

OPEN TEXT CORP
Form 10-K/A
January 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 2)

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

For the fiscal year ended June 30, 2012.

OR

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

For the transition period from _____ to _____
Commission file number: 0-27544

OPEN TEXT CORPORATION
(Exact name of Registrant as specified in its charter)

Canada 98-0154400
(State or other jurisdiction (IRS Employer Identification No.)
of incorporation or organization)

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

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

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered

Common stock without par value NASDAQ Global Select Market

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

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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

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

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

Edgar Filing: OPEN TEXT CORP - Form 10-K/A

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.

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 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

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, 2011, the end of the registrant's most recently completed second fiscal quarter, was approximately \$2.4 billion. The number of the Registrant's Common Shares outstanding as of August 3, 2012 was 58,405,575.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

The purpose of this Amendment No. 2 on Form 10-K/A (the “Second Amendment”) to our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (“Original Form 10-K”), originally filed with the Securities and Exchange Commission (“SEC”) on August 10, 2012 as amended by Amendment No. 1 on Form 10-K/A (the “First Amendment”) filed with the SEC on January 25, 2013, is (i) to refile the exhibits contained in the First Amendment which made the following corrections in the exhibits to the Original Form 10-K: (a) referencing the correct periodic report in Exhibits 31.1, 31.2, 32.1 and 32.2 and (b) including Exhibit 23.1 which was inadvertently omitted from our Original Form 10-K but was previously included with our Form 8-K filed on September 5, 2012, and (ii) to include in full in the Second Amendment the balance of the Original Form 10-K. No other changes have been made to the Original Form 10-K.

This Second Amendment reflects information as of the original filing date of our Original Form 10-K, does not reflect events occurring after that date and does not modify or update in any way disclosures made in the Original Form 10-K, except as specifically noted above.

OPEN TEXT CORPORATION
TABLE OF CONTENTS

	Page No
Part I	
Item 1 Business	<u>4</u>
Item 1A Risk Factors	<u>11</u>
Item 1B Unresolved Staff Comments	<u>19</u>
Item 2 Properties	<u>19</u>
Item 3 Legal Proceedings	<u>20</u>
Part II	
Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>20</u>
Item 6 Selected Financial Data	<u>23</u>
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation	<u>24</u>
Item 7A Quantitative and Qualitative Disclosures about Market Risk	<u>40</u>
Item 8 Financial Statements and Supplementary Data	<u>41</u>
Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	<u>41</u>
Item 9A Controls and Procedures	<u>41</u>
Item 9B Other Information	<u>42</u>
Part III	
Item 10 Directors, Executive Officers and Corporate Governance	<u>43</u>
Item 11 Executive Compensation	<u>47</u>
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>74</u>
Item 13 Certain Relationships and Related Transactions, and Director Independence	<u>75</u>
Item 14 Principal Accountant Fees and Services	<u>76</u>
Part IV	
Item 15 Exhibits and Financial Statement Schedules	<u>78</u>
Signatures	<u>127</u>

PART I

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and is subject to the safe harbours created by those sections. Words such as “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “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, 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, 2012, which are set forth in Part II, Item 8 of this Annual 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. 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 Annual Report as well as other documents we file from time to time with the United States Securities and Exchange Commission (the SEC). 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”, “OpenText”, “we” or “us” refer to Open Text Corporation and, unless context requires otherwise, its subsidiaries. Our principal office is located 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 2012” means our fiscal year beginning on July 1, 2011 and ending June 30, 2012; (ii) the term “Fiscal 2011” means our fiscal year beginning on July 1, 2010 and ending June 30, 2011; and (iii) the term “Fiscal 2010” means our fiscal year beginning on July 1, 2009 and ending June 30, 2010. 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 with or furnished to the SEC may be obtained free of charge through the Investors 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 Investors 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.

General

We are an independent company providing a comprehensive suite of information management software products that help people in organizations work, interact, and innovate in a secure, engaging, and productive way. We build

software that allows companies to organize and manage their content, operate more efficiently and effectively, increase engagement with customers, collaborate with business partners, and address regulatory and business requirements associated with information management. Our products incorporate social and mobile experiences and are delivered for on premise implementation as well as through cloud and managed hosted services.

As we continue to expand our product offerings through internal development and acquisitions, we are evolving from our heritage in the Enterprise Content Management (ECM) space to a broader market category known as Enterprise Information Management (EIM). While ECM forms a foundation for EIM, EIM also encompasses capabilities such as Customer Experience Management (CEM), Business Process Management (BPM), Information Exchange (iX) and Discovery, which are capabilities that are beyond the scope of a pure ECM offering.

EIM, which is the art of managing structured and unstructured information at the enterprise level, is still evolving and taking shape. Our EIM solutions are based on five portfolios of product offerings, categorized as i) ECM, ii) BPM, iii) CEM, iv) iX, and v) Discovery. Together, or in part, these product offerings are how we expect to compete in the EIM space. Our goal is to build on our leadership in ECM, BPM and CEM and to expand our position in iX and Discovery to emerge as a leading vendor in EIM.

We track our business through three revenue streams: license, customer support and professional services. License revenue refers to the sale of our software product offerings, which provide information security and governance for all content and all business processes across the enterprise. The second component is customer support revenue, whereby we provide renewable on-going support and maintenance to customers who have purchased our products. The third component is revenue from professional services, which represents consulting fees we receive for providing implementation, training and integration services in relation to our product offerings. For information regarding our revenues and assets by geography for Fiscal 2012, Fiscal 2011 and Fiscal 2010, see note 18 "Segment Information" in the Notes to Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

OpenText Portfolios Related to Licensing Revenue

The licensing of our products consists of the following components:

Enterprise Content Management

ECM provides a rich set of capabilities that assist customers with content management strategies for improving lifecycle management, optimizing transactional content processes and improving engagement through more effective use of business content.

Our ECM capabilities include the following:

Content Management provides a repository for business content (such as those created via Microsoft Office, CAD, PDF, etc.) and allows for the organizing, displaying, classifying, access control, version control, event auditing, rendition, and search of documents and their content.

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

Records Management enables control of the complete lifecycle of content management by associating retention and disposition rules to control if and when content can or must be deleted or archived on storage media.

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

Archiving helps reduce storage expenses through optimization of storage use. It manages content storage policies according to business context, optimizes storage use, and provides high-end storage services to reduce future storage demands.

Business Process Management

BPM provides the software capabilities for analyzing, automating, monitoring and optimizing structured business processes that typically fall outside the scope of existing enterprise systems.

Our BPM capabilities include the following:

- Business Process Management provides the software capabilities for analyzing, automating, monitoring and optimizing routine business processes. Customers turn to our BPM offering as an alternative to custom software development tools. BPM often involves interaction with other enterprise applications, such as those from SAP and Oracle.

- Adaptive Case Management (ACM) involves creating an efficient, flexible management environment for unstructured processes, where information workers can initiate, manage, and resolve cases, such as insurance claims, while the system manages the retention and archiving of records associated with these processes.

High Volume Imaging provides the software capabilities for digesting, classifying and managing high volumes of business documents in both paper and electronic format. These solutions are typically used in conjunction with highly structured process automation and content retrieval mechanisms.

Enterprise Architecture, Business Planning and Modeling software creates an environment to blueprint business strategy and organizational architecture to understand better the impact of strategic decisions on key performance indicators. Our tools also help to align business processes more closely with the organization's strategic objectives and can feed process definitions into our BPM and ACM systems.

Customer Experience Management

CEM delivers business outcomes by optimizing and automating the way an organization interacts with its stakeholders in an online world.

Our CEM capabilities include the following:

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

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

- Social Media applications help companies “socialize” their Web presence by adding blogs, wikis, ratings and reviews, and build communities for public Web sites and employee intranets.

- Customer Communications Management software helps organizations process and deliver highly personalized documents in paper or electronic format.

- Portal enables customers to aggregate, integrate and personalize corporate information and applications.

- Mobility Solutions provide enterprises with packaged applications for enterprise content management systems as well as a mobile application platform for customers, partners and enterprises to create their own mobile applications.

Information Exchange

Information Exchange is a set of offerings that facilitate efficient, secure, and compliant exchange of information inside and outside the enterprise.

Our Information Exchange capabilities include the following:

- Capture systems convert documents from analog sources, such as paper or facsimile (fax), to electronic documents and apply value-added functions, such as optical / intelligent character recognition (OCR/ICR) and barcode scanning, and then release these documents into OpenText or third party repositories where they can be stored, managed, and searched.

- Fax Management systems automate business fax and electronic document distribution to improve the business impact of company information, increase employee productivity and decrease paper-based operational costs.

Managed File Transfer tools move large files inside and outside the enterprise to address the information governance and information security challenges of exchanging digital content and sensitive intellectual property with employees, partners and customers.

Cloud-based File Sharing helps to share and synchronize files across an organization, across teams and with business partners, while leveraging the latest smartphones and tablets to provide information on the go without sacrificing information governance or security.

- Data Integration tools consolidate and transform data and content throughout the entire information ecosystem to increase the business impact of information and unify information channels across application boundaries.

Discovery

Discovery solutions organize and visualize enterprise information enabling users to find information quickly and efficiently.

Our Discovery capabilities include the following:

- Content Analytics helps information-rich organizations to extract meaning, nuance and content from vast amounts of unstructured content.

- Auto Classification improves the quality of information governance through intelligent metadata extraction and accurate classification of information.

Search addresses information security and productivity requirements by securely indexing all information for fast retrieval and real-time monitoring.

Semantic Navigation improves the end-user experience of websites by enabling intuitive visual exploration of site content through contextual navigation.

eDiscovery enables the in-sourcing of legal discovery processes through the ability to classify, analyze and extract relevant information in an automated fashion.

OpenText Worldwide Customer Support

The first year of our customer support offering is usually purchased by customers together with the purchase of our EIM product offerings, and then renewed on an annual basis. Through our OpenText customer support, customers receive access to software upgrades, a support knowledge base, discussions, product information and an on-line mechanism to post and review “trouble tickets”. In addition, our customer support teams handle questions on the use, configuration, and functionality of OpenText products and can help identify software issues, develop solutions, and document enhancement requests for consideration in future product releases.

OpenText Worldwide Professional Services

We provide consulting, learning and hosting services to customers and generally these services relate to the implementation, training and integration of our product offerings into the customer's systems.

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

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

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

Marketing and Sales

Customers

Our customer base consists of a number of Global 2000 organizations, mid-market companies and government agencies. Historically, including Fiscal 2012, no single customer has accounted for 10% or more of our revenues.

Global Distribution Channels

We operate on a global basis and in Fiscal 2012 we generated approximately 47% of our revenues from outside our “Americas” region, which primarily consists of countries in North America and Latin America. We make direct sales of products and services through our global network of subsidiaries. Generally, each of our subsidiaries license our software and then make sales and provide services to customers in its local country as well as in foreign countries where we do not have a local subsidiary.

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

Global Strategic Alliances

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

OpenText and SAP

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

OpenText and Microsoft Corporation

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

OpenText and Oracle Corporation

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

Global Systems Integrators

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

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

Deloitte Consulting LLP is also one of our Systems Integrator partners. Together we help organizations build value through improved ECM performance. Deloitte's Consulting expertise provides value across human capital, strategy and operations and technology within multiple industries around the world.

Other OpenText Systems Integrator partners include Cap Gemini Inc., Logica Holding Inc., and ATOS Origin.

International Markets

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

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

Competition

The market for our products is highly competitive, subject to rapid technological change and shifting customer needs and economic pressures. We compete with multiple companies, some that have single or narrow solutions and some that have a range of information management solutions, like ourselves. Many of our competitors are larger than us, such as International Business Machines Corporation (IBM), EMC Corporation (EMC) and Hewlett-Packard Company (HP). We also compete against Oracle and Microsoft, who are also our partners. In addition there are numerous smaller software vendors in the information management space, who also compete with us in certain components of the EIM market. We also face competition from systems integrators who configure hardware and software into customized systems. Additionally, new competitors or

alliances among existing competitors may emerge and rapidly acquire significant market share. We also expect that competition will increase as a result of ongoing software industry consolidation.

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

Research and Development

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 \$169.0 million for Fiscal 2012, \$146.0 million for Fiscal 2011 and \$129.4 million for Fiscal 2010. We believe our spending on research and development is an appropriate balance between managing our organic growth and results of operation. As a percentage of total revenue, our research and development expenses have remained relatively stable. We expect to continue to invest in research and development, notably, in areas such as cloud computing, mobility and social media.

Acquisitions during the last five fiscal years

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, we regularly evaluate various acquisition opportunities within the marketplace and elsewhere in the high technology industry.

In Fiscal 2012, we made the following acquisitions:

On October 31, 2011, we acquired System Solutions Australia Pty Limited (MessageManager), a software company based in Sydney, Australia for \$3.3 million. MessageManager specializes in Fax over Internet Protocol (FoIP).

On September 1, 2011, we acquired Operitel Corporation (Operitel), a software company based out of Peterborough, Ontario, Canada, for \$7.0 million. Operitel specializes in building enterprise "Learning Portal" solutions.

On July 13, 2011, we acquired Global 360 Holding Corp. (Global 360), a software company based in Dallas, Texas, for \$256.6 million. Global 360 offers case management and document-centric business process management (BPM) solutions. The acquisition continues our expansion into the BPM market and adds to our technology, talent, services, partner and geographical strengths.

Prior to Fiscal 2012, we completed the following acquisitions:

On March 15, 2011, we acquired weComm Limited (weComm), based in London, United Kingdom, for \$20.5 million. weComm's software platform offers deployment of media rich applications for mobile devices, including smart phones and tablets.

On February 18, 2011, we acquired Metastorm Inc. (Metastorm) for \$182.0 million. Based in Baltimore, Maryland, Metastorm provides Business Process Management (BPM), Business Process Analysis (BPA), and Enterprise Architecture (EA) software that helps enterprises align their strategies with execution.

On October 27, 2010, we acquired StreamServe Inc. (StreamServe), a software company based in Burlington, Massachusetts, for \$70.5 million. StreamServe offers enterprise business communication solutions that help organizations process and deliver highly personalized documents in paper or electronic format.

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

On April 16, 2010, we acquired for \$4.0 million the key assets of New Generation Consulting, Inc., a Chicago, Illinois based professional services company that delivers content enabled solutions to various U.S. based customers. This

acquisition enhances our professional services capabilities for content enabled solutions on Oracle business applications.

On April 1, 2010, we acquired Nstein Technologies Inc. (Nstein), a software company based in Montreal, Quebec, Canada, for \$33.9 million, inclusive of cash acquired, and consideration paid in OpenText shares. Nstein provides content management solutions which help enterprises centralize, understand and manage large amounts of content. Nstein's solutions include its patented "Text Mining Engine" which allows users to more easily search through different content and data.

On July 21, 2009, we acquired, by way of merger, all of the issued and outstanding shares of Vignette Corporation (Vignette), an Austin, Texas based company that provides and develops software used for managing and delivering business content for \$321.4 million, inclusive of cash acquired, equity consideration provided and the fair value of shares already owned prior to acquisition date. Pursuant to the terms of the merger agreement, each share of common stock of Vignette (not already owned by OpenText) issued and outstanding immediately prior to the effective date of the merger (July 21, 2009) was converted into the right to receive \$8.00 in cash and 0.1447 of one OpenText common share (equivalent to a value of \$5.33 as of July 21, 2009).

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

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

In July 2008, we completed the acquisition of eMotion LLC from Corbis Corporation, for \$4.4 million. 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. We purchased the assets for \$11.7 million.

On July 2, 2012, we acquired Easylink Services International Corporation (EasyLink), a public company and a global provider of cloud-based electronic messaging and business integration services for approximately \$315 million, inclusive of debt and net of cash acquired. See note 24 "Subsequent Events" to our consolidated financial statements for more details.

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

Intellectual Property Rights

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

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

Employees

As of June 30, 2012, we employed a total of 4,574 individuals. The composition of our employee base is as follows: (i) 956 employees in sales and marketing, (ii) 1,253 employees in product development, (iii) 986 employees in professional services, (iv) 767 employees in customer support, and (v) 612 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 where we operate, a “Workers' Council” represents our employees.

Pursuant to the acquisition of EasyLink on July 2, 2012, we acquired 539 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 our current expectations, estimates, forecasts and projections. These forward-looking statements contained in this Annual Report on Form 10-K or made elsewhere by management from time to time are subject to important risks, uncertainties and assumptions which are difficult to predict. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our operating results, financial condition and liquidity. Our business is also subject to general risks and uncertainties that affect many other companies. These risks discussed below are not presented in order of importance or probability of occurrence.

Weakened economic conditions and uncertainty could adversely affect our operating results

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

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 our credit facilities. Credit contraction in financial markets may hurt our ability to access credit in the event that we identify an acquisition opportunity or require significant access to credit for other reasons. Similarly, volatility in our stock price due to seemingly unrelated financial developments could hurt our ability to raise capital for the financing of acquisitions or other reasons. Potential price inflation caused by an excess of liquidity in countries where we conduct business may increase the cost we incur to provide our solutions and may reduce profit margins on agreements that govern our provision of products or services to customers over a multi-year period. A reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base such as the public sector. As a result, these customers may need to reduce their purchases of our products or services, or we may experience greater difficulty in receiving payment for the products or services that these customers purchase from

us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

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

The decision by a customer to purchase our products often involves a comprehensive implementation process across the customer's network or networks. As a result, licenses of these products may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant expenditures and

lengthy sales cycle and implementation procedures. Given the significant investment and commitment of resources required by an organization to implement our software, our sales cycle may be longer compared to other companies within our own industry, as well as companies in other industries. Also because of the seasonal fluctuation in customer spending habits, it may be difficult for us to budget, forecast and allocate our resources properly. Over the past several fiscal years, we have experienced a lengthening of our sales cycle as customers include more personnel in their decisions and focus on more enterprise-wide licensing arrangements. In the current economic environment it is not uncommon to see reduced information technology spending. It may take several months, or even several quarters, for marketing opportunities to materialize. If a customer's decision to license our software is delayed or if the installation of our products takes longer than originally anticipated, the date on which we may recognize revenues from these licenses would be delayed. Such delays and fluctuations could cause our revenues to be lower than expected in a particular period and we may not be able to adjust our costs quickly enough to offset such lower revenue, potentially negatively impacting our results of operations.

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

We rely on close cooperation with partners for sales and product development as well as for the optimization of opportunities that arise in our competitive environment. A portion of our license revenues is derived from the licensing of our products through third parties, and also a portion of our service revenue can be impacted by the level of service provided by third party service providers relating to internet, telecommunications and power services. 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 and third party service providers is largely outside of our control, and we are unable to predict the extent to which these distributors and service providers will be successful in either marketing and licensing our products or providing adequate internet, telecommunication and power service so that disruptions and outages are not experienced by our customers. A reduction in partner cooperation or sales efforts, a decline in the number of distributors, a decision by our distributors to discontinue the sale of our products or a decline or disruption in third party services could cause users and the general public to perceive our software and services as inferior and could materially reduce revenues.

If we do not continue to develop new technologically advanced products tha