UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2005

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 of incorporation or organization)	**(IRS Employer Identification No.)**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).
Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

At January 30, 2006 there were 48,734,796 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

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OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share data)

	December 31, 2005 (unaudited)	June 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,001	$ 79,898
Accounts receivable—net of allowance for doubtful accounts of $3,355 as of December 31, 2005 and $3,125 as of June 30, 2005	78,268	81,936
Income taxes recoverable	10,957	11,350
Prepaid expenses and other current assets	9,595	8,438
Deferred tax assets (note 6)	16,930	10,275
Total current assets	202,751	191,897
Capital assets (note 5)	39,223	36,070
Goodwill (note 11)	238,656	243,091
Deferred tax assets (note 6)	32,417	36,499
Acquired intangible assets (note 12)	112,264	127,981
Other assets	2,976	5,398
	$628,287	$640,936
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 78,967	$ 80,468
Current portion of long-term debt (note 4)	346	—
Deferred revenues	64,492	75,227
Deferred tax liabilities (note 6)	9,897	10,128
Total current liabilities	153,702	165,823
Long-term liabilities:		
Accrued liabilities (note 3)	23,019	25,579
Long-term debt (note 4)	12,582	—
Deferred revenues	4	103
Deferred tax liabilities (note 6)	25,406	29,245
Total long-term liabilities	61,011	54,927
Minority interest	4,495	4,431
Shareholders' equity: (note 8)		
Share capital 48,678,407 and 48,136,932 Common Shares issued and outstanding as of December 31, 2005, and June 30, 2005, respectively	412,104	406,580
Commitment to issue shares	—	813
Additional paid-in capital	25,737	22,341
Accumulated comprehensive income	13,488	18,124
Accumulated deficit	(42,250)	(32,103)
Total shareholders' equity	409,079	415,755
	$628,287	$640,936

Commitments and contingencies (note 14)

Subsequent event (note 17)

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of U.S. dollars, except per share data)

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Revenues:				
License	$ 37,131	$ 42,622	$ 62,074	$ 66,526
Customer support	46,476	44,542	93,122	85,334
Service	27,164	27,528	48,205	48,428
Total revenues	110,771	114,692	203,401	200,288
Cost of revenues:				
License (1)	1,811	3,051	4,199	5,205
Customer support	7,734	8,062	15,386	15,556
Service	21,393	22,585	39,997	39,239
Total cost of revenues	30,938	33,698	59,582	60,000
	79,833	80,994	143,819	140,288
Operating expenses:				
Research and development	14,836	15,842	31,386	30,525
Sales and marketing	28,059	30,787	54,172	56,284
General and administrative	11,766	9,564	22,203	21,422
Depreciation	2,831	2,589	5,340	4,988
Amortization of acquired intangible assets	6,957	6,146	13,810	11,575
Special charges (recoveries) (note 15)	8,793	(1,449)	26,904	(1,449)
Total operating expenses	73,242	63,479	153,815	123,345
Income (loss) from operations	6,591	17,515	(9,996)	16,943
Other expense	(1,240)	(1,691)	(1,764)	(2,624)
Interest income	246	303	316	605
Income (loss) before income taxes	5,597	16,127	(11,444)	14,924
Provision for (recovery of) income taxes	2,740	4,355	(1,630)	4,030
Income (loss) before minority interest	2,857	11,772	(9,814)	10,894
Minority interest	136	802	333	910
Net income (loss) for the period	$ 2,721	$ 10,970	$ (10,147)	$ 9,984
Basic net income (loss) per share (note 10)	$ 0.06	$ 0.22	$ (0.21)	$ 0.20
Diluted income (loss) per share (note 10)	$ 0.05	$ 0.21	$ (0.21)	$ 0.19
Weighted average number of Common Shares outstanding (note 10)				
Basic	48,569	50,310	48,506	50,708
Diluted	49,871	52,361	48,506	53,120
(1) Amount excludes amortization of application software technology which is included within Amortization of acquired intangible assets	$ 3,653	$ 2,718	$ 7,184	$ 6,215

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF DEFICIT
(in thousands of U.S. Dollars)

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Deficit, beginning of period	$(44,971)	$(25,537)	$(32,103)	$(18,529)
Repurchase of common shares (note 8)	—	(9,455)	—	(15,477)
Net income (loss)	2,721	10,970	(10,147)	9,984
Deficit, end of period	$(42,250)	$(24,022)	$(42,250)	$(24,022)

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. Dollars)

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Cash flows from operating activities:				
Net income (loss) for the period	$ 2,721	$ 10,970	$(10,147)	$ 9,984
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	9,788	8,735	19,150	16,563
Share-based compensation	1,330	—	2,743	—
Excess tax benefits on share-based compensation expense	(644)	—	(644)	—
Undistributed earnings related to minority interest	136	802	333	910
Deferred taxes	(687)	290	(6,045)	3,226
Impairment of capital assets	1,654	—	3,667	—
Changes in operating assets and liabilities:				
Accounts receivable	(3,319)	(15,274)	5,466	3,461
Prepaid expenses and other current assets	1,103	956	(928)	(905)
Income taxes	(447)	(1,309)	(1,069)	(6,691)
Accounts payable and accrued liabilities	6,556	7,722	11,347	(2,491)
Deferred revenue	(2,708)	(1,182)	(9,204)	(7,231)
Other assets	865	—	2,003	—
Net cash provided by operating activities	16,348	11,710	16,672	16,826
Cash flows used in investing activities:				
Acquisition of capital assets	(8,160)	(4,277)	(14,097)	(7,671)
Purchase of Vista, net of cash acquired	—	—	—	(23,690)
Purchase of Artesia, net of cash acquired	—	—	—	(5,057)
Purchase of Gauss, net of cash acquired	(6)	(57)	(91)	(979)
Purchase of IXOS, net of cash acquired	(1,121)	(3,453)	(4,228)	(4,275)
Additional purchase consideration for prior period acquisitions	(50)	(191)	(3,278)	(1,194)
Acquisition related costs	(845)	(3,411)	(1,844)	(7,174)
Net cash used in investing activities	(10,182)	(11,389)	(23,538)	(50,040)
Cash flows from financing activities:				
Proceeds from issuance of Common Shares	1,642	2,701	1,885	3,069
Proceeds from exercise of Warrants	—	—	—	725
Repurchase of Common Shares (note 8)	—	(17,808)	—	(28,842)
Repayment of short-term bank loan	—	—	—	(2,189)
Payment obligations under capital leases	—	—	—	(48)
Excess tax benefits on share-based compensation expense	644	—	644	—
Proceeds from long-term debt	12,928	—	12,928	—
Net cash provided by (used in) financing activities	15,214	(15,107)	15,457	(27,285)
Foreign exchange gain (loss) on cash held in foreign currencies	(1,146)	5,507	(1,488)	5,686
Increase (decrease) in cash and cash equivalents, during the period	20,234	(9,279)	7,103	(54,813)
Cash and cash equivalents, beginning of period	66,767	111,453	79,898	156,987
Cash and cash equivalents, end of period	$ 87,001	$102,174	$ 87,001	$102,174

Supplementary cash flow disclosure (note 13)

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended December 31, 2005

(Tabular dollar amounts in thousands of U.S. Dollars, except per share data)

NOTE 1—BASIS OF PRESENTATION

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

These Interim Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). These financial statements are based upon accounting policies and methods of their application are consistent with those used and described in the Company's annual consolidated financial statements, except as described in Note 2 "New Accounting Policies" below. The Interim Financial Statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with U.S. GAAP and therefore should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

The information furnished reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. The operating results for the three and six months ended December 31, 2005 are not necessarily indicative of the results expected for any succeeding quarter or the entire fiscal year ending June 30, 2006. Certain prior period comparative figures have been adjusted to conform to current period presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the financial statements. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to revenue recognition, allowance for doubtful accounts, goodwill and acquired intangible assets, long-lived assets, the recognition of contingencies, facility and restructuring accruals, acquisition accruals, share-based compensation, income taxes, realization of investment tax credits, and the valuation allowance relating to the Company's deferred tax assets.

Comprehensive net income (loss)

Comprehensive net income (loss) is comprised of net loss and other comprehensive net income (loss), including the effect of foreign currency translation resulting from the consolidation of subsidiaries where the functional currency is a currency other than the U.S. Dollar. The Company's total comprehensive net income (loss) was as follows:

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Other comprehensive net income (loss):				
Foreign currency translation adjustment	$(6,799)	$34,494	$ (4,636)	$35,841
Net income (loss) for the period	2,721	10,970	(10,147)	9,984
Comprehensive net income (loss) for the period	$(4,078)	$45,464	$(14,783)	$45,825

NOTE 2—NEW ACCOUNTING POLICIES

The following new accounting policies were adopted in the six months ended December 31, 2005:

Share-based payment

On July 1, 2005, the Company adopted the fair value-based method for measurement and cost recognition of employee share-based compensation arrangements under the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. ("SFAS") 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"), using the modified prospective application transitional approach. Previously, the Company had elected to account for employee share-based compensation using the intrinsic value method based upon Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. The intrinsic value method generally did not result in any compensation cost being recorded for employee stock options since the exercise price was equal to the market price of the underlying shares on the date of grant.

Under the modified prospective application transitional approach, share-based compensation is recognized for awards granted, modified, repurchased or cancelled subsequent to the adoption of SFAS 123R. In addition, share-based compensation is recognized, subsequent to the adoption of SFAS 123R, for the remaining portion of the vesting period (if any) for outstanding awards granted prior to the date of adoption. Prior periods have not been adjusted and the Company continues to provide pro forma disclosure as if it had accounted for employee share-based payments in all periods presented under the fair value provisions of SFAS No. 123, "Accounting for Stock-based Compensation", which is presented below.

The Company measures share-based compensation costs on the grant date, based on the calculated fair value of the award. The Company has elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in the Company's circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known.

Had the Company adopted the fair value-based method for accounting for share-based compensation in all prior periods presented, the pro-forma impact on net income and net income per share would be as follows:

	Three months ended December 31, 2004	Six months ended December 31, 2004
Net income for the period:		
As reported	$10,970	$9,984
Share-based compensation not recognized in net income	657	2,403
Pro forma	$10,313	$7,581
Net income per share – basic		
As reported	$ 0.22	$ 0.20
Pro forma	$ 0.20	$ 0.15
Net income per share – diluted		
As reported	$ 0.21	$ 0.19
Pro forma	$ 0.20	$ 0.14

Refer to Note 9 "Share-Based Payments" in these condensed consolidated financial statements for details of stock options and share-based compensation cost recorded during the three and six months ended December 31, 2005.

Amortization period for leasehold improvements

In June 2005, the Emerging Issues Task Force ("EITF") issued Abstract No. 05-06, "Determining the Amortization Period for Leasehold Improvements" ("EITF 05-6"). The pronouncement requires that leasehold improvements acquired in a business combination, or purchased subsequent to the inception of the lease and not contemplated at or near the beginning of the lease term, be amortized over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of the acquisition of the leasehold improvement. This pronouncement is being applied by the Company prospectively for leasehold improvements purchased or acquired on or after July 1, 2005. The adoption of EITF 05-6 did not have a material impact on the Company's consolidated results of operations or financial condition.

Accounting changes and error corrections

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS 154 provides guidance on the accounting for, and reporting of, changes in accounting principles and error corrections. SFAS 154 requires retrospective application to prior period's financial statements of voluntary changes in accounting principles and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. Certain disclosures are also required for restatements due to correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and will be adopted for the year ended June 30, 2007. The impact that the adoption of SFAS 154 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes and the nature of transitional guidance provided in future accounting pronouncements.

NOTE 3—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of December 31, 2005	As of June 30, 2005
Accounts payable—trade	$13,588	$18,509
Accrued salaries and commissions	15,086	18,976
Accrued liabilities	26,810	33,736
Amounts payable in respect of restructuring (note 15)	14,118	920
Amounts payable in respect of acquisitions and acquisition related accruals	9,365	8,327
	$78,967	$80,468

Long-term accrued liabilities

	As of December 31, 2005	As of June 30, 2005
Pension liabilities	$ 611	$ 625
Amounts payable in respect of restructuring (note 15)	2,911	1,125
Amounts payable in respect of acquisitions and acquisition related accruals	15,053	18,694
Other accrued liabilities	260	239
Asset retirement obligations	4,184	4,896
	$23,019	$25,579

Pension liabilities

IXOS Software AG ("IXOS"), in which the Company acquired a controlling interest in March 2004, has pension commitments to employees as well as to current and previous members of its executive board. The actuarial cost method used in determining the net periodic pension cost, with respect to the IXOS employees, is the projected unit credit method. The liabilities and annual income or expense of the Company's pension plan are determined using methodologies that involve various actuarial assumptions, the most significant of which are the discount rate and the long-term rate of return on assets. The Company's policy is to deposit amounts with an insurance company to cover the actuarial present value of the expected retirement benefits. The total held in short-term investments as of December 31, 2005 was $2.2 million (June 30, 2005 – $2.3 million), while the fair value of the pension obligation as of December 31, 2005 was $2.8 million (June 30, 2005 – $2.9 million).

Excess facility obligations and accruals relating to acquisitions

The Company has accrued for the cost of excess facilities both in connection with its fiscal 2004 and fiscal 2006 restructuring, as well as with a number of its acquisitions. These accruals represent the Company's best estimate in respect of future sub-lease income and costs incurred to achieve sub-tenancy. These liabilities have been recorded using present value discounting techniques and will be discharged over the term of the respective leases. The difference between the present value and actual cash paid for the excess facility will be charged to other income over the terms of the leases ranging between several months to 17 years.

Transaction-related costs include amounts provided for certain pre-acquisition contingencies.

The following table summarizes the activity with respect to the Company's acquisition accruals during the six months ended December 31, 2005.

	Balance June 30, 2005	Initial Accruals	Usage/ Foreign Exchange/ Other Adjustments	Subsequent Adjustments to Goodwill	Balance December 31, 2005
IXOS					
Employee termination costs	$ 338	$ —	$ (194)	$ (64)	$ 80
Excess facilities	17,274	—	533	(151)	17,656
Transaction-related costs	2,167	—	(837)	(30)	1,300
	19,779	—	(498)	(245)	19,036
Gauss					
Excess facilities	260	—	(189)	(71)	—
Transaction-related costs	298	—	(394)	497	401
	558	—	(583)	426	401
Eloquent					
Transaction-related costs	487	—	10	(250)	247
	487	—	10	(250)	247
Centrinity					
Excess facilities	3,928	—	207	(873)	3,262
Transaction-related costs	651	—	61	(196)	516
	4,579	—	268	(1,069)	3,778
Open Image					
Transaction-related costs	135	—	3	(138)	—
	135	—	3	(138)	—
Artesia					
Employee termination costs	50	—	(48)	(2)	—
Excess facilities	821	—	(149)	101	773
Transaction-related costs	79	—	(3)	(21)	55
	950	—	(200)	78	828
Vista					
Transaction-related costs	121	—	(7)	(102)	12
	121	—	(7)	(102)	12
Optura					
Excess facilities	172	—	(78)	(20)	74
Transaction-related costs	240	—	(47)	(151)	42
	412	—	(125)	(171)	116
Totals					
Employee termination costs	388	—	(242)	(66)	80
Excess facilities	22,455	—	324	(1,014)	21,765
Transaction-related costs	4,178	—	(1,214)	(391)	2,573
	$27,021	$ —	$(1,132)	$(1,471)	$24,418

The adjustments to goodwill relate primarily to revisions of the estimates of accrued costs and contingencies that existed at the acquisition date for employee termination, excess facility and direct costs.

Asset retirement obligations

The Company is required to return certain of its leased facilities to their original state at the conclusion of the lease. At December 31, 2005, the present value of this obligation was $4.2 million with an undiscounted value of $5.8 million. These leases were primarily assumed in connection with the IXOS acquisition.

NOTE 4—LONG-TERM DEBT AND CREDIT FACILITIES

Long-term debt

Long-term debt consists of a 5 year mortgage agreement entered into during December 2005 with a Canadian chartered bank. The principal amount of the mortgage is Canadian Dollars ("CDN") $15.0 million. The mortgage has a fixed term of five years, maturing on January 1, 2011, and is secured by a lien on the Company's building in Waterloo, Ontario. Interest is to be paid monthly at a fixed rate of 5.25% per annum. Principal and interest are payable in monthly installments of CDN $101,000 with a final lump sum principal payment of CDN $12.6 million due on maturity. The mortgage may not be prepaid in whole or in part at anytime prior to the maturity date.

As of December 31, 2005, the carrying value of the building was $15.9 million and that of the mortgage was $12.9 million.

Credit facilities

The Company had, as of December 31, 2005, a CDN $10.0 million line of credit with a Canadian chartered bank under which no borrowings were outstanding at December 31, 2005 and June 30, 2005. On February 2, 2006, this facility was replaced with a new demand operating facility of CDN $40.0 million. Borrowings under the line of credit bear interest at varying rates depending upon the nature of the borrowings. The Company has pledged certain of its assets as collateral for this credit facility. There are no stand-by fees for this facility. See note 17 "Subsequent Event".

NOTE 5—CAPITAL ASSETS

	As of December 31, 2005		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$ 8,287	$ 5,903	$ 2,384
Office equipment	4,094	2,962	1,132
Computer hardware	51,100	39,532	11,568
Computer software	14,085	10,266	3,819
Leasehold improvements	11,021	6,630	4,391
Building	16,029	100	15,929
	$104,616	$65,393	$39,223

	As of June 30, 2005		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$ 9,635	$ 6,998	$ 2,637
Office equipment	5,158	3,731	1,427
Computer hardware	52,054	40,277	11,777
Computer software	12,842	9,514	3,328
Leasehold improvements	12,695	5,473	7,222
Building	9,679	—	9,679
	$102,063	$65,993	$36,070

The cost of the building relates to the Company's construction of a building in Waterloo, Ontario. Additions to the building amounted to $651,000 and $6.4 million during the three and six months ended December 31, 2005, respectively. Approximately $299,000 is included in accrued liabilities and accounts payable as of December 31, 2005. Construction of this building was completed and depreciation commenced in October 2005.

NOTE 6—INCOME TAXES

The Company operates in various tax jurisdictions, and accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. As of December 31, 2005 and June 30, 2005, the Company had total net deferred tax assets of $49.3 million and $46.8 million respectively, and total deferred tax liabilities of $35.3 million and $39.4 million, respectively.

Deferred tax assets arise primarily from available income tax losses and future income tax deductions. The Company provides a valuation allowance if sufficient uncertainty exists regarding the realization of certain deferred tax assets. Based on the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax assets and tax planning strategies, a valuation allowance of $140.6 million and $127.6 million was required as of December 31, 2005 and June 30, 2005, respectively. The majority of the valuation allowance relates to uncertainties regarding the utilization of foreign pre-acquisition losses of Gauss Interprise AG ("Gauss") and IXOS. The Company continues to evaluate its taxable position quarterly and

considers factors by taxing jurisdiction such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others. The principal component of the total deferred tax liabilities arises from acquired intangible assets purchased in the Gauss and IXOS transactions.

NOTE 7—SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method of determining what information to report is based on the way that management organizes the operating segments within the Company for making operational decisions and assessments of financial performance.

The Company's operations fall into one dominant industry segment, enterprise content management software. The Company manages its operations, and accordingly determines its operating segments, on a geographic basis. The Company has two reportable segments: North America and Europe. The Company evaluates operating segment performance based on revenues and direct operating expenses of each segment, based on the location of the respective customers. The accounting policies of the operating segments are the same as those of the Company as a whole. No segments have been aggregated.

Included in the following operating results are allocations of certain operating costs that are incurred in one reporting segment but which relate to all reporting segments. The allocations of these common operating costs are consistent with the manner in which the chief operating decision maker of the Company allocates them for analysis. For the three and six months ended December 31, 2005, and 2004, the "Other" category consists of geographic regions other than North America and Europe.

Adjusted income from operating segments, which is the measure used by the chief operating decision maker to evaluate operating performance, does not include amortization of acquired intangible assets, special charges, share-based compensation, other expense and provision for (recovery of) income taxes. Goodwill and other acquired intangible assets have been assigned to segment assets based on the relative benefit that the reporting units are expected to receive from the assets, or the location of the acquired business operations to which they relate. These allocations have been made on a consistent basis.

Information about reported segments is as follows:

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Revenue				
North America	$ 53,785	$ 47,915	$100,016	$ 82,711
Europe	51,171	60,583	92,601	105,050
Other	5,815	6,194	10,784	12,527
Total revenue	$110,771	$114,692	$203,401	$200,288
Adjusted income				
North America	$ 11,890	$ 7,600	$ 17,591	$ 9,014
Europe	10,226	13,896	14,091	16,725
Other	1,665	217	1,762	1,025
Total adjusted income	23,781	21,713	33,444	26,764
Less:				
Amortization of acquired intangible assets	6,957	6,146	13,810	11,575
Special charges (recoveries)	8,793	(1,449)	26,904	(1,449)
Share-based compensation	1,330	—	2,743	—
Other expense	1,240	1,691	1,764	2,624
Provision for (recovery of) income taxes	2,740	4,355	(1,630)	4,030
Net income (loss)	$ 2,721	$ 10,970	$ (10,147)	$ 9,984

	As of December 31, 2005	As of June 30, 2005
Segment assets		
North America	$240,494	$238,979
Europe	322,674	343,421
Other	52,694	53,940
Total segment assets	$615,862	$636,340

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements as of December 31, 2005 and June 30, 2005 is as follows:

	As of December 31, 2005	As of June 30, 2005
Segment assets	$615,862	$636,340
Cash and cash equivalents (corporate)	12,425	4,596
Total assets	$628,287	$640,936

The following table sets forth the distribution of revenues, determined by location of customer and identifiable assets, by geographic area where the revenue for such location is greater than 10% of total revenue, for the three and six months ended December 31, 2005 and 2004:

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Total revenues				
Canada	$ 8,411	$ 6,206	$ 15,652	$ 10,004
United States	45,374	41,709	84,364	72,707
United Kingdom	9,110	11,213	17,892	20,979
Germany	20,174	24,387	35,280	40,775
Rest of Europe	21,887	24,983	39,429	43,296
Other	5,815	6,194	10,784	12,527
Total revenues	$110,771	$114,692	$203,401	$200,288

	As of December 31, 2005	As of June 30, 2005
Segment assets:		
Canada	$106,147	$ 78,267
United States	134,347	160,712
United Kingdom	51,731	61,995
Germany	163,507	173,312
Rest of Europe	107,436	108,114
Other	52,694	53,940
Total segment assets	$615,862	$636,340

The Company's goodwill has been allocated to the Company's operating segments as follows:

	As of December 31, 2005	As of June 30, 2005
North America	$ 78,732	$ 80,220
Europe	126,464	128,838
Other	33,460	34,033
	$238,656	$243,091

NOTE 8—SHAREHOLDERS' EQUITY

During the three months ended December 31, 2005, the Company issued Common Shares to employees that exercised their options under the Company's stock option plans. See Note 9 "Share-Based Payments."

During the three and six months ended December 31, 2005, the Company did not repurchase any of its Common Shares.

During the three months ended December 31, 2004, the Company purchased, by way of its stock repurchase program, 999,100 of its Common Shares on the Toronto Stock Exchange ("TSX") and the NASDAQ National Market ("NASDAQ") at an aggregate cost of $17.8 million. $8.3 million of the aggregate repurchase cost was

charged to Share capital based on the average carrying value of the Common Shares, with the remaining $9.5 million charged to Accumulated deficit. During the six months ended December 31, 2004, the Company purchased approximately 1.6 million of its Common Shares on the TSX and the NASDAQ at an aggregate cost of $28.8 million. $13.3 million of the aggregate repurchase cost was charged to Share capital based on the average carrying value of the Common Shares, with the remaining $15.5 million charged to Accumulated deficit.

NOTE 9—SHARE-BASED PAYMENTS

Summary of Outstanding Stock Options

As of December 31, 2005, options to purchase an aggregate of 5,370,287 Common Shares are outstanding under all of the Company's stock option plans. In addition, 934,720 Common Shares are available for issuance under the 1998 Stock Option Plan and the 2004 Stock Option Plan, which are the only plans under which the Company may issue further options. The Company's stock options generally vest over four to five years and expire ten years from the date of the grant. The exercise price of options granted is equivalent to the fair market value of the stock at the date of grant.

A summary of option activity under the Company's stock option plans for the six months ending December 31, 2005 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($'000s)
Outstanding at July 1, 2005	5,530,274	$11.93		
Granted	233,000	14.94		
Exercised	(239,492)	6.55		
Forfeited or expired	(153,495)	19.60		
Outstanding at December 31, 2005	5,370,287	$12.08	4.97	$ 9,720
Exercisable at December 31, 2005	3,973,178	$10.52	4.32	$13,429

The Company estimates the fair value of stock options using the Black-Scholes option pricing model, consistent with the provisions of SFAS 123R and United States Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 107. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, while the options issued by the Company are subject to both vesting and restrictions on transfer. In addition, option-pricing models require input of subjective assumptions including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. The Company uses historical volatility as a basis for projecting the expected volatility of the underlying stock and estimates the expected life of its stock options based upon historical data.

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

For the three months ended December 31, 2005, the weighted-average fair value of options granted, as of the grant date, was $8.10, using the following weighted average assumptions: expected volatility of 55%; risk-free interest rate of 4.4%; expected dividend yield of 0%; and expected life of 5.5 years. No options were granted during the three months ended September 30, 2005.

For the three and six months ended December 31, 2004, the weighted-average fair value of options granted, as of the grant date, during the periods was $8.20 and $8.18, respectively, using the following weighted-average assumptions: expected volatility of 60%; risk-free interest rate of 3.5%; expected dividend yield of 0%; and expected life of 3.5 years.

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

The fair value of awards granted prior to July 1, 2005 is not adjusted to be consistent with the provision of SFAS 123R from the amounts disclosed previously, on a pro forma basis, in the audited notes to the consolidated financial statements in the Company's Form 10-Ks or in the notes to the unaudited condensed consolidated financial statements in the Company's Form 10-Qs. As of December 31, 2005, the total compensation cost related to unvested stock awards not yet recognized in the statement of operations was $10.7 million, which will be recognized over a weighted average period of approximately 2 years.

Share-based compensation cost included in the statement of operations for the three and six months ended December 31, 2005 was approximately $1.3 million and $2.7 million, respectively. Deferred tax assets of $155,000 and $324,000 were recorded, for the three and six months ended December 31, 2005, respectively, in relation to the tax effect of certain stock options that are eligible for a tax deduction when exercised. The Company has not capitalized any share-based compensation costs as part of the cost of an asset. The impact of adoption of SFAS 123R, for the three and six months ended December 31, 2005, was a decrease in net income of $1.2 million and an increase in net loss of $2.4 million, respectively, net of related tax effects, and a decreased net income per share of $0.02 and $ 0.05, respectively on both a basic and diluted share basis.

For the three and six months ended December 31, 2005, cash in the amount of $1.4 million and $1.6 million, respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by the Company, during the three and six months ended December 31, 2005, from the exercise of options eligible for a tax deduction was $597,000 and $643,000, respectively, which was recorded as additional paid-in capital.

Employee Share Purchase Plan ("ESPP")

Prior to July 1, 2005, the Company offered its employees the opportunity to buy its Common Shares, through and employee stock purchase plan ("ESPP") at a purchase price equal to the lesser of 85% of the weighted-average trading price of the Common Shares based on the Toronto Stock Exchange ("TSX") or NASDAQ National Market ("NASDAQ") in the period of five trading days immediately preceding the first business day of the purchase period and 85% of the weighted average trading price of the Common Shares in the period of five trading days immediately preceding the last business day of the purchase period. The ESPP, under its original terms, qualified as a non-compensatory plan under APB 25 and as such no compensation cost was recorded in relation to the discount offered to employees for purchases made under the ESPP.

The original terms of the ESPP would have resulted in it being treated as a compensatory plan under the fair value-based method. Effective July 1, 2005, the Company amended the terms of its ESPP to set the amount at which Common Shares may be purchased by employees to 95% of the average market price based on the Toronto

Stock Exchange ("TSX") or NASDAQ National Market ("NASDAQ") on the last day of the purchase period. The choice of the appropriate market for determining the average market price is based upon the market that had the greatest volume of trading of Common Shares in that period. As a result of the amendments, the ESPP is no longer considered a compensatory plan under the provisions of SFAS 123R, and as a result no compensation cost has been recorded in relation to the ESPP for the three and six months ended December 31, 2005.

During the three months ended December 31, 2005, no Common Shares were issued under the ESPP. During the six months ended December 31, 2005, 255,402 Common Shares were issued under the ESPP for cash collected from employees in prior periods totaling $3.1 million. In addition, cash in the amount of $83,000 and $316,000, respectively, was received from employees for the three and six months ended December 31, 2005, that will be used to purchase Common Shares in future periods.

NOTE 10—NET INCOME (LOSS) PER SHARE

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

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Basic net income (loss) per share				
Net income (loss)	$ 2,721	$10,970	$(10,147)	$ 9,984
Basic net income (loss) per share	$ 0.06	$ 0.22	$ (0.21)	$ 0.20
Diluted net income (loss) per share				
Net income (loss)	$ 2,721	$10,970	$(10,147)	$ 9,984
Diluted net income (loss) per share	$ 0.05	$ 0.21	$ (0.21)	$ 0.19
Weighted average number of shares outstanding				
Basic	48,569	50,310	48,506	50,708
Effect of dilutive securities**	1,302	2,051	—	2,412
Diluted	49,871	52,361	48,506	53,120
Excluded as anti-dilutive *	1,934	562	2,250	291

* Excluded from the calculation of diluted net income (loss) per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares, and therefore their inclusion would have been anti-dilutive.

** Due to the net loss for the six months ended December 31, 2005, diluted net loss per share has been calculated using the basic weighted average number of Common Shares outstanding, as the inclusion of any potentially dilutive securities would be anti-dilutive.

NOTE 11—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2004:

Balance, June 30, 2004	$223,752
Goodwill recorded during fiscal 2005:	
Vista	8,714
Artesia	2,136
Optura	2,352
Adjustments relating to prior acquisitions	(822)
Adjustments on account of foreign exchange	6,959
Balance, June 30, 2005	243,091
Adjustments relating to prior acquisitions	(380)
Adjustments on account of foreign exchange	(4,055)
Balance, December 31, 2005	$238,656

NOTE 12—ACQUIRED INTANGIBLE ASSETS

	Technology Assets	Customer Assets	Total
Net book value, June 30, 2004	$ 76,816	$39,772	$116,588
Assets acquired and activity during fiscal 2005:			
Vista	8,660	11,700	20,360
Artesia	3,300	1,600	4,900
Optura	1,300	700	2,000
Amortization expense	(16,175)	(8,234)	(24,409)
Other, including foreign exchange impact	2,207	6,335	8,542
Net book value, June 30, 2005	76,108	51,873	127,981
Activity during fiscal 2006:			
Amortization expense	(9,283)	(4,527)	(13,810)
Other, including foreign exchange impact	(3,838)	1,931	(1,907)
Net book value, December 31, 2005	$ 62,987	$49,277	$112,264

The range of amortization periods for intangible assets is from 5-10 years.

The following table shows the estimated amortization expense for each of the next five years, assuming no further adjustments to acquired intangible assets are made:

	Years ending June 30,
2006	$ 21,191
2007	26,223
2008	25,576
2009	20,278
2010	8,574
Total	$101,842

NOTE 13—SUPPLEMENTAL CASH FLOW DISCLOSURE

	Three months ended December 31,		Six months ended December 31,	
	2005	2004	2005	2004
Cash paid during the period for interest	$ 35	$ 71	$ 61	$ 81
Cash received during the period for interest	$281	$ —	$ 377	$ —
Cash paid during the period for taxes	$447	$2,418	$1,069	$4,748

NOTE 14—COMMITMENTS AND CONTINGENCIES

The Company has entered into the following contractual obligations with minimum annual payments as follows:

	Payments due by period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	$ 16,029	$ 434	$ 2,081	$ 2,081	$11,433
Operating lease obligations *	99,857	8,565	36,584	32,316	22,392
Purchase obligations	2,863	948	1,590	299	26
	$118,749	$9,947	$40,255	$34,696	$33,851

* Net of $7.5 million of non-cancelable sublease income to be received by the Company from properties which the Company has subleased to other parties.

The long-term debt obligations comprise of interest and principal payments on the mortgage. See Note 4 “Long-term Debt”.

In July 2004, the Company entered into a commitment to construct a building in Waterloo, Ontario with a view of consolidating its existing Waterloo facilities. The construction of the building was completed in October 2005 and the Company has since commenced the use of the building. As of December 31, 2005, a total of $16.0 million has been capitalized on this project. The Company does not expect to make any significant additional payments in connection with this facility. The Company has financed this investment through its working capital.

The land on which the building is located has been leased from the University of Waterloo ("U of W"), for a period of 49 years with the option to renew for another 49 years. The option to renew is exercisable with written notice to the U of W on or before the commencement of the 40th anniversary of the lease. The Company is not currently able to determine, with reasonable certainty, whether it will renew the lease of the land for the second period of 49 years. Accordingly, estimates of the rent payable for the initial period of 49 years are included under "Operating lease obligations" in the table above.

The Company does not enter into off-balance sheet financing arrangements as a matter of practice except for the use of operating leases for office space and vehicles. In accordance with U.S. GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

Domination agreements

IXOS domination agreements

On December 1, 2004, the Company announced that—through its wholly-owned subsidiary, 2016091 Ontario, Inc. ("Ontario I")—it had entered into a domination and profit transfer agreement (the "Domination Agreement") with IXOS. The Domination Agreement has been registered in the commercial register at the local court of Munich in August 2005 and it has therefore come into force. Under the terms of the Domination Agreement, Ontario I has acquired authority to issue directives to the management of IXOS. Also in the Domination Agreement, Ontario I offers to purchase the remaining Common Shares of IXOS for a cash purchase price of Euro 9.38 per share ("Purchase Price") which was the weighted average fair value of the IXOS Common Shares as of December 1, 2004. Pursuant to the Domination Agreement, Ontario I also guarantees a payment by IXOS to the minority shareholders of IXOS of an annual compensation of Euro 0.42 per share ("Annual Compensation"). The shareholders of IXOS at the meeting on January 14, 2005 confirmed that IXOS had entered into the Domination Agreement. At the same meeting of the shareholders of IXOS, the shareholders authorized the management board of IXOS to apply for the withdrawal of the listing of the IXOS shares at the Frankfurt/ Germany stock exchange ("Delisting"). The Delisting was granted by the Frankfurt Stock Exchange on April 12, 2005 and was effective on July 12, 2005.

Certain IXOS shareholders had filed complaints against the approval of the Domination Agreement and also against the authorization to delist. As a result of an out of court settlement, the complaints have been withdrawn and or settled. The out of court settlement was ratified by the court on August 9, 2005. The Domination Agreement was registered on August 23, 2005, and thereby became effective. As a result of the Domination Agreement coming into force, the Company commenced, in the quarter ended September 30, 2005, accruing the amount payable to minority shareholders of IXOS on account of Annual Compensation. This amount is accrued as and has been accounted for as a "guaranteed dividend", payable to the minority shareholders, and is recorded as a charge to minority interest in the periods. Based on the number of minority IXOS shareholders as of December 31, 2005 the estimated amount of Annual Compensation would approximate $523,000 per year. Because the Company is unable to predict, with reasonable accuracy, the number of IXOS minority shareholders that will be on record in future periods, the Company is unable to predict the amount of Annual Compensation that will be payable in future years.

Gauss domination agreements

Pursuant to a Domination Agreement dated November 4, 2003 between the Company—through its wholly owned subsidiary 2016090 Ontario Inc. ("Ontario II")—and Gauss, Ontario II has offered to purchase the remaining outstanding shares of Gauss at a price of Euro 1.06 per Gauss share. The original acceptance period was two months after the signing of the Domination Agreement. As a result of certain shareholders having filed for a special court procedure to reassess the amount of the Annual Compensation that must be payable to minority shareholders as a result of the Domination Agreement, the acceptance period has been extended pursuant to German law until the end of such proceedings. In addition, in April 2004 Gauss announced that effective July 1, 2004 the shares of Gauss would cease to be listed on a stock exchange. In connection with this delisting, on July 2, 2004, a second offer by Ontario II to purchase the remaining outstanding shares of Gauss at a price of Euro 1.06 per Gauss share, commenced. This acceptance period has also been extended pursuant to German law until the end of proceedings to reassess the amount of the consideration offered under German law in the delisting process. The shareholders' resolution on the Domination Agreement and on the delisting was subject to a court procedure in which certain shareholders of Gauss claimed that the resolution by which the shareholders of Gauss approved of the entering into the Domination Agreement and the authorization to the management board of Gauss to file for a delisting are null and void. While the Court of First Instance rendered a judgment in favor of the plaintiffs, Gauss, as defendant, had appealed and believed that the Court of Second Instance would overturn the judgment and rule in favor of Gauss. As a result of an out of court settlement, the complaints have been withdrawn. The settlement provides inter alia that an amount of Euro 0.05 per share per annum will be payable as compensation to the other shareholders of Gauss under certain circumstances, but only after registration of the Squeeze Out as defined hereafter.

On August 25, 2005, at the shareholders meeting of Gauss, upon a motion of Ontario II, it was decided to transfer the shares of the minority shareholders, which at the time of the shareholders meeting held less than 5% of the shares of Gauss, to Ontario II ("Squeeze Out"). The resolutions will become effective when registered in the commercial register at the local court of Hamburg. Registration of these resolutions is currently pending. Certain shareholders of Gauss have filed suits to oppose all or some of the resolutions of the shareholders meeting of August 25, 2005. It is expected that the court of Hamburg will, within the next few months, decide on the registration of the resolutions.

The Company believes that the registration of these resolutions is a reasonable certainty; accordingly, in pursuance of these resolutions the Company has recorded its best estimate of the amount payable to the minority shareholders of Gauss. As of December 31, 2005, the Company has accrued $60,000 for such payments and expects that a further amount of approximately $15,000 will be payable to these shareholders by the end of the current fiscal quarter. The Company is not currently able to determine the final amount payable and is unable to predict the date on which the resolutions will be registered at the local court.

Guarantees and indemnifications

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

In connection with certain facility leases, the Company has guaranteed payments on behalf of its subsidiaries. This has been done through unsecured bank guarantees obtained from local banks. Additionally, the Company's current end-user license agreement contains a limited software warranty.

The Company has not recorded a liability for guarantees, indemnities or warranties described above in the accompanying consolidated balance sheet since the maximum amount of potential future payments under such guarantees, indemnities and warranties is not determinable, other than as described above.

Legal Proceedings

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

NOTE 15—SPECIAL CHARGES

In the three months ended December 31, 2005, the Company recorded special charges of $8.8 million. This is primarily comprised of $7.1 million, relating to the fiscal 2006 restructuring, $1.7 million related to the impairment of capital assets and a recovery of $29,000 related to the 2004 restructuring. Details of each component of special charges are discussed below.

In the six months ended December 31, 2005, the Company recorded special charges of $26.9 million. This is primarily comprised of $23.5 million, relating to the fiscal 2006 restructuring, $3.7 million related to the impairment of capital assets and a recovery of $329,000 related to the 2004 restructuring. Details of each component of special charges are discussed below.

Restructuring charges

Fiscal 2006 Restructuring

In the first quarter of the current fiscal year, the Board approved, and the Company commenced implementing, restructuring activities to streamline its operations and consolidate its excess facilities. Total costs to be incurred in conjunction with the plan are expected to be in the range of $25 million to $30 million, of which $16.4 million was recorded within special charges in the three months ended September 30, 2005 and $7.1 million has been recorded within special charges in the three months ended December 31, 2005. These charges consisted primarily of costs associated with workforce reduction, abandonment of excess facilities, and legal costs incurred related to the termination of facilities. The provision related to workforce reduction is expected to be substantially paid by June 30, 2006 and the provisions relating to the abandonment of excess facilities such as contract settlements and lease costs are expected to be paid by January 2014.

A reconciliation of the beginning and ending liability is shown below:

Fiscal 2006 Restructuring Plan	Work force reduction	Facility costs	Other	Total
Balance as of June 30, 2005	$ —	$ —	$ —	$ —
Accruals	16,976	6,113	425	23,514
Cash payments	(6,820)	(870)	(425)	(8,115)
Foreign exchange and other adjustments	156	25	—	181
Balance as of December 31, 2005	$10,312	$5,268	$ —	$15,580

The following table outlines restructuring charges incurred under the fiscal 2006 restructuring plan, by segment, for the six months ended December 31, 2005.

Fiscal 2006 Restructuring Plan – by Segment	Work force reduction	Facility costs	Other	Total
North America	$ 9,006	$2,849	$149	$12,004
Europe	7,317	3,075	270	10,662
Other	653	189	6	848
Total charge for the six months ended December 31, 2005	$16,976	$6,113	$425	$23,514

Fiscal 2004 Restructuring

In the three months ended March 31, 2004, the Company recorded a restructuring charge of approximately $10 million relating primarily to its North America segment. The charge consisted primarily of costs associated with a workforce reduction, excess facilities associated with the integration of the IXOS acquisition, write downs of capital assets and legal costs related to the termination of facilities. On a quarterly basis the Company conducts an evaluation of these balances and revises its assumptions and estimates, if and as appropriate. As part of this evaluation, the Company recorded recoveries to this restructuring charge of $303,000 during the three months ended September 30, 2005 and $26,000 during the three months ended December 31, 2005. These recoveries primarily represented reductions in estimated employee termination costs and recoveries in estimates relating to accruals for abandoned facilities. The actions relating to employer workforce reduction were substantially complete as of June 30, 2005. The provision relating to facility costs is expected to be expended by 2014. The activity of the Company's provision for the Company's fiscal year beginning July 1, 2003 and ending June 30, 2004 restructuring charges are as follows since the beginning of the current fiscal year:

Fiscal 2004 Restructuring Plan	Work force reduction	Facility costs	Other	Total
Balance as of June 30, 2005	$167	$1,878	$—	$2,045
Revisions to prior accruals	(65)	(264)	—	(329)
Cash payments	—	(372)	—	(372)
Foreign exchange and other adjustments	—	105	—	105
Balance as of December 31, 2005	$102	$1,347	$—	$1,449

Impairment of capital assets

During the three months ended September 30, 2005, an impairment charge of $2.0 million was recorded against capital assets that were written down to fair value, various leasehold improvements at vacated premises and redundant office equipment. During the three months ended December 31, 2005, an impairment charge of $1.7 million was recorded against capital assets to write down to fair value, various leasehold improvements at vacated premises and redundant office equipment. Fair value was determined based on the Company's estimates of disposal proceeds, net of anticipated costs to sell.

NOTE 16—ACQUISITIONS

Fiscal 2005

Optura

On February 11, 2005, Open Text entered into an agreement to acquire all of the issued and outstanding shares of Optura Inc. ("Optura"). This acquisition has been account for as a business combination in accordance with SFAS No. 141 "Business Combinations" ("SFAS 141"). Optura offers products and integration services that optimize business processes so that companies can collaborate across separate organizational functions, dissimilar systems and business partners. Optura products and services enable Open Text customers, who use a SAP-based Enterprise Resource Planning ("ERP") system, to improve the efficiencies of their document-based ERP processes. The results of operations of Optura have been consolidated with those of Open Text beginning February 12, 2005.

Consideration for this acquisition consisted of $3.7 million in cash, of which $2.7 million was paid at closing and $1.0 million was paid into escrow, as provided for in the share purchase agreement.

The purchase price allocation set forth below represents management's best estimate of the allocation of the purchase price and the fair value of net assets acquired. The valuation of the acquired intangible assets and the assessment of their expected useful lives are preliminary.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the Optura acquisition:

Current assets, including cash acquired of $315	$ 1,537
Long-term assets	114
Customer assets	700
Technology assets	1,300
Goodwill	2,180
Total assets acquired	5,831
Total liabilities assumed	(2,169)
Net assets acquired	$ 3,662

The customer assets of $700,000 have been assigned a life of five years. The technology assets of $1.3 million have been assigned a useful life of five years.

The portion of the purchase price allocated to goodwill was assigned to the Company's North America reportable segment. No amount of the goodwill is expected to be deductible for tax purposes.

As part of the purchase price allocation, the Company originally recognized liabilities in connection with this acquisition of $444,000. The liabilities related to severance charges, transaction costs, and costs relating to excess facilities. The purchase price was subsequently adjusted to reduce acquisition related liabilities by $88,000 due to the refinement of management's original estimates. Remaining liabilities related to transaction-related charges are expected to be paid in fiscal 2006. Liabilities related to excess facilities will be paid over the term of the lease which expires in September 2006.

A director of the Company received approximately $47,000, during the year ended June 30, 2005, in consulting fees for assistance with the acquisition of Optura. These fees are included in the purchase price allocation. The director abstained from voting on the transaction.

Artesia

On August 19, 2004, Open Text entered into an agreement to acquire all of the issued and outstanding shares of Artesia Technologies, Inc. ("Artesia"). This acquisition has been accounted for as a business combination in accordance with SFAS 141. Artesia designs and distributes Digital Asset Management software. It has a customer base of over 120 companies and provides these customers and their marketing and distribution partners the ability to easily access and collaborate around a centrally managed collection of digital media elements. The results of operations of Artesia have been consolidated with those of Open Text beginning September 1, 2004.

This acquisition expands Open Text's media integration and management capabilities as part of its Enterprise Content Management ("ECM") suite, and provides a platform from which Open Text can address the content management needs of media and marketing professionals worldwide.

Consideration for this acquisition consisted of $5.2 million in cash, of which $3.2 million was paid at closing and $2.0 million was paid into escrow, as provided for in the share purchase agreement. At June 30, 2005, there was a holdback in the amount of $581,000 remaining to be paid. In the three months ended September 30, 2005 it was determined and agreed that the holdback would not be paid. Accordingly, the purchase price allocation has been adjusted.

The purchase price allocation set forth below represents management's best estimate of the allocation of the purchase price and the fair value of net assets acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the Artesia acquisition:

Current assets, including cash acquired of $773	$ 2,165
Long-term assets	2,714
Customer assets	1,700
Technology assets	3,300
Goodwill	1,367
Total assets acquired	11,246
Total liabilities assumed	(5,996)
Net assets acquired	$ 5,250

The customer assets of $1.7 million have been assigned a life of five years. The technology assets of $3.3 million have been assigned useful lives of three to five years.

The portion of the purchase price allocated to goodwill was assigned to the Company's North America reporting segment. No amount of the goodwill is expected to be deductible for tax purposes.

As part of the purchase price allocation, the Company originally recognized liabilities in connection with this acquisition of $1.8 million. The liabilities related to severance charges, transaction costs, and costs relating to excess facilities. The purchase price was subsequently adjusted to reduce acquisition related liabilities by $241,000 due to the refinement of management's estimates. Remaining liabilities related to severance and transaction-related charges are expected to be paid in fiscal 2006. Liabilities related to excess facilities will be paid over the term of the lease which expires in May 2010.

A director of the Company received $112,000, during the year ended June 30, 2005, in consulting fees for assistance with the acquisition of Artesia. These fees are included in the purchase price allocation. The director abstained from voting on the transaction.

Vista

On August 31, 2004, Open Text entered into an agreement to acquire the Vista Plus ("Vista") suite of products and related assets from Quest Software Inc. ("Quest"). In accordance with SFAS 141 this acquisition has been accounted for as a business combination. As part of this transaction certain Quest employees that developed, sold and supported Vista were employed by Open Text. The revenues and costs related to the Vista product suite have been consolidated with those of Open Text beginning September 16, 2004.

The Vista technology captures and stores business critical information from ERP applications. This acquisition expands Open Text's integration and report management capabilities as part of its ECM suite, and provides a platform from which Open Text can address report content found in ERP applications, and business intelligence software.

Consideration for this acquisition consisted of $23.7 million in cash, of which $21.7 million was paid at closing and $2.0 million was held in escrow until it was released to the vendor on November 30, 2005, as provided for in the purchase agreement.

The purchase price allocation set forth below represents management's best estimate of the allocation of the purchase price and the fair value of net assets acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the Vista acquisition:

Current assets	$ 263
Long-term assets	63
Customer assets	10,900
Technology assets	8,430
Goodwill	9,535
Total assets acquired	29,191
Total liabilities assumed	(5,501)
Net assets acquired	$23,690

The customer assets of $10.9 million and the technology assets of $8.4 million have been assigned useful lives of five years.

The portion of the purchase price allocated to goodwill was assigned to the Company's North America reportable segment. The goodwill is expected to be deductible for tax purposes.

As part of the purchase price allocation, the Company recognized transaction costs in connection with this acquisition of $480,000. The purchase price was subsequently adjusted to reduce acquisition related liabilities by $102,000 due to the refinement of management's estimates. Remaining costs are expected to be paid within fiscal 2006.

A director of the Company received $126,000, during the year ended June 30, 2005, in consulting fees for assistance with the acquisition of Vista. These fees are included in the purchase price allocation. The director abstained from voting on the transaction.

Fiscal 2004

IXOS

The Company increased its ownership of IXOS to approximately 95% during the six months ended December 31, 2005. This was done by way of open market purchases of IXOS shares. As of June 30, 2005, Open Text held approximately 94% of the outstanding shares of IXOS. Total consideration paid for the purchase of shares of IXOS during the three and six months ended December 31, 2005 was $1.1 million and $4.2 million, respectively. The Company increased its share of the fair value increments of the assets acquired and the liabilities assumed of IXOS to the extent of the increased ownership of IXOS. The minority interest in IXOS has been adjusted to reflect the reduced minority interest ownership in IXOS.

NOTE 17—SUBSEQUENT EVENT

As of December 31, 2005, the Company had a CDN $10.0 million line of credit with a Canadian chartered bank under which no borrowings were outstanding at December 31, 2005 and 2004. On February 2, 2006, this facility was replaced with a new demand operating facility of CDN $40.0 million. A copy of the agreement is attached as an Exhibit under Item 6 of Part II of this document.

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance or the outcome of litigation (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate" or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact and may be "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or developments in our business or industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Such risks and uncertainties include the factors set forth in "Risk Factors" in this Quarterly Report on Form 10-Q. Readers should not place undue reliance on any such forward-looking statements, which speak only as at the date they are made. Forward-looking statements are based on our management's current plans, estimates, opinions and projections, and we assume no obligation to update forward-looking statements if assumptions regarding these plans, estimates, opinions or projections should change. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes for the periods specified. Further reference should be made to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

OVERVIEW

About Open Text

Open Text is one of the market leaders in providing Enterprise Content Management ("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.

The Information technology ("IT") Environment

We are not seeing much change in the IT environment as customers appear to be holding onto their legacy systems longer. However, in the past several quarters, we are seeing our customers utilize their existing IT budgets to spend on ECM solutions that assist in meeting regulatory and compliance requirements. This purchasing pattern of our customers has generally evolved in response to the heightened regulatory and compliance requirements in many industries as a result of government policy and legislation such as the Sarbanes-Oxley Act of 2002. However, we have also witnessed lengthening customer sales cycles that are characteristic of compliance-based sales.

Alliances

We intend to continue to work more closely with partners that heavily influence our customer's computing architecture and strategy. Namely, those partners include system integrators like Deloitte and Touche LLP, Accenture, and Atos Origin S.A., independent software vendors like Microsoft Corporation ("Microsoft") and SAP, and storage vendors like Hitachi Limited, EMC Corporation and Hewlett Packard Company.

Open Text has been certified by Microsoft as a Microsoft Gold Partner with a track record for delivering powerful ECM solutions that extend Microsoft applications. Microsoft's desktop and business platforms match well with our solutions, which meet the document management, archiving and compliance requirements of large companies and government agencies. In addition, on November 14, 2005, we announced enhancements in our relationship with Microsoft to become a worldwide ECM partner with Microsoft.

We are seeing increased interest from customers in our email archiving products. We continue to work with partners that provide specialized products and expertise that complement our own. Those partners include Microsoft and IBM, as the dominant email vendors, Vedder Price, Kaufman & Kammholz, P.C., a legal firm specializing in records and retention policies, with Technology Concepts and Design Inc. ("TCDI"), a litigation technology software and service specialist, and with Trusted Edge Inc., providing desktop information classification and control software.

Customers

Our customer base is diversified by industry and geography which is the result of a continued focus on the 2,000 largest global organizations as our primary target market. We continue to see regulatory requirements as a key business driver and the majority of new customer licenses in the first two quarters of fiscal 2006 were driven by our customers' compliance-based requirements. Industries such as Government, Pharmaceutical and Life Sciences, Oil and Gas, and Financial Services have greater demand for specific software solutions to solve compliance-based business problems. We have created specific ECM software solutions to address this demand and continue to work closely with customers and their strategic partners to ensure maximization of their software investments.

Notable customer announcements during the second quarter of fiscal 2006 included:

- On October 19, 2005, we announced the formation of the Artesia Digital Media Group as part of an overall solutions strategy to better focus our domain expertise and rich-media solution efforts for customers such as HBO, 20th Century Fox, DreamWorks, and U.S. News & World Report. Subsequently, on November 7, 2005, we announced our plans for rich-media and Digital Asset Management capabilities that leverage Microsoft technologies.
- On November 15, 2005, we announced that Sasol, Ltd., a South African chemical and energy company, has deployed Open Text's Livelink ECM solution for internal controls.
- On December 5, 2005, we announced that LANXESS Corporation, a manufacturer of high-quality chemicals, synthetic rubber and plastics, selected Open Text's Vendor Invoice Management ("VIM") solution to optimize "Accounts Payable" within its implementation of SAP solutions. VIM is part of Open Text's Livelink ECM Suite for SAP Solutions.
- On December 14, 2005, we announced that Distell Group Limited, a producer and marketer of wines and spirits, successfully completed the first phase of its intended enterprise-wide Livelink ECM implementation. The system is designed to help ensure compliance with International Organization for Standardization ("ISO") and International Food Standards regulations.

Special Charges

During the three months ended December 31, 2005, we recorded special charges of $8.8 million which consist primarily of $7.1 million relating to the fiscal 2006 restructuring and $1.7 million relating to the write down of capital assets.

During the six months ended December 31, 2005, we recorded special charges of $26.9 million which consist primarily of $23.5 million relating to the fiscal 2006 restructuring, $3.7 million relating to the write down of capital assets and a recovery of $329,000 relating to the fiscal 2004 restructuring.

The fiscal 2006 restructuring relates primarily to a reduction in our workforce and abandonment of excess facilities. The restructuring has impacted both our North American and European operations. The restructuring is being done primarily with a view to streamline our operations. Overall we expect the total restructuring charge to be in the range of approximately $25 to $30 million, of which $23.5 million has been taken to date. All significant actions in relation to the restructuring are expected to be completed by the end of the fiscal 2006 year.

The asset write-downs relate to capital assets that were written down to fair value, various leasehold improvements at vacated premises and redundant office equipment. Fair value was determined based on our estimate of disposal proceeds, net of anticipated costs to sell.

Further details relating to special charges are provided in the "Operating Expenses" section of this Quarterly Report on Form 10-Q and Note 15 "Special Charges" to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our interim condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These accounting principles were applied on a basis consistent with those of the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2005 filed with the United States Securities and Exchange Commission ("SEC"), with the exception of our adoption on July 1, 2005 of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004) "Share-Based Payment" ("SFAS 123R") as described below.

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenues, bad debts, investments, intangible assets, income taxes, special charges, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed at the time to be reasonable under the circumstances. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of our control.

The critical accounting policies affecting significant judgments and estimates used in the preparation of our condensed consolidated financial statements have been applied as outlined in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 filed with the SEC. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of our control.

Adoption of SFAS 123R

On July 1, 2005, we adopted the fair value-based method for measurement and cost recognition of employee share-based compensation under the provisions of FASB SFAS 123R, using the modified prospective application transitional approach. Previously, we had been accounting for employee share-based compensation using the intrinsic value method, which generally did not result in any compensation cost being recorded for stock options since the exercise price was equal to the market price of the underlying shares on the date of grant.

Our stock options are now accounted for under SFAS 123R. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option-pricing model.

For the three months ended December 31, 2005, the fair value of each option was estimated using the following weighted–average assumptions: expected volatility of 55%; risk-free interest rate of 4.4%; expected dividend yield of 0%; and expected life of 5.5 years. Expected option lives and volatilities are based on our historical data. No options were granted during the three months ended September 30, 2005.

For the three and six months ended December 31, 2004, the fair value of each option was estimated using the following weighted–average assumptions: expected volatility of 60%; risk-free interest rate of 3.5%; expected dividend yield of 0%; and expected life of 3.5 years.

Share-based compensation cost included in the statement of operations for the three and six months ended December 31, 2005 was approximately $1.2 million and an increase in net loss of $2.4 million, respectively, net of related tax effects. Additionally, deferred tax assets of $155,000 and $324,000 were recorded, for the three and six months ended December 31, 2005 respectively, in relation to the tax effect of certain stock options that are eligible for a tax deduction when exercised. As of December 31, 2005, the total compensation cost related to unvested awards not yet recognized is $10.7 million which will be recognized over a weighted average period of approximately 2 years.

We made no modifications to the terms of our outstanding share options in anticipation of the adoption of SFAS 123R. Also, we made no changes in either the quantity or type of instruments used in our share option plans or the terms of our share option plans.

Additionally, effective July 1, 2005, we amended the terms of our Employee Share Purchase Plan ("ESPP") to set the amount at which Common Shares may be purchased by employees to 95% of the average market price on the Toronto Stock Exchange ("TSX") or the NASDAQ National Market ("NASDAQ") on the last day of the purchase period. As a result of the amendments, the ESPP is no longer considered a compensatory plan under the provisions of SFAS 123R, and as a result no compensation cost is recorded related to the ESPP.

RESULTS OF OPERATIONS

Overview

The following table presents an overview of the results of our operations for the three and six months ended December 31, 2005 and 2004:

	Three months ended December 31,			
(in thousands)	2005	2004	Change in $	% Change
Total revenues	$110,771	$114,692	$ (3,921)	(3.4%)
Cost of revenues *	30,938	33,698	(2,760)	(8.2%)
Gross profit	79,833	80,994	(1,161)	(1.4%)
Amortization of acquired intangible assets	6,957	6,146	811	13.2%
Special charges (recoveries)	8,793	(1,449)	10,242	(706.8%)
Total remaining operating expenses	57,492	58,782	(1,290)	(2.2%)
Income from operations	6,591	17,515	(10,924)	(62.4%)
Net income	$ 2,721	$ 10,970	$ (8,249)	(75.2%)
Gross margin	72.1%	70.6%		
Operating margin	6.0%	15.3%		

	Six months ended December 31,			
(in thousands)	2005	2004	Change in $	% Change
Total revenues	$203,401	$200,288	$ 3,113	1.6%
Cost of revenues *	59,582	60,000	(418)	(0.7%)
Gross profit	143,819	140,288	3,531	2.5%
Amortization of acquired intangible assets	13,810	11,575	2,235	19.31%
Special charges (recoveries)	26,904	(1,449)	28,353	(1,956.7%)
Total remaining operating expenses	113,101	113,219	(118)	(0.1%)
Income (loss) from operations	(9,996)	16,943	(26,939)	(159.0%)
Net income (loss)	$ (10,147)	$ 9,984	$(20,131)	(201.6%)
Gross margin	70.7%	70.0%		
Operating margin	(4.9%)	8.5%		

* Amount excludes amortization of acquired application software technology which is included within Amortization of acquired intangible assets.

For the three months ended December 31, 2005, our results were impacted by a decrease in revenues by $3.9 million, or 3.4% compared to the same period in the prior fiscal year. This decrease was due to fewer license deals greater than one million dollars in the second quarter of fiscal 2006, relative to the same period in the prior fiscal year, adverse foreign exchange impacts due to weakening European currencies relative to the United States Dollar, and a general weakening of our European results. These items were partially offset by our strong growth in our North American operations.

For the six months ended, December 31, 2005, our results were impacted by an overall increase in total revenues by $3.1 million or 1.6% compared to the same period in the prior fiscal year. This increase was due primarily to growth in our customer support revenues in the first quarter of fiscal 2006 and as a result of the full impact of our fiscal 2004 acquisitions. This was partially offset by foreign exchange impacts and weaker license revenues particularly in Europe.

Revenues

Revenue by Type

The following tables set forth the increase in revenues by product and as a percentage of the related product revenue for the periods indicated:

	Three months ended December 31,				Six months ended December 31,			
(in thousands)	2005	2004	Change $	Change %	2005	2004	Change $	Change %
License	$ 37,131	$ 42,622	$(5,491)	(12.9%)	$ 62,074	$ 66,526	$(4,452)	(6.7%)
Customer support	46,476	44,542	1,934	4.3%	93,122	85,334	7,788	9.1%
Service	27,164	27,528	(364)	(1.3%)	48,205	48,428	(223)	(0.5%)
Total	$110,771	$114,692	$(3,921)	(3.4%)	$203,401	$200,288	$ 3,113	1.6%

	Three months ended December 31,		Six months ended December 31,	
(% of total revenue)	2005	2004	2005	2004
License	33.5%	37.2%	30.5%	33.2%
Customer support	42.0%	38.8%	45.8%	42.6%
Service	24.5%	24.0%	23.7%	24.2%
Total	100.0%	100.0%	100.0%	100.0%

License Revenue

License revenue consists of fees earned from the licensing of our software products to customers.

For the three months ended December 31, 2005, license revenues decreased 12.9% or $5.5 million compared to the same period in the prior fiscal year. This was because in the second quarter of fiscal 2006 we had only 3 licensing transactions that were greater than $1 million compared to 5 such transactions in the second quarter of fiscal 2005. In addition, we had 5 licensing transactions which were greater than $500,000 in the second quarter of fiscal 2006 compared to 9 such transactions in the same quarter of the prior fiscal year. Excluding the impact of foreign exchange rates, license revenue declined approximately 6% year over year. Although our North American operations are experiencing significant license revenue growth year over year, this has been offset by a slow down in license revenue in Europe and the rest of the world.

For the six months ended December 31, 2005, license revenue decreased 6.7% or $4.5 million compared to the same period in the prior fiscal year. Excluding the impact of foreign exchange, license revenue declined approximately 3% comparable over the period in the prior fiscal year for the same reasons set forth above.

Customer Support Revenue

Customer support revenue consists of revenue from our customer support and maintenance agreements. Typically the term of these maintenance contracts is twelve months with customer renewal options, and we have historically experienced a renewal rate greater than 90%. New license revenue drives additional customer support contracts which accounts for substantially all the increase in our customer support revenue.

For the three months ended December 31, 2005, customer support revenue increased 4.3% or $1.9 million compared to the same period in the prior fiscal year. The increase in customer support revenue was attributable to new licenses and strong retention rates with existing customers. Excluding the impact of foreign exchange, comparable over the period in the prior fiscal year, growth in customer support revenue was approximately 7%.

For the six months ended December 31, 2005, customer support revenues increased by 9.1% or $7.8 million compared to the same period in the prior fiscal year. The increase in customer support revenue was attributable to new licenses and strong retention rates and the full quarter impact of acquisitions made at the end of the first quarter of fiscal 2005.

Service Revenue

Service revenue consists of revenues from consulting contracts and contracts to provide training and integration services.

For the three months ended December 31, 2005, service revenues remained relatively stable with a slight decrease of approximately 1.3% or $364,000 compared to the same period in the prior fiscal year. Excluding the impact of weakening European currencies, service revenue increased approximately 4% with increases in service revenue in North America more than compensating for decreases in Europe.

For the six months ended December 31, 2005, service revenue remained relatively stable, decreasing slightly by 0.5% or $223,000 compared to the same period of the prior fiscal year. However, excluding the impact of foreign exchange rates, service revenue grew by approximately 2%. North American service revenue presented strong revenue growth with an offsetting decrease in Europe.

Revenue and Operating Margin by Segment

The following table sets forth information regarding our revenue by geography:

Revenue by Geography

	Three months ended December 31,		Six months ended December 31	
(In thousands)	**2005**	**2004**	**2005**	**2004**
North America	$ 53,785	$ 47,915	$100,016	$ 82,711
Europe	51,171	60,583	92,601	105,050
Other	5,815	6,194	10,784	12,527
Total	$110,771	$114,692	$203,401	$200,288

	Three months ended December 31,		Six months ended December 31,	
% of Total Revenue	**2005**	**2004**	**2005**	**2004**
North America	48.6%	41.8%	49.2%	41.3%
Europe	46.2%	52.8%	45.5%	52.4%
Other	5.2%	5.4%	5.3%	6.3%
Total	100.0%	100.0%	100.0%	100.0%

The overall increase in revenue in North America in the second quarter of fiscal 2006 compared to the prior year period represents our strengthened sales management, improved focus on sales force/process management, implementation of effective lead generation processes and a focus on our key partnerships and verticals that represent our greatest opportunities. Declines in European license revenue reflect weakening European currencies and a period of structural re-alignment of our European sales force commensurate with our re-organization activities.

In the context of license and services revenues, North America has had strong revenue growth, while Europe has declined due to the effects of foreign exchange rates and restructuring activities in Europe that we believe were necessary to position us for future continued success.

The North America geographic segment includes Canada, the United States and Mexico. The Europe geographic segment includes Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, and the United Kingdom, while the "Other" geographic segment includes Australia, Japan, Malaysia, and the Middle East region.

Adjusted Operating Margin by Significant Segment

The following table provides a summary of our adjusted operating margins by significant segment.

	Three months ended December 31,		Six months ended December 31	
	2005	2004	2005	2004
North America	22.1%	15.9%	17.6%	10.9%
Europe	20.0%	22.9%	15.2%	15.9%

The above adjusted operating margins are calculated based on GAAP net income (loss) including where applicable, the impact of amortization, interest, share-based compensation, other expense, special charges and income taxes.

Adjusted operating margins have declined in Europe and are higher in North America for the three months ended December 31, 2005. On a year to date basis, Europe is relatively constant while North America has increased approximately 6.7% year over year.

The changes in operating margin in Europe were primarily due to a reduction of revenues in Europe, weakening of European currencies, and the impact of the 2006 restructuring on Europe. North America margins increased due to realigned sales management efforts in North America.

Cost of Revenue by Type

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

Cost of Revenue:

	Three months ended December 31,				Six months ended December 31,			
(in thousands)	2005	2004	Change $	Change %	2005	2004	Change $	Change %
License	$ 1,811	$ 3,051	$(1,240)	(40.6%)	$ 4,199	$ 5,205	$(1,006)	(19.3%)
Customer support	7,734	8,062	(328)	(4.1%)	15,386	15,556	(170)	(1.1%)
Service	21,393	22,585	(1,192)	(5.3%)	39,997	39,239	758	1.9%
Total	$30,938	$33,698	$(2,760)	(8.2%)	$59,582	$60,000	$ (418)	(0.7%)

	Three months ended December 31,		Six months ended December 31,	
Gross margin by type %	2005	2004	2005	2004
License	95.1%	92.8%	93.2%	92.2%
Customer support	83.4%	81.9%	83.5%	81.8%
Service	21.2%	18.0%	17.1%	17.0%
Consolidated gross margin	72.1%	70.6%	70.7%	70.1%

For the three months ended December 31, 2005, overall gross margin improved to 72.1%, compared to 70.6% in the three months ended December 31, 2004. The margin improvement was due to improved expense management in services and customer support, primarily as a result of our restructuring activities. This was partially offset by a lower proportion of higher profitability license revenue.

For the six months ended, December 31, 2005, overall gross margin was relatively stable compared to the six months ended December 31, 2005.

Cost of license revenue

Cost of license revenue consists primarily of royalties payable to third parties for related software, and royalties we pay on software embedded within our core products.

For the three months ended December 31, 2005, cost of license revenues decreased by 40.6% or $1.2 million compared to same period in the prior fiscal year. This was driven by a product mix which included less third party products, royalties and reseller fees.

For the six months ended December 31, 2005, cost of license revenues decreased by 19.3% or $1.0 million compared to the same period in the prior fiscal year for the same reasons set forth above.

Cost of customer support revenues

Cost of customer support revenues is comprised primarily of technical support personnel and their related costs.

For the three months ended, December 31, 2005, cost of customer support revenues decreased by 4.1% or $328,000 compared to the same period in the prior fiscal year. The decrease is primarily attributable to the weakening of European currencies and operating efficiencies as a result of our global restructuring efforts.

For the six months ended, December 31, 2005, cost of customer support revenues remained relatively stable compared to same period in the prior fiscal year.

Cost of service revenues

Cost of service revenues consists primarily of the costs of providing integration, customization and training with respect to our various software products. The most significant component of these costs is personnel related expenses. The other components include travel costs and third party subcontracting.

For the three months ended, December 31, 2005, cost of service revenues decreased by 5.3% or $1.2 million compared to the same period in the prior fiscal year. The weakening of European currencies, an acquisition made in the third quarter of fiscal 2005 and operational efficiencies as a result of our restructuring efforts have allowed for better utilization of our resources, which has resulted in the decrease.

For the six months ended December 31, 2005, cost of service revenue increased slightly by 1.9% or $758,000 compared to the same period in the prior fiscal year. The increase, is primarily attributable to the timing of acquisitions made late in the first and third quarter of fiscal 2005, offset by weakening European currencies and operational efficiencies as a result of our restructuring efforts.

Operating Expenses

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

	Three months ended December 31,				Six months ended December 31,			
(in thousands)	2005	2004	Change $	Change %	2005	2004	Change $	Change %
Research and development	$14,836	$15,842	$ (1,006)	(6.4%)	$ 31,386	$ 30,525	$ 861	2.8%
Sales and marketing	28,059	30,787	(2,728)	(8.9%)	54,172	56,284	(2,112)	(3.8%)
General and administrative	11,766	9,564	2,202	23.0%	22,203	21,422	781	3.6%
Depreciation	2,831	2,589	242	9.3%	5,340	4,988	352	7.1%
Amortization of acquired intangible assets	6,957	6,146	811	13.2%	13,810	11,575	2,235	19.3%
Special charges (recoveries)	8,793	(1,449)	10,242	(706.8%)	26,904	(1,449)	28,353	(1,956.7%)
Total	$73,242	$63,479	$ 9,763	15.4%	$153,815	$123,345	$30,470	24.7%

% of Total Revenue	Three months ended December 31, 2005	Three months ended December 31, 2004	Six months ended December 31, 2005	Six months ended December 31, 2004
Research and development	13.3%	13.8%	15.4%	15.2%
Sales and marketing	25.2%	26.8%	26.6%	28.1%
General and administrative	10.6%	8.3%	10.9%	10.7%
Depreciation	2.5%	2.3%	2.6%	2.5%
Amortization of acquired intangible assets	6.3%	5.4%	6.8%	5.8%
Special charges (recoveries)	8.0%	(1.3%)	13.2%	(0.7%)
Total	65.9%	55.3%	75.5%	61.6%

Research and development expenses

Research and development ("R&D") expenses consist primarily of engineering personnel expenses, contracted research and development expenses, and facilities and equipment costs.

For the three months ended December 31, 2005, R&D expenses decreased by 6.4% or $1.0 million compared to the same period in the prior fiscal year. The decrease in R&D costs is attributable to specific targeted reductions in traditional R&D products and staff as a result of our restructuring activities. Partially offsetting these reductions are more focused expenditures in solutions and packaged service offerings, which allows us to quickly develop the products customers most value.

For the six months ended December 31, 2005, R&D expenses increased slightly because of investments in solutions and packaged service offerings. We expect the declines seen in the second quarter of fiscal 2006 to continue going forward.

Sales and marketing expenses

Sales and marketing expenses consist primarily of costs related to sales and marketing personnel, as well as costs associated with trade shows, seminars, and other marketing programs.

For the three months ended December 31, 2005, sales and marketing expenses decreased by 8.9% or $2.7 million compared to the same period in the prior fiscal year. Sales and marketing expenses have decreased as a result of reductions in staff, which is directly related to the restructuring program that included a consolidation of management structures, reduction of administrative staff and a reduction of selling staff in low growth geographies and/or products. These actions are expected to allow redeployment to markets with better opportunities. We have reduced our investments in marketing programs, and the staff who administers these programs, until growth in the ECM market profitably supports those investments. We also continue to make significant investments in sales and marketing, spending more than 25% of our revenues on sales and marketing activities.

For the six months ended December 31, 2005, sales and marketing expenses decreased by 3.8% or $2.1 million compared to the same period in the prior fiscal year. Sales and marketing expenses have decreased as a result of reductions in staff, which is directly related to the restructuring program that included a consolidation of management structures, reduction of administrative staff and a reduction of selling staff in low growth geographies/products. These actions are expected to allow redeployment to markets with better opportunities. We have reduced our investments in marketing programs, and the staff who administers these programs, until growth in the ECM market profitably supports those investments. We also continue to make significant investments in sales and marketing, spending more than 25% of our revenues on sales and marketing activities.

General and administrative expenses

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

For the three months ended December 31, 2005, general and administrative expenses increased by 23.0% or $2.2 million compared to the same period in the prior fiscal year. As a percentage of total revenues, in the second quarter of fiscal 2006 general and administrative expenses increased to 10.6% from 8.3% or $2.2 million in the same quarter of the prior fiscal year. The majority of the absolute dollar increase is due to a onetime legal recovery made in the second quarter of fiscal 2005, of $785,000. The remainder of the increase is due to the inclusion of share-based compensation expense of $487,000 and ongoing accretion charges, in the amount of $376,000, related to facilities which were vacated.

For the six months ended December 31, 2005, general and administrative expenses increased 3.6% or $781,000 compared to the same period in the prior fiscal year. As a percentage of total revenues, general and administrative expenses remained constant at just under 11% for the three and six months ended, December 31, 2005. The absolute dollar increase is due to increased legal costs, the inclusion of share-based compensation expense and on-going facilities-based accretion charges.

Depreciation expenses

For the three months ended December 31, 2005, depreciation expenses increased slightly by $242,000 or 9.3% compared to the same period in the prior fiscal year. For the six months ended December 31, 2005, depreciation expenses increased by $352,000 or 7.1% compared to the same period in the prior fiscal year. These increases are a direct result of the depreciation of capital assets acquired during the second quarter of fiscal 2006 and the commencement of the depreciation on the Waterloo building.

Amortization of acquired intangible assets

Amortization of acquired intangible assets includes the amortization of acquired technology and customer assets.

For the three months ended December 31, 2005, amortization of acquired intangible assets increased $811,000 or 13.2% compared to the same period in the prior fiscal year. For the six months ended December 31, 2005, amortization of acquired intangible assets increased $2.2 million or 19.3% compared to the same period in the prior fiscal year. These increases are due to the impact of our fiscal 2005 acquisitions, in particular the acquisition of Vista.

Special Charges

In the six months ended December 31, 2005, we recorded special charges of $26.9 million. This is primarily comprised of $23.5 million relating to the fiscal 2006 restructuring, $3.7 million related to the impairment of capital assets and a recovery of $329,000 related to the fiscal 2004 restructuring charge. Details of each component of special charges are discussed below.

Restructuring charges

Fiscal 2006 Restructuring

During the three months ended September 30, 2005, our Board approved, and we commenced implementing, restructuring activities to streamline our operations and consolidate our excess facilities. Total costs to be incurred in conjunction with the plan are expected to be in the range of $25 million to $30 million, of which $16.4 million was recorded within special charges in the three months ended September 30, 2005 and $7.1 million has been recorded within special charges in the three months ended December 31, 2005. These charges consisted primarily of costs associated with workforce reduction, abandonment of excess facilities, and legal costs incurred related to the termination of facilities. The provision related to workforce reduction is expected to be substantially paid by June 30, 2006 and the provisions relating to the abandonment of excess facilities, such as contract settlements and lease costs are expected to be paid by January 2014.

A reconciliation of the beginning and ending liability is shown below:

Fiscal 2006 Restructuring Plan	Work force reduction	Facility costs	Other	Total
Balance as of June 30, 2005	$ —	$ —	$ —	$ —
Accruals	16,976	6,113	425	23,514
Cash payments	(6,820)	(870)	(425)	(8,115)
Foreign exchange and other adjustments	156	25	—	181
Balance as of December 31, 2005	$10,312	$5,268	$ —	$15,580

The following table outlines restructuring charges incurred under the fiscal 2006 restructuring plan, by segment, for the six months ended December 31, 2005.

Fiscal 2006 Restructuring Plan – by Segment	Work force reduction	Facility costs	Other	Total
North America	$ 9,006	$2,849	$149	$12,004
Europe	7,317	3,075	270	10,662
Other	653	189	6	848
Total charge for the six months ended December 31, 2005	$16,976	$6,113	$425	$23,514

Fiscal 2004 Restructuring

In the three months ended March 31, 2004, we recorded a restructuring charge of approximately $10 million relating primarily to our North America segment. The charge consisted primarily of costs associated with a workforce reduction, excess facilities associated with the integration of the IXOS acquisition, write downs of capital assets and legal costs related to the termination of facilities. On a quarterly basis we conduct an evaluation of these balances and revise our assumptions and estimates, if and as appropriate. As part of this evaluation, we recorded recoveries to this restructuring charge of $303,000 during the three months ended September 30, 2005 and $26,000 during the three months ended December 31, 2005. These recoveries primarily represented reductions in estimated employee termination costs and recoveries in estimates relating to accruals for abandoned facilities. The actions relating to employer workforce reduction were substantially complete as of June 30, 2005. A reconciliation of the beginning and ending liability is shown below:

Fiscal 2004 Restructuring Plan	Work force reduction	Facility costs	Other	Total
Balance as of June 30, 2005	$167	$1,878	$—	$2,045
Revisions to prior accruals	(65)	(264)	—	(329)
Cash payments	—	(372)	—	(372)
Foreign exchange and other adjustments	—	105	—	105
Balance as of December 31, 2005	$102	$1,347	$—	$1,449

Impairment of capital assets

During the three months ended September 30, 2005, an impairment charge of $2.0 million was recorded against capital assets that were written down to fair value, various leasehold improvements at vacated premises and redundant office equipment. During the three months ended December 31, 2005, an impairment charge of $1.7 million was recorded against capital assets to write down to fair value, various leasehold improvements at vacated premises and redundant office equipment. Fair value was determined based on our estimates of disposal proceeds, net of anticipated costs to sell.

Income taxes

We operate in various tax jurisdictions, and accordingly, our income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. Our ability to use these income tax losses and future income tax deductions is dependent upon the profitability of our operations in

the tax jurisdictions in which such losses or deductions arise. As of December 31, 2005 and June 30, 2005, we had total net deferred tax assets of $49.3 million and $46.8 million and total deferred tax liabilities of $35.3 million and $39.4 million, respectively.

The principal component of the total net deferred tax assets are temporary differences associated with net operating loss carry forwards. The deferred tax assets as of December 31, 2005 arise primarily from available income tax losses and future income tax deductions. We provide a valuation allowance if sufficient uncertainty exists regarding the realization of certain deferred tax assets. Based on the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax assets and tax planning strategies, a valuation allowance of $140.6 million and $127.6 million was required as of December 31, 2005 and June 30, 2005, respectively. The majority of the valuation allowance relates to uncertainties regarding the utilization of foreign pre-acquisition losses of Gauss and IXOS. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction such as estimated taxable income, the history of losses for tax purposes and our growth, among others. The principal component of the total deferred tax liabilities arises from acquired intangible assets purchased on the Gauss and IXOS transactions.

During the three months ended December 31, 2005, we recorded a tax expense of $2.7 million compared to a tax expense of $4.4 million during the three months ended December 31, 2004. This decrease in tax expense corresponds to the decrease in income between the periods.

Liquidity and Capital Resources

Cash and Cash Equivalents

As of December 31, 2005 we held $87.0 million in cash and cash equivalents, an increase of $7.1 million from June 30, 2005. The increase in cash was attributable to positive operating cash flows for the six months ended December 31, 2005 of $17.3 million and cash provided by financing activities of $14.8 million, offset by cash used in investing activities of $23.5 million and the impact of foreign exchange rates on non-U.S dollar currencies of $1.5 million.

The following table summarizes the changes in our cash flows over the periods indicated:

	Three months ended December 31,			Six months ended December 31,		
(in thousands)	2005	2004	Change $	2005	2004	Change $
Net cash provided by (used in)						
Operating activities	$ 16,348	$ 11,710	$ 4,638	$ 16,672	$ 16,826	$ (154)
Investing activities	$(10,182)	$(11,389)	$ 1,207	$(23,538)	$(50,040)	$26,502
Financing activities	$ 15,214	$(15,107)	$30,321	$ 15,457	$(27,285)	$42,742

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $16.3 million and $16.7 million for the three and six months ended December 31, 2005 respectively, compared to $11.7 million and $16.8 million in the corresponding periods in the prior fiscal year. These increases are due to stronger accounts receivable collections, and changes in accounts payable and accrued liabilities, partially offset by reduced net income.

Net Cash Used in Investing Activities

Net cash used in investing activities was $10.2 million and $23.5 million for the three and six months ended December 31, 2005 respectively compared to $11.4 million and $50.0 million in the corresponding periods in the prior fiscal year.

Net cash used in investing activities for the three months ended December 31, 2005, related primarily to $8.1 million of purchases of capital assets and $2.1 million relating to acquisitions and acquisition related activities and costs. During the corresponding period in the prior fiscal year, we spent $4.3 million on capital

assets and $7.1 million relating to acquisitions and acquisition related activities and costs. The increased spending on capital assets in the three months ended December 31, 2005 reflects the impact of the construction of the Waterloo building. The decreased spending on acquisition costs in the current quarter relates to lower levels of purchases of Gauss and IXOS shares and lower usage of acquisition related accruals.

Net cash used in investing activities for the six months ended December 31, 2005, related primarily to $14.1 million relating to purchases of capital assets and $9.4 million relating to acquisitions and acquisition related activities and costs. During the corresponding period in the prior fiscal year, we spent $7.7 million on capital assets and $42.3 million relating to acquisitions and acquisition related activities and costs. The decreased spending on acquisition costs in the current period is primarily a result of no acquisitions having been done in the six months ended December 31, 2005 compared to two acquisitions having been completed in the corresponding period in the prior fiscal year, fewer purchases of IXOS and Gauss shares and lower usage of acquisition related accruals.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $15.2 million and $15.5 million in the three and six months ended December 31, 2005 compared to net cash used in financing activities of $15.1 million and $27.3 million in the three and six months ended December 31, 2004. The significant increase of cash provided by financing activities in the three months ended December 31, 2005 was primarily due to the fact that we secured a mortgage on our Waterloo property and we did not re-purchase any of our Common Shares in fiscal 2006.

Financing of $15.0 million CDN was provided by way of a mortgage provided by a Canadian chartered bank secured by a lien on the newly constructed building in Waterloo. The mortgage has a fixed term of five years, maturing on January 1, 2011. Interest is to be paid monthly at a fixed rate of 5.25% per annum. Principal and interest are payable in monthly installments of CDN $101,000 with a final lump sum principal payment of CDN $12.6 million due on maturity. The mortgage may not be prepaid in whole or in part at anytime prior to the maturity date.

As of December 31, 2005, the carrying value of the building was $15.9 million and that of the mortgage was $12.9 million.

As of December 31, 2005, we had a CDN $10.0 million demand line of credit with a Canadian chartered bank under which no borrowings were outstanding at December 31, 2005 and 2004. On February 2, 2006 we replaced this line of credit with a new demand operating facility of CDN $40.0 million. Borrowings under this facility bear interest at varying rates depending upon the nature of the borrowing. We have pledged certain assets as collateral for this demand operating facility. There are no stand-by fees for this facility.

We financed our operations and capital expenditures during the three and six months ended December 31, 2005 primarily with cash flows generated from operations. We anticipate that our cash and cash equivalents and available credit facilities will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments and capital expenditures for at least the next 12 months.

Commitments and contingencies

We have entered into the following contractual obligations with minimum annual payments as follows:

	Payments due by period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	$ 16,029	$ 434	$ 2,081	$ 2,081	$11,433
Operating lease obligations *	99,857	8,565	36,584	32,316	22,392
Purchase obligations	2,863	948	1,590	299	26
	$118,749	$9,947	$40,255	$34,696	$33,851

* Net of $7.5 million of non-cancelable sublease income to be received by Open Text from properties which we have sub-leased to other parties.

The long-term debt obligations comprise of interest and principal payments on the mortgage. See Note 4 "Long-term Debt".

In July 2004, we entered into a commitment to construct a building in Waterloo, Ontario with a view of consolidating our existing Waterloo facilities. The construction of the building was completed in October 2005 and we have since commenced the use of the building. As of December 31, 2005, a total of $16.0 million has been capitalized on this project. We do not expect to make any significant additional payments in connection with this facility. We have financed this investment through our working capital.

Domination agreements

IXOS domination agreements

On December 1, 2004, we announced that—through our wholly-owned subsidiary, 2016091 Ontario, Inc. ("Ontario I")—it had entered into a domination and profit transfer agreement (the "Domination Agreement") with IXOS. The Domination Agreement has been registered in the commercial register at the local court of Munich in August 2005 and it has therefore come into force. Under the terms of the Domination Agreement, Ontario I has acquired authority to issue directives to the management of IXOS. Also in the Domination Agreement, Ontario I offers to purchase the remaining Common Shares of IXOS for a cash purchase price of Euro 9.38 per share ("Purchase Price") which was the weighted average fair value of the IXOS Common Shares as of December 1, 2004. Pursuant to the Domination Agreement, Ontario I also guarantees a payment by IXOS to the minority shareholders of IXOS of an annual compensation of Euro 0.42 per share ("Annual Compensation"). The shareholders of IXOS at the meeting on January 14, 2005 confirmed that IXOS had entered into the Domination Agreement. At the same meeting of the shareholders of IXOS, the shareholders authorized the management board of IXOS to apply for the withdrawal of the listing of the IXOS shares at the Frankfurt/ Germany stock exchange ("Delisting"). The Delisting was granted by the Frankfurt Stock Exchange on April 12, 2005 and was effective on July 12, 2005.

Certain IXOS shareholders had filed complaints against the approval of the Domination Agreement and also against the authorization to delist. As a result of an out of court settlement, the complaints have been withdrawn and or settled. The out of court settlement was ratified by the court on August 9, 2005. The Domination Agreement was registered on August 23, 2005, and thereby became effective. As a result of the Domination Agreement coming into force, we commenced, in the quarter ended September 30, 2005, accruing the amount payable to minority shareholders of IXOS on account of Annual Compensation. This amount is accrued as and has been accounted for as a "guaranteed dividend", payable to the minority shareholders, and is recorded as a charge to minority interest in the periods. Based on the number of minority IXOS shareholders as of December 31, 2005 the estimated amount of Annual Compensation would approximate $523,000 per year. Because we are unable to predict, with reasonable accuracy, the number of IXOS minority shareholders that will be on record in future periods, we are unable to predict the amount of Annual Compensation that will be payable in future years.

Gauss domination agreements

Pursuant to a Domination Agreement dated November 4, 2003 between Open Text -through our wholly owned subsidiary 2016090 Ontario Inc. ("Ontario II")—and Gauss, Ontario II has offered to purchase the remaining outstanding shares of Gauss at a price of Euro 1.06 per Gauss share. The original acceptance period was two months after the signing of the Domination Agreement. As a result of certain shareholders having filed for a special court procedure to reassess the amount of the Annual Compensation that must be payable to minority shareholders as a result of the Domination Agreement, the acceptance period has been extended pursuant to German law until the end of such proceedings. In addition, in April 2004 Gauss announced that effective July 1, 2004 the shares of Gauss would cease to be listed on a stock exchange. In connection with this delisting, on July 2, 2004, a second offer by Ontario II to purchase the remaining outstanding shares of Gauss at a price of Euro 1.06 per Gauss share, commenced. This acceptance period has also been extended pursuant to

German law until the end of proceedings to reassess the amount of the consideration offered under German law in the delisting process. The shareholders' resolution on the Domination Agreement and on the delisting was subject to a court procedure in which certain shareholders of Gauss claimed that the resolution by which the shareholders of Gauss approved of the entering into the Domination Agreement and the authorization to the management board of Gauss to file for a delisting are null and void. While the Court of First Instance rendered a judgment in favor of the plaintiffs, Gauss, as defendant, had appealed and believed that the Court of Second Instance would overturn the judgment and rule in favor of Gauss. As a result of an out of court settlement, the complaints have been withdrawn. The settlement provides inter alia that an amount of Euro 0.05 per share per annum will be payable as compensation to the other shareholders of Gauss under certain circumstances, but only after registration of the Squeeze Out as defined hereafter.

On August 25, 2005, at the shareholders meeting of Gauss, upon a motion of Ontario II, it was decided to transfer the shares of the minority shareholders, which at the time of the shareholders meeting held less than 5% of the shares of Gauss, to Ontario II ("Squeeze Out"). The resolutions will become effective when registered in the commercial register at the local court of Hamburg. Registration of these resolutions is currently pending. Certain shareholders of Gauss have filed suits to oppose all or some of the resolutions of the shareholders meeting of August 25, 2005. It is expected that the court of Hamburg will, within the next few months, decide on the registration of the resolutions.

We believe that the registration of these resolutions is a reasonable certainty; accordingly, in pursuance of these resolutions the Company has recorded its best estimate of the amount payable to the minority shareholders of Gauss. As of December 31, 2005, we have accrued $60,000 for such payments and expect that a further amount of approximately $15,000 will be payable to these shareholders by the end of the current fiscal quarter. We are not currently able to determine the final amount payable and we are unable to predict the date on which the resolutions will be registered at the local court.

Guarantees and indemnifications

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

In connection with certain facility leases, we have guaranteed payments on behalf of our subsidiaries. This has been done through unsecured bank guarantees obtained from local banks. Additionally, our current end-user license agreement contains a limited software warranty.

We have not recorded a liability for guarantees, indemnities or warranties described above in the accompanying consolidated balance sheet since the maximum amount of potential future payments under such guarantees, indemnities and warranties is not determinable, other than as described above.

Litigation

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

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space, and vehicles. In accordance with U.S. GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the thresholds for capitalization.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest rate risk

Our exposure to interest rate fluctuations relates to our investment portfolio and our mortgage. We primarily invest our cash in short-term high-quality securities with reputable financial institutions. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. We do not use derivative financial instruments in our investment portfolio. The interest income from our investments is subject to interest rate fluctuations, which we believe would not have a material impact on our financial position.

All highly liquid investments with a maturity of less than three months at the date of purchase are considered to be cash equivalents. We do not have investments with maturities of three months or greater. Some of the investments that we have invested in may be subject to market risk. This means that a change in the prevailing interest rates may cause the principal amount of the investment to fluctuate. The impact on net interest income of a 100 basis point adverse change in interest rates for the quarter ended December 31, 2005 would have been a decrease of approximately $75,000.

Foreign currency risk

Businesses generally conduct transactions in their local currency which is also known as their functional currency. Additionally, balances that are denominated in a currency other than the entity's reporting currency must be adjusted to reflect changes in foreign exchange rates during the reporting period.

As we operate internationally, a substantial portion of our business is also conducted in currencies other than the U.S. dollar. Accordingly, our results are affected, and may be affected in the future, by exchange rate fluctuations of the U.S. dollar relative to the Canadian dollar, to various European currencies, and, to a lesser extent, other foreign currencies. Revenues and expenses generated in foreign currencies are translated at exchange rates during the month in which the transaction occurs. We cannot predict the effect of foreign exchange rate fluctuations in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our results of operations. Moreover, in any given quarter, exchange rates can impact revenue adversely.

We have net monetary asset and liability balances in foreign currencies other than the U.S. Dollar, including primarily the Canadian Dollar ("CDN"), the Pound Sterling ("GBP"), the Japanese Yen ("JPY"), the Swiss Franc ("CHF"), the Danish Kroner ("DKK"), and the Euro ("EUR"). Our cash and cash equivalents are primarily held in U.S. Dollars. We do not currently use financial instruments to hedge operating expenses in foreign currencies.

The following tables provide a sensitivity analysis on our exposure to changes in foreign exchange rates. For foreign currencies where we engage in material transactions, the following table quantifies the absolute impact that a 10% increase/decrease against the U.S. dollar would have had on our total revenues, operating expenses, and net income for the three months ended December 31, 2005. This analysis is presented in both functional and transactional currency. Functional currency represents the currency of measurement for each of an entity's domestic and foreign operations. Transactional currency represents the currency in which the underlying transactions take place in. The impact of changes in foreign exchange rates for those foreign currencies not presented in these tables is not material.

	10% Change in Functional Currency (in thousands)		
	Total Revenue	Operating Expenses	Net Income
Euro	$3,358	$2,286	$1,072
British Pound	920	626	294
Canadian Dollar	653	1,642	990
Swiss Franc	696	368	328

	10% Change in Transactional Currency (in thousands)		
	Total Revenue	Operating Expenses	Net Income
Euro	$3,368	$2,751	$ 617
British Pound	895	613	282
Canadian Dollar	481	1,617	1,136
Swiss Franc	618	367	251

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As of December 31, 2005, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15 (e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2005, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that material information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Note 14 to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Risk Factors

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including those set forth in the following cautionary statements and elsewhere in this Quarterly Report on Form 10-Q, that may cause the actual results, performance or achievements or developments in our industry to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. The following factors, as well as all of the other information set forth herein, should be considered carefully in evaluating us and our business. If any of the following risks were to occur, our business, financial condition and results of operations would likely suffer. In that event, the trading price of our Common Shares would likely decline. Such risks are further discussed from time to time in our filings filed from time to time with the SEC.

If we do not continue to develop new technologically advanced products, 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 products and evolving demands of the marketplace. In addition, new software products and enhancements must remain compatible with standard platforms and file formats. We continue to enhance the capability of our Livelink software to enable users to form workgroups and collaborate on intranets and the Internet. We increasingly must integrate software licensed or acquired from third parties with our own software to create or improve our products. These products are important to the success of our strategy, and we may not be successful in developing and marketing these and other new software products and enhancements. If we are unable to successfully integrate the technologies licensed or acquired from third parties, to develop new software products and enhancements to existing products, or to complete products currently under development, or if such integrated or new products or enhancements do not achieve market acceptance, our operating results will materially suffer. In addition, if new industry standards emerge that we do not anticipate or adapt to, our software products could be rendered obsolete and our business 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 the in-house research and development of new product offerings. We continue to enhance Livelink and many of our optional components to continue to set the standard for ECM capabilities, in response to customer requests. The primary market for our software and services is rapidly evolving. As is typical in the case of a rapidly evolving industry, demand for and market acceptance of products and services that have been released recently or that are planned for future release are subject to a high level of uncertainty. If the markets for our products and services fail to develop, develop more slowly than expected or become saturated with competitors, our business will suffer. We may be unable to successfully market our current products and services, develop new software products, services and enhancements to current products and services, complete customer installations on a timely basis, or complete products and services currently under development. If our products and services or enhancements do not achieve and sustain market acceptance, our business and operating results will be materially harmed.

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, subject to rapid technological change and are evolving rapidly. We expect competition to increase and intensify in the future as the markets for our products continue to develop and as additional companies enter each of our markets. Numerous releases of products that compete with us are continually occurring and can be expected to continue in the near future. We may not be able to compete effectively with current and future competitors. If competitors were to engage in aggressive pricing policies with respect to competing products, or significant price competition was to otherwise develop, we would likely be forced to lower our prices. This could result in lower revenues, reduced margins, loss of customers, or loss of market share for us.

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

We continue to seek out opportunities to acquire or invest in businesses, products and technologies that expand, complement or are otherwise related to our current business. We 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 the need to integrate and manage the businesses and products acquired with our own business and products, additional demands on our management, resources, systems, procedures and controls, disruption of our ongoing business, and diversion of management's attention from other business concerns. Moreover, these transactions could involve substantial investment of funds and/or technology transfers and 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 financial or other resources committed to such activities will not be available to us for other purposes. Our inability to address these risks could negatively affect our operating results.

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 with varying levels of organizational size and complexity. Upon consummating an acquisition, we seek to implement our disclosure controls and procedures and internal controls over financial reporting at the acquired company as promptly as possible. Depending upon the size and complexity of the business acquired, the implementation of our disclosure controls and procedures and 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 and internal controls over financial reporting of an acquired company. We expect that the process involved in completing the integration of our own disclosure controls and procedures and internal controls over financial reporting at an acquired business will sufficiently correct any identified deficiencies. However, if such deficiencies exist, we may not be in a position to comply with our periodic reporting requirements and our business and financial condition may be materially harmed.

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

Because the decision by a customer to purchase our products often involves relatively large-scale implementation across our customer's network or networks, 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 in order to implement our

software, our sales cycle tends to take considerable time to complete. Over the past fiscal year, we have experienced a lengthening of our sales cycle as customers include more personnel in the decision-making process and focus on more enterprise-wide licensing deals. In an economic environment of reduced information technology spending, it can take several months, or even quarters, for sales opportunities to translate into revenue. If a customer's decision to license our software is delayed and the installation of our products in one or more customers takes longer than originally anticipated, the date on which revenue from these licenses could be recognized would be delayed. Such delays could cause our revenues to be lower than expected in a particular period.

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. We have increased our presence in the European market, especially since our acquisition of IXOS. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, compliance with both domestic and foreign laws, compliance with 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 expose us to a longer sales and collection cycle, as well as potential losses arising from currency fluctuations, and regulatory limitations regarding the repatriation of earnings. 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. In addition, international earnings may be subject to taxation by more than one jurisdiction, which could also materially adversely affect our effective tax rate. Also, international expansion may be more difficult, time consuming, and costly. As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our operating results will suffer. Moreover, in any given quarter, foreign exchange rates can impact revenue adversely.

Our expenses may not match anticipated 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 license transactions could cause significant variations in operating results from quarter to quarter and could result in operating losses. If these expenses are not subsequently followed by revenues, our business, financial condition, or results of operations could be materially and adversely affected. In addition, in July 2005, we announced an initiative to restructure our operations with the intention of streamlining our operations. 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 services no longer demanded by our customers. Any failure to successfully execute these initiatives, including any delay in effecting these initiatives, may have a material adverse impact on our results of operations.

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 commercial shipments, and, if discovered, we may not be able to successfully correct such errors in a timely manner, or at all. In addition, despite the tests we carry out 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 design defects or software errors inherent in our products and which only become apparent when the products are installed in an end-user's network. The occurrence of errors and failures in our products could result in loss of, or delay in market acceptance of our products, and

alleviating such errors and failures in our products could require us to make significant expenditure of capital and other resources. The harm to our reputation resulting from product errors and failures would be damaging. We regularly provide a warranty with our products and the financial impact of these 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, such as exclusions of all implied warranties and limitations on the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and related liabilities and costs. Although we maintain errors and omissions insurance coverage and comprehensive liability insurance coverage, such coverage may not be adequate and all claims may not be covered. Accordingly, any such claim could negatively affect our financial condition.

Other companies may claim that we infringe their intellectual property, which could result in significant costs to defend and if we are not successful it could have a significant impact on our ability to generate future revenue and profits

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, and any such assertions may result in costly litigation or require us to obtain a license for the intellectual property rights of third-parties. Such licenses may not be available on reasonable terms, or at all. In particular, as software patents become more prevalent, it is possible that certain parties will claim that our products violate their patents. Such claims could be disruptive to our ability to generate revenue and may result in significantly increased costs as we attempt to license the patents or rework our products to ensure that they are not in violation of the claimant's patents or dispute the claims. Any of the foregoing could have a significant 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 on certain third-party software, the lack of availability of which could result in increased costs of, or delays in, licenses of our products. For a limited number of product modules, we rely on certain software 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 of license to use, or the inability of licensors to support, maintain, and enhance any of such software, could result in increased costs, delays, or reductions in product shipments until equivalent software is developed or licensed, if at all, and integrated with internally developed software, and could adversely affect our business.

A reduction in the number or sales efforts by distributors could materially impact our revenues

A significant portion of our revenue is 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 or future distributors. Distributors may also give higher priority to the sale of products other than ours (which could include products of competitors) 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 sales efforts, a decline in the number of distributors, or the discontinuance of sales of our products by our distributors could lead to reduced revenue.

Our success depends on our relationships with strategic partners

We rely on close cooperation with partners for product development, optimization, and sales. If any of our partners should decide for any reason to terminate or scale back their cooperative efforts with us, our business, operating results, and financial condition may be adversely affected.

We must continue to manage our growth or our operating results could be adversely affected

Over the past several years, we have experienced growth in revenues, operating expenses, and product distribution channels. In addition, our markets have continued to evolve at a rapid pace. Moreover, we have grown significantly through acquisitions in the past and continue to review acquisition opportunities as a means of increasing the size and scope of our business. Finally, we have been subject to increased regulation, including various NASDAQ rules and Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes"), which has necessitated a significant use of our resources to comply with the increased level of regulation on a timely basis. Our growth, coupled with the rapid evolution of our markets and the new heightened regulations, have placed, and are likely to 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 or compliance with such regulations, and our management may not be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully penetrate the markets for our products and services and to successfully integrate any business acquisitions in the future to comply with all regulatory rules. If we are unable to manage growth effectively, or comply with such new regulations, our operating results will likely suffer and we may not be in a position to comply with our periodic reporting requirements or listing standards, which could result in our delisting from the NASDAQ stock market.

Recently enacted and proposed changes in securities laws and related regulations could result in increased costs to us

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of Sarbanes and recent rules enacted and proposed by the SEC and NASDAQ, have resulted in increased costs to us as we respond to the new requirements. In particular, complying with the internal control over financial reporting requirements of Section 404 of Sarbanes is resulting in increased internal costs and higher fees from our independent accounting firm and external consultants. The new rules also could make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage and/or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, on committees of our Board of Directors, or as executive officers.

Our products rely on the stability of various 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 that of Sun Microsystems Inc., Hewlett Packard Company, Oracle Corp., Microsoft Inc. 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 business and reputation may be significantly harmed.

Our quarterly 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 quarterly revenues and operating results caused by many factors, including changes in the demand for our products, the introduction or enhancement of products by us and our competitors, market acceptance of enhancements or products, delays in the introduction of products or enhancements by us or our competitors, customer order deferrals in anticipation of upgrades and new products, lengthening sales cycles, changes in our pricing policies or those of our competitors, delays involved in installing products with customers, the mix of distribution channels through which products are licensed, the mix of products and services sold, the timing of restructuring charges taken in connection with acquisitions completed by us, the mix of international and North American revenues, foreign currency exchange rates, acquisitions and general economic conditions.

A cancellation or deferral of even a small number of licenses or delays in installations of our products could have a material adverse effect on our results of operations in any particular quarter. Because of the impact of the timing of product introductions and the rapid evolution of our business and the markets we serve, we cannot predict whether seasonal patterns experienced in the past will continue. For these reasons, reliance should not be placed upon period-to-period comparisons of our financial results to forecast future performance. It is likely that our quarterly revenue and operating results could always vary significantly and if such variances are significant, the market price of our Common Shares could materially decline.

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. Our efforts to protect our intellectual property rights may not be successful. 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. Although we hold certain patents and have other patents pending, we generally have not sought patent protection for 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 the United States. Software piracy has been, and can be expected to be, a persistent problem for the software industry. Enforcement of our intellectual property rights may be difficult, particularly in some nations outside of the United States and Canada in which we seek to market our products. Despite the precautions we take, it may be possible for unauthorized third parties, including competitors, to copy certain portions of our products or to "reverse engineer" or to obtain and use information that we regard as proprietary.

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. Specifically, the recruitment of top research developers, along with experienced salespeople, remains critical to our success. Competition for such personnel is intense, and we may not be able to attract, integrate or retain highly qualified technical and managerial personnel in the future.

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

The market price of our Common Shares has been volatile and subject to wide fluctuations. Such fluctuations in market price may continue in response to quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates by securities analysts or 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 and these fluctuations have often been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. 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, resulting in losses to shareholders. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation have often been instituted against such a company. Due to the volatility of our stock price, we could be the target of similar securities litigation in the future. Such litigation could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on our business and operating results.

We may have exposure to greater than anticipated tax liabilities

We are subject to income taxes and non-income 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 other tax liabilities requires significant judgment. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

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

The Company held its annual and special meeting of shareholders on December 15, 2005. The following actions were voted upon at the meeting:

1. The following individuals were elected to the Company's Board of Directors, to hold office until the next annual meeting of shareholders. There were 32,929,902 Common Shares voted in favor of the motion (representing 99.9% of votes) and there were 28,275 votes withheld.

Name
P. Thomas Jenkins
Randy Fowlie
Peter J. Hoult
Brian J. Jackman
Carol Coghlan Gavin
Ken Olisa
Stephen J. Sadler
John Shackleton
Michael Slaunwhite

2. The shareholders approved the re-appointment of KPMG LLP as the Company's independent auditors until the next annual meeting of shareholders and that the Company's Board of Directors be authorized to fix the auditors' remuneration. There were 32,716,565 Common Shares voted in favor of the motion (representing 99.4% of votes) and there were 195,056 votes withheld.

3. The shareholders approved a special resolution authorizing the continuance of the Company as a corporation under the *Canada Business Corporations Act* ("CBCA"). There were 28,590,976 Common Shares voted in favor of the motion (representing 99.9% of votes) and there were 17,104 voted against the motion. (See exhibit 3.1 under Item 6 "Exhibits").

4. The shareholders approved the adoption of a new general by-law which conforms to the CBCA. There were 28,579,662 Common Shares voted in favor of the motion (representing 99.9% of votes) and there were 22,804 voted against the motion. (See exhibit 3.2 under Item 6 "Exhibits").

Item 6. Exhibits

The following exhibits are filed with this Report.

Exhibit No	Description
3.1	Articles of continuance, dated December 29, 2005
3.2	Open Text Corporation by-laws, dated December 15, 2005
10.1	Demand operating credit facility agreement between Open Text Corporation and Royal Bank of Canada, dated February 2, 2006
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPEN TEXT CORPORATION

Date: February 3, 2006

By: /s/ JOHN SHACKLETON

John Shackleton
President and Chief Executive Officer

/s/ ALAN HOVERD

Alan Hoverd
Chief Financial Officer

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Exhibit 3.1

Industry Canada | Industrie Canada

Certificate of Continuance

Canada Business Corporations Act

Certificat de prorogation

Loi canadienne sur les sociétés par actions

OPEN TEXT CORPORATION

434350-6

Name of corporation-Dénomination de la société

Corporation number-Numéro de la société

I hereby certify that the above-named corporation was continued under section 187 of the *Canada Business Corporations Act*, as set out in the attached articles of continuance.

Je certifie que la société susmentionnée a été prorogée en vertu de l'article 187 de la *Loi canadienne sur les sociétés par actions*, tel qu'il est indiqué dans les clauses de prorogation ci-jointes.

/s/ Richard G. Shaw

Richard G. Shaw
Director - Directeur

December 29, 2005 / le 29 décembre 2005

Date of Continuance - Date de la prorogation

Canada

Industry Canada Industria Canada

Canada Business Corporations Act | Loi canadienna sur les sociétés par actions

FORM II
ARTICLES OF CONTINUANCE
(SECTION 187)

FORMULAIRE II
CLAUSES DE PROROGATION
(ARTICLE 187)

1 – Name of the Corporation | Dénomination sociale de la société

OPEN TEXT CORPORATION

2 – Taxation Year End | Fin de l'annee d'imposition

M	D - J
06	30

3 – The province or territory in Canada where the registered office is to be situtated | La province ou le territoire au Canada où se situera le siége social

Province of Ontario

4 – The classes and the maximum number of shares that the corporation is authorized to issue | Catégories et le nombre maximal d'actions que la société est autorisée á emettre

The Schedule 1 annexed hereto is incorporated in this form.

5 – Restrictions, if any, on share transfers | Restrictions sur le transfert des actions, s'il y a lieu

None.

6 – Number (or minimum and maximum number) of directors | Nombre (ou nombre minimal et maximal) d'administrateurs

Minimum of 3; maximum of 15.

7 – Restrictions, if any, on business the corporation may carry on | Limites imposées à l'activité commerciale de la société, s'il y a lieu

None.

8 – (1) if change of name effected, previous name | (1) S'il y a changement de dénomination sociale, indiquer la denomination sociale antérieure

N/A

(2) Details of incorporation | (2) Détails de la constitution

The Corporation was formed by Certificate and Articles of Amalgamation under the laws of Ontario on July 1, 2005.

9 – Other provisions, if any | Autres dispositions, s'll y a lieu

The Schedule 2 annexed hereto is incorporated in this form.

Signature	Printed Name-nom en lettres moulées	10 – Capacity of - En qualité de	11 – Tel. No de tél
/s/ James D. Clarke	James D. Clarke	Assistant Secretary	(519) 888 - 7111

FOR DEPARTMENTAL USE ONLY A L'USAGE DU MNISTERE'S SEULEMENT

22*7 (2003/06)

Canada

SCHEDULE 1

AUTHORIZED CAPITAL

The Corporation is authorized to issue an unlimited number of First Preference Shares and an unlimited number of Common Shares. The rights, privileges, restrictions and conditions attaching to each class is set out below:

1. FIRST PREFERENCE SHARES

1.1 Issuable in Series:

The First Preference shares may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be fixed by the directors of the Corporation. The directors of the Corporation may, before issuance and subject as hereinafter provided, determine the designation, rights, privileges, restrictions and conditions attaching to the First Preference Shares of each series including, without limiting the generality of the foregoing:

(a) the rate, amount or method of calculation of any dividends, whether cumulative, non-cumulative or partially cumulative, and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which any such dividends shall accrue;

(b) any right of redemption and/or purchase and the redemption or purchase prices and terms and conditions of any such right;

(c) any right of retraction vested in the holders of the First Preference Shares of such series and the prices and terms and conditions of any such rights and whether any other rights of retraction may be vested in such holders in the future;

(d) any voting rights;

(e) any conversion rights;

(f) any rights upon dissolution, liquidation of winding-up of the Corporation;

(g) any sinking fund or purchase fund;

(h) any purchase obligation; and

(i) any other provisions attaching to any such series of First Preference Shares.

1.2 Priority:

The First Preference Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the First Preference Shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Corporation ranking junior to the First Preference Shares. In addition to and without limiting the generality of the foregoing, if any amount.

(a) of cumulative dividends, whether or not declared, or declared non-cumulative dividends; or

(b) payable on return of capital in the event of the liquidation, dissolution or winding up of a Corporation.

in respect of shares of a series is not paid in full, the shares of the series shall participate rateably with the shares of all other series of the same class in respect of,

(c) all accumulated cumulative dividends, whether or not declared, and all declared non-cumulative dividends; or

(d) all amounts payable on return of capital in the event of the liquidation, dissolution or winding up of the Corporation.

as the case may be.

2. COMMON SHARES

2.1 The holders of the Common Shares are entitled to receive:

(a) such dividends as the directors in their discretion may declare, regardless of whether dividends are declared on any other class of shares;

(b) the holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation, except meetings at which holders of another specified class of shares are exclusively entitled to vote, and are entitled to one vote for each Common Share held on all votes taken at such meetings; and

(c) any remaining property of the Corporation on liquidation, dissolution or wind-up of the Corporation, whether voluntary or involuntary, after payment of any amount required to redeem or retract the issued and outstanding First Preference Shares in accordance with the terms of their issuance.

SCHEDULE 2

OTHER PROVISIONS

Authorization to Appoint Additional Directors

The directors may, within the maximum number permitted by the articles, appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of the shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

Exhibit 3.2

BY-LAW 1

A by-law relating generally to the transaction of the business and affairs of

OPEN TEXT CORPORATION

Contents

One - Interpretation
Two - Business of the Corporation
Three - Borrowing and Security
Four - Directors
Five - Committees
Six - Officers
Seven - Protection of Directors, Officers and Others
Eight - Shares
Nine - Dividends and Rights
Ten - Meetings of Shareholders
Eleven - Notices
Twelve - Effective Date and Repeal

BE IT ENACTED AS A BY-LAW OF THE CORPORATION AS FOLLOWS:

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SECTION ONE
INTERPRETATION

1.01 Definitions. - In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Canada Business Corporations Act*, or any statute that may be substituted therefor, and the regulations to the Act, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the articles attached to the certificate of continuance of the Corporation, as from time to time amended or restated;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"Corporation" means the corporation continued under the Act by the said certificate to which the articles are attached, and named "Open Text Corporation";

"director" means a member of the board;

"including" means including, without limitation;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders; and "special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"prescribed" means prescribed in accordance with the Act; and

"recorded address" has the meaning set forth in section 11.08.

Save as aforesaid, words and expressions defined in the Act, including "distributing corporation", "electronic document" and "resident Canadian", have the same meanings when used herein. Words importing the singular number include the plural and vice versa; and words importing a person include an individual, partnership, association, body corporate, trustee, executor, administrator and legal representative.

SECTION TWO
BUSINESS OF THE CORPORATION

2.01 Registered Office. - The registered office of the Corporation shall be in the province in Canada from time to time specified in the articles, and at such location therein initially as is specified in the notice thereof filed with the articles and thereafter as the board may from time to time determine.

2.02 Corporate Seal. - The Corporation may, but need not, adopt a corporate seal and if one is adopted it shall be in a form approved from time to time by the board.

2.03 Financial Year. - Until changed by the board, the financial year of the Corporation shall end on the last day of June 30 in each year.

2.04 Execution of Instruments. - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the directors and officers of the Corporation. In addition, any two of the directors and officers of the Corporation may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.05 Banking Arrangements. - The banking business of the Corporation, including the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe.

2.06 Voting Rights in Other Bodies Corporate. - The signing officers of the Corporation under section 2.04 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Divisions. - The board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division the board or, subject to any direction by the board, the chief executive officer may authorize from time to time, upon such basis as may be considered appropriate in each case:

(a) Subdivision and Consolidation - the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;

(b) Name - the designation of any such division or sub-unit by, and the carrying on of the business and operations of, any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all places required by law; and

(c) Officers - the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed, provided that any such officers shall not, as such, be officers of the Corporation.

SECTION THREE
BORROWING AND SECURITY

3.01 Borrowing Power. - Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

(a) borrow money upon the credit of the Corporation;

(b) issue, reissue, sell, pledge or hypothecate bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;

(c) give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and

(d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. - Unless the articles of the Corporation otherwise provide, the board may from time to time delegate to a director, a committee of the board, or an officer of the Corporation any or all of the powers conferred on the board by section 3.01 to such extent and in such manner as the board may determine at the time of such delegation.

SECTION FOUR
DIRECTORS

4.01 Number of Directors. - Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles. The board shall consist of not fewer than the minimum number of directors required by the Act for a distributing corporation.

4.02 Qualification. - No person shall be qualified for election as a director if such person is less than 18 years of age, is of unsound mind and has been so found by a court in Canada or elsewhere, is not an individual, or has the status of a bankrupt. Unless the articles otherwise provide, a director need not be a shareholder. Subject to the Act, at least 25 per cent of the directors shall be resident Canadians, or if the number of directors is fewer than four, at least one director shall be a resident Canadian. At least such number of directors as may be specified by the Act, other applicable law or stock exchange requirements shall not be officers or employees of the Corporation or of its affiliates.

4.03 Election and Term. - Subject to the Act, the number of directors to be elected at each annual meeting of shareholders shall be the number of directors as determined by the board. Each director shall hold office for the stated term at the time of their election at any such meeting of shareholders or, if not stated, until the close of the first annual meeting of shareholders following the director's election. Where the shareholders adopt an amendment to the articles to increase the number or maximum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.04 Removal of Directors. - Subject to the Act, the shareholders may by resolution passed at a meeting of shareholders specially called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which, subject to the Act, it may be filled by the board.

4.05 Vacation of Office. - A director ceases to hold office on death, on removal from office by the shareholders, on ceasing to be qualified for election as a director, on receipt of a written resignation by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later. Subject to the Act, a quorum of the board may appoint a qualified individual to fill a vacancy in the board.

4.06 Appointment of Additional Directors. - If the articles of the Corporation so provide, the directors may, within the maximum number permitted by the articles, appoint one or more additional directors, who shall hold office for a term expiring not later than the close of

the next annual meeting of the shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

4.07 Action by the Board. - The board shall manage, or supervise the management of, the business and affairs of the Corporation. The powers of the board may be exercised at a meeting (subject to sections 4.08 and 4.09) at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

4.08 Canadian Directors Present at Meetings. - Subject to the Act, the board shall not transact business at a meeting, other than filling a vacancy in the board, unless at least 25 per cent of the directors present are resident Canadians, or if the Corporation has fewer than four directors, at least one of the directors present is a resident Canadian, except where:

(a) a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting; and

(b) the required number of resident Canadians would have been present had that director been present at the meeting.

4.09 Meeting by Telephone. - Subject to the Act, if all the directors of the Corporation consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the board or of a committee of the board by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

4.10 Signed Resolutions. - Any resolution in writing may be signed in counterparts and if signed as of any date shall be deemed to have been passed on such date.

4.11 Place of Meetings. - Subject to the articles, meetings of the board may be held at any place in or outside Canada.

4.12 Calling of Meetings. - Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the chief executive officer, the president or any two directors may determine.

4.13 Notice of Meeting. - Notice of the time and place of each meeting of the board shall be given in the manner provided in Section Eleven to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including, if required by the Act, any proposal to:

(a) submit to the shareholders any question or matter requiring approval of the shareholders;

(b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;

(c) issue securities except as authorized by the board;

(d) issue shares of a series except as authorized by the board;

(e) declare dividends;

(f) purchase, redeem or otherwise acquire shares issued by the Corporation;

(g) pay a commission for the sale of shares except as authorized by the board;

(h) approve a management proxy circular;

(i) approve a take-over bid circular or directors' circular;

(j) approve any annual financial statements; or

(k) adopt, amend or repeal by-laws.

A director may in any manner waive a notice of a meeting of directors, and attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

4.14 First Meeting of New Board. - Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.15 Adjourned Meeting. - Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.16 Regular Meetings. - The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any

resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.17 Chair. - The chair of any meeting of the board shall be the first mentioned of such of the following positions as have been appointed and who is a director and is present at the meeting: chair of the board or the lead director. If no person holding such a position is present, the directors present shall choose one of their number to be chair.

4.18 Quorum. - Subject to the articles and subject to section 4.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the minimum number of directors required by the articles or such greater number of directors as the board may from time to time determine.

4.19 Votes to Govern. - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.20 Conflict of Interest. - A director or officer of the Corporation shall disclose to the Corporation, in the manner and to the extent provided by the Act, any interest that such director or officer has in a material contract or transaction, whether made or proposed, with the Corporation, if such director or officer (a) is a party to the contract or transaction; (b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction. Such a director shall not vote on any resolution to approve the same except as provided by the Act.

4.21 Remuneration and Expenses. - The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION FIVE
COMMITTEES

5.01 Committees of the Board. - The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.

5.02 Transaction of Business. - The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

5.03 Audit Committee. The board shall appoint annually from among its number an audit committee to be composed of not fewer than three directors who meet the independence and other requirements as may be specified by the Act, other applicable law and stock exchange requirements and who are not officers or employees of the Corporation or its affiliates. The audit committee shall have the powers and duties provided in the Act and in other applicable law and in addition, such other powers and duties as the board may determine.

5.04 Advisory Bodies. - The board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 Procedure. - Unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members and to regulate its procedure.

SECTION SIX
OFFICERS

6.01 Appointment. - The board may from time to time appoint a chair of the board, a chief executive officer, a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. One person may hold more than one office. The board may specify the duties of and, in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to section 6.02, an officer may but need not be a director.

6.02 Powers and Duties of Officers. - The board may from time to time specify the duties of each officer, delegate to him or her powers to manage any business or affairs of the Corporation (including the power to sub-delegate) and change such duties and powers, all insofar as not prohibited by the Act. To the extent not otherwise so specified or delegated, and subject to the Act, the duties and powers of the officers of the Corporation shall be those usually pertaining to their respective offices.

6.03 Term of Office. - The board, in its discretion, may remove any officer of the Corporation. Otherwise each officer appointed by the board shall hold office until a successor is appointed or until the officer resigns.

6.04 Agents and Attorneys. - The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to subdelegate) of management, administration or otherwise as may be thought fit.

6.05 Conflict of Interest. - An officer shall disclose any interest in a material contract or material transaction, whether made or proposed, with the Corporation in accordance with section 4.19.

SECTION SEVEN

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. - All directors and officers of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, and without limiting any defences available to a director or an officer under the Act or otherwise, no director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other director, officer or employee, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such director or officer, or for any other loss, damage or misfortune which shall happen in the execution of the duties of office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act or from liability for any breach thereof.

7.02 Indemnity. - Subject to the Act, the Corporation shall indemnify a director or an officer, a former director or officer, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, and their heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation, or other entity, if such individual (a) acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

7.03 Advance of Costs.—The Corporation shall advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in section 7.02. The individual shall repay the moneys if the individual does not fulfil the conditions of section 7.02.

7.04 Additional Advance. - The Corporation shall, with the approval of a court, indemnify an individual referred to in section 7.02, or advance moneys under section 7.03, in respect of an action by or on behalf of the Corporation or other entity to procure a judgment in its

favour, to which the individual is made a party because of the individual's association with the Corporation or other entity as described in section 7.02 against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the individual fulfils the conditions set out in section 7.02.

7.05 Indemnities Not Limiting. – The provisions of this Article Seven shall be in addition to and not in substitution for or limitation of any rights, immunities and protections to which a person is otherwise entitled.

7.06 Insurance. - Subject to the Act, the Corporation may purchase and maintain insurance for the benefit of an individual referred to in section 7.02 hereof as the board may from time to time determine.

SECTION EIGHT
SHARES

8.01 Allotment of Shares.—Subject to the Act and the articles, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 Commissions. - The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of such person's purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares. The board may, to the extent permitted by the Act, delegate this authority to a committee of directors.

8.03 Registration of Transfers. - Subject to the Act, no transfer of a share shall be registered in a securities register except upon presentation of the certificate representing such share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fees prescribed by the board.

8.04 Non-recognition of Trusts. - Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.05 Share Certificates. - Every holder of one or more shares of the Corporation shall be entitled, at the holder's option, to a share certificate, or to a non-transferable written acknowledgement of such right to obtain a share certificate, stating the number and class or series of shares held by such holder as shown on the securities register. Subject to the Act, such certificates shall be in such form as the board may from time to time approve. Any such certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal. Notwithstanding the foregoing, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers under section 2.04 or, in the case of a certificate which is not valid unless countersigned by or on behalf of a transfer agent and/or registrar and in the case of a certificate which does not require a manual signature under the Act, the signatures of both signing officers under section 2.04 may be printed or otherwise mechanically reproduced in facsimile thereon. Every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation.

A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.06 Replacement of Share Certificates. - The board or any officer or agent designated by the board may direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.07 Joint Shareholders. - If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.08 Deceased Shareholders. - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

8.09 Transfer Agents and Registrars. - The board may from time to time appoint one or more agents to maintain, in respect of each class of shares of the Corporation issued by it, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to the functions of such person and one person may be designated both registrar and transfer agent subject to any applicable stock exchange requirements. The board may at any time terminate such appointment.

8.10 Record Dates. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining the shareholders: (a) entitled to receive notice of a meeting of shareholders; (b) entitled to vote at a meeting of shareholders; (c) entitled to receive payment of a dividend; or (d) for any other purpose, and, unless waived in accordance with the Act, notice of any such record date shall be given within the prescribed period in the manner provided in the Act.

SECTION NINE
DIVIDENDS

9.01 Dividends. - Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation. Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

9.02 Dividend Cheques. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the holder's recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.03 Record Date. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend and notice of the record date shall be given within the prescribed period in the manner provided by the Act. If no date is so fixed, the record date for the determination of the shareholders entitled to receive payment of any dividend or for such other purposes shall be at the close of business on the day on which the directors pass the resolution relating thereto.

SECTION TEN
MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings. - Subject to the Act, the board shall call an annual meeting of shareholders: (a) not later than 18 months after the Corporation comes into existence; and (b) subsequently, not later than 15 months after holding the last preceding annual meeting but no later than six months after the end of the Corporation's preceding financial year. The annual meeting of shareholders shall be held for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 Special Meetings. - The board shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. - Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in Canada if the board shall so determine. A meeting of shareholders may be held at a place outside Canada if the place is specified in the articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place. A shareholder who attends a meeting of shareholders held outside Canada is deemed to have agreed to it being held outside Canada except when the shareholder attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held. A meeting held pursuant to section 10.05 shall be deemed to be held at the place where the registered office of the Corporation is located.

10.04 Participation in Meeting by Electronic Means. - Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Act to be present at the meeting.

10.05 Meeting held by Electronic Means. - If the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the Act, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

10.06 Notice of Meetings. - Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Eleven within the prescribed period to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares

carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting.

10.07 List of Shareholders Entitled to Notice. - For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting, within the time period required by the Act. If a record date for notice of the meeting is fixed pursuant to section 10.08, the shareholders listed shall be those registered at the close of business on such record date. If no record date for notice is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.08 Record Date for Notice. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining the shareholders entitled to vote at a meeting of shareholders and notice of the record date shall be given within the prescribed period in the manner provided by the Act. If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

10.09 Meetings Without Notice. - A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present or duly represented or if those not present or represented waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or duly represented, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.10 Chair, Secretary and Scrutineers. - The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the board, the chief executive officer, president, or a vice president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

10.11 Persons Entitled to be Present. - The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.12 Quorum. - Subject to the Act in respect of a majority shareholder, a quorum for the transaction of business at any meeting of shareholders shall be persons not being less than two in number and holding or representing by proxy not less than 33 1/3 percent of the issued and outstanding shares of the Corporation for the time being enjoying voting rights at such meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.13 Right to Vote. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining the shareholders entitled to vote at a meeting of shareholders and notice of the record date shall be given within the prescribed period in the manner provided by the Act. If a record date for voting is fixed, the Corporation shall prepare, within the time period required by the Act, an alphabetical list of shareholders who are entitled to vote as of the record date that shows the number of shares held by each shareholder. If no record date for voting is fixed, the Corporation shall prepare, within the time period required by the Act, an alphabetical list of shareholders who are entitled to vote as of the record date determined under the Act that shows the number of shares held by each shareholder. Each shareholder whose name appears on the list prepared as aforesaid is entitled to vote the shares shown opposite their name at the meeting to which the list relates.

10.14 Proxyholders and Representatives. - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, to attend and act as the shareholder's representative at the meeting in the manner and to the extent

authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or the shareholder's attorney authorized in writing and shall conform with the requirements of the Act. The Corporation shall recognize any individual authorized by a resolution of the directors or governing body of a body corporate or association to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting. Any such proxyholder or representative need not be a shareholder.

10.15 Time for Deposit of Proxies. - The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours, excluding Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice, or such later time before the time of voting as the chairman of the meeting may determine, or if, no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

10.16 Joint Shareholders. - If two or more persons hold shares jointly, any one of them present or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present or represented and vote, they shall vote as one the shares jointly held by them.

10.17 Votes to Govern. - At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

10.18 Show of Hands. - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote, subject to any provision of the Act restricting the ability of a proxyholder or alternate proxyholder to vote by way of show of hands where such person has conflicting instructions from more than one shareholder. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question. Any vote referred to in section 10.17 and this section 10.18 may be held, subject to and in accordance with the Act,

partly or entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility. Any person participating in a meeting of shareholders under section 10.04 or 10.05 and entitled to vote at that meeting may vote, subject to and in accordance with the Act by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

10.19 Ballots. - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.20 Adjournment. - The chair at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

SECTION ELEVEN
NOTICES

11.01 Method of Giving Notices. - Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given, subject to any provisions in the Act regarding certain types of communications or documents, if delivered personally to the person to whom it is to be given; if delivered to the person's recorded address or if mailed to such person at such recorded address by prepaid ordinary mail; if sent to such person at such recorded address by any means of prepaid transmitted or recorded communication; or if sent by email, electronic document or other form of electronically transmitted message. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication or by email, electronic document or other form of electronically transmitted message shall be deemed to have been given when dispatched or transmitted. A notice so delivered shall be deemed to have been received when it is personally delivered; a notice so mailed shall be deemed to be received at the time it would be delivered in the ordinary course of mail; and a notice so sent by any means of transmitted or recorded communication or by email, electronic document or other form of electronically transmitted message shall be deemed to have been received on the day it is dispatched or transmitted. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable.

11.02 Notice to Joint Shareholders. - If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be included.

11.04 Undelivered Notices. - If any notice given to a shareholder pursuant to section 11.01 is returned on two consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until informed in writing by the shareholder of a new address.

11.05 Omissions and Errors. - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to the name and address of such person being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of entitlement prescribed by the Act.

11.07 Waiver of Notice. - Any shareholder, proxyholder, director, officer, auditor or member of a committee of the board, or any other person entitled to receive notice of a meeting of shareholders or any other notice from the Corporation, may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under the Act, the articles, the by-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

11.08 Interpretation. - In the by-laws, "recorded address" means: in the case of a shareholder, the address as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, the latest address as shown in the records of the Corporation.

11.09 Electronic Documents. A requirement under these by-laws that a notice, document or other information be provided in writing may be satisfied by providing an electronic document and a requirement under these by-laws for a signature or that a document be executed, in relation to an electronic document, may be satisfied, in each case, if the requirements in the Act in respect thereof are met.

SECTION TWELVE
EFFECTIVE DATE AND REPEAL

12.01 Effective Date. - Subject to its being confirmed by the shareholders, this by-law shall come into force on the date set forth in the certificate of continuance continuing the Corporation under the Act.

12.02 Repeal. - All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed, or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

The foregoing by-law was made by the directors of the Corporation on the 2nd day of November, 2005, and was confirmed without variation by the shareholders of the Corporation on the 15th day of December, 2005.

James Clarke
Assistant General Counsel, Compliance Officer and
Assistant Secretary

Exhibit 10.1

Royal Bank of Canada
Corporate Banking
200 Bay Street, 4th Floor
Royal Bank Plaza, South Tower
Toronto, Ontario M5J 2W7
Tel.: (416) 842-3726
Fax: (416) 842-5320
E-mail: tom.fairbrother@rbccm.com

February 2, 2006

Private and Confidential

Open Text Corporation
185 Columbia Street West
Waterloo, Ontario
N2L 5Z5

Attention: Alan Hoverd, Chief Financial Officer

Dear Sirs/Mesdames:

Royal Bank of Canada (the "**Bank**") is pleased to offer Open Text Corporation (the "**Borrower**"), a demand operating credit facility (the "**Credit Facility**") through its branch located at 70-74 King Street South, Waterloo, Ontario (the "**Branch of Account**") or other designated booking point as agreed between the Borrower and the Bank, subject to the terms and conditions set forth below.

1. DEFINITIONS AND SCHEDULES

The attached schedules are incorporated into this agreement by reference as if set out in full herein (collectively, this agreement and Schedules "A" to "C" are referred to herein as the "**Agreement**"). Schedule "A" contains definitions of capitalized terms used and not otherwise defined in this Agreement. Unless otherwise provided, all dollar amounts are in United States currency and accounting terms are to be interpreted in accordance with GAAP.

2. COMMITMENT

The amount available under the Credit Facility shall not exceed Cdn$40,000,000, or the Equivalent US$ Amount (the "**Commitment**").

3. CREDIT FACILITY

The Credit Facility is available by way of:

(a) RBP based loans in Canadian Dollars ("**RBP Loans**");

(b) RBUSBR based loans in US Dollars ("**RBUSBR Loans**");

(c) Bankers' Acceptances ("**BAs**");

(d) Libor based loans in US Dollars ("**Libor Loans**"); and

(e) Letters of Guarantee in Canadian Dollars or in US Dollars issued in connection with a Minority Gauss Share Purchase or a Minority IXOS Share Purchase, and, otherwise, in a maximum amount not to exceed $5,000,000 in the aggregate.

Each use of the Credit Facility by way of any of the foregoing methods is a "**Borrowing**" and all such usages outstanding at any time are "**Borrowings**". Schedule "B" contains notice provisions applicable to Borrowings that must be complied with and the terms and conditions applicable to Borrowings made by way of BAs and LGs which must be complied with.

The Borrower and the Bank agree that the LGs issued pursuant to the Existing Credit Agreement described in Schedule "E" (the "**Existing LGs**") shall be deemed, for all purposes hereof, to have been issued by the Bank under this Agreement. The Borrower and the Bank further agree to terminate the Existing Credit Agreement and the Existing Credit Agreement is hereby terminated, effective the date hereof.

4. USE OF PROCEEDS

The Borrower shall use the proceeds of Borrowings under the Credit Facility for general operating requirements including (i) to fund Distributions permitted by Section 18(g), (ii) to finance Acquisitions permitted under Section 18(p) (each, a "**Permitted Acquisition**"), (iii) to finance Capital Expenditures permitted by Section 18(n), and (iv) to finance Minority Gauss Share Purchases or Minority IXOS Share Purchases.

5. AVAILABILITY

The Borrower may borrow, convert, repay and reborrow at any time, on the terms and subject to the conditions of this Agreement, provided that the aggregate Borrowings outstanding under the Credit Facility shall not, at any time, exceed the Commitment. The Credit Facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of the Credit Facility at any time and from time to time without notice or demand.

6. REPAYMENTS AND COMMITMENT REDUCTIONS

(a) The Credit Facility shall revolve and no payments shall reduce the Commitment.

(b) Notwithstanding compliance with the covenants and all other terms and conditions of this Agreement, and regardless of the maturities of any outstanding instruments or contracts, the Bank, in its sole discretion, shall be entitled to require payment of all or any part of the Borrowing at any time upon demand ("**Demand**") not withstanding compliance by the Borrower with the terms of the Credit Documents and the Bank may terminate the Credit Facility at any time without notice or demand.

(c) Upon Demand, the Borrower shall pay to the Bank all Borrowings outstanding under this Agreement including, without limitation, an amount equal to the aggregate of the face amounts of all BAs and LGs which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such instruments or contracts. The Bank

may enforce its rights to realize upon its security and retain an amount sufficient to secure the Borrower's obligations to the Bank in respect of such instruments or contracts.

7. EXTENSIONS

Given the nature of the Credit Facility, no formal extension is required.

8. INTEREST RATES AND FEES

(a) Interest Rates. The interest rates applicable to Borrowings shall be as follows:

RBP Loans:	RBP per annum.
RBUSBR Loans:	RBUSBR per annum.
BAs:	RBPAF plus 125 basis points per annum.
Libor Loans:	Libor plus 125 basis points per annum.
LG Fee:	125 basis points per annum, subject to a minimum fee of Cdn$100 or US$100 based on the currency of the LG.

(b) **Set-up Fee.** A set-up fee of $8,000 is payable by the Borrower on the Acceptance Date. This fee is non-refundable and shall be earned by the Bank and paid by the Borrower to the Bank on the Acceptance Date.

(c) **Annual Review Fee.** The Borrower shall pay an annual review fee of $5,000 on each anniversary of the Acceptance Date.

9. CALCULATION AND PAYMENT OF INTEREST AND FEES

(a) **RBP Loans and RBUSBR Loans.** The Borrower shall pay interest on each RBP Loan and RBUSBR Loan monthly in arrears, on the 26th day of each month. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days. Any change in RBP or RBUSBR shall be effective as of the opening of business on the day such change takes place. Interest on RBP Loans shall be paid in Canadian Dollars. Interest on RBUSBR Loans shall be paid in US Dollars.

(b) **BAs.** The Borrower shall pay an acceptance fee in advance on the date of issue of each BA at the applicable rate provided for in this Agreement. Acceptance fees shall be calculated on the face amount of the BA issued and based upon the number of days in the term thereof and a year of 365 days.

(c) **LG Fees.** The Borrower shall pay an LG fee on the date of issuance of any LG calculated on the face amount of the LG issued and based on the number of days in the term thereof and a year of 365 days, subject to a minimum fee of Cdn$100 or US$100 based on the currency of the LG.

(d) **Libor Loans.** The Borrower shall pay interest on each Libor Loan, on each Libor Interest Date, calculated in arrears. Such interest will accrue daily on the basis of the actual number of days elapsed and a year of 360 days.

(e) **Limit on Interest.** The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by law.

(f) **Overdue Payments.** Any amount that is not paid when due hereunder shall, unless interest is otherwise payable in respect thereof in accordance with the terms of this Agreement or the instrument or contract governing same, bear interest until paid at the rate of RBP plus 5% per annum or, in the case of an amount in US Dollars, RBUSBR plus 5% per annum.

(g) **Equivalent Yearly Rates.** The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365 or, in the case of Libor Loans, divided by 360.

(h) **Time and Place of Payment.** All amounts due by the Borrower pursuant to this Agreement shall be paid at the Branch of Account in immediately available funds for value on the day such amount is due in Canadian Dollars, or US Dollars in the case of Borrowings denominated in US Dollars, or as otherwise provided herein. If a day on which an amount is due is not a Business Day such amount shall be deemed for all purposes of this Agreement to be due on the Business Day next following such day and all interest and other fees shall continue to accrue until payment. Interest and fees payable under this Agreement are payable both before and after any or all of default, demand and judgment.

10. EXCHANGE RATE FLUCTUATIONS

If, for any reason, the amount of Borrowings outstanding in US Dollars under the Credit Facility, when converted to the Equivalent Cdn.$ Amount, exceeds the Commitment, the Borrower shall immediately repay such excess or shall grant additional security to the Bank in form and substance satisfactory to the Bank.

11. INCREASED COSTS

The Borrower shall reimburse the Bank for any additional cost or reduction in income arising as a result of (i) the imposition of, or increase in, taxes on payments due to the Bank hereunder (other than capital taxes, taxes on the overall net income of the Bank and other taxes not directly relating to the Credit Facility), (ii) the imposition of, or increase in, any reserve or other similar requirement imposed by any Applicable Law or the interpretation thereof, and (iii) the imposition of, or change in, any other condition affecting the Credit Facility imposed by any Applicable Law or the interpretation thereof.

12. EVIDENCE OF INDEBTEDNESS

The Bank shall open and maintain at the Branch of Account accounts and records evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of each Borrowing, the payment of principal and interest and all other amounts becoming due to the Bank under this Agreement.

The Bank's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement.

The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts due and payable by the Borrower to the Bank pursuant to this Agreement.

13. CONDITIONS PRECEDENT

(a) The obligation of the Bank to make the initial Borrowing available to the Borrower is conditional upon the conditions precedent specified in Section 13(c) and the following conditions precedent:

(i) receipt of (x) a certified copy of the constating documents and by-laws of the Borrower and Open Text Inc. (the "**Guarantor**"), and of all corporate and other proceedings taken and required to be taken by the Borrower and the Guarantor to authorize the execution and delivery of the Credit Documents to which such Person is a party and the performance of the transactions contemplated thereby; (y) a certificate of status or like certificate of the Borrower and the Guarantor; and (z) a certificate of incumbency of the Borrower and the Guarantor;

(ii) receipt of satisfactory legal opinions of counsel to the Borrower and the Guarantor in their jurisdiction of incorporation/organization and each other relevant jurisdiction;

(iii) perfection of the security interests created by the Security Documents under applicable personal property security legislation;

(iv) receipt of all governmental, shareholder and third party consents and approvals necessary, or in the reasonable opinion of the Bank, desirable;

(v) receipt of executed Credit Documents;

(vi) payment of all fees (including all legal fees of the Bank), expenses and other amounts then payable under the Credit Documents;

(vii) receipt of most recent audited consolidated financial statements of the Borrower together with an Annual Financial Forecast;

(viii) there shall not have occurred or become known any material adverse change or any condition or event that could reasonably be expected to

result in a material adverse change in the business, revenues, operations, results of operations, financial condition, assets or liabilities (contingent or otherwise), in each case, taken as a whole (each, a "**Material Adverse Change**") of the Borrower and its Subsidiaries taken as a whole since June 30, 2005;

(ix) the Bank shall have completed to its satisfaction a due diligence investigation of the operations and undertakings of the Borrower;

(x) receipt of evidence satisfactory to the Bank that all amounts owing (other than contingent amounts owing under the Existing LGs) have been repaid in full and final satisfaction and that the Existing Credit Agreement shall have been terminated; and

(xi) such financial or other information or documents relating to the Borrower as the Bank may reasonably require.

(b) The obligation of the Bank to make any Borrowing (including the initial Borrowing) shall be subject to the condition precedent that on the date of such Borrowing, and immediately after giving effect thereto and to the application of any proceeds therefrom:

(i) all of the representations and warranties of the Borrower herein are true and correct on and as of such date as though made on and as of such date;

(ii) no event or condition has occurred and is continuing, or would result from such Borrowing, which constitutes or which, with notice, lapse of time, or both, would constitute, a breach of any covenant or other term or condition of this Agreement or of any Credit Document; and

(iii) such Borrowing will not violate any Applicable Law then in effect.

(c) The making of Borrowings hereunder, without the fulfilment of one or more conditions set forth in Sections 13(a) or 13(b), shall not constitute a waiver of any such condition, and the Bank reserves the right to require fulfilment of such condition in connection with any subsequent Borrowing.

14. SECURITY

Prior to or contemporaneously with the initial Borrowing under the Credit Facility, the Borrower shall provide or cause to be provided to the Bank as continuing collateral security for the present and future indebtedness and liability of the Borrower to the Bank under the Credit Documents the following security (the "**Security**"), in form and substance satisfactory to the Bank, together with any relevant power of attorney, registrations, filings and other supporting documentation deemed necessary by the Bank or its counsel, acting reasonably, to perfect the same or otherwise in respect thereof:

(a) general security agreement creating a first priority perfected security interest from the Borrower over all of its personal property;

(b) a guarantee of the obligations of the Borrower under the Credit Facility from the Guarantor;

(c) security agreement (accounts receivable) creating a first priority perfected security interest from the Guarantor over all of the Guarantor's accounts receivable; and

(d) such other documents and opinions of counsel to the Borrower and the Guarantor to evidence the due authorization, registration, validity and enforceability of the above guarantee and security documents.

The Borrower will from time to time at its expense duly authorize, execute and deliver, and cause the Guarantor to duly authorize, execute and deliver, to the Bank such further instruments and documents and take such further action as the Bank may reasonably request for the purpose of obtaining or preserving the full benefits granted or intended to be granted to the Bank by the Security Documents and of the rights and remedies therein granted to the Bank, including without limitation, the filing of financing statements or other documents under any Applicable Law with respect to the Liens created thereby. The Bank agrees that filings with the Canadian Intellectual Property Office (or the equivalent in other jurisdictions) will not be required in respect of the Intellectual Property identified in the Disclosure Schedules. Unless prohibited by Applicable Law, the Borrower authorizes the Bank to file any such financing statement or similar documents without the signature of the Borrower or the Guarantor, or to execute such financing statement as attorney for the Borrower or the Guarantor in the event that the Borrower or the Guarantor fails to do so promptly upon request by the Bank.

15. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank effective as of the Acceptance Date and at all times thereafter that:

(a) **Incorporation and Qualification.** The Borrower is a corporation duly amalgamated or continued and validly existing under the laws of the Province of Ontario or the laws of Canada. The Guarantor is a corporation, duly incorporated, and validly existing under the laws of Illinois and, but for the Guarantor's failure to file a Report After Merger with the Illinois Secretary of State and failure to pay approximately $50,000 in franchise taxes that have been assessed against the Guarantor by the State of Illinois, in each case since June 2005, as of the date hereof, the Guarantor would be a corporation in good standing under the laws of the State of Illinois. Each of the Borrower and Guarantor is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which such qualification, licensing or registration is necessary or where failure to be so qualified would have a Material Adverse Effect.

(b) **Corporate Power.** Each of the Borrower and the Guarantor have all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted by it. Each of the Borrower and the Guarantor has all requisite power and authority to enter into and perform its obligations under the Credit Documents to which it is a party.

(c) **Corporate Action, No Conflict, Etc.** The execution, delivery and performance by each of the Borrower and the Guarantor of the Credit Documents to which such Person is a party have been duly authorized by all necessary corporate, partnership or other action including, without limitation, the obtaining of all necessary shareholder or unitholder consents and do not violate the constating documents of such Person or any Applicable Laws which if violated would have a Material Adverse Effect or any Material Agreements to which such Person is subject or by which such Person is bound.

(d) **Governmental Approvals.** No authorization, consent, approval, registration, qualification, designation, declaration or filing with any Governmental Entity or other Person, is or was necessary in connection with the execution, delivery and performance of obligations by each of the Borrower and the Guarantor under the Credit Documents to which such Person is a party except as are in full force and effect, unamended.

(e) **Execution and Binding Obligation.** Each of the Credit Documents has been duly executed and delivered by the Borrower and the Guarantor and constitutes legal, valid and binding obligations of such Person, enforceable against such Person in accordance with its terms.

(f) **Location of Business.** The only jurisdictions (or registration districts within such jurisdictions) in which the Borrower or the Guarantor has any place of business or stores any tangible personal property are listed in the Disclosure Schedule.

(g) **Ownership of Properties.** Except for Permitted Liens, each of the Borrower and the Guarantor have good and valid title to all of its assets including, without limitation, the tangible and intangible personal property reflected as assets in their books and records. Each of the Borrower and the Guarantor own, lease or have the lawful right to use all of the assets necessary for the conduct of its business.

(h) **Compliance with Laws.** Each of the Borrower and the Guarantor is in compliance in all material respects with all Applicable Laws which if violated would have a Material Adverse Effect including, without limitation, all Environmental Laws.

(i) **Environmental Compliance.** The Borrower's and the Guarantor's business and assets and, to the best of the Borrower's knowledge, the Borrower's other Subsidiaries' business and assets (i) are in material compliance with all Environmental Laws; (ii) are possessed and are operated in material compliance with all Environmental Permits which are required for the operation of their respective business; and (iii) are not subject to any past or present fact, condition or circumstances that could reasonably be expected to result in any material liability under any Environmental Laws.

(j) **Material Permits.** The Borrower and the Guarantor possess all Material Permits necessary to properly conduct their respective business. Each such Material Permit is (i) in full force and effect; and (ii) not subject to any dispute. No event

has occurred which, with the giving of notice, lapse of time or both, would constitute a default under, or in respect of, any such Material Permit.

(k) **Trademarks, Patents, Etc.** The Borrower and Guarantor possess all the material trademarks, trade names, copyrights, patents and licences and other Intellectual Property reasonably necessary for the conduct of their respective businesses. To the knowledge of the Borrower and Guarantor, neither the Borrower nor the Guarantor is infringing or, to the best of the Borrower's knowledge, is alleged to be infringing upon the rights of any Person with respect to any material patent, trademark, trade name, copyright (or any application or registration in respect thereof), licence, discovery, improvement, process, formula, know-how, data, plan or specification. Except as set out in the Disclosure Schedule, neither the Borrower nor the Guarantor have any registered material trademarks, trade names, copyrights, material patents and intellectual property licences (other than software licences) or other Intellectual Property.

(l) **Subsidiaries.** (i) There are no Subsidiaries of the Borrower other than the Subsidiaries identified as such in the Disclosure Schedule; (ii) the share ownership of each of such Subsidiaries is as described in the Disclosure Schedule; and (iii) neither the Borrower nor any of its Subsidiaries is, directly or indirectly, a member of, or participant in, any partnership, joint venture other than partnership reseller programs and joint bidding arrangements on projects, in each case, in the ordinary course of the Borrower's business. Each of the Restricted Subsidiaries and Material Restricted Subsidiaries are identified in the Disclosure Schedule.

(m) **No Burdensome Agreements.** Neither the Borrower nor the Guarantor is a party to any agreement or instrument or subject to any restriction (including any restriction set forth in its constating documents, by-laws or any shareholders' agreement applicable to it) which could reasonably be expected to have a Material Adverse Effect.

(n) **No Litigation.** There are no actions, suits, arbitrations or proceedings pending, taken or, to the Borrower's knowledge, threatened, before or by any Governmental Entity or other Person affecting the Borrower or the Guarantor which could reasonably be expected to have a Material Adverse Effect other than as described in the quarterly report on Form 10-Q for the quarterly period ended September 30, 2005. No law, rule, regulation, by-law, decision, order or judgment which may affect the Borrower or Guarantor has been enacted, promulgated or applied which challenges, or to the best of the Borrower's knowledge, has been proposed which may challenge, the validity or propriety of the Credit Documents or the transactions contemplated thereunder.

(o) **Labour Matters.** There are no existing or threatened strikes, lock-outs or other disputes relating to any collective bargaining agreement to which the Borrower or the Guarantor is a party.

(p) **Material Agreements.** Neither the Borrower nor the Guarantor is a party or otherwise subject to or bound or affected by any Material Agreement, except as

set out in the Disclosure Schedule or as publicly disclosed up to and including the quarterly report on Form 10-Q for the quarterly period ended September 30, 2005. All Material Agreements are in full force and effect, and neither the Borrower nor the Guarantor, or to the best of the Borrower's knowledge, any other party to any Material Agreement has defaulted in any material fashion under any of the Material Agreements. No event has occurred which, with the giving of notice, lapse of time or both, would constitute a material default under, or in respect of, any such Material Agreement. There is no material dispute regarding any such Material Agreement.

(q) **Books and Records.** All books and records of the Borrower and the Guarantor have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. The Borrower's and the Guarantor's records, systems, controls, data or information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the direct control of the Borrower or the Guarantor, as the case may be. The Borrower and the Guarantor have (i) maintained all its environmental and operating records in the manner and for the periods required by applicable Environmental Law, and (ii) filed all reports which are required by applicable Environmental Law to be filed on the happening of any reportable event.

(r) **Tax Liability.** Except as disclosed in the Disclosure Schedule, each of the Borrower and the Guarantor has filed or caused to be filed all tax returns which, to its knowledge, are required to have been filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Entity (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided in its books other than those in respect of which waivers or extensions have been granted by the applicable Governmental Entity) and no tax liens have been filed and no claims are being asserted with respect to any such taxes, fees or other charges.

(s) **Financial Statements.** The financial statements of the Borrower for its most recently-ended fiscal period which have been provided to the Bank are accurate and complete in all material respects, and fairly present the financial condition and business operations of the Borrower, as at the date thereof and are prepared in a form and manner consistent with existing financial reporting practices of the Borrower for its consolidated operations in accordance with GAAP and, since such date, there has been no Material Adverse Effect.

(t) **No Default.** Neither the Borrower nor the Guarantor is in violation of its constating documents, its by-laws or any shareholders' agreement applicable to it. Neither the Borrower nor the Guarantor has failed to pay the principal or premium

or interest on any of its Debt to an Arm's Length party on the later of (i) the date that such amount has become due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); and (ii) the date immediately following the last day of the applicable grace period, if any, specified in the agreement or instrument relating to such Debt. No other event has occurred or condition exists, and is continuing after the applicable grace period, if any, specified in any agreement or instrument relating to any Debt of the Borrower or the Guarantor, the effect of which is to accelerate, or permit the acceleration of such Debt. No Debt of the Borrower or the Guarantor has been declared to be due and payable prior to its stated maturity. No event has occurred and is continuing which constitutes, or which, with notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition under this Agreement or any of the other Credit Documents.

(u) **Financial Information.** Neither this Agreement nor any forecast or certificate furnished to the Bank by or on behalf of the Borrower or the Guarantor in connection with the transactions contemplated by this Agreement, contain any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading under the circumstances in which they were made at the time such statements are made. All forecasts and projections supplied to the Bank in connection with the transactions contemplated by this Agreement were prepared in good faith, disclosed all material assumptions relevant and the most recent versions of all such forecasts provided to the Bank are, in the opinion of the Borrower, reasonable estimates of the prospect of its business. There is no fact known to the Borrower or the Guarantor which the Borrower has not disclosed to the Bank which could reasonably be expected to have a Material Adverse Effect.

(v) **Reporting Issuer Shares.** The Borrower is a reporting issuer in the Provinces of British Columbia, Alberta, Ontario, Quebec, Manitoba, Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland pursuant to the laws of such Provinces and is not in default under the securities laws of such provinces.

(w) **Potential Prior-Ranking Claims.** Each of the Borrower and the Guarantor has paid or made provision for payment of all Potential Prior-Ranking Claims which are due and payable.

(x) **Royalty Agreements.** Each of the Royalty Agreements has been duly executed and delivered by the parties thereto and constitutes legal, valid and binding obligations of such Persons, enforceable against such Persons in accordance with its terms.

The representations and warranties in this Agreement are deemed to be repeated as at the time of each Borrowing hereunder. The representations and warranties in this Agreement and in any certificates or documents delivered to the Bank shall not merge in or be prejudiced by and shall survive any Borrowing and shall continue in full force and effect so long as any amounts are owing by the Borrower to the Bank under this Agreement.

16. REPORTING COVENANTS

So long as any amount owing under this Agreement remains unpaid or the Bank has any obligation under this Agreement, the Borrower shall provide the Bank with the following materials unless such materials are posted and available to the Bank on SEDAR or EDGAR:

(a) from time to time upon request of the Bank, unaudited consolidated financial statements for the Borrower within 60 days after the last Business Day of each of the first 3 Financial Quarters, together with financial statements for each of the Borrower and the Guarantor for such Financial Quarter on an unconsolidated basis;

(b) annual audited consolidated financial statements for the Borrower within 90 days after the end of each Financial Year together with an Annual Financial Forecast for the next following Financial Year;

(c) annual unaudited unconsolidated financial statements for each of the Borrower and the Guarantor within 120 days after the end of each Financial Year;

(d) together with the financial statements delivered pursuant to Sections 16(a), 16(b) and 16(c), a compliance certificate, substantially in the form of Schedule "C" (a "**Compliance Certificate**"), certifying compliance with this Agreement.

(e) as soon as available, and in any event within five Business Days after the Borrower or the Guarantor learns of the occurrence of a Material Adverse Change or any event which constitutes, or which, with notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of this Agreement or any other Credit Document, a statement of the chief financial officer of the Borrower setting forth the details of such Material Adverse Change or such event, as the case may be;

(f) to provide the Bank with prompt written notice of any non-compliance by the Borrower or any of the Restricted Subsidiaries with any Environmental Laws or any Release from the land of the Borrower of a Hazardous Substance into the natural environment and to indemnify and save harmless the Bank from all liability of Loss as a result of an Environmental Activity or any non-compliance with any Environmental Law; and

(g) together with the Compliance Certificate to be delivered pursuant to Section 16(d), written notice of any previously undisclosed (i) registered material trademarks, trade names, copyrights, material patents and intellectual property licences (other than software licences) of the Borrower and Guarantor, the absence of which would have a Material Adverse Effect, (ii) jurisdictions (or registration districts within such jurisdictions) in which the Borrower or the Guarantor has any place of business or stores any tangible personal property (or the equivalent amount in any other currency), (iii) Material Restricted Subsidiaries of the Borrower or membership, partnership, joint venture, syndicate interest or other interest of the Borrower or any of its Subsidiaries in any other Person, (iv) actions, suits, arbitrations or proceedings pending, taken or threatened

before or by any Governmental Entity or other Person affecting the Borrower or any of its Material Restricted Subsidiaries which could reasonably expected to have a Material Adverse Effect, (v) Material Permits, and (vi) Material Agreements;

(h) from time to time upon request of the Bank, evidence of the maintenance of all insurance required to be maintained pursuant to this Agreement, including originals or copies as the Bank may request of policies, certificates of insurance, riders, endorsements and proof of premium payments;

(i) promptly upon their issuance, copies of all notices, reports, press releases, circulars, offering documents and other documents filed with, or delivered to, any stock exchange or the Ontario Securities Commission or a similar Governmental Entity in any other jurisdiction; and

(j) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as the Bank may from time to time reasonably request.

Nothing contained in Section 16 shall limit any right of the Bank under this Agreement to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility made available under this Agreement.

17. POSITIVE COVENANTS

So long as any amount owing under this Agreement remains unpaid or the Bank has any obligation under this Agreement, the Borrower shall:

(a) **Payment.** Pay all sums of money when due by it under this Agreement according to the terms hereof and shall pay, or cause to be paid, all sums of money when due under any other Credit Document according to the terms thereof;

(b) **Proceeds.** Use proceeds of all Borrowings solely for the purposes specified in Section 4.

(c) **Corporate Existence.** Except as otherwise permitted in this Agreement, preserve and maintain, and cause the Guarantor to preserve and maintain, its corporate existence, and its agreements, licenses, operations, contracts, franchises and other arrangements.

(d) **Compliance with Laws, etc.** Comply, and cause the Guarantor to comply in all material respects, with the requirements of all Applicable Laws and shall comply and cause each of its Subsidiaries to comply in all material respects with Environmental Laws.

(e) **Credit Policy and Accounts Receivable.** Maintain, and cause the Guarantor to maintain, at all times, written credit policies consistent with good business practices, adhere to such policies and collect, and cause the Guarantor to collect, accounts receivable in the ordinary course of business.

(f) **Conduct of Business.** Conduct, and cause the Guarantor to conduct their respective businesses in accordance with good business practice, including obtaining and maintaining all Material Permits.

(g) **Maintenance of Properties, etc.** Maintain and preserve, and cause the Guarantor to maintain and preserve, all of its and their properties used or useful in its and their business in good repair, working order and condition (reasonable wear and tear excepted) except where failure to maintain or preserve the properties in that state could not reasonably be expected to have a Material Adverse Effect.

(h) **Payment of Taxes and Claims.** Pay or cause to be paid and cause the Guarantor to pay or cause to be paid, when due (i) all taxes, assessments and governmental charges or levies (including interest and penalties) imposed upon it or upon its income, sales, capital or profit or any other property belonging to it or to the Guarantor; and (ii) Potential Prior-Ranking Claims, except any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and in respect of which the Borrower or the Guarantor have established adequate reserves in accordance with GAAP or which are Permitted Liens.

(i) **Keeping of Books.** Keep, and cause each of the Guarantor to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business in accordance with GAAP.

(j) **Visitation and Inspection.** At any reasonable time or times, permit the Bank to visit the properties of the Borrower, and to discuss their affairs, finances and accounts with the officer appointed as (or performing the functions of) the chief financial officer of the Borrower.

(k) **Maintenance of Insurance.** Maintain, in respect of itself and the Guarantor, insurance at all times with responsible insurance carriers and in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or the Guarantor, as the case may be, operate, such policies, in the case of property insurance policies, to show the Bank as Loss payees or additional insured, as applicable, under a mortgage clause in a form approved by the Insurance Bureau of Canada and the equivalent governing body of the United States of America, as applicable.

(l) **Cure Defects.** Promptly cure or cause to be cured any defects in the execution and delivery of any of the Credit Documents or any defects in the validity or enforceability of any of the Security and at its expense, execute and deliver or cause to be executed and delivered, all such agreements, instruments and other documents as the Bank may consider necessary or desirable for the foregoing purposes.

(m) **Further Assurances.** At its cost and expense, upon reasonable request of the Bank, execute and deliver or cause the Guarantor to execute and deliver to the Bank such further instruments and do and cause to be done such further acts as

may be necessary or proper in the reasonable opinion of the Bank to carry out more effectually the provisions and purposes of the Credit Documents.

Nothing contained in Section 17 shall limit any right of the Bank under this Agreement to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility made available under this Agreement.

18. NEGATIVE COVENANTS

So long as any amount owing under this Agreement remains unpaid or the Bank has any obligation under this Agreement, the Borrower shall not:

(a) **Debt.** Create, incur, assume or suffer to exist or permit any of the Restricted Subsidiaries to create, incur, assume or suffer to exist any Debt other than (i) Debt to the Bank under this Agreement; (ii) secured or unsecured third party Debt incurred by the Borrower or a Restricted Subsidiary in an aggregate amount not to exceed $10,000,000; (iii) Debt between the Borrower and any of the Restricted Subsidiaries or, between the Restricted Subsidiaries and any of the Restricted Subsidiaries or the Borrower, provided that any Debt owing by the Borrower to any of the Restricted Subsidiaries shall be contractually subordinate and junior in right of payment to the Debt owing by the Borrower to the Bank under this Agreement and provided further that after Demand hereunder the applicable Subsidiary shall have no right to any payment of any amount of principal or interest until all amounts owing to the Bank under this Agreement have been irrevocably paid in full and this Agreement has been terminated; (iv) Debt owing to IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries by the Borrower and any Restricted Subsidiary, provided that after Demand hereunder IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries shall have no right to any payment of principal or interest under such Debt until all amounts owing to the Bank under this Agreement have been irrevocably paid in full and this Agreement has been terminated and provided further that any such Debt incurred in connection with any reorganization, restructuring or similar transaction will be unsecured and subordinated to the Debt hereunder and (except for Debt owing by the Borrower to Gauss Interprise AG incurred in connection with the Acquisition permitted by Section 18(p)(iii)) no principal shall be payable at any time until all amounts owing to the Bank under this Agreement have been irrevocably paid in full and this Agreement has been terminated; (v) Debt owing to Computershare Trust Company of Canada in connection with the acquisition of real property located at 275 Frank Tompa Drive, Waterloo, Ontario; and (vi) Debt in connection with the guarantee granted by the Borrower of the obligations of 2016090 Ontario Inc. and 2016091 Ontario Inc. in respect of Minority Gauss Share Purchases or Minority IXOS Share Purchases.

(b) **Liens.** Create, incur, assume or suffer to exist, or permit any of its Restricted Subsidiaries to create, incur, assume or suffer to exist any Lien on or affecting any of their respective properties, assets or other rights, including without limitation Intellectual Property, other than Permitted Liens.

(c) **Mergers, Etc.** Subject to the next following sentence and except as otherwise permitted in this Agreement, enter into, or permit the Guarantor to enter into, any transaction (whether by way of reorganization, consolidation, amalgamation, winding up, merger, sale, lease or otherwise) whereby (i) all or any substantial part of its undertaking or assets would become the property of any other Person; (ii) the Borrower ceases to hold, directly or indirectly, 100% of the shares of the Guarantor; or (iii) a Change of Control would occur. The Borrower and the Guarantor may enter into such transactions with any Subsidiary of the Borrower if (x) immediately after giving effect to the transaction, no event shall have occurred and be continuing which constitutes or which with notice, lapse of time, or both would constitute a breach of any covenant or other term or condition of this Agreement or any other Credit Documents and could reasonably be expected to have a Material Adverse Effect and the Bank shall have received a certificate of an officer of the Borrower in form satisfactory to it acting reasonably to such effect, (y) in the case of a transaction involving the Borrower, the continuing corporation is also a corporation existing under the laws of Canada or one of its provinces or territories, (z) the continuing corporation assumes the Borrower's or the Guarantor's obligations, as the case may be, under the Credit Documents pursuant to an agreement in form and substance satisfactory to the Bank, and if the continuing corporation is, in the case of the Borrower, not a corporation existing under the laws of Canada or the Province of Ontario or, in the case of the Guarantor, not a corporation existing under the laws of Illinois the Bank receives an opinion of counsel to the Borrower and the Guarantor (in form and substance satisfactory to the Bank acting reasonably) that the relevant Credit Documents constitute enforceable obligations of the Borrower and the Guarantor within 10 Business Days of delivering a written request for same to the Borrower.

(d) **Disposal of Assets Generally.** Dispose of, or permit the Guarantor to Dispose of any of its assets or properties with a fair market value in excess of $5,000,000 in the aggregate to any Person other than (i) Dispositions of assets (other than Intellectual Property) in the ordinary course of business for the purpose of carrying on the Business on commercially reasonable terms, (ii) Disposition of obsolete assets, (iii) Disposition of assets or properties (other than Intellectual Property) by the Borrower or the Guarantor to the Borrower or any Restricted Subsidiary, and (iv) Disposition of assets or properties (other than Intellectual Property) by the Borrower or the Guarantor to IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries at fair market value for cash consideration.

(e) **Transactions with Related Parties.** Except as otherwise permitted in Section 18(g) and (h), directly or indirectly, enter into or allow any of the Restricted Subsidiaries to enter into, any contract with, make any financial accommodation for or otherwise enter into any transaction with a Person not at Arm's Length with the Borrower except in the ordinary course and consistent with, in all material respects, current practices of the Borrower and pursuant to the reasonable requirements of business and at prices and on terms not less favourable to the Borrower or such Subsidiary, as the case may be, than could be obtained in

a comparable Arm's Length transaction with a Person who is not at Arm's Length with the Borrower.

(f) **Change in Business.** Make any material change in the nature of the Business or permit any of the Material Restricted Subsidiaries to make any change in the nature of its business.

(g) **Distributions.** Declare, make or pay or permit any of the Restricted Subsidiaries to declare make or pay any Distributions, except that (i) the Borrower or any such Restricted Subsidiary may declare and pay dividends to the Borrower or any Restricted Subsidiary of the Borrower; (ii) the Borrower or any such Restricted Subsidiary may make payments on account of principal or interest or both in respect of Debt permitted pursuant to Sections 18(a)(i), 18(a)(ii), 18(a)(v) and 18(a)(vi); (iii) the Borrower may make payments in respect of dividends and/or repurchases of shares in its capital in a maximum aggregate amount not to exceed $20,000,000 in any Financial Quarter and $50,000,000 in any Financial Year; (iv) the Borrower or any such Restricted Subsidiary may make payments on account of principal or interest in respect of Debt permitted pursuant to Section 18(a)(iii), provided that after Demand hereunder no payments on account of principal or interest in respect of such Debt shall be permitted until all amounts owing to the Bank under this Agreement have been irrevocably paid in full and this Agreement has been terminated; and (v) the Borrower or any such Restricted Subsidiary may make payments on account of principal and interest in respect of Debt permitted pursuant to Section 18(a)(iv), other than principal in respect of any Debt incurred in connection with reorganization, restructuring or similar transaction, by the Borrower or such Restricted Subsidiary, as the case may be, to IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries (except for Debt owing by the Borrower to Gauss Interprise AG incurred in connection with the Acquisition permitted by Section 18(p)(iii)), provided that after Demand hereunder no payments on account of principal or interest in respect of such Debt shall be permitted until all amounts owing to the Bank under this Agreement have been irrevocably paid in full and this Agreement has been terminated.

(h) **Investments.** Make or permit any of the Restricted Subsidiaries to make, any Investment, except for (i) Investments in accordance with the Borrower's investment policy as approved by its Board of Directors, a copy of which is attached as Schedule "F"; (ii) Investments by the Borrower in any of its Restricted Subsidiaries or by any of its Restricted Subsidiaries in any of its Restricted Subsidiaries or in the Borrower; (iii) investments by way of loans or other extensions of credit by the Borrower or any of its Restricted Subsidiaries in IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries, or by IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries in the Borrower or any of its Restricted Subsidiaries; and (iv) Investments to finance Minority Gauss Share Purchases or Minority IXOS Share Purchases.

(i) **Compromise of Accounts.** Compromise or adjust or permit the Guarantor to compromise or adjust any of its accounts receivable (or extend the time for

payment thereof) or grant any discounts, allowances or credits, in each case other than in the normal course of business.

(j) **Invoices.** Re-date any invoice or sale or provision of service or make sales or provide services on extended dating beyond that customary in the Business or permit the Guarantor to do the same.

(k) **Business Outside Certain Jurisdictions.** Have or permit the Guarantor to have any place of business or keep or store any material tangible property outside of those jurisdictions (or registration districts within such jurisdictions) set forth in the Disclosure Schedule (i) except upon 30 days' written notice to the Bank; and (ii) unless the Borrower has done or caused to be done all such acts and things and executed and delivered or caused to be executed and delivered all such deeds, transfers, assignments and instruments (including opinions of counsel to the Borrower) as the Bank may reasonably require such that the Bank, shall continue to have a first priority perfected security interest (whether by way of registration or otherwise and subject only to Permitted Liens) over all of the assets of such Person).

(l) **Amendments.** Allow any amendment to any Material Agreement or Material Permit of the Borrower or any of its Subsidiaries if such amendment could reasonably be expected to have a Material Adverse Effect.

(m) **Distributions by Subsidiaries.** The Borrower shall not, and shall not permit any of the Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of the Borrower to (a) pay dividends or make any other Distributions to the Borrower or any Restricted Subsidiaries of the Borrower (i) on the shares issued by such Restricted Subsidiary, or (ii) with respect to any other interest or participation in, or measured by, its profits; (b) repay any Debt or any other obligation owed to the Borrower or any of the Restricted Subsidiaries; (c) make loans or advances or capital contributions to the Borrower or any of the Restricted Subsidiaries; or (d) transfer any of its assets to the Borrower or any of the Restricted Subsidiaries.

(n) **Capital Expenditures**. Make or commit to make, or cause any of its Restricted Subsidiaries to make or commit to make, any Capital Expenditures, other than Capital Expenditures in maximum amount not to exceed $5,000,000 in any Financial Quarter.

(o) **Royalty Agreements.** Assign any of its rights, title and interests in any Royalty Agreement.

(p) **Acquisitions.** Make or permit any of the Restricted Subsidiaries to make, any Acquisitions, except for (i) Acquisitions where the purchase price is payable in cash or immediately available funds in a maximum aggregate amount not to exceed $25,000,000 in any Financial Year, provided that the Borrower reasonably believes such Acquisitions will be EBITDA positive within 18 months of the date of such Acquisitions; (ii) Acquisitions where the purchase price is payable in shares of the Borrower; (iii) the Acquisition by the Borrower of certain assets of Gauss Interprise AG located in the United States for a purchase price not to exceed EURO 6,000,000; (iv) Acquisitions in connection with the Minority Gauss Share

Purchase and Minority IXOS Share Purchase; and (v) Acquisitions by any Restricted Subsidiary of any of the Restricted Subsidiaries or of any of the respective Subsidiaries of IXOS Software AG or Gauss Interprise AG at fair market value for cash consideration.

Nothing contained in Section 18 shall limit any right of the Bank under this Agreement to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility made available under this Agreement.

19. COSTS, EXPENSES AND INDEMNITY

(a) To induce the Bank to provide its commitments and agreements hereunder, the Borrower hereby agrees to pay the Bank its reasonable expenses (including the reasonable legal fees and expenses of legal counsel to the Bank and agents retained by such legal counsel) incurred in connection with the transactions described herein, and all such expenses shall be for the Borrower's account, whether or not the transactions contemplated in this Agreement are completed and the Credit Facility is made available to the Borrower.

(b) The Borrower shall, whether or not the transactions contemplated in this Agreement are completed and the Credit Facility is made available to the Borrower, indemnify and hold the Bank and each of its officers, directors, employees and agents (each an "**Indemnified Person**") harmless from, and shall pay to such Indemnified Person on demand any reasonable amounts required to compensate the Indemnified Person for, any claim or Loss suffered by, imposed on, or asserted against, the Indemnified Person as a result of, connected with or arising out of (i) conducting a due diligence investigation of the operations and undertakings of the Borrower, (ii) the preparation, execution and delivery of, preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of, the Credit Documents and any related amendment, waiver or consent; (iii) any advice of counsel as to the rights and duties of the Bank with respect to the administration of the Credit Facility, the Credit Documents or any transaction contemplated under the Credit Documents; (iv) a default by the Borrower hereunder and any enforcement proceedings relating to any of the Credit Documents; (v) any proceedings brought against the Indemnified Person due to its entering into any of the Credit Documents, performing its obligations under the Credit Documents, providing any Borrowing or any use of any Borrowing by the Borrower; provided that the Borrower shall have no obligation to indemnify any Indemnified Person for any of the foregoing to the extent determined by a judgment of a court of competent jurisdiction to have arisen from such Indemnified Person's gross negligence, wilful misconduct or fraud or default by the Bank under any of the Credit Documents or breach of Applicable Law by the Bank.

(c) The Borrower shall indemnify and hold the Indemnified Person harmless from and against any and all Environmental Liabilities and costs incurred or suffered by, or asserted against, any of the Indemnified Persons (except for Environmental Liabilities and costs attributable to the gross negligence or wilful misconduct of an Indemnified Party) including all Environmental Liabilities and costs with

respect to or as a direct or indirect result of, (i) the presence on or under or the release or likely release of Hazardous Substances from any properties now, or any time heretofore or hereafter, owned, leased, operated or used by the Borrower or any of the Restricted Subsidiaries; or (ii) the breach by any mortgagor, owner, or lessee of such properties in their use of such properties of any Environmental Laws.

(d) If, (i) any change in law or any change in the interpretation or application of any law occurring or becoming effective after the date hereof; or (ii) compliance by the Bank with any direction, request or requirement (whether or not having the force of law) of any Governmental Entity (except where such compliance is in respect of any penalty or charges resulting from the failure to pay taxes) made or becoming effective after the date hereof, has the effect of causing Loss to the Bank by (v) increasing the cost to the Bank of performing its obligations under this Agreement or in respect of any Borrowing (including the costs of maintaining any capital, reserve or special deposit requirements in connection therewith), (w) requiring the Bank to maintain or allocate any capital or additional capital or affecting its allocation of capital in respect of its obligations under this Agreement or in respect of any Borrowing or otherwise reducing the effective return to the Bank under this Agreement or in respect of any Borrowing, (x) reducing any amount payable to the Bank under this Agreement or in respect of any Borrowing by any amount it deems material, (y) causing the Bank to make any payment or to forego any return on, or calculated by reference to, any amount received or receivable by the Bank under this Agreement or in respect of any Borrowing, or (z) otherwise reducing the effective return to the Bank under this Agreement or in respect of any Borrowing or on its total capital as a result of entering into this Agreement, then, so long as the Bank is taking corresponding action under its other credit facilities comparable to the Credit Facility, the Bank may give notice to the Borrower specifying the nature of the event giving rise to such Loss and the Borrower may either (a) on demand, pay such amounts as the Bank may specify to be necessary to compensate it for any such Loss incurred after the date of such notice, or (b) provided no Loss has yet been suffered by the Bank or the Borrower has paid the compensating amount to the Bank, repay the Borrowing of the Bank and terminate the Commitment. A certificate as to the amount of any such Loss, providing reasonable detail of the calculation of such Loss and stating that the Loss calculated therein is not otherwise reflected or recovered in the interest rate on which any Borrowing is based and has been calculated on a like basis for transactions comparable to the transaction contemplated hereby and for a borrower comparable to the Borrower, submitted in good faith by the Bank to the Borrower shall be conclusive and binding for all purposes, absent manifest error.

(e) The Borrower shall pay to the Bank on demand any amounts required to compensate the Bank for any Loss suffered or incurred by it as a result of (i) any payment being made by the Borrower in respect of a BA other than on its maturity date; (ii) the failure of the Borrower to give any notice in the manner and at the times required by this Agreement; or (iii) the failure of a Borrower to make a payment in the manner and at the time specified in this Agreement. A certificate as to the amount of any Loss submitted in good faith by the Bank to the Borrower shall be conclusive and binding for all purposes, absent manifest error.

(f) The provisions of this Section 19 shall survive the termination of this Agreement, the repayment of all amounts owing hereunder and the cancellation of the Commitment. The Borrower acknowledges that neither its obligation to indemnify nor any actual indemnification by it of any Bank or any other Indemnified Person in respect of such Person's losses for legal fees and expenses shall in any way affect the confidentiality or privilege relating to any information communicated by such Person to its counsel.

20. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

The Bank may assign all or part of its rights and obligations under this Agreement to any Person. The rights and obligations of the Borrower under this Agreement may not be assigned without the prior written consent of the Bank, unless such assignment occurs by operation of law as a result of a transaction permitted by Section 18(c).

The Bank may disclose to potential or actual assignees with the prior written consent of the Borrower unless a default has occurred and is continuing under any of the Credit Documents (such consent not to be unreasonably withheld) confidential information regarding the Borrower (including, any such information provided by the Borrower to the Bank). Upon the occurrence of a default that is continuing under any of the Credit Documents, the Bank may disclose to potential or actual assignees confidential information regarding the Borrower (including any such information provided by the Borrower to the Bank) and shall not be liable for any such disclosure.

21. GENERAL

(a) **Notice.** Any notice, direction, demand or other communication given under this Agreement shall, except as otherwise permitted hereunder, be in writing and be given by delivering it or sending it by personal delivery, facsimile or other similar form of recorded communication addressed to the relevant party at the address or facsimile number noted on the first page of this Agreement. Any such communication shall be deemed to have been validly and effectively given if personally delivered or transmitted by facsimile or similar means of recorded communication, on the date of such delivery if such date is a Business Day and such delivery was made prior to 3:00 p.m. (Toronto time) and otherwise on the Business Day following delivery. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

(b) **Set Off.** The Bank is authorized, but not obligated, at any time, to apply any credit balance, whether or not then due, to which the Borrower is entitled on any account in any currency at any branch or office of the Bank in or towards satisfaction of the obligations of the Borrower due to the Bank under this Agreement. The Bank is authorized to use any such credit balance to buy such other currencies as may be necessary to effect such application.

(c) **No Merger.** The provisions of this Agreement shall not merge with any security provided to the Bank, but shall continue in full force for the benefit of the parties hereto.

(d) **Amendments and Waivers.** No amendment or waiver of any provision of this Agreement or any other Credit Document will be effective unless it is in writing signed by the Borrower and the Bank. No failure or delay, on the part of the Bank, in exercising any right or power hereunder or under any Credit Document shall operate as a waiver thereof.

(e) **Severability.** If any provision of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor invalidate, affect or impair any of the remaining provisions of this Agreement.

(f) **Judgment Currency.** If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Bank in any currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Bank could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by Applicable Law, on the day on which the judgment is paid or satisfied. The obligations of the Borrower in respect of any sum due in the Original Currency from it to the Bank under any of the Credit Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the Bank of any sum adjudged to be so due in the Other Currency, the Bank may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Bank in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding the judgment, to indemnify the Bank, against any Loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Bank in the Original Currency, the Bank shall remit such excess to the Borrower.

(g) **Review.** The Bank may conduct periodical reviews of the affairs of the Borrower, as and when determined by the Bank, for the purpose of evaluating the financial condition of the Borrower. The Borrower shall make available to the Bank such financial statements and other information and documentation as the Bank may reasonably require and shall do all things reasonably necessary to facilitate such review by the Bank.

(h) **Consent to Disclosure.** The Borrower hereby grants its consent (such grant to remain in force as long as this Agreement is in effect or any Borrowings are outstanding) to any Person having information relating to any Potential Prior-Ranking Claim to release such information to the Bank at any time upon its written request for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

(i) **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and of Canada applicable therein.

(j) **Entire Agreement.** This Agreement, the Credit Documents and any other written agreement delivered pursuant to or referred to in this Agreement constitute the whole and entire agreement between the parties in respect of the Credit Facility. There are no verbal agreements, undertakings or representations in connection with the Credit Facility.

(k) **Time.** Time shall be of the essence in all provisions of this Agreement.

(l) **Acceptance.** The offer made by the Bank under this Agreement is open for acceptance until February 2, 2006, after which date it will be null and void, unless extended in writing by the Bank.

Please confirm your acceptance of this Agreement by signing the attached copy of this letter in the space provided below and returning it to the undersigned.

Yours truly,

ROYAL BANK OF CANADA

By: /s/ "TOM FAIRBROTHER"
Name: **Tom Fairbrother**
Title: **Authorized Signatory**

OPEN TEXT CORPORATION

By: /s/ "ALAN HOVERD"
Name: **Alan Hoverd**
Title: **Chief Financial Officer**

By: _____
Name: _____
Title: _____

I/We have authority to bind the corporation.

Schedule "A" to the agreement dated February 2, 2006, between Open Text Corporation, as Borrower, and Royal Bank of Canada, as the Bank.

DEFINITIONS

For the purpose of this Agreement, the following terms and phrases shall have the following meanings:

"**Acceptance Date**" means the date on which the Borrower has executed this Agreement;

"**Annual Financial Forecast**" means detailed forecasted consolidated balance sheets, income statements and statements of operations and cash flow, prepared in accordance with GAAP (to the extent applicable) in respect of the next following 12-month period starting on July 1 of the year in which the same is delivered to the Bank;

"**Applicable Laws**" means, with respect to any Person, property, transaction or event, all present or future Applicable Laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction;

"**Acquisitions**" means any purchase of any shares, stocks, bonds, notes, debentures or other securities of, any Person or the acquisition of all or substantially all the assets of, any Person or of a business carried on by, or a division of, any Person;

"**Arm's Length**" has the meaning interpreted for the purposes of the *Income Tax Act* (Canada), as in effect as of the date hereof;

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of law;

"**Bankers' Acceptance**" or "**BA**" means a bill of exchange, including a depository bill issued in accordance with the *Depository Bills and Notes Act* (Canada), drawn on the Bank by, and payable to the order of, the Borrower which have been accepted by the Bank;

"**Business**" means the business of software development, distribution, licensing and professional services in connection with the foregoing;

"**Business Day**" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday or a day on which banking institutions are closed in the province of Ontario;

"**Canadian Dollars**" and the symbol "**Cdn$**" means lawful money of Canada;

"**Capital Expenditures**" means, with respect to the Borrower, or any of its Subsidiaries, expenditures made for the purchase, lease or acquisition of assets (other than current assets) required to be capitalized in accordance with GAAP;

"**Capitalized Lease Obligation**" of any Person means any obligation of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be capitalized for

financial reporting purposes in accordance with GAAP, and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP;

"**Change of Control**" means any Person acquires legal or beneficial ownership, either directly or indirectly, of a majority of the votes attached to the securities of the Borrower entitled to vote for the election of the Borrower's board of directors;

"**Collateral**" means any and all assets of the Borrower or the Guarantor in respect of which the Bank has or will have a Lien securing any amount owing under a Credit Document;

"**Credit Documents**" means this Agreement, the BAs, the LGs, the Security Documents and all other documents to be executed and delivered to the Bank by the Borrower, the Guarantor or any other Person, as the case may be, as the same have been or may at any time and from time to time hereafter be amended, restated, supplemented, otherwise modified or replaced;

"**Debt**" of any Person means, at any time, (without duplication) (i) all indebtedness for borrowed money including borrowings of commodities, bankers' acceptances, letters of credit or letters of guarantee; (ii) all indebtedness for the deferred purchase price of property or services represented by a note or other evidence of indebtedness; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all indebtedness of another Person secured by a Lien on any properties or assets of the Person; (v) all obligations under leases which have been or should be, in accordance with GAAP, recorded as capital leases in respect of which the Person is liable as lessee; (vi) the aggregate amount at which any shares in the capital of the Person which are redeemable or retractable at the option of the holder may be retracted or redeemed for cash or Debt provided all conditions precedent for such retraction or redemption have been satisfied; (vii) all Debt Guaranteed by the Person; and (viii) all current liabilities of such Person represented by a note, bond, debenture or other evidence of debt;

"**Debt Guaranteed**" by any Person means the maximum amount which may be outstanding at any time of all Debt of the kinds referred to in (i) through (vi) and (viii) of the definition of Debt which is directly or indirectly guaranteed by the Person or which the Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Person has otherwise assured a creditor or other Person against Loss, provided that in circumstances in which less than such amount has been guaranteed by the Person, only the guaranteed amount shall be taken into account in determining such Person's Debt Guaranteed;

"**Default**" means an event which, with the giving of notice or passage of time, or both, would constitute an Event of Default;

"**Disclosure Schedule**" means Schedule D attached hereto;

"**Distribution**" means, in respect of any Person, the amount of (i) any dividend or other distribution on issued shares or other equity interests of such Person; (ii) the purchase, redemption or retirement amount of any issued shares, warrants or any other options or rights to acquire shares of the Person redeemed, retired or purchased by such Person; and (iii) any payment of principal or interest made on, under, or in respect of, any Debt of such Person;

"**Disposition**" means, with respect to any property of any Person, any direct or indirect sale, lease (where such Person is the lessor of such property), voluntary disposition (including by way of a Sale-Leaseback Transaction, reorganization, consolidation, amalgamation or merger), transfer (including any transfer of title or possession), exchange, conveyance, release, abandonment or seizure, and "**Dispose**" and "**Disposed**" have meanings correlative thereto;

"**EBITDA**" means, for any fiscal period, net income from continuing operations (excluding extraordinary gains or losses) plus, to the extent deducted in determining net income, interest expense and income taxes accrued during, and depreciation, restructuring and amortization expenses deducted for, the period;

"**Environmental Activity**" means any activity, event or circumstance in respect of a Hazardous Substance, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater.

"**Environmental Laws**" means all applicable Laws relating to the environment, health and safety matters or conditions, Hazardous Substances, pollution or the protection of the environment, including Laws relating to (i) on-site or off-site contaminations; (ii) occupational health and safety relating to Hazardous Substances; (iii) chemical substances or products; (iv) releases of pollutants, contaminants, chemicals or other industrial, toxic or radioactive substances or Hazardous Substances into the environment; and (v) manufacture, processing, distribution, use, treatment, storage, transport or handling of Hazardous Substances;

"**Environmental Liabilities**" means all losses and claims under applicable Environmental Laws, whether known or unknown, current or potential, past, present or future, imposed by, under or pursuant to Environmental Laws or otherwise relating to any environmental condition, fact or circumstance requiring Remedial Action under any Environmental Law, including all losses and claims related to Remedial Actions and all reasonable fees, disbursements and expenses of counsel, experts, personnel and consultants, where such losses and claims are based on, arise out of or are otherwise in respect of (i) the ownership or operation of the Business or any assets related to the Business; (ii) the conditions on, under, above or about any real property, assets, equipment or facilities currently or previously owned, leased or operated by the Borrower or any of the Restricted Subsidiaries; (iii) expenditures necessary to cause the operations of the Business or assets either related to the Business or owned, leased or operated by the Borrower or any of the Restricted Subsidiaries to comply with any and all environmental requirements, including expenditures in connection with obtaining all Environmental Permits; (iv) expenditures necessary to effect the environmental closure, environmental decommissioning or environmental rehabilitation of any of the operations of the Business or assets either related to the Business or owned, leased or operated by the Borrower or any of the Restricted Subsidiaries; (v) liability for personal injury or property damage, including damages assessed for the maintenance of a public or private nuisance; and (vi) any other matter affecting the real property, assets, equipment or facilities of the Borrower or any of the Restricted Subsidiaries, whether owned or leased, relating to any Environmental Law or otherwise within the jurisdiction of a Governmental Entity arising through its administration of any Environmental Law;

"**Environmental Permits**" includes all permits, certificates, approvals, registrations and licenses issued by any Governmental Entity to the Borrower or any of the Restricted Subsidiaries or to the Business pursuant to Environmental Laws and required for the operation of the Business or use of the Owned Properties, Leased Properties or other assets;

"**Equivalent Cdn$ Amount**" means, at any relevant time, on any day and with respect to any amount of US Dollars, the amount of Canadian Dollars which would be required to buy such amount of US Dollars at the Bank of Canada noon rate quoted for the exchange of US Dollars into Canadian Dollars on such day (as quoted or published from time to time by the Bank of Canada);

"**Existing Credit Agreement**" means that certain credit agreement dated as of July 2, 2002 between the Bank and the Borrower providing for a $10,000,000 demand operating facility;

"**Equivalent US$ Amount**" means, at any relevant time, on any day and with respect to any amount of Canadian Dollars, the amount of US Dollars which would be required to buy such amount of Canadian Dollars at the Bank of Canada noon rate quoted for the exchange of Canadian Dollars into US Dollars on such day (as quoted or published from time to time by the Bank of Canada);

"**Financial Quarter**" means, in relation to the Borrower, a period of three consecutive months in each Financial Year of the Borrower ending on September 30, December 31, March 31, June 30, as the case may be, of such year;

"**Financial Year**" means, in relation to the Borrower, its financial year commencing on July 1 of each calendar year and ending on June 30 of the subsequent calendar year;

"**GAAP**" means, generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period;

"**Governmental Entity**" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above;

"**Hazardous Substance**" means any liquid, gaseous or solid matter, vibration, ray, heat, odour, radiation or energy which is or is deemed to be, alone or in any combination, hazardous, hazardous waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of contaminant;

"**Intellectual Property**" means, collectively, all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software licences, discoveries, improvements, process, formula, know-how, data, plans, specifications and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing;

"**Interest Determination Date**" means, with respect to a Libor Loan, the date which is 2 Business Days before the first day of the Libor Interest Period applicable to such Libor Loan;

"**Investments**" means any advances, loans, guarantees or other extensions of credit or capital contributions (other than prepaid expenses in the ordinary course of business) to (by means of transfers of property, money or assets), or any purchase of any shares, stocks, bonds, notes, debentures or other securities of, any Person;

"**Letter of Guarantee**" or "**LG**" means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of providing security to a third party that the Borrower or a Person designated by the Borrower will perform a contractual obligation owed to such third party;

"**Libor**" means, with respect to each Libor Interest Period applicable to a Libor Loan, the annual rate of interest (rounded upwards, if necessary, to the nearest whole multiple of one sixteenth of one percent (1/16th%)), at which the Bank, in accordance with its normal practice, would be prepared to offer deposits to leading banks in the London Interbank Market for delivery on the first day of each of such Libor Interest Period, for a period equal to each such Libor Interest Period, such deposits being in US currency of comparable amounts to be outstanding during such Libor Interest Period, at or about 10:00 a.m. (Toronto time) on the Interest Determination Date;

"**Libor Interest Date**" means with respect to any Libor Loan, the last day of each Libor Interest Period and, if the Borrower selects a Libor Interest Period for a period longer than 3 months, the Libor Interest Date shall be the date falling every 3 months after the beginning of such Libor Interest Period as well as the last day of such Libor Interest Period;

"**Libor Interest Period**" means, with respect to any Libor Loan, the initial period (subject to availability) of approximately 1 month (or longer whole multiples of 1 month to and including 6 months as selected by the Borrower and notified to the Bank by written notice) or such shorter or longer period as the Bank in its sole discretion shall make available commencing on the date on which such Libor Loan is made or another method of Borrowing is converted to a Libor Loan, as the case may be, and thereafter, while such Libor Loan is outstanding, each successive period (subject to availability) of 1 month (or longer whole multiples of 1 month to and including 6 months, as selected by the Borrower and notified to the Bank by written notice) commencing on the last day of the immediately preceding Libor Interest Period;

"**Lien**" means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation;

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities and any and all legal fees and disbursements, except any such loss representing loss of profit.

"**Material Adverse Effect**" means a material adverse effect on the business, revenues, operations, assets, liabilities (contingent or otherwise) or financial condition, in each case, taken as a whole, of the Borrower and its Subsidiaries taken as a whole, or on the Security;

"**Material Agreements**" means any agreement, contract or similar instrument to which the Borrower or any of its Subsidiaries is a party or to which any of their property or assets may be subject for which breach, non-performance, cancellation, failure to renew, termination, revocation or lapse could reasonably be expected to have a Material Adverse Effect;

"**Material Permits**" means the Authorizations, the breach, non-performance, cancellation or non-availability of which or failure of which to renew or maintain could reasonably be expected to have a Material Adverse Effect;

"**Material Restricted Subsidiaries**" means any Subsidiary, other than IXOS Software AG or Gauss Interprise AG or any of their respective Subsidiaries, whose total value of assets is greater than $10,000,000 or whose gross revenues are greater than $8,000,000 as set out in the most recently delivered financial statements of the Borrower;

"**Minority Gauss Share Purchase**" means the purchase of shares from the minority shareholders of Gauss Interprise AG;

"**Minority IXOS Share Purchase**" means the purchase of shares from minority shareholders of IXOS Software AG;

"**Person**" includes a natural person, a partnership, a joint venture, a trust, a fund, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof, and any other incorporated or unincorporated entity;

"**Permitted Liens**" means the security granted by the Borrower to Computershare Trust Company of Canada relating to the real property located at 275 Frank Tompa Drive, Waterloo, Ontario and Liens on the assets of the Borrower or any Restricted Subsidiary securing Debt permitted to be incurred pursuant to Section 18(a)(ii).

"**Potential Prior-Ranking Claims**" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Bank's security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement;

"**RBP**" means the annual rate of interest publicly announced by the Bank from time to time as being its "prime" reference rate then in effect for determining interest rates on commercial loans made in Canadian Dollars in Canada;

"**RBPAF**" means the annual rate publicly announced by the Bank from time to time as its reference rate then in effect for determining fees on BAs;

"**RBUSBR**" means the annual rate of interest publicly announced by the Bank from time to time as its reference rate then in effect for determining interest rates on commercial loans made in US Dollars in Canada;

"**Release**" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

"**Remedial Action**" means any action required under any applicable Environmental Law to (i) clean up, remove, treat or in any other way deal with Hazardous Substances in the environment; (ii) prevent any release of Hazardous Substances where such release would violate any Environmental Laws or would endanger or threaten to endanger public health or welfare or the environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in connection with any of the Owned Properties, the Leased Properties or other assets of the Borrower and the Restricted Subsidiaries;

"**Restricted Subsidiaries**" means collectively, all of the Subsidiaries of the Borrower other than (i) Gauss Interprise AG and its Subsidiaries, and (ii) IXOS Software AG and its Subsidiaries;

"**Royalty Agreements**" means, collectively, the agreements described in the Disclosure Schedule at Item 8.

"**Sale-Leaseback Transaction**" means, with respect to any Person, any direct or indirect arrangement entered into from the date hereof pursuant to which such Person or subsidiary of such Person transfers or causes the transfer of property to another Person and leases it back to such Person as a Capitalized Lease Obligation;

"**Security Documents**" means, collectively, the agreements referred to in Section 14 and any other security granted to the Bank, as security for the obligations of the Borrower, each Subsidiary of the Borrower, or any other Person, as the case may be, under this Agreement and the other Credit Documents, as the same have been or may at any time and from time to time hereafter be amended, restated, supplemented, otherwise modified or replaced;

"**Subsidiary**" means, at any time, as to any Person, any corporation, limited partnership or other Person, if at such time the first mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation, limited partnership or other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such corporation, limited partnership or other Person;

"**US Dollars**", "**US$**" and "**$**" each means lawful money of the United States of America in same day immediately available funds.

Schedule "B" to the agreement dated February 2, 2006, between Open Text Corporation, as Borrower, and Royal Bank of Canada, as the Bank.

NOTICE REQUIREMENTS FOR BORROWINGS

Type of Borrowing	Prior Notice
RBP Loans and RBUSBR Loans	By 3:00 p.m. on the day of the proposed Borrowing
BAs	By 11:00 a.m. on the Business Day prior to the proposed Borrowing
Libor Loans	By 11:00 a.m. three (3) Business Days prior to the proposed Borrowing
LGs	By 2:00 p.m. on the Business Day of the proposed Borrowing

Each notice of a Borrowing shall be in writing and shall specify (i) the requested date of the Borrowing, (ii) the type of Borrowing, (iii) the aggregate amount of the Borrowing, (iv) the purpose for which the proceeds will be used, and (v) in the case of BAs and LGs, the maturity date.

NOTICE REQUIREMENTS FOR OPTIONAL REPAYMENTS

Type of Borrowing	Prior Notice
RBP Loans and RBUSBR Loans	By 3:00 p.m. on the day of the proposed repayment
Libor Loans	Subject to penalty, by 3:00 p.m. on the Business Day of the proposed repayment
LGs	See below

BORROWING CONDITIONS

BAs

Borrowings made otherwise than by way of RBP Loans or RBUSBR Loans will be subject to the following terms and conditions:

(a) BAs shall be issued and mature on a Business Day and shall be issued in minimum face amounts of $500,000 or such larger amount as is a whole multiple of $100,000 for terms of not less than 30 and not more than 180 days;

(b) notwithstanding any other provision of this Agreement, the Borrower shall indemnify the Bank against any Loss, cost or expense incurred by the Bank if any BA is repaid, prepaid, converted or cancelled other than on the maturity date of such BA;

(c) any BA issued under the Credit Facility must have a maturity on or before the Repayment Date, unless otherwise agreed by the Bank; and

(d) prior to the issue of any BA the Borrower shall execute the Bank's standard form of undertaking and agreement in respect of BAs. If there is any inconsistency at any time between the terms of this Agreement and the terms of the Bank's standard form of undertaking and agreement, the terms of this Agreement shall govern.

Libor Loans

(a) Notwithstanding any other provision of the Agreement, the Borrower shall indemnify the Bank against any loss, cost or expense incurred by the Bank if any LIBOR Loan is repaid, prepaid, converted or cancelled other than the maturity date of such LIBOR Loan.

LGs

(a) Each LG shall expire on a Business Day and shall have a term of not more than 365 days;

(b) at least 2 Business Days prior to the issue of an LG, the Borrower shall execute a duly authorized application with respect to such LG, as the case may be, and each LG shall be governed by the terms and conditions of the relevant application for such instrument;

(c) an LG may not be revoked prior to its expiry date unless the consent of the beneficiary of the LG, as the case may be, has been obtained; and

(d) if there is any inconsistency at any time between the terms of this Agreement and the terms of the application for an LG, the terms of the application for such LG, as the case may be, shall govern.

Schedule "C" to the agreement dated February 2, 2006, between Open Text Corporation, as Borrower, and Royal Bank of Canada, as the Bank.

COMPLIANCE CERTIFICATE

I, _____, the _____ [insert title] of Open Text Corporation (the "**Borrower**") hereby certify, on behalf of the Borrower and without personal liability as of _____ [insert last day of Financial Quarter/Financial Year, as applicable]:

1. I am familiar with and have examined the provisions of the letter agreement (the "**Agreement**") dated February 2, 2006, between the Borrower, and Royal Bank of Canada (the "**Bank**"), as the Bank, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower and each Guarantor. Terms defined in the Agreement have the same meanings when used in this certificate.
2. The representations and warranties contained in the Agreement are true and correct.
3. No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of the Agreement and there is no reason to believe that during the next Financial Quarter of the Borrower, any such event or circumstance will occur.

Dated this day of , 20____ .

Per: _____
Name:_____
Title: _____

Exhibit 31.1

CERTIFICATIONS

I, John Shackleton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Open Text Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2006

By: /s/ JOHN SHACKLETON

John Shackleton
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Alan Hoverd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Open Text Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2006

By: /s/ Alan Hoverd

Alan Hoverd
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Shackleton, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JOHN SHACKLETON

John Shackleton
President and Chief Executive Officer

Dated: February 3, 2006

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan Hoverd, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ALAN HOVERD

Alan Hoverd
Chief Financial Officer

Dated: February 3, 2006