

OPEN TEXT CORP
Form 10-Q
April 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 file number: 0-27544

OPEN TEXT CORPORATION

(Exact name of registrant as specified in its charter)

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CANADA
(State or other jurisdiction of

98-0154400
(IRS Employer

incorporation or organization)

Identification No.)

275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1

(Address of principal executive offices)

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

(Former name former address and former fiscal year, if changed since last report)

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

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

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

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

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

At April 28, 2010, there were 56,779,751 outstanding Common Shares of the registrant.

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OPEN TEXT CORPORATION

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	March 31, 2010 (unaudited)	June 30, 2009
ASSETS		
Cash and cash equivalents	\$ 321,328	\$ 275,819
Accounts receivable trade, net of allowance for doubtful accounts of \$5,207 as of March 31, 2010 and \$4,208 as of June 30, 2009 (note 3)	122,557	115,802
Income taxes recoverable (note 12)	24,998	4,496
Prepaid expenses and other current assets	21,156	18,172
Deferred tax assets (note 12)	16,765	20,621
Total current assets	506,804	434,910
Investments in marketable securities		13,103
Capital assets (note 4)	54,835	45,165
Goodwill (note 5)	699,833	576,111
Acquired intangible assets (note 6)	334,770	315,048
Deferred tax assets (note 12)	64,472	69,877
Other assets (note 7)	17,760	13,064
Long-term income taxes recoverable (note 12)	46,007	39,958
Total assets	\$ 1,724,481	\$ 1,507,236
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 114,419	\$ 116,992
Current portion of long-term debt (note 10)	15,782	3,449
Deferred revenues	212,655	189,397
Income taxes payable (note 12)	13,083	10,356
Deferred tax liabilities (note 12)	2,354	508
Total current liabilities	358,293	320,702
Long-term liabilities:		
Accrued liabilities (note 8)	16,682	21,099
Pension liability (note 9)	15,363	15,803
Long-term debt (note 10)	285,774	299,234
Deferred revenues	11,151	7,914
Long-term income taxes payable	55,740	47,131
Deferred tax liabilities (note 12)	118,961	108,889
Total long-term liabilities	503,671	500,070
Shareholders equity:		
Share capital (note 11)		
56,600,540 and 52,716,751 Common Shares issued and outstanding at March 31, 2010 and June 30, 2009, respectively; Authorized Common Shares: unlimited	593,397	457,982
Additional paid-in capital	58,623	52,152
Accumulated other comprehensive income	69,973	71,851
Retained earnings	140,524	104,479

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Total shareholders' equity	862,517	686,464
Total liabilities and shareholders' equity	\$ 1,724,481	\$ 1,507,236
Guarantees and contingencies (note 15)		
Related party transactions (note 18)		

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Revenues:				
License	\$ 49,527	\$ 51,919	\$ 169,547	\$ 166,845
Customer support	124,443	101,949	378,375	300,816
Service and other	38,807	38,167	124,067	114,648
Total revenues	212,777	192,035	671,989	582,309
Cost of revenues:				
License	3,744	4,496	11,522	12,670
Customer support	20,777	17,304	63,209	50,227
Service and other	31,314	30,288	101,036	89,898
Amortization of acquired technology-based intangible assets	15,044	11,625	44,338	34,171
Total cost of revenues	70,879	63,713	220,105	186,966
Gross profit	141,898	128,322	451,884	395,343
Operating expenses:				
Research and development	31,654	28,809	97,543	87,335
Sales and marketing	45,983	44,426	150,564	138,605
General and administrative	18,405	17,937	62,007	54,604
Depreciation	4,437	3,229	12,982	8,847
Amortization of acquired customer-based intangible assets	8,910	11,176	26,562	29,529
Special charges (note 13)	6,083	1,788	35,095	13,234
Total operating expenses	115,472	107,365	384,753	332,154
Income from operations	26,426	20,957	67,131	63,189
Other income (expense), net	(5,554)	11,655	(3,785)	(199)
Interest expense, net	(2,625)	(2,431)	(8,387)	(10,772)
Income before income taxes	18,247	30,181	54,959	52,218
Provision for income taxes (note 12)	5,133	8,146	18,914	14,761
Net income for the period	\$ 13,114	\$ 22,035	\$ 36,045	\$ 37,457
Net income per share basic (note 17)	\$ 0.23	\$ 0.42	\$ 0.64	\$ 0.72
Net income per share diluted (note 17)	\$ 0.23	\$ 0.41	\$ 0.63	\$ 0.71

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Weighted average number of Common Shares outstanding	basic	56,537	52,312	56,106	51,825
Weighted average number of Common Shares outstanding	diluted	57,696	53,441	57,214	53,122

See accompanying Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(In thousands of U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2010	2009	2010	2009
Retained earnings, beginning of period	\$ 127,410	\$ 62,963	\$ 104,479	\$ 47,541
Net income	13,114	22,035	36,045	37,457
Retained earnings, end of period	\$ 140,524	\$ 84,998	\$ 140,524	\$ 84,998

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine months ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income for the period	\$ 36,045	\$ 37,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,882	72,547
In-process research and development		121
Share-based compensation expense	7,154	3,957
Excess tax benefits on share-based compensation expense	(904)	(8,382)
Pension expense	562	1,124
Amortization of debt issuance costs	1,064	831
Unrealized gain on financial instruments	(878)	(134)
Loss on sale and write down of capital assets	136	353
Release of unrealized gain on marketable securities	(4,353)	
Deferred taxes	(3,714)	(3,577)
Impairment charges	830	
Changes in operating assets and liabilities:		
Accounts receivable	23,953	47,897
Prepaid expenses and other current assets	(1,306)	(3,745)
Income taxes	(18,238)	9,656
Accounts payable and accrued liabilities	(11,466)	(18,730)
Deferred revenue	(1,029)	(1,304)
Other assets	3,233	(528)
Net cash provided by operating activities	114,971	137,543
Cash flows from investing activities:		
Additions of capital assets-net	(15,269)	(6,308)
Purchase of Vignette Corporation, net of cash acquired	(90,600)	
Purchase of Captaris Inc., net of cash acquired		(101,033)
Purchase of eMotion LLC, net of cash acquired	(556)	(3,635)
Purchase of a division of Spicer Corporation		(11,437)
Purchase consideration for prior period acquisitions	(11,407)	(17,190)
Investments in marketable securities		(8,930)
Maturity of short-term investments	45,525	
Net cash used in investing activities	(72,307)	(148,533)
Cash flow from financing activities:		
Excess tax benefits on share-based compensation expense	904	8,382
Proceeds from issuance of Common Shares	8,937	17,674
Repayment of long-term debt	(2,607)	(2,570)
Debt issuance costs	(1,024)	
Net cash provided by financing activities	6,210	23,486
Foreign exchange loss on cash held in foreign currencies	(3,365)	(30,364)
Increase (decrease) in cash and cash equivalents during the period	45,509	(17,868)
Cash and cash equivalents at beginning of the period	275,819	254,916

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Cash and cash equivalents at end of the period	\$ 321,328	\$ 237,048
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Supplementary cash flow disclosures (note 16)

See accompanying Notes to Condensed Consolidated Financial Statements

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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

NOTE 1 BASIS OF PRESENTATION

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

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

The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Vignette Corporation (Vignette), with effect from July 22, 2009 (see Note 14). The operating results for the three and nine months ended March 31, 2010 are not necessarily indicative of the results expected for any succeeding quarter or the entire fiscal year ending June 30, 2010.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) testing goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) 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.

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)****Comprehensive income (loss)**

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

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Net income for the period	\$ 13,114	\$ 22,035	\$ 36,045	\$ 37,457
<i>Other comprehensive income (loss) net of tax, where applicable:</i>				
Foreign currency translation adjustments	(12,766)	(27,398)	3,779	(81,622)
Unrealized gain (loss) on short-term investments *	(3)		(37)	
Unrealized loss on investment in marketable securities		(1,456)		(2,274)
Release of unrealized gain on marketable securities to income			(4,353)	
Unrealized (loss) on cash flow hedges **		(1,120)	(1,062)	(1,120)
Actuarial gain (loss) relating to defined benefit pension plans	(5)	32	(205)	82
Comprehensive income (loss) for the period	\$ 340	\$ (7,907)	\$ 34,167	\$ (47,477)

* As of March 31, 2010 we have settled all of our short term investments, which previously consisted of certain marketable investments in U.S government agencies.

** As of March 31, 2010 we have settled all foreign currency forward contracts, including those which were designated as cash flow hedges of forecasted transactions under Accounting Standards Codification (ASC) Topic 815 Derivatives and Hedging, and those which were acquired as part of our acquisition of Vignette. The notional amount of the forward contracts, designated as cash flow hedges, as of June 30, 2009 was \$44.0 million. The notional amount of the forward contract which we acquired as part of our acquisition of Vignette, as of July 22, 2009, (the date of acquisition) was \$1.2 million.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS AND ACCOUNTING POLICY UPDATES**Recent Accounting Pronouncements****Revenue Recognition Updates**

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (ASU 2009-13). ASU 2009-13 applies to multiple-deliverable revenue arrangements that are currently within the scope of FASB ASC Subtopic 605-25 (previously included in Emerging Issues Task Force Issue no. 00-21, Revenue Arrangements with Multiple Deliverables). ASU 2009-13 provides principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. It also requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price. The guidance eliminates the use of the residual method, requires entities to allocate revenue using the relative-selling-price method, and significantly expands the disclosure requirements for multiple-deliverable revenue arrangements. Additionally, in October 2009 the FASB also issued Accounting Standards Update 2009-14 (Topic 985): Certain Revenue Arrangements that Include Software Arrangements (ASU 2009-14). ASU 2009-14

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UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

focuses on determining which arrangements are within the scope of the software revenue guidance in ASC Topic 985 (previously included in AICPA Statement of Position no. 97-2, Software Revenue Recognition) and those that are not. ASU 2009-14 removes tangible products from the scope of the software revenue guidance if the products contain both software and non-software components that function together to deliver a product's essential functionality and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are within the scope of the software revenue guidance. Both of these updates are effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently assessing the impact of these updates on our future consolidated financial statements.

Measuring Liabilities at Fair Value

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

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 includes certain additional disclosures about the different classes of assets and liabilities measured at fair value.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. We adopted this new accounting standards update in our third quarter of Fiscal 2010 and the adoption thereof did not have a material impact on our consolidated financial statements.

Business Combinations

On July 1, 2009, we adopted the requirements of FASB ASC Topic 805 Business Combinations (ASC Topic 805). Our acquisition of Vignette was accounted for in accordance with this new business combination standard (see Notes 5 and 14).

Accounting Standards Codification

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

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Balance of allowance for doubtful accounts as of June 30, 2009	\$ 4,208
Bad debt expense for the period	3,616
Write-offs /adjustments	(2,617)
Balance of allowance for doubtful accounts as of March 31, 2010	\$ 5,207

NOTE 4 CAPITAL ASSETS

	As of March 31, 2010		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 14,261	\$ 9,665	\$ 4,596
Office equipment	7,027	5,981	1,046
Computer hardware	89,957	75,078	14,879
Computer software	32,528	24,878	7,650
Leasehold improvements	24,077	13,820	10,257
Land and buildings*	18,457	2,050	16,407
	\$ 186,307	\$ 131,472	\$ 54,835

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

* Included in the cost of the building is an amount which relates to the Company's construction of a new building in Waterloo, Ontario, Canada. Additions to the building amounted to \$0.2 million during the three months ended March 31, 2010. Construction of the building is in progress and therefore depreciation has not yet commenced.

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

Balance, June 30, 2009	\$ 576,111
Acquisition of Vignette Corporation (note 14)	132,524
Adjustments relating to prior acquisitions	(793)
Adjustments on account of foreign exchange	(8,009)
 Balance, March 31, 2010	 \$ 699,833

NOTE 6 ACQUIRED INTANGIBLE ASSETS

	Technology Assets	Customer Assets	Total
Net book value, June 30, 2009	\$ 173,547	\$ 141,501	\$ 315,048
Acquisition of Vignette Corporation (note 14)	68,200	22,700	90,900
Amortization expense	(44,338)	(26,562)	(70,900)
Foreign exchange and other impacts	406	(684)	(278)
 Net book value, March 31, 2010	 \$ 197,815	 \$ 136,955	 \$ 334,770

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

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

	Fiscal years ending June 30,
2010 (three months ended June 30)	\$ 23,652
2011	93,149
2012	90,753
2013	88,046
2014 and beyond	39,170
 Total	 \$ 334,770

NOTE 7 OTHER ASSETS

	As of March 31, 2010	As of June 30, 2009
Debt issuance costs	\$ 4,692	\$ 4,728
Deposits and restricted cash	8,972	4,615
Long-term prepaid expenses and other long-term assets	3,844	3,130
Pension assets	252	591
	\$ 17,760	\$ 13,064

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Debt issuance costs relate primarily to costs incurred for the purpose of obtaining long-term debt used to partially finance the Hummingbird acquisition and are being amortized over the life of the long-term debt. Deposits and restricted cash relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of contractual-based agreements. Long-term prepaid expenses and other long-term assets primarily relate to certain advance payments on long-term licenses that are being amortized over the applicable terms of the licenses. Pension assets relate to defined benefit pension plans for legacy IXOS employees and directors (see Note 9), recognized under ASC Topic 715 Compensation Retirement Benefits .

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**Current liabilities**

Accounts payable and accrued liabilities are comprised of the following:

	As of March 31, 2010	As of June 30, 2009
Accounts payable trade	\$ 10,745	\$ 15,465
Accrued salaries and commissions	34,101	31,973
Accrued liabilities	49,430	49,527
Amounts payable in respect of restructuring (note 13)	11,299	5,061
Amounts payable in respect of acquisitions and acquisition related accruals	5,647	12,992
Asset retirement obligations	3,197	1,974
	\$ 114,419	\$ 116,992

Long-term accrued liabilities

	As of March 31, 2010	As of June 30, 2009
Amounts payable in respect of restructuring (note 13)	\$ 756	\$ 849
Amounts payable in respect of acquisitions and acquisition related accruals	2,979	7,128
Other accrued liabilities	8,682	7,936
Asset retirement obligations	4,265	5,186
	\$ 16,682	\$ 21,099

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. We have accounted for such obligations in accordance with ASC Topic 410 Asset Retirement and Environmental Obligations . As of March 31, 2010 the present value of this obligation was \$7.5 million (June 30, 2009 \$7.2 million), with an undiscounted value of \$9.6 million (June 30, 2009 \$8.7 million).

Accruals relating to acquisitions

In relation to our acquisitions made before July 1, 2009, the date on which we adopted ASC Topic 805, we have accrued for costs relating to legacy workforce reductions and abandonment of excess legacy facilities. Such

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accruals were capitalized as part of the cost of the subject acquisition and in the case of abandoned facilities, have been recorded at present value less our best estimate for future sub-lease income and costs incurred to achieve sub-tenancy. The accrual for workforce reductions is extinguished against the payments made to the employees and in the case of excess facilities, will be discharged over the term of the respective leases. Any excess of the difference between the present value and actual cash paid for the abandoned facility will be charged to income and any deficits will be reversed to goodwill. The provisions for abandoned facilities are expected to be paid by February 2015.

The following table summarizes the activity with respect to our acquisition accruals during the nine months ended March 31, 2010.

	Balance June 30, 2009	Initial Accruals	Usage/ Foreign Exchange/ Other Adjustments	Subsequent Adjustments to Goodwill	Balance March 31, 2010
Captaris					
Employee termination costs	\$ 4,916	\$	\$ (4,227)	\$ (457)	\$ 232
Excess facilities	6,123		(2,066)	147	4,204
Transaction-related costs			(49)	49	
	11,039		(6,342)	(261)	4,436
Hummingbird					
Employee termination costs	25		(25)		
Excess facilities	1,463		(936)	(235)	292
Transaction-related costs					
	1,488		(961)	(235)	292
IXOS					
Employee termination costs					
Excess facilities	7,483		(3,460)	(196)	3,827
Transaction-related costs					
	7,483		(3,460)	(196)	3,827
Centrinity					
Employee termination costs					
Excess facilities	110		(39)		71
Transaction-related costs					
	110		(39)		71
Totals					
Employee termination costs	4,941		(4,252)	(457)	232
Excess facilities	15,179		(6,501)	(284)	8,394
Transaction-related costs			(49)	49	
	\$ 20,120	\$	\$ (10,802)	\$ (692)	\$ 8,626

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

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)****NOTE 9 PENSION PLANS AND OTHER POST RETIREMENT BENEFITS*****CDT Defined Benefit Plan and CDT Long-term Employee Benefit Obligations:***

On November 1, 2008, the following unfunded defined benefit pension plan and long-term employee benefit obligations were acquired, relating to legacy Captaris employees of a wholly owned subsidiary of Captaris called Captaris Document Technologies GmbH (CDT). As of March 31, 2010 and June 30, 2009, the balances relating to these obligations were as follows:

	Total benefit obligation	Current portion of benefit obligation*	Noncurrent portion of benefit obligation
CDT defined benefit plan	\$ 14,819	\$ 435	\$ 14,384
CDT Anniversary plan	730	183	547
CDT early retirement plan	432		432
Total as of March 31, 2010	\$ 15,981	\$ 618	\$ 15,363

	Total benefit obligation	Current portion of benefit obligation*	Noncurrent portion of benefit obligation
CDT defined benefit plan	\$ 14,828	\$ 362	\$ 14,466
CDT Anniversary plan	960	214	746
CDT early retirement plan	591		591
Total as of June 30, 2009	\$ 16,379	\$ 576	\$ 15,803

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

CDT Defined Benefit Plan

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

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

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	As of March 31, 2010	As of June 30, 2009
Benefit obligation beginning	\$ 14,828*	\$ 13,489**
Service cost	312	349
Interest cost	668	585
Benefits paid	(252)	(134)
Curtailment (gain)/ loss	94	(271)
Actuarial gain	(95)	(734)
Foreign exchange	(736)	1,544
Benefit obligation ending	14,819	14,828
Less: current portion	(435)	(362)
Noncurrent portion of benefit obligation	\$ 14,384	\$ 14,466

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)**

* Benefit obligation as of June 30, 2009.

** Benefit obligation as of November 1, 2008 (date of acquisition).

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

	Three months ended March 31, 2010	Nine months ended March 31, 2010
Pension expense:		
Service cost	\$ 99	\$ 312
Interest cost	212	668
Net pension expense	\$ 311	\$ 980

	Three months ended March 31, 2009	Nine months ended March 31, 2009
Pension expense:		
Service cost	\$ 125	\$ 224
Interest cost	209	351
Net pension expense	\$ 334	\$ 575

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

In determining the fair value of the CDT pension plan as of March 31, 2010 and June 30, 2009, respectively, we used the following weighted-average key assumptions:

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

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

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2010 (three months ended June 30)	\$ 104
2011	428
2012	453
2013	505
2014	589
2015 to 2019	4,468
Total	\$ 6,547

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)*****CDT Long-term Employee Benefit Obligations.***

CDT's long-term employee benefit obligations arise under CDT's Anniversary plan and an early retirement plan. The obligation is unfunded and carried at a fair value of \$0.7 million for the Anniversary plan and \$0.4 million for the early retirement plan, as of March 31, 2010 (\$1.0 million and \$0.6 million, respectively, as of June 30, 2009).

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

IXOS AG Defined Benefit Plans

Included within Other Assets are net pension assets of \$0.3 million (June 30, 2009 \$0.6 million) relating to two IXOS defined benefit pensions plans (IXOS pension plans) in connection with certain former members of the IXOS Board of Directors and certain IXOS employees, respectively (See Note 7). The net periodic pension cost with respect to the IXOS pension plans is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets. The fair value of our total plan assets under the IXOS pension plans, as of March 31, 2010, is \$3.6 million (June 30, 2009 \$3.5 million). The fair value of our total pension obligation under the IXOS pension plans as of March 31, 2010 is \$3.3 million (June 30, 2009 \$2.9 million).

NOTE 10 LONG-TERM DEBT**Long-term debt**

Long-term debt is comprised of the following:

	As of March 31, 2010	As of June 30, 2009
Long-term debt		
Term loan	\$ 288,767	\$ 291,012
Mortgage	12,789	11,671
	301,556	302,683
Less:		
Current portion of long-term debt		
Term loan	2,993	2,993
Mortgage	12,789	456
	15,782	3,449

Long-term portion of long-term debt	\$	285,774	\$	299,234
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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

Term loan and Revolver

On October 2, 2006, we entered into a \$465.0 million credit agreement (the credit agreement) with a Canadian chartered bank (the bank) consisting of a \$390.0 million term loan facility (the term loan) and a \$75.0 million committed revolving long-term credit facility (the revolver). The term loan was used to finance a portion of our Hummingbird acquisition. We have not drawn down any amounts under the revolver to date.

Term loan

The term loan has a seven year term, expires on October 2, 2013 and bears interest at a floating rate of LIBOR plus 2.25%. The quarterly scheduled term loan principal repayments are equal to 0.25% of the original principal amount, due each quarter with the remainder due at the end of the term, less ratable reductions for any non-scheduled prepayments made. From October 2, 2006 (the inception of the loan) to March 31, 2010, we have made total non-scheduled prepayments of \$90.0 million towards the principal on the term loan. Our current quarterly scheduled principal payment is approximately \$0.7 million.

For the three and nine months ended March 31, 2010, we recorded interest expense of \$1.8 million and \$5.5 million, respectively, (three and nine months ended March 31, 2009-\$2.0 million and \$9.2 million, respectively), relating to the term loan.

Revolver

The revolver has a five year term and expires on October 2, 2011. Borrowings under this facility bear interest at rates specified in the credit agreement. The revolver is subject to a stand-by fee ranging between 0.30% and 0.50% per annum depending on our consolidated leverage ratio. There were no borrowings outstanding under the revolver as of March 31, 2010.

For the three and nine months ended March 31, 2010, we recorded interest expense of \$57,000 and \$0.2 million respectively, (three and nine months ended March 31, 2009 \$56,000 and \$0.2 million, respectively), on account of stand-by fees relating to the revolver.

Mortgage

The mortgage consists of a five year mortgage agreement entered into during December 2005 with the bank. The original principal amount of the mortgage was Canadian \$15.0 million. The mortgage: (i) has a fixed term of five years, (ii) matures on January 1, 2011, and (iii) is secured by a lien on our headquarters in Waterloo, Ontario. Interest accrues monthly at a fixed rate of 5.25% per annum. Principal and interest are payable in monthly installments of Canadian \$0.1 million with a final lump sum principal payment of Canadian \$12.6 million due on maturity. As of March 31, 2010, the carrying value of the mortgage was \$12.8 million (June 30, 2009 \$11.7 million).

As of March 31, 2010, the carrying value of the existing Waterloo building was \$16.2 million (June 30, 2009 \$14.7 million).

For the three and nine months ended March 31, 2010, we recorded interest expense of \$0.2 million and \$0.5 million (three and nine months ended March 31, 2009 \$0.1 million and \$0.5 million, respectively), relating to the mortgage.

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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

NOTE 11 SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Share Capital

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

We did not repurchase any Common Shares during the three and nine months ended March 31, 2010 and 2009.

Share-Based Payments

Total share-based compensation cost for the periods indicated below is detailed as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Stock options	\$ 1,066	\$ 1,424	\$ 6,268*	\$ 3,957
Restricted stock units	193		811	
Deferred stock units	75		75	
Total share-based compensation expense	\$ 1,334	\$ 1,424	\$ 7,154	\$ 3,957

* Inclusive of charges of \$3.2 million booked to Special charges (see Note 13).

Summary of Outstanding Stock Options

As of March 31, 2010, options to purchase an aggregate of 2,674,508 Common Shares were outstanding and 1,421,095 Common Shares were available for issuance under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. The exercise price of the options we grant is set at an amount that is not less than the closing price of our Common Shares on the trading day for the NASDAQ immediately preceding the applicable grant date.

A summary of option activity under our stock option plans for the nine months ended March 31, 2010 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$ 000s)
Outstanding at June 30, 2009	2,828,989	\$ 20.71		

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Granted	285,500		41.12			
Exercised	(430,444)		18.99			
Forfeited or expired	(9,537)		22.02			
Outstanding at March 31, 2010	2,674,508	\$	23.16	3.78	\$	65,027
Exercisable at March 31, 2010	1,632,391	\$	18.18	2.97	\$	47,814

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We estimate the fair value of stock options using the Black-Scholes option pricing model, consistent with the provisions of ASC Topic 718

Compensation Stock Compensation (ASC Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

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

For the periods indicated, the following weighted-average fair value of options and weighted-average assumptions used were as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Weighted average fair value of options granted	\$ 14.98	\$ 12.10	\$ 14.11	\$ 12.47
Weighted-average assumptions used:				
Expected volatility	38%	40%	39%	42%
Risk free interest rate	2.0%	1.5%	2.2%	2.9%
Expected dividend yield	0%	0%	0%	0%
Expected life (in years)	4.3	4.3	4.3	4.4
Forfeiture rate (based on historical rates)	5%	5%	5%	5%

As of March 31, 2010, the total compensation cost related to the unvested stock awards not yet recognized was \$8.3 million, which will be recognized over a weighted average period of approximately 2 years.

As of March 31, 2009, the total compensation cost related to the unvested stock awards not yet recognized was \$11.3 million, which will be recognized over a weighted average period of approximately 2 years.

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

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

For the three and nine months ended March 31, 2010, cash in the amount of \$2.5 million and \$8.2 million, respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and nine months ended March 31, 2010 from the exercise of options eligible for a tax deduction was \$0.2 million and \$0.9 million, respectively, which was recorded as additional paid-in capital.

For the three and nine months ended March 31, 2009, cash in the amount of \$11.4 million and \$17.0 million, respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and nine months ended March 31, 2009 from the exercise of options eligible for a tax deduction was \$1.7 million and \$8.4 million, respectively, which was recorded as additional paid-in capital.

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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

Deferred Stock Units (DSUs)

During the three months ended March 31, 2010, we granted 4,167 deferred stock units (DSUs) to certain nonemployee directors. The DSUs were issued under the Company's Deferred Share Unit Plan that came into effect on February 2, 2010. A copy of the DSU Plan has been included as an exhibit to this Quarterly Report on Form 10-Q under Item 6 Exhibits.

Restricted Stock Awards (RSAs)

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

Long Term Incentive Plans

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

Consistent with the provisions of FASB ASC Topic 718, we have measured the fair value of the liability under the LTIP as of March 31, 2010 and recorded an expense relating to such liability to compensation cost in the amount of \$5.4 million for the three months ended March 31, 2010 and \$11.0 million for the nine months ended March 31, 2010 (three months ended March 31, 2009 - a recovery of \$0.4 million. Nine months ended March 31, 2009 expense of \$2.4 million). The outstanding liability under the LTIP as of March 31, 2010 was \$13.5 million (June 30, 2009 \$6.2 million) and is re-measured based upon the change in the fair value of the liability, as of the end of every reporting period, and a cumulative adjustment to compensation cost for the change in fair value is recognized. The cumulative compensation expense recognized upon completion of the LTIP will be equal to the payouts made.

NOTE 12 INCOME TAXES

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

Upon adoption of FIN 48 we elected to follow an accounting policy to classify interest related to liabilities for income tax expense under the Interest income (expense), net line and penalties related to liabilities for income tax expense under the Other income (expense) line of our Condensed Consolidated Statements of Income. For the three and nine months ended March 31, 2010, we recognized interest in the amount of \$0.3 million and \$1.5

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million, respectively (three and nine months ended March 31, 2009, \$0.3 million and \$1.4 million, respectively) and penalties in the amount of nil and a recovery of \$0.2 million, respectively (three and nine months ended March 31, 2009, \$0.3 million, and \$0.3 million respectively). The amount of interest and penalties accrued as of March 31, 2010 was \$6.1 million (\$4.1 million as of June 30, 2009) and \$9.8 million (\$9.4 million as of June 30, 2009), respectively. Included in these balances as of March 31, 2010, are accrued interest and penalties of \$0.5 million and \$0.6 million, respectively, relating to the acquisition of Vignette (see Note 14).

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of March 31, 2010 could increase in the next 12 months by \$1.1 million (June 30, 2009, decrease by \$0.2 million), relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

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

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

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

NOTE 13 SPECIAL CHARGES

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

The following tables summarize total Special charges incurred during the three and nine months ended March 31, 2010.

	Three months ended March 31, 2010	Nine months ended March 31, 2010
Fiscal 2010 Restructuring Plan (cash liability portion)	\$ 5,056	\$ 25,678
Fiscal 2010 Restructuring Plan (share-based compensation expense)		3,164
Total Fiscal 2010 Restructuring Plan	5,056	28,842
Fiscal 2009 Restructuring Plan		2,878
Acquisition-related costs	649	2,545
Impairment charges	378	830
Total	\$ 6,083	\$ 35,095

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)**

Total costs to be incurred in conjunction with the Fiscal 2010 restructuring plan are expected to be approximately \$32 million to \$40 million, of which \$28.8 million has been recorded within Special charges to date. Reconciliations of the liability relating to each of our outstanding restructuring plans are provided hereunder:

Fiscal 2010 Restructuring Plan (cash liability portion)

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

A reconciliation of the beginning and ending liability for the nine months ended March 31, 2010, is shown below.

Fiscal 2010 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2009	\$	\$	\$
Accruals and adjustments	23,859	1,819	25,678
Cash payments	(15,551)	(586)	(16,137)
Noncash draw-downs and foreign exchange	229	63	292
Balance as of March 31, 2010	\$ 8,537	\$ 1,296	\$ 9,833

Fiscal 2009 Restructuring Plan

In the second quarter of Fiscal 2009, our Board approved, and we began to implement, restructuring activities to streamline our operations and consolidate certain excess facilities (Fiscal 2009 restructuring plan). These charges related to workforce reductions, abandonment of excess facilities and other miscellaneous direct costs, and do not include costs accrued for under EITF 95-3 in relation to our acquisition of Captaris (Note 8). The total costs to be incurred in conjunction with the Fiscal 2009 restructuring plan are expected to be \$17.1 million, which has been recorded within Special charges since the commencement of the plan. The \$17.1 million charge consisted primarily of costs associated with workforce reduction in the amount of \$12.4 million and abandonment of excess facilities in the amount of \$4.7 million. The provision related to workforce reduction has been substantially paid by December 2009 and the provision relating to facility costs is expected to be paid by April 2012.

A reconciliation of the beginning and ending liability for the nine months ended March 31, 2010, is shown below.

Fiscal 2009 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2009	\$ 2,718	\$ 2,933	\$ 5,651
Accruals and adjustments	2,158	720	2,878
Cash payments	(4,504)	(2,052)	(6,556)
Noncash draw-downs and foreign exchange	48	16	64

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Balance as of March 31, 2010	\$ 420	\$ 1,617	\$ 2,037
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Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)*****Fiscal 2006 Restructuring Plan***

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

A reconciliation of the beginning and ending liability for the nine months ended March 31, 2010 is shown below.

Fiscal 2006 Restructuring Plan	Facility costs
Balance as of June 30, 2009	\$ 259
Accruals and adjustments	
Cash payments	(77)
Noncash draw-downs and foreign exchange	3
Balance as of March 31, 2010	\$ 185

Impairment charges

Included within Special charges for the three and nine months ended March 31, 2010 is a charge of \$0.4 million relating to the write down of certain prepaid royalties in connection with the discontinuance of certain of our product lines.

Included within Special charges for the three and nine months ended March 31, 2010 is a charge of nil and \$0.5 million, respectively, relating to certain capital assets that were written down in connection with various leasehold improvements and redundant office equipment at abandoned facilities.

NOTE 14 ACQUISITIONS**Fiscal 2010*****Vignette Corporation.***

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. Per the terms of the merger agreement, each share of common stock of Vignette (not already owned by Open Text) issued and outstanding immediately prior to the effective date of the merger (July 21, 2009) was converted into the right to receive \$8.00 in cash and 0.1447 of one Open Text common share (equivalent to a value of \$5.33 as of July 21, 2009). The acquisition of Vignette is expected to strengthen our ability to offer an expanded portfolio of Enterprise Content Management (ECM) solutions to further consolidate our position as an independent leader in the ECM marketplace. In accordance with ASC Topic 805, this acquisition was accounted for as a business combination.

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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

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

Total consideration for this acquisition was comprised of:

Equity consideration paid	\$ 125,223
Cash consideration paid	182,909
Fair value of total consideration transferred	308,132
Vignette shares already owned by Open Text through open market purchases (at fair value)	13,283
	\$ 321,415
Acquisition related costs (included in Special charges in the Condensed Consolidated Statements of Income) for the nine months ended March 31, 2010	\$ 1,917

Assets Acquired and Liabilities Assumed

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

Current assets (inclusive of cash acquired of \$92,309)	\$ 171,959
Long-term assets	22,323
Intangible customer assets	22,700
Intangible technology assets	68,200
Total liabilities assumed	(96,291)
Total identifiable net assets	188,891
Goodwill	132,524
Net assets acquired	\$ 321,415

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

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

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

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As of acquisition date, Vignette had significant deferred tax assets that were subject to valuation allowances including deferred tax assets relating to the domestic federal net operating loss (NOL) carryforwards. Internal Revenue Code Section 382 imposes substantial restrictions on the utilization of these NOLs in the event of an ownership change of the corporation. We are currently assessing our ability to utilize these tax attributes prior to their expiration. The final valuation of the deferred tax assets could result in a material change in the above indicated amount of goodwill and intangible assets.

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The fair value of the acquired intangible customer assets of \$22.7 million, and intangible technology assets of \$68.2 million, is provisional, pending any tax related impacts on the valuations of these items.

We recognized a gain of \$4.4 million as a result of re-measuring to fair value our investment in Vignette held before the date of acquisition. The gain was recognized in Other income in our consolidated financial statements during the three months ended September 30, 2009.

The amount of Vignette's revenue and net income included in Open Text's consolidated statement of operations for the three and nine months ended March 31, 2010, and the pro forma revenue and net income of the combined entity had the acquisition date been July 1, 2009 and July 1, 2008, are set forth below:

	Revenue	Net Income
Actual from January 1, 2010 to March 31, 2010	\$ 30,500	\$ 3,885

	Revenue	Net Income
Actual from July 22, 2009 to March 31, 2010	\$ 87,300	\$ 468

<i>Supplemental Pro forma Information</i>	Three months ended March 31, 2009	Nine months ended March 31, 2010	2009
	Total revenues	\$ 225,954	\$ 678,196
Net income	\$ 18,277	\$ 18,704	\$ 25,167

Included within net income for the periods reported above are the estimated amortization charges relating to the preliminary allocated values of intangible assets.

NOTE 15 GUARANTEES AND CONTINGENCIES***Guarantees and indemnifications***

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

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

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We have not accrued a liability for guarantees, indemnities or warranties described above in the accompanying Condensed Consolidated Balance Sheets since no material payments are expected to be made. The maximum amount of potential future payments under such guarantees, indemnities and warranties is not determinable.

Table of Contents**OPEN TEXT CORPORATION****UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Three and Nine Months Ended March 31, 2010****(Tabular amounts in thousands, except per share data)****Litigation**

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

NOTE 16 SUPPLEMENTAL CASH FLOW DISCLOSURES

Supplemental disclosure of cash flow information:

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Cash paid during the period for interest	\$ 2,061	\$ 3,034	\$ 8,547	\$ 12,074
Cash received during the period for interest	\$ 142	\$ 739	\$ 687	\$ 3,938
Cash paid during the period for income taxes	\$ 12,443	\$ 1,005	\$ 28,116	\$ 6,028

NOTE 17 NET INCOME PER SHARE

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

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Basic earnings per share				
Net income	\$ 13,114	\$ 22,035	\$ 36,045	\$ 37,457
Basic earnings per share	\$ 0.23	\$ 0.42	\$ 0.64	\$ 0.72
Diluted earnings per share				
Net income	\$ 13,114	\$ 22,035	\$ 36,045	\$ 37,457
Diluted earnings per share	\$ 0.23	\$ 0.41	\$ 0.63	\$ 0.71
Weighted average number of shares outstanding				
Basic	56,537	52,312	56,106	51,825
Effect of dilutive securities	1,159	1,129	1,108	1,297

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Diluted	57,696	53,441	57,214	53,122
Excluded as anti-dilutive *	309	419	527	34

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

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OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Three and Nine Months Ended March 31, 2010

(Tabular amounts in thousands, except per share data)

NOTE 18 RELATED PARTY TRANSACTIONS

Our procedure regarding the approval of any related party transaction is that the material facts of such transaction shall be reviewed by the independent members of our Board and the transaction approved by a majority of the independent members of our Board. The Board reviews all transactions wherein we are, or will be a participant and any related party has or will have a direct or indirect interest. In determining whether to approve a related party transaction, the Board generally takes into account, among other facts it deems appropriate: whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances; the extent and nature of the related person's interest in the transaction; the benefits to the company of the proposed transaction; if applicable, the effects on a director's independence; and if applicable, the availability of other sources of comparable services or products.

During the nine months ended March 31, 2010, Mr. Stephen Sadler, a director, earned approximately \$0.3 million (nine months ended March 31, 2009 \$0.4 million) in consulting fees from Open Text for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 19 SUBSEQUENT EVENTS

Nstein Technologies Inc.

On April 1, 2010, we acquired Nstein Technologies Inc. (Nstein) a software company based in Montreal, Quebec, Canada. 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. We believe we will be able to use Nstein's solutions to leverage and enhance our own product offering, thus further strengthening our position as an independent leader in the ECM market.

Total consideration for this acquisition was \$32.8 million, of which \$24.3 million was paid in cash and the rest in Open Text shares.

Burntsand Inc.

On April 26, 2010, we announced our intention to acquire all issued and outstanding shares of Burntsand Inc (Burntsand) for a total of approximately CAD \$11 million. The transaction is subject to the approval of Burntsand's shareholders and is expected to close some time in our fourth quarter of Fiscal 2010. 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 Burntsand will complement and enhance our current service offerings to further strengthen our position in the ECM market.

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

This Quarterly Report on Form 10-Q, 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 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.

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 II 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 our Annual Report on Form 10-K and Part II Item 1A Risk Factors and elsewhere in this report. Any one of these factors may cause our actual results to differ materially from recent results or from our anticipated future results. You should not rely too heavily on the forward-looking statements contained in this Quarterly Report on Form 10-Q, because these forward-looking statements are relevant only as of the date they were made.

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

Growth and percentage comparisons made herein generally refer to the three and nine months ended March 31, 2010 compared with the three and nine months ended March 31, 2009, unless otherwise noted.

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 continually upgrading and improving on our product offering. This is done internally and through acquisitions of companies that own technologies we feel will benefit our clients.

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Our initial public offering was on the NASDAQ in 1996 and subsequently on the Toronto Stock Exchange in 1998. We are a multinational company and currently employ approximately 3,700 people worldwide.

Quarterly Highlights and Features:

Some highlights and features of our operating results for the three months ended March 31, 2010 include:

Total revenues increased by 10.8%, compared to the same period in the prior fiscal year, to \$212.8 million. Despite our overall revenues decreasing on a quarterly sequential basis, we were still able to maintain our targets on gross margin and profitability.

Customer support revenues increased to \$124.4 million; a 22.1% increase over the same period in the prior fiscal year.

Operating cash flow increased by 7.0%, compared to the same period in the prior fiscal year, to \$78.0 million.

Other highlights were as follows:

In April 2010, we acquired Nstein Technologies Inc. (Nstein). See [Acquisitions](#) below for more details. We also announced in April that we will 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. To be considered for the rankings of Canadian firms, organizations have to be founded and headquartered in Canada and corporate direction must be determined in Canada.