



TOPIC 805
(Business Combinations)
vis-à-vis
Open Text Corporation

October 2009

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Effective date:

- FASB ASC Topic 805 (formerly known as FAS 141R) sets out the new accounting rules for business combinations for annual reporting periods beginning after December 15, 2008.

OTEX effective date:

- July 1, 2009
- The Vignette acquisition was accounted for per Topic 805.

What's changed significantly? (vis-à-vis Open Text)

- **Restructuring Costs**
- **Transaction Costs**
- **Taxation**

New rules:

- Restructuring costs will not be recorded as assumed liabilities.
- Restructuring initiatives commenced after acquisition date will be included as charge to income.

OTEX impact:

- OTEX includes these costs under Special Charges (were formerly charged to Goodwill).
- We recorded \$9.6 million of such restructuring charges in connection with the Vignette acquisition in Q1 FY10.

New rules:

- Transaction costs are not considered a component of the fair value of the business acquired and are required to be charged to income as incurred.

OTEX impact:

- OTEX includes these costs now under Special Charges (were formerly charged to Goodwill).
- We recorded \$1.4 m of such costs in connection with the Vignette acquisition in Q1 FY10.

Taxation: Change in valuation allowances and income tax uncertainties

New rules:

- If changes result from new information regarding facts and circumstances that existed at date of acquisition (and these changes are identified within the one year period):
 - Changes are recognized through Goodwill
- **All** other changes are offset to income tax expense. i.e.
 - Changes not resulting from new information;
 - Changes after the one year period.
- Applies to pre July 1, 2009 acquisitions as well.

OTEX impact:

- Potential volatility in future overall effective tax rates - for GAAP net income.

Cost of Vignette Acquisition

	<i>in USD millions</i>	
<u>Cost of Vignette Acquisition</u>		321.4
<u>less:</u>		
Equity Issued		125.2
Vignette Cash	92.3	
Vignette S-T Investments	46.9	
		139.2
Vignette shares held by OTEX		13.3
Net Cash Spent		43.7
<u>Reconciliation to 10Q Cash Flow</u>		
Net Cash paid per Statement of Cash Flows		90.6
<u>less:</u>		
Vignette S-T Investments		46.9
Net Cash Spent		43.7



Thank You