10-K. See Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, 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 on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this Annual Report on Form 10-K, 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 is 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.

(B) Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as such term is defined in Exchange Act Rule 13a-15(f). ICFR is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our management assessed our ICFR as of June 30, 2010, the end of our most recent fiscal year. In making our assessment, our management used the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our ICFR was effective as of June 30, 2010.

Our management, including the Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our ICFR will prevent or detect all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud

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will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any evaluation of prospective control effectiveness, with respect to future periods, is subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(C) Attestation Report of the Independent Registered Public Accounting Firm

KPMG LLP, our independent Registered Public Accounting Firm, has issued a report under Public Company Accounting Oversight Board Auditing Standard No. 5 which includes a report on the effectiveness of our ICFR. See Item 8 of this Annual Report on Form 10-K.

(D) Changes in ICFR

As a result of the evaluation completed by us, in which our Chief Executive Officer and Chief Financial Officer participated, we have concluded that there were no changes in our ICFR during our fourth fiscal quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information as to our directors and executive officers as of August 1, 2010.

Name	Age	Office and Position Currently Held With Company
P. Thomas Jenkins	50	Executive Chairman and Chief Strategy Officer
John Shackleton	63	President and Chief Executive Officer
Paul McFeeters	55	Chief Financial Officer
Randy Fowlie (2)(3)	50	Director
Brian J. Jackman (1)(3)	69	Director
Stephen J. Sadler	59	Director
Michael Slaunwhite (2)	49	Director
Gail E. Hamilton (1)	60	Director
Katharine B. Stevenson (2)	48	Director
Deborah Weinstein (1)(3)	50	Director
Gordon Davies	48	Chief Legal Officer and Corporate Secretary
Sujeet Kini	48	Vice President, Controller
David Wareham	44	General Manager, EMEA
Eugene Roman	52	Chief Technology Officer
Tony Preston	56	SVP Global Human Resources
Paul O Donnell	52	General Manager, Americas
James Latham	52	Chief Marketing Officer

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

P. Thomas Jenkins

P. Thomas Jenkins is Executive Chairman and Chief Strategy Officer for Open Text Corporation. From 1994 to 2005, Mr. Jenkins was President, then Chief Executive Officer and then from 2005 to present, Chief Strategy Officer of Open Text. Mr. Jenkins has served as a Director of Open Text since 1994 and as its Chairman since 1998. In addition to his Open Text responsibilities, Mr. Jenkins is the Chair of the federal centre of excellence Canadian Digital Media Network (CDMN). He is also an appointed member of the Social Sciences and Humanities Research Council of Canada (SSHRC), past appointed member of the Government of Canada s Competition Policy Review Panel and past appointed member of the Province of Ontario s Ontario Commercialization Network Review Committee (OCN). Mr. Jenkins is also a member of the board of BMC Software, Inc. a software corporation based in Houston, Texas. He is also a member of the University of Waterloo Engineering Dean s Advisory Council, GRAND, the federal research centre of excellence for digital media, a director of the C.D. Howe Institute, a director of the Canadian International Council (CIC) and a director of the Canadian Council of Chief Executives (CCCE). Mr. Jenkins received an M.B.A. in entrepreneurship & technology management from Schulich School of Business at York University, an M.A.Sc. in electrical engineering from the University of Toronto and a B.Eng. & Mgt. in Engineering Physics and Commerce from McMaster University.

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John Shackleton

Mr. Shackleton has served as a director of Open Text since January 1999 and as the President and Chief Executive Officer of Open Text since July 2005. Mr. Shackleton has more than thirty years of software and services management experience, which includes IT, consulting, product development and sales management roles. Mr. Shackleton joined Open Text from Platinum Technologies, Inc., where he was President of the Platinum Solutions Division from July 1996 to July 1998. This division provided consulting services to Global 2000 customers. Prior to that he served as Vice President of Professional Services for the Central U.S. and South America at Sybase Inc., and served as Vice President of Worldwide Consulting at View Star Corporation, a document management imaging company. In the last five years, Mr. Shackleton also served as a director of BioWisdom Ltd.

Paul McFeeters

Mr. McFeeters was appointed Chief Financial Officer of Open Text in June 2006. Mr. McFeeters has more than twenty years of business experience, including previous employment as Chief Financial Officer of Platform Computing Inc., a grid computing software vendor from 2003 to 2006, and of Kintana Inc., a privately-held IT governance software provider, from 2000 to 2003. Mr. McFeeters also held President and CEO positions at both MD Private Trust from 1997 to 2000 and Municipal Financial Corporation from 1981 to 1996. Since 2009 Mr. McFeeters is also a member of the board of Blueprint Software Systems Inc., an enterprise requirements software solutions provider. Mr. McFeeters holds a Certified Management Accountant designation and attained a B.B.A (Honours) from Wilfrid Laurier University and an MBA from York University, Canada.

Gordon A. Davies

Mr. Davies has been the Company s Chief Legal Officer and Corporate Secretary since September 2009. He also serves as the Corporation s Compliance Officer. Prior to joining Open Text, Mr. Davies was the Chief Legal Officer and Corporate Secretary of Nortel Networks Corporation. During his sixteen years at Nortel, Mr. Davies acted as Deputy General Counsel and Corporate Secretary during 2008, and as interim Chief Legal Officer and Corporate Secretary in 2005 and again in 2007. He led the Corporate Securities legal team as General Counsel Corporate from 2003, with responsibility for providing legal support on all corporate and securities law matters, and spent five years in Europe supporting all aspects of the Europe, Middle East and Africa (EMEA) business, ultimately as General Counsel, EMEA. Prior to joining Nortel, Mr. Davies practiced securities law at a major Toronto law firm. Mr. Davies holds an LL.B and an MBA from the University of Ottawa, and a BA from the University of British Columbia. He is a member of the Law Society of Upper Canada, the Canadian Bar Association and the Society of Corporate Secretaries and Governance Professionals.

Sujeet Kini

Mr. Kini joined Open Text in August 2004 as Director, External Reporting. In January 2007, Mr. Kini was appointed to the position of Vice President, External Reporting and in December 2009 was appointed to the position of Vice President, Controller. Prior to joining Open Text, Mr. Kini was the Controller of Financial Reporting and Technical Accounting for Direct Energy Marketing Limited (Direct Energy), a supplier of electricity and natural gas products from March 2003 until August 2004. From March 2001 until March 2003, Mr. Kini was Senior Manager, External Reporting at GT Group Telecom Inc. (GT), a company which marketed and sold telecommunication products and services in fibre-optic infrastructure. Prior to working with GT, Mr. Kini worked with PricewaterhouseCoopers LLP at their Toronto office from October 1997 to March 2001. Mr. Kini is a Chartered Accountant (Ontario) and a Certified Public Accountant (Colorado). He is also a member of the Financial Executive International Canada s (FEIC) Committee for Corporate Reporting. This is a committee that formulates FEIC statements and positions on matters pertaining to financial accounting, auditing and corporate reporting.

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David Wareham

Mr. Wareham joined Open Text in July 1999 as Senior Vice President, Global Services and Support. At present, since February 2009**,** Mr. Wareham has been General Manager for Europe, the Middle East, and Africa (EMEA). Mr. Wareham has more than two decades of global experience in the software industry. He began his career as an analyst programmer, supporting finance and human resource systems for the Mars Corporation from 1985 to 1988. He went on to a variety of customer support and professional services management positions for Pansophic Systems Inc., a software development and consulting company (from 1990 to 1992) and Management Science America Inc., an application software company (from 1988 to 1990). Mr. Wareham also held the role of VP Global Support in the United States for Seer Technologies Inc., a provider of information engineering and middleware technologies, from 1992 to 1999.

James Latham

Mr. Latham was appointed Chief Marketing Officer of Open Text in July 2009, focusing on integration and collaboration between various marketing groups. Mr. Latham has more than twenty years of executive leadership and global marketing experience in both start-up and large public software development and integration organizations. Prior to joining Open Text, Mr. Latham led the Marketing Strategy team for worldwide brand management, awareness, perception, and digital relationship marketing at McCann World group, a global marketing communications company and a division of Interpublic Group (IPG) from March 2006 to June 2009. Over the past seven years, Mr. Latham has helped plan, build, execute, optimize and analyze digital advertising campaigns across a wide variety of Microsoft business to business products and services including Enterprise Content Management, Digital Asset Management, and communications software products. Mr. Latham was also Vice President of Marketing and Marketing Strategy for several software companies including IBM (from September 1981 to July 1984) and Lotus Development (from August 1984 to August 1989).

Paul O Donnell

Mr. O Donnell joined Open Text as General Manager, Americas, in March 2008. He is responsible for all customer-facing functions relating to Sales, Professional Service, and Support for Open Text customers in Canada, the United States, and Latin America. With thirty years in the international information technology sector, Mr. O Donnell has conducted business in Western and Eastern Europe, the Eastern Mediterranean, and the Americas. At the age of 28, Mr. O Donnell co-founded a UK software development and services company, Advanced Software Products, and was a director/ proprietor of this company until 1990, when the company was sold. Since the sale of his company, Mr. O Donnell has held various positions in Sales, Sales Management, and General Management for companies such as Lotus Development Corporation (from 1990-1995), Fujitsu/ICL, an enterprise class information and technology manufacturer and solutions provider, (from 1996-1998) and Peak Technologies Inc., a U.S based mobile computing solutions provider (from 2002-2007). Mr. O Donnell holds a degree in Computer Science from Bell College of Technology, Scotland.

Tony Preston

Mr. Preston joined Open Text in October of 2005 as Senior Vice President, Global Human Resources (HR) bringing more than thirty years of HR and leadership experience in direct and indirect management, organizational change, executive development, cultural diversity, and international human resources within the high-technology industry. Mr. Preston has held senior management and executive HR management roles with Nortel Networks Corporation from 1997 to 2003, Andrew Corporation, a supplier of communications, systems and services, during 2004, and was a consultant with Leading Edge Management Systems from 1991 to 1993. Mr. Preston holds a B.S. degree from Greenville College, Illinois, and attended the University of Western Ontario s Ivey Business School in Hong Kong for his Executive Master of Business Administration.

Eugene Roman

Mr. Roman joined Open Text in October 2008 as Chief Information Officer. In February 2010, Mr. Roman was appointed as Chief Technology Officer. Mr. Roman started his career with Nortel Networks Corporation in

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1981 upon graduation from the Faculty of Management Studies at the University of Toronto. Mr. Roman has also worked in various groups within Bell Canada Enterprises Inc. (Bell), a Canadian communications company, where he was Group President Bell Systems & Technology, from 2005 to 2008, and led the effort to enable breakthroughs in productivity and performance and to deliver current and next generation services more efficiently by harnessing the power of Bell s network. From 2002 to 2005, Mr. Roman held the role of Chief Information and Technology Officer at Bell, integrating the critical resources of Information Systems/ Information Technology, technology and processes to better deliver innovative programs. Currently Mr. Roman is on the Board of Directors of a community-based financial institution. He holds a Bachelor s Degree in Economics, a Master s Degree in Business Administration, and is a Certified Management Accountant. In the last five years, Mr. Roman also served as a director of Ukrainian Credit Union Ltd.

Randy Fowlie

Mr. Fowlie has served as a director of Open Text since March 1998. Mr. Fowlie has operated a consulting practice since July 2006. From January 2005 until July 2006, Mr. Fowlie held the position of Vice President and General Manager, Digital Media, of Harris Corporation, formerly Leitch Technology Corporation (Leitch), a company that was engaged in the design, development, and distribution of audio and video infrastructure to the professional video industry. Leitch was acquired in August 2005 by Harris Corporation. From June 1999 to January 2005, Mr. Fowlie held the position of Chief Operating Officer and Chief Financial Officer of Inscriber Technology Corporation (Inscriber), a computer software company; from February 1998 to June 1999 Mr. Fowlie was the Chief Financial Officer of Inscriber. Inscriber was acquired by Leitch in January 2005. Prior to working at Inscriber Mr. Fowlie was a partner with KPMG LLP, Chartered Accountants, where he worked from 1984 to May 1999. Currently, Mr. Fowlie is also a director at Semcan Inc., and Dalsa Corporation. Mr. Fowlie received a B.B.A. (Honours) from Wilfrid Laurier University and he is a Chartered Accountant. In the last five years, Mr. Fowlie also served as a director of Virtek Vision International Inc.

Brian J. Jackman

Mr. Jackman has served as a director of Open Text since December 2002. Mr. Jackman is the President of the Jackman Group Inc., a private consulting firm he founded in 2005. From 1982 until his retirement in September 2001, Mr. Jackman held various positions with Tellabs Inc., a U.S. based manufacturer of telecommunications equipment, most recently as Executive Vice President, President, Global Systems and Technologies and as a member of the board of directors of the company. Prior to joining Tellabs Inc., Mr. Jackman worked for IBM Corporation from 1965 to 1982, in a variety of systems, sales and marketing positions. Mr. Jackman also serves as a director of the following public companies: (i) PC-TEL, Incorporated, and (ii) Keithley Instruments, Incorporated. Mr. Jackman received a B.A from Gannon University and an M.B.A from The Pennsylvania State University.

Stephen J. Sadler

Mr. Sadler has served as a director of Open Text since September 1997. From April 2000 to present, Mr. Sadler has served as the Chairman and CEO of Enghouse Systems Limited, a public software engineering company that develops geographic information systems as well as contact center systems. Mr. Sadler was previously Chief Financial Officer, President and Chief Executive Officer of GEAC. Prior to Mr. Sadler s involvement with GEAC, he held executive positions with Phillips Electronics Limited and Loblaws Companies Limited. Currently, Mr. Sadler is also a director of the following public companies: i) Enghouse Systems Limited and ii) Belzberg Technologies Inc. In addition, Mr. Sadler is also the Chairman of Helix Investments (Canada) Inc., a position he has held since early 1998. Mr. Sadler holds a B.A. Sc. (Honours) in industrial engineering and an M.B.A. (Dean s List) and he is a Chartered Accountant.

Michael Slaunwhite

Mr. Slaunwhite has served as a director of Open Text since March 1998. Mr. Slaunwhite is presently the Executive Chairman of Halogen Software Inc. Mr. Slaunwhite had served as CEO and Chairman of Halogen

Software Inc., a provider of employee performance management software, from 2000 to August 2006, and as President and Chairman from 1995 to 2000. From 1994 to 1995, Mr. Slaunwhite was an independent consultant to a number of companies, assisting them with strategic and financing plans. Mr. Slaunwhite was the Chief Financial Officer of Corel Corporation from 1988 to 1993. Mr. Slaunwhite holds B.A. Commerce (Honours) from Carleton University.

Gail E. Hamilton

Ms. Hamilton has served as a director of Open Text since December 2006. For the five years prior thereto, Ms. Hamilton led a team of over 2,000 employees worldwide as Executive Vice President at Symantec Corp (Symantec), an infrastructure software company, and most recently had P&L responsibility for their global services and support business. During her five years at Symantec, Ms. Hamilton helped steer the company through an aggressive acquisition strategy. In 2003 Information Security magazine recognized Ms. Hamilton as one of the 20 Women Luminaries shaping the security industry. Ms. Hamilton has over 20 years of experience growing leading technology and services businesses in the enterprise market. She has extensive management experience at Compaq and Hewlett Packard, as well as Microtec Research. Ms. Hamilton received both a BSEE from the University of Colorado and an MSEE from Stanford University. Currently, Ms. Hamilton is also a director of the following public companies: (i) Ixia (a provider of IP network testing solutions), and (ii) Arrow Electronics, Inc. (a distributor of components and computer systems). In addition Ms. Hamilton also holds directorship at Surgient, Inc. (a supplier of virtualization technology). In the last five years, Ms Hamilton also served as a director of Washington Group International.

Katharine B. Stevenson

Ms. Stevenson has served as a director of Open Text since December of 2008. Ms. Stevenson is a corporate director, serving on both public and not for profit boards. She is a director of CAE Inc., and, until the sale to Astellas in June 2010, Ms. Stevenson served as director and chair of the audit committee of OSI Pharmaceuticals Inc. Both OSI Pharmaceuticals Inc. and CAE Inc. are publicly listed companies. Ms. Stevenson is a Governor of the University of Guelph. As Past Chair of the Board of Governors of The Bishop Strachan School, she continues to serve as a Governor. She is certified with the professional designation ICD.D, granted by the Institute of Corporate Directors (ICD). She was formerly a senior finance executive of Nortel Networks Corporation from 1995 to 2007, serving as global treasurer from 1998 to 2007. From 1984 to1995, she held a variety of positions in investment and corporate banking at JP Morgan Chase & Co. From 1989 to1995, Ms. Stevenson was Vice President, providing financial advice to major multinational companies. Ms. Stevenson holds a B.A. (Magna Cum Laude) from Harvard University.

Deborah Weinstein

Ms. Weinstein has served as a director of Open Text since December 2009. Ms. Weinstein is a co-founder and partner of LaBarge Weinstein Professional Corporation, a business law firm based in Ottawa, Ontario, since 1997. Ms. Weinstein s legal practice specializes in corporate finance, securities law, mergers and acquisitions and business law representation of public and private companies, primarily in knowledge-based growth industries. Prior to founding LaBarge Weinstein Professional Corporation, Ms. Weinstein was a partner of the law firm Blake, Cassels & Graydon LLP, where she practiced from 1990 to 1997 in Ottawa, and in Toronto from 1985 to 1987. Ms. Weinstein also serves as a director of Dynex Semiconductor Inc., a manufacturer of power semi conductors, as well as a number of not-for-profit Boards. Ms. Weinstein holds an LL.B. from Osgoode Hall Law School, of York University.

Involvement in Certain Legal Proceedings

Ms. Stevenson served as the Treasurer of Nortel Networks Corporation from 1998 to August 2007. Mr. Davies served as the Chief Legal Officer and Corporate Secretary of Nortel Networks Corporation during 2007 and from January to September 2009. In January 2009, Nortel filed petitions under applicable bankruptcy and insolvency laws of the United States, Canada and the United Kingdom.

Mr. Jenkins was a director of Slater Steel Inc. (Slater) from June 2001 to June 2003. In June 2003, Slater filed petitions under applicable bankruptcy and insolvency laws of Canada and the United States to develop a restructuring plan.

Mr. Fowlie was a Director of Meikle Group Inc. (Meikle Group), a private company, from June 2009 to April 2010. Subsequent to Mr. Fowlie s resignation, as part of a restructuring, creditors appointed a receiver to sell the business assets and transfer employees of Meikle Group, as a going concern, to a newly financed company.

Audit Committee

The Audit Committee currently consists of three directors, Messrs Fowlie and Slaunwhite, and Ms. Stevenson, with Mr. Fowlie serving as Chairman, all of whom have been determined by the Board of Directors to be independent as that term is defined in NASDAQ Rule S605(a)(2) and in Rule 10A-3 promulgated by the SEC under the Exchange Act, and within the meaning of our director independence standards and those of any exchange, quotation system or market upon which our securities are traded.

The Board of Directors has determined that Mr. Fowlie qualifies as an audit committee financial expert as such term is defined in SEC Regulation S-K, Item 407(d)(5)(ii).

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the Code) that applies to all of our directors, officers and employees. The Code incorporates our guidelines designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and compliance with all applicable laws and regulations. The Code also incorporates our expectations of our employees that enable us to provide fair, accurate, timely and understandable disclosure in our filings with the Securities and Exchange Commission and other public commissions.

The full text of the Code is published on our web site at *www.opentext.com* under the Company/Investors section.

Item 11. Executive Compensation

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed with our management the following Compensation Discussion and Analysis. Based on this review and discussion, our Compensation Committee has recommended to the Board that the following Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the year ended June 30, 2010.

This report is provided by the following independent directors, who comprise our Compensation Committee:

Gail Hamilton (Chair), Brian J. Jackman, Deborah Weinstein.

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Exchange Act, this Compensation Committee Report shall not be deemed to be so incorporated soliciting materials , unless specifically otherwise provided in any such filing.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of our principal executive officer, principal financial officer and our three most highly compensated executive officers, other than our principal executive officer and principal financial officer (collectively, the Named Executive Officers) for the year which ended on June 30, 2010 (Fiscal 2010) should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and projections regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the various planned programs summarized in this discussion.

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Payments in Canadian dollars included herein, unless otherwise specified, are converted to U.S. dollars using an average annual exchange rate of 0.93903. Payments made in British Pounds included herein, unless otherwise specified, are converted to U.S. dollars using an average annual exchange rate of 1.588925.

Overview of Compensation Program

The Compensation Committee of Open Text s board of directors (the Compensation Committee or the Committee) is responsible for making recommendations to Open Text s board of directors (the Board) with respect to the compensation of our Named Executive Officers. Our Compensation Committee makes recommendations to the Board in line with our goal to provide total compensation to our Named Executive Officers that is fair and reasonable and consistent with our compensation philosophy to achieve our short-term and long-term business goals, and to provide market competitive compensation, the majority of which is based on the achievement of performance goals. The Named Executive Officers who are the subject of this Compensation Discussion and Analysis include:

John Shackleton President and Chief Executive Officer (CEO);

P. Thomas Jenkins Executive Chairman and Chief Strategy Officer (Executive Chairman);

Paul McFeeters Chief Financial Officer (CFO);

Gordon A. Davies Chief Legal Officer and Corporate Secretary; and

David Wareham General Manager, EMEA.

Compensation Oversight Process

Our Compensation Committee has responsibility for the oversight of executive compensation and recommends plans and compensation payable to our Named Executive Officers to the Board for final approval.

The Board, our Compensation Committee and our management have instituted a set of detailed procedures to evaluate the performance of each of our Named Executive Officers to help determine the amount of the variable short-term incentives and long-term incentives to award to each Named Executive Officer.

The Board of Directors in consultation with the Compensation Committee sets the annual corporate financial targets for each of our Named Executive Officers. The personal strategic goals for Mr. Jenkins are set by the Board. The personal strategic goals for Mr. Shackleton are set by the Board, which includes Mr. Jenkins in his capacity as chairman of the Board. Mr. Shackleton, along with the Compensation Committee, sets the personal strategic goals for his direct reports which include the other Named Executive Officers. In discussing corporate financial targets, the Board initially does so in the absence of management.

We also seek the advice of an outside compensation consultant to provide assistance and guidance on compensation issues. This consultant is screened and chosen by our Compensation Committee in discussion with our management. The consultant provides our Compensation Committee with relevant information pertaining to market compensation levels, alternative compensation plan designs, market trends and best practices. The consultant assists our Compensation Committee with respect to determining the appropriate benchmarks for each Named Executive Officer s compensation. The Compensation Committee engaged Mercer (Canada) Limited (Mercer), a human resources consulting services provider to provide compensation analysis and advice on an ongoing basis, which includes analysis of compensation for Fiscal 2010. In deciding to engage Mercer, the Committee reviewed the proposed scope of Mercer s services to the Committee, including those services provided by Mercer affiliates to the Company, assessed Mercer s objectivity in providing executive compensation consulting advice, and concluded that Mercer was an independent consultant appropriate for this role.

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During Fiscal 2010 our Compensation Committee instructed Mercer to provide the Compensation Committee with analysis and advice regarding current executive compensation practices. Such analysis and advice included:

- **Executive Compensation Review** Mercer benchmarked our compensation practices and policies with respect to our seven most senior positions against similar-sized Canadian and U.S. technology companies in order to allow us to place our compensation practices for these seven positions in a market context. This benchmarking included a review of base salary, short-term incentives, total cash compensation levels, long-term incentives and total direct compensation. See below for a more detailed discussion of the peer group used for this benchmarking.

- **Long-Term Incentive Plan** Mercer provided assistance in reviewing our existing Long-Term Incentive Plan (LTIP) and assisted in the development of the third phase of our LTIP. In particular, Mercer was asked to review our granting practices under the LTIP and compare these granting practices to the grants made under other long-term incentive plans implemented by comparable companies throughout North America.

In reaching its decisions, the Compensation Committee has considered Mercer s analysis and advice, as well as any other factors the Committee considers appropriate. Decisions made by the Compensation Committee, however, are the responsibility of the Committee and may reflect factors and considerations other than the information and recommendations provided by Mercer.

Our Compensation Committee considers the impact of tax, accounting treatments and applicable regulatory requirements when approving compensation programs.

Our Compensation Committee met seven times during Fiscal 2010; Mercer attended all or part of all seven meetings. Management assists in the coordination and preparation of the meeting agenda and materials for each meeting. The agenda is reviewed and approved by the Chairman of our Compensation Committee. The meeting materials are generally mailed to the other Committee members and invitees, if any, for review approximately one week in advance of each meeting.

Role of Executive Officers in the Compensation Process

Our Compensation Committee recommends all compensation plans and awards with respect to our executive officers to the Board for the Board s final approval. While our Compensation Committee alone makes all recommendations with respect to Mr. Shackleton s and Mr. Jenkins compensation, our Compensation Committee does consider the input of Mr. Shackleton when making compensation recommendations regarding all other Named Executive Officers. Management also works with Mercer to provide internal information, as necessary, to facilitate comparisons of our compensation programs to those programs of our peers and competitors.

Compensation Philosophy

We believe that compensation plays an important role in achieving short and long-term business objectives that ultimately drives business success in alignment with long-term shareholder goals.

Our compensation philosophy is based on three fundamental principles:

- **Strong link to business strategy** Open Text s short and long-term goals should be reflected in our overall compensation program;

- **Performance sensitive** Compensation should be linked to the operating and market performance of our organization and should fluctuate with such performance; and

Market relevant Our compensation program should provide market competitive pay in terms of value and structure in order to retain current employees who are performing according to their objectives and to attract new recruits of the highest caliber.

Our reward package is based primarily on results achieved by the Company as a whole. In addition, the Named Executive Officers may have a minority element of their reward package determined by their fulfillment of personal strategic goals.

Compensation Objectives

The objectives of our compensation program are to:

- Attract and retain highly qualified executive officers who have a history of proven success;
- Align the interests of executive officers with our shareholders interests and with the execution of our business strategy;
- Evaluate executive performance on the basis of key financial measurements which we believe closely correlate to long-term shareholder value; and
- Tie compensation awards directly to key financial measurements with evaluations based on achieving and overachieving predetermined objectives.

Attracting and Retaining Highly Qualified Executive Officers

We seek to attract and retain high performing executive officers by offering:

- Competitive compensation; and
- An appropriate mix and level of short-term and long-term financial incentives.

Competitive Compensation

Aggregate compensation for each Named Executive Officer is designed to be competitive. The Company researches and refers to the compensation practices of similarly situated companies in determining the Company s compensation policy. Although the Company reviews each element of compensation for market competitiveness, and the Company may weigh a particular element more heavily based on the Named Executive Officer s role within the Company, the Company is primarily focused on remaining competitive in the market with respect to total compensation.

Prior to making its recommendations to the Board of Directors, the Compensation Committee reviews data related to compensation levels and programs of companies that are similar to Open Text with respect to geography, industry and annual revenue (the Software peer group). The Software peer group is made up of 22 internet software and services providers, whose size of revenue range from slightly less to approximately one and one-half to 2-times that of Open Text. The Software peer group is comprised of 19 United States-based organizations, with 1 United Kingdom based company that does considerable business in the United States, and 2 Canadian-based organizations chosen to represent the North American software and service providers within this revenue range. The Company also considered the market capitalization and results of operation of these companies in determining that they are appropriate comparators.

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Mercer performed an assessment of the compensation of the Company s executive officers. In April 2009, Mercer benchmarked base salary, total cash compensation (base salary plus target short-term incentives), and total direct compensation (total cash compensation plus long-term incentives) for the Fiscal 2009 Named Executive Officers, to the following companies, which collectively comprise the Company s Software peer group:

All values in $US millions					***Period Ending March 31, 2009 (3)***		
Company Name	**Country of Organization**	**Revenue *(1)***	**Mkt. Cap. *(2)***	**Net Income (Loss)**	**1-yr TSR**	**3-yr TSR**	**5-yr TSR**
Broadridge Financial Solutions	US	$ 2,227	$ 2,612	$ 192	8%	n/a	n/a
MPS Group Inc.	US	2,222	540	(236)	(50)%	(27)%	(12)%
SRA International Inc.	US	1,507	623	73	(40)%	(27)%	(4)%
Acxiom Corp	US	1,384	578	(8)	(37)%	(33)%	(19)%
Synopsys Inc.	US	1,337	2,973	190	(9)%	(2)%	(6)%
Gartner Inc.	US	1,279	1,034	104	(43)%	(8)%	(1)%
Global Payments Inc.	US	1,274	2,684	163	(19)%	(14)%	8%
Softchoice Corp	CAN	1,257	27	(15)	(89)%	(44)%	(22)%
Sybase Inc.	US	1,132	2,460	139	15%	13%	8%
Parametric Technology Corp	US	1,070	1,154	80	(38)%	(15)%	(2)%
Moduslink Global Solutions	US	1,068	118	9	(80)%	(44)%	(36)%
Cadence Design Systems Inc.	US	1,039	1,107	(1,854)	(61)%	(39)%	(22)%
MacDonald Dettwiler & Assoc	CAN	965	885	43	(46)%	(18)%	0%
Savvis Inc	US	857	332	(9)	(62)%	(35)%	(28)%
Akamai Technologies Inc.	US	791	3,308	145	(31)%	(16)%	8%
Mentor Graphics Corp	US	789	418	(89)	(50)%	(26)%	(24)%
Fair Isaac Corp	US	745	687	84	(34)%	(29)%	(17)%
Henry (Jack) & Associates	US	743	1,375	104	(33)%	(10)%	(2)%
United Online Inc.	US	669	366	(95)	(55)%	(25)%	(19)%
Valueclick Inc	US	626	738	(214)	(51)%	(20)%	(5)%
Realnetworks Inc	US	605	313	(244)	(59)%	(34)%	(17)%
Autonomy Corp plc (4)	UK	503	2,049	132	(59)%	(34)%	(17)%
75th %ile		1,278	1,880	125	(33)%	(15)%	(2)%
50th %ile		1,053	812	58	(45)%	(26)%	(12)%
25th %ile		756	449	(70)	(58)%	(34)%	(19)%
Average		1,095	1,199	(59)	(42)%	(23)%	(11)%
Open Text Corporation (5)		***$ 725***	***$ 1,787***	***$ 53***	***10%***	***28%***	***3%***

(1) Most recently reported annual revenue available as of March 31, 2009.
(2) Market Capitalization at March 31, 2009.
(3) TSR denotes annualized Total Shareholder Return, or change in share price adjusted for dividends.
(4) UK based company (traded on the London Stock Exchange), that does significant business in the U.S.
(5) For Open Text Corporation, Revenue and Net Income (Loss) above reflects information for the year ended June 30, 2008, however, Total Shareholder Return reflects annualized information for the period ending March 31, 2009.

Compensation for the Chief Legal Officer, Mr. Davies, was set at his date of hire in September 2009, and for the General Manager, EMEA, Mr. David Wareham, compensation was set at the time he was promoted into this role in February 2009.

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Due to limited matches among the Software peer group for the Executive Chairman and Chief Strategy Officer, Mr. Jenkins, this position was matched to a General Industry group comprised of publicly-traded North American companies with revenue between approximately $600 million and $2.0 billion as follows:

All Values in $US millions						*Period Ending March 31, 2009 (3)*	
Company Name	**Country of Organization**	**Revenue *(1)***	**Mkt. Cap. *(2)***	**Net Income (Loss)**	**1-yr TSR**	**3-yr TSR**	**5-yr TSR**
Gaz Metropolitan	CAN	$ 2,021	$ 1,512	$ 136	0%	(4)%	(1)%
Boyd Gaming Corp.	US	1,781	324	(223)	(81)%	(57)%	(30)%
Martinrea International Inc.	CAN	1,762	182	53	(62)%	(31)%	(15)%
Hologic Inc	US	1,674	3,358	(386)	(53)%	(22)%	21%
Alberto-Culver Co	US	1,443	2,217	228	(17)%	11%	7%
Kimball International	US	1,352	171	0	(35)%	(20)%	(12)%
Tetra Tech Inc	US	1,246	1,226	61	4%	2%	(1)%
Sherritt International	CAN	1,179	761	326	(79)%	(34)%	(15)%
Devry Inc	US	1,092	3,450	126	15%	29%	10%
Corinthian Colleges Inc	US	1,069	1,677	21	169%	11%	(10)%
Vse Corp	US	1,044	137	19	(5)%	9%	24%
Cadence Design Systems Inc	US	1,039	1,107	(1,854)	(61)%	(39)%	(22)%
Enerflex Systems Ltd	CAN	974	360	57	(5)%	(5)%	1%
Fraser Papers Inc	CAN	741	20	(77)	(81)%	(61)%	n/a
Corus Entertainment Inc	CAN	693	919	114	(21)%	(6)%	2%
Navigators Group Inc	US	684	796	52	(13)%	(2)%	10%
Leons Furniture Ltd.	CAN	651	592	56	(17)%	0%	8%
Valueclick Inc.	US	626	738	(214)	(51)%	(20)%	(5)%
75th %ile							