OPEN TEXT CORP
Form 10-K
August 21, 2009
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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, 2009.

OR

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

For the transition period from to

Commission 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

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 (§229.405 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, 2008, was approximately $1.3 billion. The number of the Registrant s Common Shares outstanding as of August 17, 2009 was 56,149,329.

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 harbors created by those sections. Words such as anticipates , expects , intends , plans , believes , seeks , estimates , may , could , would , might , will and variations of these words or similar expressions are intended to 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, 2009, 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 2009 means our fiscal year beginning on July 1, 2008 and ending June 30, 2009; (ii) the term Fiscal 2008 means our fiscal year beginning on July 1, 2007 and ending June 30, 2008; and (iii) the term Fiscal 2007 means our fiscal year beginning on July 1, 2006 and ending on June 30, 2007. 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 2009, Fiscal 2008 and Fiscal 2007, see Note 18 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. We focus solely on ECM software solutions and, generally, have expanded our product and service offerings through strategic acquisitions. It is our mission to be generally recognized as The Content Experts in the ECM marketplace.

Our ECM software products help our customers manage their critical business content including version revisions and compliance with regulatory requirements. Our Open Text ECM Suite enables corporations to manage traditional forms of content such as images, office documents, graphics and drawings, as well as to manage electronic content including web pages, email and video. Our solutions aim to allow users to gain access to view and manage all information related to a transaction or business process, without having to switch from one application to another.

Our goal as an independent provider of ECM software solutions is to help our customers leverage their existing strategic investments in enterprise applications, regardless of whether their applications are from Microsoft Corporation (Microsoft), SAP AG (SAP) or Oracle Corporation (Oracle). We help our customers reduce their risk and infrastructure costs by managing all content object types with common retention and archiving governance and our independence, we believe, provides our customers with more choice.

ECM Software Solutions

We provide ECM solutions that bring together people, processes and information. Our software combines collaboration with content management, transforming information into knowledge that provides the foundation for innovation, compliance and accelerated growth.

In addition, Open Text Services offers a detailed suite of services within its Solution Value Chain to help customers achieve implementation goals. From training and consulting, to hosting services and customer support programs, our Services organization helps customers successfully implement and deploy a complete enterprise-wide solution.

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;
- reduce their risk and infrastructure costs by managing all content object types with common retention and archiving governance; 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 Content Services service-oriented architecture. This architecture provides the customer with the benefits of common integration layers, which enable all elements of the suite to communicate well and share information, while at the same time offering flexibility and agility to address the specific requirements of the customer s specific business.

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Open Text Content Services 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 Connect offers a new user interface with customizable views of business content.

Open Text Enterprise Process Services offers a comprehensive set of enterprise process services to help organizations put content in the hands of users when and where they need it i.e., in the context of the business process they are supporting.

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

Open Text ECM Suite

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 that help 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, discussion forums, and more.

Social Media offers a natural and intuitive application that gives customers new ways of working productively together through the Web and mobile devices, while also meeting security and compliance demands through integration with a company s wider ECM system.

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

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.

Records Management enables control of the complete lifecycle of content objects by associating robust retention and disposition rules with each content asset.

Email Management services 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 ensure compliance.

Archiving helps bring storage expenses under control through optimization of storage use.

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.

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.

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In addition, we 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 Support program

Through our Open Text Support Program, customers receive convenient 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.

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 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 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 2009, no single customer has accounted for 10% or more of our revenues.

Global Distribution Channels

We operate on a global basis and in Fiscal 2009 we generated slightly over 50% 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 and support 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 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 co-development of the partner s solution and our solutions to create an extended and integrated solution for the customer.

Open Text and SAP

We have a history of partnership and co-development with SAP. Our solutions help customers improve the way they manage content from SAP systems in order 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.

Building on our existing reseller agreement with SAP, signed in 2007, we announced (in the second quarter of Fiscal 2009) that SAP will also resell Open Text Vendor Invoice Management (VIM) and Document Capture solutions.

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. Our solutions increasingly rely on Microsoft desktop as a highly popular user interface for accessing content in context. The integration of our solutions with Microsoft desktop allow an Open Text customer to automatically extract information from ERP, CRM, ECM and other enterprise applications when such customer opens any piece of email. This context allows workers to make decisions and take actions, all through the familiar Microsoft Outlook interface.

In addition to email, Microsoft SharePoint provides functionality for team collaboration and document sharing. We offer solutions that allow our customers to realize SharePoint s ease of use, while seamlessly tying into established retention policies for enterprise content in areas such as archiving and records retention. Also, we have expanded our support for the latest Microsoft database technology to help our customers manage and retrieve information stored on their servers.

Open Text and Oracle Corporation

This partnership extends our enterprise solutions framework, and builds upon the database integration relationship between us and Oracle. The partnership with Oracle allows us to focus on building content-enabled solutions that solve complex, industry-specific problems. We build comprehensive solutions directly on the Oracle Content Database infrastructure using new Oracle Fusion technology. Our alliance with Oracle enables our customers to fortify their existing investments in accounts payable invoice processing, and report and output management solutions from Oracle. 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 to address an organization s ECM requirements.

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

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International Markets

We provide our ECM services worldwide. Our geographic coverage allows us to draw on business and technical expertise from a worldwide workforce, provides stability to our operations and revenue streams by diversifying our portfolio to offset negative geography specific economic trends, and offers us an opportunity to take advantage of new markets for solutions.

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.

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 $116.2 million for Fiscal 2009, $107.2 million for Fiscal 2008, and $79.1 million for Fiscal 2007. 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.

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. In 2006, IBM acquired a direct competitor, FileNet Corporation (FileNet), and this acquisition has made IBM a significant competitor for our business. Another significant competitor is EMC Corporation (EMC), a large storage technology company. In addition to the competition posed by both IBM and EMC, 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 course. In December, 2006, Oracle completed its acquisition of Stellent Inc., a global provider of ECM software solutions.

Software vendors such as CA Inc. 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.

In March 2009, Autonomy Corporation plc (Autonomy), an infrastructure software company based in the United Kingdom announced that they had acquired Interwoven Inc (Interwoven), a California-based content management software company. Interwoven focused on selling into the mid-level market with specific emphasis on legal and regulatory usage and Autonomy will gain access to these products through this acquisition.

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

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applications; (vi) software functionality and features; (vii) software ease of use; and (viii) the quality of professional services, customer support services and training. We believe the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

Acquisitions during Fiscal 2009 and Fiscal 2008

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 2009, we made 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 Open Text s 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 is expected to strengthen 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 $3.6 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 (a privately held company) that specializes in file format viewer solutions for desktop applications, integrated business process management (BPM) systems, and reprographics. Open Text purchased the assets for $11.4 million.

In Fiscal 2008, we purchased certain miscellaneous assets from a Canadian company for $2.2 million.

On July 21, 2009, we acquired Vignette Corporation, a provider of ECM software products for innovative and dynamic Web experiences, for a total consideration of approximately $321 million. As a result, we added Vignette s Web Content Management, Portal, Collaboration and Records Management experts to our experienced team of ECM professionals. We also increased our customer base, and gained enterprise level technology that strengthens our ECM suite.

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.

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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. As of June 30, 2009, we own twenty-seven U.S. patents which expire between 2014 and 2026, one Canadian patent which expires in 2017 and twenty-four other foreign patents which expire between 2011 and 2025. In addition, we have applied for twenty-eight U.S. patents, nine Canadian patents and twenty-one other foreign patents.

Employees

As of June 30, 2009, we employed a total of 3,411 individuals. The composition of this employee base is as follows: (i) 747 employees in sales and marketing, (ii) 886 employees in product development, (iii) 611 employees in professional services, (iv) 610 employees in customer support, and (v) 557 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.

Pursuant to the acquisition of Vignette on July 21, 2009, we acquired 741 employees. These employees are not included in the above totals.

Item 1A. Risk Factors

The following important factors could cause our actual business and financial results to differ materially from those results contained in forward-looking statements in this Annual Report on Form 10-K or elsewhere by management from time to time. The risks and uncertainties described below are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies.

Our 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 which arise in our competitive environment. As well, a portion of our license revenues are derived from the license 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, then future revenues will 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, new 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. These products are important to the success of our strategy. 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 the technologies 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, as well as our ability to compete in the marketplace, would be materially harmed.

If our products and services do not gain market acceptance, we may not be able to increase our revenues

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. In response to customer requests, 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 intense competition, our business will 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. 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.

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 respect for 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 an 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 without limitation 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 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 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. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter into each of our markets. Numerous releases of competitive products have occurred in recent history and may be 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.

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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

Recent 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. For example, Autonomy acquired Interwoven in March of 2009. In addition, other large corporations with considerable financial resources either have products that compete with the products we offer, or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources; 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.

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 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; (b) substantial investment with respect to technology transfers; 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 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. 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. 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 acquisitions of Captaris and of Vignette may adversely affect our operations in the short term

In October 2008, we acquired all of the issued and outstanding common shares of Captaris, Inc. In July 2009, we acquired all of the issued and outstanding common shares of Vignette Corporation. Each of these acquisitions represents a significant opportunity for our business. However, these acquisitions also present certain risks, including but not limited to:

- the risk that the potential benefits of these acquisitions would not be realized fully as a result of challenges we might face in integrating the customers, technology, personnel and operations of each acquired company with ours;
- the risk that the potential benefits of these acquisitions would not be realized fully as a result of general industry-wide conditions, macroeconomic developments or other factors;

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the risk that Open Text s management will need to devote substantial time and resources to the integration of the acquired corporation with ours at the expense of attending to and growing Open Text s business or other business opportunities; and

the risk associated with any other additional demands that these acquisitions would place on our management.

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

We may not generate sufficient cash flow to satisfy the unfunded pension obligations we assumed as a result of the Captaris acquisition

When we acquired Captaris in October 2008, 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 would 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.

Our acquisition of Vignette obligates us to assume its unique risks

Our acquisition of all of the issued and outstanding common shares of Vignette Corporation significantly increased the size and scope of our operations. As a result, we have to address the risks associated with the acquired business and operations. These risks include without limitation:

When the acquisition was completed, Vignette was attempting to institute significant changes to its research and development operations. We have not decided whether we will continue this transition of research and development activities. If we continue this transition, we may experience increased costs and implementation delays any of which may materially and adversely affect our operations and finances. If we decide to halt this transition, the costs associated with the abandonment of the project may also adversely affect our operations and finances.

As a result of the acquisition and in connection with Vignette s net operating loss carry forwards, we have acquired certain legacy deferred tax assets. In circumstances where there is an ownership change of the corporation, Internal Revenue Code Section 382 imposes substantial restrictions on the utilization of such net operating loss carry-forwards. As of current date, we are in the process of assessing whether we are able to utilize these tax attributes prior to their expiration and the eventual valuation of these deferred tax assets could materially affect the amount of goodwill recorded with respect to this acquisition.

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, the payment of dividends, the borrowing of additional amounts and the making of investments.

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, 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 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.

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 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 deals. 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.

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 in the in the prior risk factor 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.

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 the restructuring initiative beyond the amount contemplated when we first developed the initiative, and these increased costs may be substantial. Some of these restructuring costs may have to be treated as expenses which 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.

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

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operations do not offset the expenses of establishing and maintaining foreign operations, our operating results will suffer. Moreover, in any given quarter, the 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 usually 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.

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;

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- 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;
- 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 in any particular quarter. 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.

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 some other opportunity that would require a significant investment in resources. 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 which govern our provision of products or services to customers over a multi-year period. Finally, 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.

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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 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.

We may have exposure to greater than anticipated tax liabilities

We are subject to income and other taxes in a variety of jurisdictions and our tax structure is subject to review by both domestic and foreign taxation authorities. The determination of our worldwide provision for income taxes and of other tax liabilities requires significant judgment. 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 961,916 square feet of leased facilities (sublet space excluded).

Owned Facilities

Our headquarters is located in Waterloo, 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.

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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 11 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 112,000 square feet. We have not commenced the construction of this facility and we expect that the construction thereof will take at least 18 months.

Leased Facilities

We lease 961,916 square feet (sublet space excluded) both domestically and internationally. Our significant leased facilities include the following:

- Richmond Hill facility, located in Toronto, Canada, totaling 101,458 square feet;
- Sparks Avenue facility, located in Toronto, Canada, totaling 56,600 square feet;
- Konstanz facility, located in Germany, totaling 57,517 square feet; and
- Grasbrunn facility, located in Germany, totaling 339,195 square feet.

Due to restructuring and merger integration initiatives, we have vacated 467,246 square feet of all 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		TSX	
	High	Low	High	Low
			(in Canadian dollars)	
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
Fiscal Year Ending June 30, 2008:				
Fourth Quarter	$ 39.09	$ 31.22	$ 39.01	$ 31.90
Third Quarter	$ 35.00	$ 25.54	$ 34.96	$ 26.46
Second Quarter	$ 36.59	$ 25.60	$ 35.05	$ 25.52
First Quarter	$ 27.13	$ 17.52	$ 28.55	$ 18.65

On July 7, 2009, the closing price of our Common Shares on the NASDAQ was $34.87 per share, and on the TSX was Canadian $40.57 per share.

As at July 7, 2009, we had 64 shareholders of record holding our Common Shares of which 35 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 Repurchases

In Fiscal 2009, we did not repurchase any of our shares.

Stock Performance Graph and Cumulative Total Return

The following graph compares for each of the five fiscal years ended June 30, 2009, 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 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, 2004, 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, 2004, in our Common Shares as well as in the other Indices, assuming dividend reinvestment when applicable:

	June 30,					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Open Text Corporation	100.0	44.39	45.27	68.21	100.63	114.17
Hemscott Index	100.0	81.05	82.82	103.51	98.92	80.68
NASDAQ Market Index	100.0	99.89	106.32	127.46	111.91	89.19
S&P/TSX Composite	100.0	117.89	140.99	172.98	184.58	136.81

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.

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

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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. Where our Common Shares are disposed of by way of our acquisition of such Common Shares, other than a purchase in the open market in the manner in which our Common Shares would normally be purchased by any member of the public in the open market, the amount paid by us in excess of the paid-up capital of such Common Shares will be treated as a dividend, and will be subject to non-resident withholding tax.

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. and Captaris Inc. The results of these companies and all 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,				
	2009	2008	2007	2006	2005
	(in thousands, except per share data)				
Statement of Income Data:					
Revenue	$ 785,665	$ 725,532	$ 595,664	$ 409,562	$ 414,828
Net income	$ 56,938	$ 53,006	$ 21,660	$ 4,978	$ 20,359
Net income per share, basic	$ 1.09	$ 1.04	$ 0.44	$ 0.10	$ 0.41
Net income per share, diluted	$ 1.07	$ 1.01	$ 0.43	$ 0.10	$ 0.39
Weighted average number of Common Shares outstanding, basic	52,030	50,780	49,393	48,666	49,919
Weighted average number of Common Shares outstanding, diluted	53,271	52,604	50,908	49,950	52,092

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	As of June 30,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
Total assets	$ 1,507,236	$ 1,434,676	$ 1,326,845	$ 678,035	$ 640,936
Long-term liabilities	$ 502,044	$ 491,980	$ 513,140	$ 57,108	$ 57,781
Cash dividends per Common Share	$	$	$	$	$

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

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 harbors created by those sections. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, may, could, would, might, will and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements involve known and unknown risks as well as uncertainties, including those discussed herein and in the notes to our financial statements for the year ended June 30, 2009, certain sections of which are incorporated herein by reference. The actual results that we achieve may differ materially from any forward-looking statements, which reflect management s opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. You should carefully review Part 1 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 1 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.

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 Consolidated Financial Statements (the Notes) under Item 8 of this Form 10-K.

All growth and percentage comparisons made herein under the section titled Fiscal 2009 Compared to Fiscal 2008 , refer to the twelve months ended June 30, 2009 (Fiscal 2009) compared with the twelve months ended June 30, 2008 (Fiscal 2008). All growth and percentage comparisons made herein under the section titled Fiscal 2008 Compared to Fiscal 2007 , refer to Fiscal 2008 compared with the twelve months ended June 30, 2007 (Fiscal 2007).

BUSINESS OVERVIEW

Open Text

We are an independent company providing Enterprise Content management (ECM) software solutions. ECM is the set of technologies used to capture, manage, store, preserve, find and retrieve word based content. We focus solely on ECM software solutions with a view to being recognized as The Content Experts in the software industry.

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 3,400 people worldwide. Additionally, we acquired 741 employees pursuant to the acquisition of Vignette Corporation (Vignette) on July 21, 2009.

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Fiscal 2009 Highlights:

Fiscal 2009 was overall a successful year for us. In terms of our operating results:

- Total revenue increased by 8.3% on a year over year basis to $785.7 million.
- License revenue increased to $229.8 million, a 4.9% increase over Fiscal 2008.
- Customer support revenue increased to $405.3 million, an 11.5% increase over Fiscal 2008.
- Operating cash flows increased to $176.2 million, a 6.1% increase over Fiscal 2008.
- Our overall cash balance at June 30, 2009 increased by $20.9 million over June 30, 2008.

Additionally, we successfully completed the acquisition of Captaris Inc. (Captaris) which we acquired for $101.0 million (net of cash acquired).

Other Fiscal 2009 highlights were as follows:

- In May 2009, the Ministry of Government Services, representing the Government of Ontario, established a 10-year contract for ECM solutions from Open Text, making us its exclusive single vendor for enterprise information management.
- In April 2009, we were ranked as the largest Canadian software company in the 2009 Branham300 ranking, an annual ranking of information and communication technology companies operating in Canada. The Branham300 is published by the Branham Group, a Canadian industry analyst and strategic consulting firm serving the global information technology marketplace.
- In January 2009, we received the latest version of the U.S. Department of Defense s (DoD) Standard for Records Management certification for its advanced records management offerings.
- In January 2009, we unveiled the release of Open Text Recruiting Management for Microsoft SharePoint, a native Microsoft Office SharePoint Server 2007 application for collaborative hiring case management that helps to simplify the recruiting process within organizations. This release is part of a continuing Open Text plan to build applications that extend Office SharePoint Server 2007, based on the Open Text ECM Suite.
- In December 2008, we introduced a new release of Open Text Fax Server for Microsoft Office SharePoint, which is the latest version of our electronic fax and document delivery software, with new features designed to help customers to lower installation and ongoing maintenance costs. This product was previously marketed by Captaris under the RightFax name.
- In December 2008, we announced an expansion to our eDiscovery capabilities, with an early case assessment solution designed to assist organizations in reducing the costs associated with eDiscovery activities. This solution allows organizations to assess the legal merits of a case and manage legal holds and collection for discovery, regulatory and compliance requests.

In October 2008, we unveiled a new release of our Web Solutions, aimed at delivering a complete set of Web 2.0 tools to help meet the demands of new digital strategies. We believe our new tools will give customers greater security and control over social media than what was previously offered.

Significant customer deals during the current year include:

Bruce Power, a nuclear generating company, located in Toronto, Ontario, who expanded their current Livelink platform to include Email Management;

Hatch Associates Limited, a global engineering construction management organization who purchased additional licenses of Livelink ECM to support their business operations and go-to-market support;

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FOX Network Group, an entertainment and broadcasting company, who purchased Livelink ECM and accounts payable for JD Edwards, to help improve its accounts payable operations and to help its organization meet applicable statutory requirements;

Safety-Kleen Systems Inc., a provider of environmental and oil refining services, who expanded their Open Text suite to include Livelink ECM document and records management solutions;

SBB AG, a Swiss travel and transport company, who purchased our Lifecycle Management solution;

The City of London Corporation, a body which provides local governmental services in the United Kingdom, who purchased our comprehensive corporate records management and archiving solution;

Getty Images Inc., a creator and distributor of digital content, who purchased our Digital Media solutions;

United Launch Alliance, a joint venture between Boeing Company and Lockheed Martin Corporation, who purchased additional licenses for Open Text s ECM Suite for content life cycle management and Microsoft SharePoint integration to help manage the documentation of their workflow processes;

Hydro One Networks Inc., a provider of hydro electricity, who purchased Open Text ECM Suite for content life cycle management and CLM services for SharePoint;

Burger King Holdings Inc., who purchased SAP Invoice Management by Open Text and Kofax OCR;

Loblaw Companies Limited, a food distributor and provider of general merchandise products, and financial products and services, who purchased our Open Text ECM suite for its archiving and records management capabilities;

Corus Entertainment Inc., an integrated media and entertainment company, who purchased the Open Text ECM Suite for Digital Asset Management and Content Life Cycle Management to help reduce its dependency on paper documents;

Nokia Siemens Network, a telecommunications hardware, software and professional services company, who purchased Open Text s Portal Integration Kit to assist with the building of its extranet; and

DuPont E I De Nemours & Co., a science-based product and services company, who purchased additional Open Text licenses to support their SAP business practices in order to archive and link documents to SAP transactions outside of the core system.

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, strengthen our competitive position, expand our customer base and provide greater scale to accelerate innovation, grow our earnings and increase shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business.

On October 31, 2008, we acquired all of the issued and outstanding common shares of Captaris, a provider of software products that automate document-centric processes. The acquisition of Captaris is expected to strengthen our ability to offer an expanded portfolio of solutions that integrate with SAP, Microsoft and Oracle solutions. Total consideration for this acquisition was $101.0 million, net of cash acquired.

In July 2008, we acquired 100% ownership of eMotion LLC (eMotion), a division of Corbis Corporation. eMotion specializes in managing and distributing digital media assets and marketing content. The acquisition of eMotion will enhance our capabilities in the digital asset management market, giving us a

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broader portfolio of offerings for marketing and advertising agencies, adding capabilities that complement our existing enterprise asset-management solutions. Total consideration for this acquisition was $3.6 million, net of cash acquired.

In July 2008, we acquired 100% ownership of a division of Spicer Corporation (Spicer), a privately-held company based in Kitchener, Ontario, Canada. The division specializes in file format viewer solutions for desktop applications, integrated business process management systems and reprographics. The acquisition will complement and extend our existing enterprise content management suite, providing flexible document viewing options and enhanced document security functionality. Total consideration for this acquisition was $11.4 million, net of cash acquired.

Acquisitions subsequent to June 30, 2009

On July 21, 2009, we acquired Vignette, a provider of ECM software products (based in Austin, Texas with worldwide operations) for approximately $321 million. We believe that this acquisition will further consolidate our position as an independent leader in the ECM marketplace.

Vignette has a comprehensive portfolio of Web and Transactional Content Management solutions that complement the ECM strategy of Open Text. We will continue to support Vignette s existing products and installed customer base, including users of previous versions of Vignette Content Management, as well as Open Text s existing Web Solutions products. The combined product line will provide users with a full set of feature options, from an easy-to-use, fast-to-deploy Web site management application to a fully integrated, Web business application platform optimized for large-scale deployments. We also see opportunities to leverage other components of Vignette s product portfolio within the Open Text ECM Suite. We will announce more details on product strategy and a detailed overall product roadmap to include Vignette products at the annual Content World 2009 Conference, in October 2009.

We will begin consolidating the financial results of Vignette during the first quarter of Fiscal 2010.

Partners

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

Outlook for Fiscal 2010

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

We expect our revenue mix 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 2009 COMPARED TO FISCAL 2008

Revenues

Revenue by Product Type and Geography:

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

Revenue by product type

(In thousands)	2009	2008	Change/ increase (decrease)
License	$ 229,818	$ 219,103	$ 10,715
Customer support	405,310	363,580	41,730
Services and Other	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 and Other	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 Revenue consists of fees earned from the licensing of software products to customers. 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.