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CULP INC
Form 10-Q
December 08, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 October 29, 2006

Commission File No. 0-12781

CULP, INC.
(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or other organization)

56-1001967
(I.R.S. Employer Identification No.)

1823 Eastchester Drive
High Point, North Carolina
(Address of principal executive offices)

27265-1402
(zip code)

(336) 889-5161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least 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. (Check one);

Large accelerated filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practical date:

Common shares outstanding at October 29, 2006: 11,686,959
Par Value: \$0.05

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For the period ended October 29, 2006

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Item 1. Financial Statements

CULP, INC.
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 29, 2006 AND OCTOBER 30, 2005
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

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THREE MONTHS ENDED

	Amounts			% Over (Under)
	October 29, 2006	October 30, 2005		
Net sales	\$ 59,040	67,006	(11.9) %	
Cost of sales	51,049	61,455	(16.9) %	
Gross profit	7,991	5,551	44.0 %	
Selling, general and administrative expenses	6,273	6,526	(3.9) %	
Restructuring (credit) expense	(264)	4,412	(106.0) %	
Income (loss) from operations	1,982	(5,387)	136.8 %	
Interest expense	938	942	(0.4) %	
Interest income	(51)	(19)	168.4 %	
Other expense	338	214	(57.9) %	
Income (loss) before income taxes	757	(6,524)	111.6 %	
Income taxes *	(55)	(2,372)	(97.7) %	
Net income (loss)	\$ 812	(4,152)	119.6 %	
Net income (loss) per share, basic	\$ 0.07	(0.36)	119.4 %	
Net income (loss) per share, diluted	\$ 0.07	(0.36)	119.4 %	
Average shares outstanding, basic	11,686	11,559	1.1 %	
Average shares outstanding, diluted	11,689	11,559	1.1 %	

SIX MONTHS ENDED

	Amounts			% Over (Under)
	October 29, 2006	October 30, 2005		
Net sales	\$ 121,625	129,348	(6.0) %	
Cost of sales	105,574	117,240	(10.0) %	
Gross profit	16,051	12,108	32.6 %	
Selling, general and administrative expenses	12,846	16,382	(21.6) %	
Restructuring expense	466	6,238	(92.5) %	
Income (loss) from operations	2,739	(10,512)	126.1 %	
Interest expense	1,888	1,892	(0.2) %	
Interest income	(97)	(35)	177.1 %	

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Other expense	60	347	82.7 %
	-----	-----	-----
Income (loss) before income taxes	888	(12,716)	107.0 %
Income taxes *	(58)	(4,623)	(98.7)%
	-----	-----	-----
Net income (loss)	\$ 946	(8,093)	111.7 %
	=====	=====	=====
Net income (loss) per share, basic	\$ 0.08	(0.70)	111.4 %
Net income (loss) per share, diluted	\$ 0.08	(0.70)	111.4 %
Average shares outstanding, basic	11,679	11,555	1.1 %
Average shares outstanding, diluted	11,682	11,555	1.1 %

*Percent of sales column for income taxes is calculated as a % of income (loss) before income tax

See accompanying notes to consolidated financial statements.

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CULP, INC.
CONSOLIDATED BALANCE SHEETS
OCTOBER 29, 2006, OCTOBER 30, 2005 AND APRIL 30, 2006
(UNAUDITED)
(Amounts in Thousands)

	Amounts		Increase (Decrease)
	October 29, 2006	October 30, 2005	Dollars
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 9,706	12,883	(3,177)
Accounts receivable, net	23,286	26,919	(3,633)
Inventories	44,430	43,449	981
Deferred income taxes	7,120	7,054	66
Assets held for sale	1,571	-	1,571
Other current assets	1,506	1,846	(340)
	-----	-----	-----
Total current assets	87,619	92,151	(4,532)
Property, plant and equipment, net	42,487	54,212	(11,725)
Goodwill	4,114	4,114	-
Deferred income taxes	22,023	14,541	7,482
Other assets	1,354	1,521	(167)
	-----	-----	-----
Total assets	\$ 157,597	166,539	(8,942)
	=====	=====	=====

Current liabilities:

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Current maturities of long-term debt	\$ 7,742	8,346	(604)
Accounts payable	18,540	16,613	1,927
Accrued expenses	9,001	10,669	(1,668)
Accrued restructuring costs	3,017	5,486	(2,469)
Income taxes payable	3,880	1,023	2,857
	-----	-----	-----
Total current liabilities	42,180	42,137	43
Long-term debt, less current maturities	39,554	46,584	(7,030)
	-----	-----	-----
Total liabilities	81,734	88,721	(6,987)
Shareholders' equity	75,863	77,818	(1,955)
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 157,597	166,539	(8,942)
	=====	=====	=====
Shares outstanding	11,687	11,559	128
	=====	=====	=====

* Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 29, 2006 AND OCTOBER 30, 2005
(UNAUDITED)
(Amounts in Thousands)

	SIX MONTHS ENDED	

	Amounts	
	October 29, 2006	October 30, 2005
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 946	(8,093)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	3,364	9,836
Amortization of other assets	41	51
Stock-based compensation	287	104
Deferred income taxes	(1,847)	(4,455)
Restructuring (credit) expense	(364)	3,092
Changes in assets and liabilities:		
Accounts receivable	5,763	1,905
Inventories	(7,737)	7,050

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Other current assets	(219)	845
Other assets	148	149
Accounts payable	(1,965)	(5,623)
Accrued expenses	1,156	1,113
Accrued restructuring	(1,037)	(364)
Income taxes payable	1,392	(521)
	-----	-----
Net cash (used in) provided by operating activities	(72)	5,089
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(1,705)	(4,875)
Proceeds from the sale of buildings and equipment	2,738	3,950
	-----	-----
Net cash provided by (used in) investing activities	1,033	(925)
	-----	-----
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(670)	(799)
Payments on long-term debt	(426)	-
Proceeds from issuance of long-term debt	-	4,380
Proceeds from common stock issued	127	31
	-----	-----
Net cash (used in) provided by financing activities	(969)	3,612
	-----	-----
(Decrease) increase in cash and cash equivalents	(8)	7,776
Cash and cash equivalents at beginning of period	9,714	5,107
	-----	-----
Cash and cash equivalents at end of period	\$ 9,706	12,883
	=====	=====

See accompanying notes to consolidated financial statements.

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CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in thousands, except share data)

	Common Stock		Capital Contributed	Unearned	Retained	
	Shares	Amount	in Excess of Par Value	Compensation	Earnings	Co
Balance, May 1, 2005	11,550,759	\$ 579	39,964	(139)	45,367	
Net loss	-	-	-	-	(11,796)	
Gain on cash flow hedge, net of income taxes	-	-	-	-	-	

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Stock-based compensation	-	-	-	139	-
Common stock issued in connection with stock option plans	104,200	5	386	-	-
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Balance, April 30, 2006	11,654,959	\$ 584	40,350	-	33,571
<hr/>					
Net income	-	-	-	-	946
Loss on cash flow hedge, net of income taxes	-	-	-	-	-
Stock-based compensation	-	-	287	-	-
Common stock issued in connection with stock option plans	32,000	2	125	-	-
<hr/>					
Balance, October 29, 2006	11,686,959	\$ 586	40,762	-	34,517
<hr/>					

See accompanying notes to consolidated financial statements.

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Culp, Inc. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Culp, Inc. and subsidiaries (the "company") include all adjustments, which are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. All of these adjustments are of a normal recurring nature except as disclosed in note 10 to the consolidated financial statements. Results of operations for interim periods may not be indicative of future results. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, which are included in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 20, 2006 for the fiscal year ended April 30, 2006.

The company's six months ended October 29, 2006 and October 30, 2005 represent 26 week periods.

2. Stock-Based Compensation

Effective May 1, 2006, the company began recording compensation expense associated with its stock option plans in accordance with SFAS No. 123R, "Share-Based Payment" which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument based on the grant date fair value of the award. The company adopted the modified prospective transition method provided for under SFAS No. 123R, and consequently has not retroactively adjusted results from prior periods. Under this transition method, compensation expense associated with stock options recognized in the first quarter of fiscal 2007 now includes amortization related to the remaining unvested portion of all stock option awards granted prior to May 1, 2006 based on their grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

Prior to May 1, 2006, the company recognized compensation costs related to employee stock option plans utilizing the intrinsic value-based method

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prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The company had also adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." SFAS No. 123 required disclosure of pro-forma net income, earnings per share, and other information as if the fair value method of accounting for stock options and other equity instruments described in SFAS No. 123 had been adopted.

As a result of adopting SFAS No. 123R, the company recorded \$155,000 and \$287,000 of compensation expense for stock options within selling, general, and administrative expense for the three-month and six-month periods ended October 29, 2006. In the prior year, the company recorded \$51,000 and \$104,000 of compensation expense for stock options that were required to be accounted for under the provisions of APB Opinion No. 25 for the three-month and six-month periods ended October 30, 2005.

Prior to the adoption of SFAS No. 123R, the benefit of tax deductions in excess of recognized compensation costs were reported as an operating cash flow. SFAS No. 123R requires such benefits be recorded as financing cash flow rather than as a reduction of taxes paid within operating cash flow. For the six-month period ended October 29, 2006, no tax benefits in excess of recognized

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Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

compensation costs were realized from option exercises.

The remaining unrecognized compensation costs related to unvested awards at October 29, 2006 is \$1.2 million which is expected to be recognized over a weighted average period of 2.9 years.

The following table illustrates the effect on net loss and net loss per share if the company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the company's stock option plan for three-month and six-month period ended October 30, 2005:

(dollars in thousands, except per share data)	(Unaudited) Six Months Ended October 30, 2005	(Unaudited) Three Months Ended October 30, 2005
Net loss, as reported	\$ (8,093)	\$ (4,152)
Add: Total stock-based employee compensation expense included in net loss, net of taxes	66	33
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of taxes	(243)	(136)
Pro forma net loss	\$ (8,270)	\$ (4,255)
Net loss per share:		
Basic - as reported	\$ (0.70)	\$ (0.36)

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Basic - pro forma	(0.72)	(0.37)
Diluted - as reported	(0.70)	(0.36)
Diluted - pro forma	(0.72)	(0.37)

Under the company's stock option plans, employees and directors may be granted options to purchase shares of common stock at the fair market value on the date of grant. Options granted under these plans generally vest over four years and expire five to ten years after the date of grant. The fair value of each option award was estimated on the date of grant using a Black-Scholes option-pricing model. The fair value of stock options granted to directors during the six-month period ended October 29, 2006 was \$3.68 per share using the following assumptions:

Risk-free interest rate	4.57%
Dividend yield	0.00%
Expected volatility	68.36%
Expected term (in years)	6.8

The fair value of stock options granted to employees during the six-month period ended October 29, 2006 was \$2.43 per share using the following assumptions:

Risk-free interest rate	5.03%
Dividend yield	0.00%
Expected volatility	67.03%
Expected term (in years)	1.6

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Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

The assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions and actual historical experience. The risk-free interest rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield was calculated based on the company's annual dividend as of the option grant date. The expected volatility was derived using a term structure based on historical volatility and the volatility implied by exchange-traded options on the company's common stock. The expected term of the options is the contractual term of the stock options and expected employee exercise and post-vesting employment termination trends.

The following table summarizes the stock options (vested and unvested) as of October 29, 2006 and option activity during the six-month period then ended:

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	Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value
Outstanding, April 30, 2006	993,875	\$ 7.11		
Granted	228,000	4.56		
Expired	(174,125)	6.27		
Exercised	(32,000)	3.91		\$ 17,440
Outstanding, October 29, 2006	1,015,750	6.78	3.2 Years	\$ 770,035

At October 29, 2006, there were 274,750 shares available for future grants under the company's incentive stock option plans and options to purchase 553,375 shares were exercisable which had a weighted average exercise price of \$8.34 per share, an aggregate intrinsic value of \$403,893 and a weighted average contractual term of 0.20 years.

3. Accounts Receivable

A summary of accounts receivable follows:

(dollars in thousands)	October 29, 2006	April 30, 2006
Customers	\$ 25,534	\$ 30,924
Allowance for doubtful accounts	(1,092)	(1,049)
Reserve for returns and allowances and discounts	(1,156)	(826)
	\$ 23,286	\$ 29,049

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Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

A summary of the activity in the allowance for doubtful accounts follows:

(dollars in thousands)	October 29, 2006	Six months ended October 30, 2005
Beginning balance	\$ (1,049)	\$ (1,142)
Provision for uncollectible accounts	(115)	12
Net write-offs	72	6

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Ending balance	\$	(1,092)	\$	(1,124)
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A summary of the activity in the allowance for returns and allowances and discounts accounts follows:

(dollars in thousands)	Six months ended			
	October 29, 2006	October 30, 2005		
Beginning balance	\$	(826)	\$	(837)
Provision for returns and allowances and discounts		(1,235)		(808)
Discounts taken		905		962
Ending balance	\$	(1,156)	\$	(683)

4. Inventories

Inventories are carried at the lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method.

A summary of inventories follows:

(dollars in thousands)	October 29, 2006	April 30, 2006		
Raw materials	\$	12,676	\$	13,561
Work-in-process		1,917		2,020
Finished goods		29,837		21,112
	\$	44,430	\$	36,693

5. Accounts Payable

A summary of accounts payable follows:

(dollars in thousands)	October 29, 2006	April 30, 2006		
Accounts payable-trade	\$	16,421	\$	18,386
Accounts payable-capital expenditures		2,119		2,449

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\$ 18,540 \$ 20,835

6. Accrued Expenses

A summary of accrued expenses follows:

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(dollars in thousands)	October 29, 2006	April 30, 2006
Compensation, commissions and related benefits	\$ 4,643	\$ 4,757
Interest	403	433
Accrued rebates	1,309	705
Other	2,646	1,950
	\$ 9,001	\$ 7,845

7. Long-Term Debt

A summary of long-term debt follows:

(dollars in thousands)	October 29, 2006	April 30, 2006
Unsecured senior term notes	\$ 42,440	\$ 42,440
Real estate loan	4,142	4,242
Canadian government loans	714	1,040
	47,296	47,722
Less current maturities	(7,742)	(8,060)
	\$ 39,554	\$ 39,662

Unsecured Term Notes

The company's unsecured term notes (the "Notes") are payable over an average remaining term of three years beginning March 2007 through March 2010. The principal payments are required to be paid in periodic installments over the next four years as follows: Year 1 - \$7.5 million; Year 2 - \$19.9 million; Year 3 - \$7.5 million; and Year 4 - \$7.5 million.

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On December 6, 2006, the company entered into a Second Amendment to Note Purchase Agreements (the "Amendment"). The Amendment changes the financial covenants applicable to the company to provide additional flexibility to account for recent changes and potential additional changes that the company has made or could make to its business and the accounting consequences of those changes, including markdowns of its inventory and write-downs of its property, plant, and equipment for closed facilities and a valuation allowance against the Company's net deferred tax assets from U.S. operations. The Amendment also allows for the reduction of the company's outstanding debt, without the payment of a prepayment penalty, and raises the interest rate payable on the remaining outstanding Notes. A summary of the terms of the Amendment follows:

- Upon execution of this amendment, the Company will prepay \$3.0 million in principal amount and interest on the Notes, without prepayment penalty or "make whole" premium. Another principal payment of \$4.5 million will be due in March of 2007.
- An increase in the interest rate on the Notes from 7.76% to 8.80%, effective December 1, 2006.

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

- A change in the calculation of consolidated net worth and tangible net worth for purposes of financial covenant compliance, such that restructuring expenses and related costs associated with previously announced restructuring initiatives and any future restructuring initiatives involving the remaining U.S. upholstery facilities will not be counted against the Company's net worth.
- A similar change in the calculation of net worth such that a valuation allowance under U.S. generally accepted accounting principles against the Company's net deferred tax assets from U.S. operations would not be counted as a reduction of the Company's net worth for purposes of financial covenant compliance.
- A provision providing for prepayments of the Notes (at the option of the noteholders and without prepayment penalty) to the extent that the Company's cash balances exceed \$8.0 million at the end of each fiscal quarter.
- Covenants regarding the use of net proceeds from sales of assets.
- An increase in the amount of other debt allowed to be incurred by the Company, including a provision that would allow for debt of up to \$5.0 million in the Company's China subsidiary.
- Other changes to financial covenants, including limits on capital expenditures and restrictions on the payment of dividends or stock repurchases.
- Additional negative covenants to restrict certain changes in the Company's business or methods of operation and certain business transactions.
- A decrease in the cross-default provision to cover any debt in an amount of \$1.0 million or more.

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Real Estate Loan

The company's real estate loan is secured by a lien on the company's corporate headquarters office located in High Point, NC. This term loan bears interest at the one-month London Interbank Offered Rate plus an adjustable margin based on the company's debt/EBITDA ratio, as defined in the agreement and is payable in varying monthly installments through September 2010, with a final payment of \$3.3 million in October 2010.

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Revolving Credit Agreement

On July 20, 2006, the company entered into a Ninth Amendment to this credit agreement. This credit agreement provides for a revolving loan commitment of \$8.0 million, including letters of credit up to \$5.5 million. Borrowings under the credit facility bear interest at the one-month London Interbank Offered Rate plus an adjustable margin based on the company's debt/EBITDA ratio, as defined in the agreement. This agreement limits annual capital expenditures to \$2.5 million for fiscal 2007, requires the company to maintain collected deposit balances of at least \$2.0 million, and maintain certain other financial covenants as defined in the agreement. As of October 29, 2006, there were \$2.9 million in outstanding letters of credit and no borrowings outstanding under the agreement. This agreement expires on August 31, 2007.

Canadian Government Loans

In November 2005, the company entered into an agreement with the Canadian government to provide for a term loan in the amount of \$680,000. The proceeds are to partially finance capital expenditures at the company's Rayonese facility located in Quebec, Canada. This loan is non-interest bearing and is payable in 48 equal monthly installments commencing December 1, 2009. In addition to the term loan entered into in November 2005, the company had an existing non-interest bearing term loan with the Canadian government which was paid in May 2006.

Overall

The company's loan agreements require that the company maintain compliance with certain financial ratios. At October 29, 2006, the company was in compliance with these financial covenants.

The principal payment requirements of long-term debt during the next five years are: Year 1 - \$7.7 million; Year 2 - \$20.1 million; Year 3 - \$7.8 million; Year 4 - \$11.1 million; Year 5 - \$178,000; and thereafter - \$373,000.

8. Interest Rate Hedging

In connection with the company's real estate loan with its bank, the company was required to have an agreement to hedge the interest rate risk exposure on the real estate loan. The company entered into a \$2,170,000 notional principal interest rate swap, which represents 50% of the principal amount of the real estate loan, that effectively converted the floating rate LIBOR based payments to fixed payments at 4.99% plus the spread calculated under the real estate loan

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agreement. This agreement expires October 2010.

The company accounts for the interest rate swap as a cash flow hedge whereby the fair value of this contract is reflected in other assets in the accompanying consolidated balance sheets with the offset recorded as accumulated other comprehensive income (loss). The fair value of the interest rate swap at October 29, 2006 was \$3,000 in the bank's favor and was determined by quoted market prices.

9. Cash Flow Information

Payments for interest and income taxes follow:

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(dollars in thousands)	Six months ended	
	October 29, 2006	October 30, 2005
Interest	\$ 1,928	\$ 1,954
Income taxes	443	515

The company did not finance any of its capital expenditures for the six-months ended October 29, 2006. The non-cash portion of capital expenditures representing vendor financing totaled \$1,699,000 for the six months ended October 30, 2005.

10. Restructuring and Related Charges

A summary of accrued restructuring costs follows:

(dollars in thousands)	October 29, 2006	April 30, 2006
September 2005 Upholstery Fabrics	\$ 404	\$ 439
August 2005 Upholstery Fabrics	94	134
April 2005 Upholstery Fabrics	574	1,000
October 2004 Upholstery Fabrics	10	64
Fiscal 2003 Culp Decorative Fabrics	1,935	2,412
Fiscal 2001 Culp Decorative Fabrics	-	5
	\$ 3,017	\$ 4,054

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September 2005 Upholstery Fabrics

During the second quarter of fiscal 2007, total restructuring and related charges incurred were \$223,000 of which \$250,000 related to lease termination and other exit costs, \$110,000 related to operating costs associated with the closing of a plant facility, \$40,000 related to asset movement costs, a credit of \$40,000 related to a write-down of a building, and a credit of \$137,000 related to a employee termination benefits. Of the total charge, a credit of \$122,000 was recorded in restructuring expense, a charge of \$110,000 was recorded in cost of sales, and a charge of \$235,000 was recorded in other expense in the 2007 Consolidated Statement of Net Income.

During the six month period of fiscal 2007, total restructuring and related charges incurred were \$532,000 of which \$450,000 related to operating costs associated with the closing of a plant facility, \$259,000 related to lease termination and other exit costs, \$209,000 related to asset movement costs, a credit of \$40,000 related to a write-down of a building, a credit of \$111,000 related to employee termination benefits, and a credit of \$235,000 for sales proceeds received on equipment with no carrying value. Of the total charge, \$82,000 was recorded in restructuring expense and a charge of \$450,000 was recorded in cost of sales in the 2007 Consolidated Statement of Net Income.

The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

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Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, April 30, 2006	\$ 439	-	439
Adjustments in fiscal 2007	(111)	2	(109)
Additions in fiscal 2007	-	257	257
Paid in fiscal 2007	(174)	(9)	(183)
Balance, October 29, 2006	\$ 154	250	404

As of October 29, 2006, there were no assets classified as held for sale. At April 30, 2006, assets classified as held for sale consisted of a building with a carrying value of \$641,000.

August 2005 Upholstery Fabrics

During the second quarter of fiscal 2007, a total restructuring and related credit of \$58,000 was recorded, of which, \$35,000 related to write-downs of equipment, \$22,000 related to operating costs associated with the closing of a plant facility, \$1,000 related to asset movement costs, a credit of \$11,000 for sales proceeds received on equipment with no carrying value, and a credit of

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\$105,000 for employee termination benefits. Of the total credit, a credit of \$125,000 was recorded in restructuring expense, a charge of \$22,000 was recorded in cost of sales, and a charge of \$45,000 was recorded in other expense in the 2007 Consolidated Statement of Net Income.

During the six month period of fiscal 2007, total restructuring and related charges incurred were \$99,000 of which \$49,000 related to operating costs associated with the closing of a plant facility, \$48,000 related to asset movement costs, \$35,000 related to write-downs of equipment, \$23,000 related to employee termination benefits, and a credit of \$56,000 for sales proceeds received on equipment with no carrying value. Of the total charge, \$50,000 was recorded in restructuring expense and a charge of \$49,000 was recorded in cost of sales in the 2007 Consolidated Statement of Net Income.

The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, April 30, 2006	\$ 127	7	134
Adjustments in fiscal 2007	23	-	23
Paid in fiscal 2007	(61)	(2)	(63)
Balance, October 29, 2006	\$ 89	5	94

As of October 29, 2006 and April 30, 2006, assets classified as held for sale consisted of equipment with a carrying value of \$700,000. As of April 30, 2006, assets classified as held for sale also included a building with a carrying value of \$475,000, which was sold in May 2006.

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

April 2005 Upholstery Fabrics

During the second quarter of fiscal 2007, total restructuring and related charges incurred were \$217,000 of which approximately \$313,000 related to asset movement costs, \$183,000 related to operating costs associated with closing a plant facility, \$83,000 related to lease termination costs, a credit of \$49,000 for write-downs of equipment, a credit of \$117,000 for sales proceeds received on equipment with no carrying value, and a credit of \$196,000 for employee termination benefits. Of the total charge, \$7,000 was recorded in restructuring expense, \$183,000 was recorded in cost of sales, and a charge of \$27,000 was recorded in other expense in the 2007 Consolidated Statement of Net Income.

During the first six months of fiscal 2007, the total restructuring and related charges incurred were \$918,000 of which approximately \$484,000 related to asset movement costs, \$285,000 related to operating costs associated with the closing of a plant facility, \$238,000 related to inventory markdowns, \$90,000 related to

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lease termination costs, \$67,000 related to write-downs of equipment, a credit of \$102,000 related to employee termination benefits, and a credit of \$144,000 for sales proceeds received on equipment with no carrying value. Of the total charge, \$395,000 was recorded in restructuring expense; \$493,000 was recorded in cost of sales; and \$30,000 was recorded in selling, general, and administrative expenses in the 2007 Consolidated Statements of Net Income.

The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, April 30, 2006	\$ 799	201	1,000
Adjustments in fiscal 2007	(102)	10	(92)
Additions in fiscal 2007	-	80	80
Paid in fiscal 2007	(234)	(180)	(414)
Balance, October 29, 2006	\$ 463	111	574

As of October 29, 2006 and April 30, 2006, assets classified as held for sale consisted of equipment with a carrying value of approximately \$871,000 and \$1.3 million, respectively.

October 2004 Upholstery Fabrics

During the second quarter of fiscal 2007, as a result of management's continual evaluation of the restructuring accrual, the reserve was decreased by \$22,000 to reflect current estimates of future health care claims. This \$22,000 decrease in the reserve was recorded in restructuring expense in the 2007 Consolidated Statement of Net Income.

During the first six months of fiscal 2007, as a result of management's continual evaluation of the restructuring accrual, the reserve was decreased by \$30,000 to reflect current estimates of future health care claims. This \$30,000 decrease in the reserve was recorded in restructuring expense in the 2007 Consolidated Statement of Net Income.

The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
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Balance, April 30, 2006	\$	64	-	64
Adjustments in fiscal 2007		(30)	-	(30)
Paid in fiscal 2007		(24)	-	(24)
Balance, October 29, 2006	\$	10	-	10

As of October 29, 2006 and April 30, 2006, there were no assets classified as held for sale.

Fiscal 2003 Culp Decorative Fabrics Restructuring

During the second quarter of fiscal 2007, the company recorded a restructuring related charge of \$4,000 for operating costs associated with a closed plant facility. This \$4,000 restructuring related charge was recorded in cost of sales in the 2007 Consolidated Statement of Net Income. During the first six months of fiscal 2007, as a result of management's continual evaluation of the restructuring accrual, the reserve was decreased by approximately \$22,000 to reflect current estimates of sub-lease income and other exit costs. This \$22,000 decrease in the reserve was recorded in restructuring expense in the 2007 Consolidated Statement of Net Income. Additionally, the company recorded a restructuring related charge of \$16,000 for operating costs associated with a closed plant facility. This \$16,000 restructuring related charge was recorded in cost of sales in the 2007 Consolidated Statement of Net Income.

The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, April 30, 2006	\$ 88	2,324	2,412
Adjustments in fiscal 2007	-	(22)	(22)
Paid in fiscal 2007	(22)	(433)	(455)
Balance, October 29, 2006	\$ 66	1,869	1,935

As of October 29, 2006 and April 30, 2006, there were no assets classified as held for sale.

Fiscal 2001 Culp Decorative Fabrics Restructuring

During the first quarter and first six months of fiscal 2007, as a result of management's continual evaluation of the restructuring accrual, the reserve was decreased by approximately \$5,000 to reflect current estimates of future health care claims. This \$5,000 decrease in the reserve was recorded in restructuring expense in the 2007 Consolidated Statement of Net Income. Additionally, the company recorded a restructuring related charge of \$26,000 for other operating costs associated with a closed plant facility. This \$26,000 restructuring related charge was recorded in cost of sales in the 2007 Consolidated Statement of Net Income.

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The following summarizes the fiscal 2007 activity in the restructuring accrual (dollars in thousands):

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, April 30, 2006	\$ 5	-	5
Adjustments in fiscal 2007	(5)	-	(5)
Paid in fiscal 2007	-	-	-
Balance, October 29, 2006	\$ -	-	-

As of October 29, 2006 and April 30, 2006, there were no assets classified as held for sale.

11. Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted-average number of shares outstanding during the period. Diluted net income (loss) per share uses the weighted-average number of shares outstanding during the period plus the dilutive effect of stock options calculated using the treasury stock method. Weighted average shares used in the computation of basic and diluted net income (loss) per share follows:

(amounts in thousands)	October 29, 2006	Three months ended October 30, 2005
Weighted average common shares outstanding, basic	11,686	11,559
Effect of dilutive stock options	3	0
Weighted average common shares outstanding, diluted	11,689	11,559

Options to purchase 464,750 and 506,125 shares of common stock were not included in the computation of diluted net income (loss) per share for the three months ended October 29, 2006 and October 30, 2005, respectively, because the exercise price of the options was greater than the average market price of the common shares.

Options to purchase 48,209 shares of common stock were not included in the

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computation of diluted net loss per share for the three months ended October 30, 2005, because the company incurred a net loss for the period.

(amounts in thousands)	Six months ended	
	October 29, 2006	October 30, 2005
Weighted average common shares outstanding, basic	11,679	11,555
Effect of dilutive stock options	3	0
Weighted average common shares outstanding, diluted	11,682	11,555

Options to purchase 449,813 and 510,750 shares of common stock were not included in the computation of diluted net income (loss) per share for the six months ended October 29, 2006 and October 30, 2005, respectively, because the exercise price of the options was greater than the average market price of the common shares.

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Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

Options to purchase 42,171 shares of common stock were not included in the computation of diluted net loss per share for the six months ended October 30, 2005, because the company incurred a net loss for the period.

12. Segment Information

The company's operations are classified into two segments: mattress fabrics and upholstery fabrics. The mattress fabrics segment principally manufactures, sources, and sells fabrics to bedding manufacturers. The upholstery fabrics segment principally manufactures, sources, and sells fabrics primarily to residential and commercial (contract) furniture manufacturers.

Financial information for the company's operating segments follow:

(dollars in thousands)	Three months ended	
	October 29, 2006	October 30, 2005
Net sales:		
Mattress Fabrics	\$ 23,494	\$ 23,990
Upholstery Fabrics	35,546	43,016
	\$ 59,040	\$ 67,006
Gross profit:		
Mattress Fabrics	\$ 4,144	\$ 3,302

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Upholstery Fabrics		4,138		4,000

Total segment gross profit		8,282		7,302
Restructuring related charges		(291) (1)		(1,751) (3)

		\$ 7,991	\$	5,551

Selling, general, and administrative expenses:				
Mattress Fabrics	\$	1,674	\$	1,636
Upholstery Fabrics		3,745		4,069

Total segment selling, general, and administrative expenses		5,419		5,705
Unallocated corporate expenses		824		821
Restructuring related charges		30 (1)		-

		\$ 6,273	\$	6,526

Operating income (loss):				
Mattress Fabrics	\$	2,470	\$	1,666
Upholstery Fabrics		393		(69)

Total segment operating income		2,863		1,597
Unallocated corporate expenses		(824)		(821)
Restructuring credit (expense)		264 (2)		(4,412) (4)
Restructuring related charges		(321) (1)		(1,751) (3)

		\$ 1,982	\$	(5,387)

- (1) The \$291,000 and the \$30,000 represent restructuring related charges for operating costs associated with the closing of plant facilities. These charges relate to the Upholstery Fabrics segment.

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Culp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

- (2) The \$264,000 restructuring credit represents \$354,000 for asset movement costs, \$333,000 for lease termination and other exit costs, a credit of \$53,000 for write-downs of a building and equipment, a credit of \$437,000 for sales proceeds received on equipment with no carrying value, and a credit of \$461,000 associated with employee termination benefits. These charges relate to the Upholstery Fabrics segment.
- (3) The \$1.8 million represents restructuring related charges of \$1.4 million for accelerated depreciation, \$331,000 for inventory markdowns, and \$65,000 for operating costs associated with the closing of plant facilities. These charges relate to the Upholstery Fabrics segment.
- (4) The \$4.4 million represents restructuring charges of \$2.1 million for write-downs of buildings and equipment, \$1.6 million for employee termination benefits, \$395,000 for asset movement costs, and \$328,000 for lease termination costs. These charges relate to the Upholstery Fabrics segment.

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(dollars in thousands)	Six months ended	
	October 29, 2006	October 30, 2005
Net sales:		
Mattress Fabrics	\$ 45,339	\$ 46,905
Upholstery Fabrics	76,286	82,443
	\$ 121,625	\$ 129,348
Gross profit:		
Mattress Fabrics	\$ 7,665	\$ 6,397
Upholstery Fabrics	9,423	7,957
Total segment gross profit	17,088	14,354
Restructuring related charges	(1,037) (5)	(2,246) (7)
	\$ 16,051	\$ 12,108
Selling, general, and administrative expenses:		
Mattress Fabrics	\$ 3,337	\$ 3,373
Upholstery Fabrics	7,453	8,405
Total segment selling, general, and administrative expenses	10,790	11,778
Unallocated corporate expenses	2,026	1,582
Restructuring related charges	30 (5)	3,022 (8)
	\$ 12,846	\$ 16,382
Operating income (loss):		
Mattress Fabrics	\$ 4,328	\$ 3,024
Upholstery Fabrics	1,970	(448)
Total segment operating income	6,298	2,576
Unallocated corporate expenses	(2,026)	(1,582)
Restructuring expense	(466) (6)	(6,238) (9)
Restructuring related charges	(1,067) (5)	(5,268) (10)
	\$ 2,302	\$ (10,512)

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(5) The \$1.1 million represents restructuring related charges of \$798,000 for operating costs associated with the closing of plant facilities and \$239,000 for inventory markdowns. The \$30,000 represents restructuring related charges for operating costs associated with the closing of plant facilities. These charges relate to the Upholstery Fabrics segment.

(6) The \$466,000 represents restructuring charges of \$740,000 for asset

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movement costs, \$327,000 for lease termination and other exit costs, \$62,000 for net write-downs of buildings and equipment, a credit of \$226,000 for employee termination benefits, and a credit of \$437,000 for sales proceeds received on equipment with no carrying value associated with the closing of plant facilities. These charges relate to the Upholstery Fabrics segment.

- (7) The \$2.3 million represents restructuring related charges of \$1.9 million for accelerated depreciation, \$331,000 for inventory markdowns, and \$65,000 for operating costs associated with the closing of plant facilities. These charges primarily relate to the Upholstery Fabrics segment.
- (8) The \$3.0 million represents accelerated depreciation. These charges primarily relate to the Upholstery Fabrics segment.
- (9) The \$6.2 million represents restructuring charges of \$2.9 million for write-downs of buildings and equipment, \$1.6 million for asset movement costs, \$1.4 million for employee termination benefits, and \$378,000 for lease termination costs. These charges primarily relate to the Upholstery Fabrics segment.
- (10) The \$5.3 million represents restructuring related charges of \$4.9 million for accelerated depreciation, \$331,000 for inventory markdowns, and \$65,000 for other operating costs associated with the closing of plant facilities. These charges primarily relate to the Upholstery Fabrics segment.

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Balance sheet information for the company's operating segments follow:

(dollars in thousands)	October 29, 2006	April 30, 2006
Segment assets:		
Mattress Fabrics		
Current assets (13)	\$ 22,660	\$ 21,179
Property, plant and equipment (11)	23,441	25,357
Total mattress fabrics assets	46,101	46,536
Upholstery Fabrics		
Current assets (13)	45,056	44,563
Assets held for sale	1,571	3,111
Property, plant and equipment (12)	19,000	19,229
Total upholstery fabrics assets	65,627	66,903
Total segment assets	111,728	113,439
Non-segment assets:		
Cash and cash equivalents	9,706	9,714
Deferred income taxes	29,143	27,296
Other current assets	1,506	1,287
Property, plant & equipment	46	53

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Goodwill		4,114	4,114
Other assets		1,354	1,564
<hr/>			
Total assets	\$	157,597	\$ 157,467
<hr/>			
		Three months ended	
(dollars in thousands)		October 29, 2006	October 30, 2005
<hr/>			
Capital expenditures:			
Mattress Fabrics	\$	28	\$ 546
Upholstery Fabrics		1,337	833
	\$	1,365	\$ 1,379
<hr/>			
Depreciation expense:			
Mattress Fabrics	\$	918	\$ 893
Upholstery Fabrics		744	1,417
Total segment depreciation expense		1,662	2,310
Accelerated depreciation		-	1,355
	\$	1,662	\$ 3,665
<hr/>			
		Six months ended	
(dollars in thousands)		October 29, 2006	October 30, 2005
<hr/>			
Capital expenditures:			
Mattress Fabrics	\$	54	\$ 3,416
Upholstery Fabrics		1,991	2,007
	\$	2,045	\$ 5,423
<hr/>			
Depreciation expense:			
Mattress Fabrics	\$	1,860	\$ 1,749
Upholstery Fabrics		1,504	3,216
Total segment depreciation expense		3,364	4,965
Accelerated depreciation		-	4,871
	\$	3,364	\$ 9,836
<hr/>			

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Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

- (11) Included in property, plant, and equipment are assets located in the U.S. totaling \$12.3 million and \$12.9 million at October 29, 2006 and April 30, 2006, respectively.
- (12) Included in property, plant, and equipment are assets located in the U.S. totaling \$11.8 million and \$13.8 million at October 29, 2006 and April 30,

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2006, respectively. Included in this U.S. property, plant, and equipment are various other corporate allocations totaling \$4.0 million and \$4.1 million at October 29, 2006 and April 30, 2006, respectively.

- (13) Current assets represent accounts receivable and inventory for the respective segment.

13. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No.48, "Accounting for Uncertainty in Income Taxes" ("FIN No. 48") which clarifies the criteria for the recognition of tax benefits under SFAS No. 109, "Accounting for Income Taxes." This Interpretation prescribes a comprehensive model for financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken, or expected to be taken, in income tax returns. FIN No.48 is effective for fiscal years beginning after December 15, 2006 and requires that the cumulative effect of applying its provisions be disclosed as a one-time, non-cash charge or credit against the opening balance of retained earnings in the year of adoption. This Interpretation will be adopted by the company in the first quarter of fiscal 2008. The company is currently evaluating the potential impact of FIN No. 48 and any impact on its financial position cannot be readily determined at this time.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under accounting principles generally accepted in the United States and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and is effective for the company in the first quarter of fiscal 2009. The company is currently evaluating the impact, if any, the adoption of SFAS No. 157 will have on its consolidated financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. This SAB establishes a "dual approach" methodology that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements (both the statement of operations and statement of financial position). The SEC has stated SAB No. 108 should be applied no later than the annual financial statements for the first fiscal year ending after November 15, 2006. SAB No. 108 permits a company to elect either a retrospective or prospective application. Prospective application requires recording a cumulative effect adjustment in the period of adoption, as well as detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The company is currently evaluating the impact, if any, the application of SAB No 108 will have on the consolidated financial statements.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This report and the exhibits attached hereto contain statements that may be

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deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives, and include but are not limited to statements about expectations for the company's future operations or success, sales, gross profit margins, operating income, SG&A or other expenses, and earnings, as well as any statements regarding future economic or industry trends or future developments. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. In addition, changes in consumer preferences for various categories of furniture coverings, as well as changes in costs to produce such products (including import duties and quotas or other import costs) can have significant effect on demand for the company's products. Also, changes in the value of the U.S. dollar versus other currencies can affect the company's financial results because a significant portion of the company's operations are located outside the United States. Further, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Further information about these factors, as well as other factors that could affect the company's future operations or financial results and the matters discussed in forward-looking statements are included in Item 1A "Risk Factors" section in the company's Form 10-K filed with the Securities and Exchange Commission on July 26, 2006 for the fiscal year ended April 30, 2006.

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

Results of Operations

The following analysis of financial condition and results of operations should be read in conjunction with the Financial Statements and Notes and other exhibits included elsewhere in this report.

Overview

The following analysis of financial condition and results of operations should be read in conjunction with the Financial Statements and Notes and other exhibits included elsewhere in this report.

Overview

Culp, Inc. (or the "company") has two operating segments - mattress fabrics and upholstery fabrics. The company manufactures, sources and markets fabrics that are used primarily in the production of bedding products and residential and commercial upholstered furniture, including mattresses, box springs, mattress sets, sofas, recliners, chairs, loveseats, sectionals, sofa-beds, and office seating. The company primarily markets fabrics that have broad appeal in the

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"good" and "better" priced categories of furniture and bedding. Management believes that Culp is the largest producer of mattress fabrics in North America, as measured by total sales, and one of the three largest marketers of upholstery fabrics for furniture in North America, again measured by total sales.

The company's executive offices are located in High Point, North Carolina. The company was organized as a North Carolina corporation in 1972 and made its initial public offering in 1983. Since 1997, the company has been listed on the New York Stock Exchange and traded under the symbol "CFI." The company's fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. The company's six months ended October 29, 2006, and October 30, 2005, represent 26 week periods.

The following tables set forth the company's net sales, gross profit, selling, general and administrative expenses and operating income (loss) by segment for the three and six months ended October 29, 2006 and October 30, 2005.

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CULP, INC.
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT
FOR THE THREE MONTHS ENDED OCTOBER 29, 2006 AND OCTOBER 30, 2005

(Amounts in thousands)

	THREE MONTHS ENDED (UN		
	Amounts		
Net Sales by Segment	October 29, 2006	October 30, 2005	% Over (Under)
Mattress Fabrics	\$ 23,494	23,990	(2.1)%
Upholstery Fabrics	35,546	43,016	(17.4)%
Net Sales	\$ 59,040	67,006	(11.9)%
<hr/>			
Gross Profit by Segment			
Mattress Fabrics	\$ 4,144	3,302	25.5 %
Upholstery Fabrics	4,138	4,000	3.5 %
Subtotal	8,282	7,302	13.4 %
Restructuring related charges	(291) (1)	(1,751) (3)	(83.4)%
Gross Profit	\$ 7,991	5,551	44.0 %

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	=====	=====	=====
Selling, General and Administrative expenses by Segment			

Mattress Fabrics	\$ 1,674	1,636	2.3 %
Upholstery Fabrics	3,745	4,069	(8.0) %
Unallocated Corporate expenses	824	821	0.4 %
	-----	-----	-----
	6,243	6,526	(4.3) %
Restructuring related charges	30 (1)	-	100.0 %
	-----	-----	-----
Selling, General and Administrative expenses	\$ 6,273	6,526	(3.9) %
	=====	=====	=====

Operating Income (loss) by Segment

Mattress Fabrics	\$ 2,470	1,666	48.3 %
Upholstery Fabrics	393	(69)	669.6 %
Unallocated corporate expenses	(824)	(821)	0.4 %
	-----	-----	-----
Subtotal	2,039	776	162.8 %
Restructuring credit (expense)	264 (2)	(4,412) (4)	(106.0) %
Restructuring related charges	(321) (1)	(1,751) (3)	(81.7) %
	-----	-----	-----
Operating income (loss)	\$ 1,982	(5,387)	136.8 %
	=====	=====	=====

Depreciation by Segment

Mattress Fabrics	\$ 918	893	2.8 %
Upholstery Fabrics	744	1,417	(47.5) %
	-----	-----	-----
Subtotal	1,662	2,310	(28.1) %
Accelerated Depreciation	-	1,355	(100.0) %
	-----	-----	-----
Total Depreciation	\$ 1,662	3,665	(54.7) %
	=====	=====	=====

Notes:

- (1) The \$291,000 and \$30,000 represents restructuring related charges for other operating costs of plant facilities.
- (2) The \$264,000 restructuring credit represents \$354,000 for asset movement costs, \$333,000 for exit costs, a credit of \$53,000 for write-downs of a building and equipment, a credit of \$437,000 received on equipment with no carrying value associated with the closing of plant facilities, associated with employee termination benefits.
- (3) The \$1.8 million represents restructuring related charges of \$1.4 million for accelerated depreciation inventory markdowns, and \$65,000 for other operating costs associated with the closing of plant facilities.
- (4) The \$4.4 million represents restructuring charges of \$2.1 million for write-downs of building and equipment, \$1.8 million for employee termination benefits, \$395,000 for asset movement costs and \$328,000 for other operating costs.

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CULP, INC.
 SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT
 FOR THE SIX MONTHS ENDED OCTOBER 29, 2006 AND OCTOBER 30, 2005

(Amounts in thousands)

	SIX MONTHS ENDED (UNAUDITED)		
	Amounts		% Over (Under)
Net Sales by Segment	October 29, 2006	October 30, 2005	
Mattress Fabrics	\$ 45,339	46,905	(3.3) %
Upholstery Fabrics	76,286	82,443	(7.5) %
Net Sales	\$ 121,625	129,348	(6.0) %
<hr/>			
Gross Profit by Segment			
Mattress Fabrics	\$ 7,665	6,397	19.8 %
Upholstery Fabrics	9,423	7,957	18.4 %
Subtotal	17,088	14,354	19.0 %
Restructuring related charges	(1,037) (1)	(2,246) (3)	(53.8) %
Gross Profit	\$ 16,051	12,108	32.6 %
<hr/>			
Selling, General and Administrative expenses by Segment			
Mattress Fabrics	\$ 3,337	3,373	(1.1) %
Upholstery Fabrics	7,453	8,405	(11.3) %
Unallocated Corporate expenses	2,026	1,582	28.1 %
Subtotal	12,816	13,360	(4.1) %
Restructuring related charges	30 (1)	3,022 (4)	(99.0) %
Selling, General and Administrative expenses	\$ 12,846	16,382	(21.6) %

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Operating Income (loss) by Segment

Mattress Fabrics	\$ 4,328	3,024	43.1 %
Upholstery Fabrics	1,970	(448)	539.7 %
Unallocated corporate expenses	(2,026)	(1,582)	28.1 %
Subtotal	4,272	994	329.8 %
Restructuring expense	(466) (2)	(6,238) (5)	(92.5) %
Restructuring related charges	(1,067) (1)	(5,268) (6)	(79.7) %
Operating income (loss)	\$ 2,739	(10,512)	126.1 %

Depreciation by Segment

Mattress Fabrics	\$ 1,860	1,749	6.3 %
Upholstery Fabrics	1,504	3,216	(53.2) %
Subtotal	3,364	4,965	(32.2) %
Accelerated Depreciation	-	4,871	(100.0) %
Total Depreciation	\$ 3,364	9,836	(65.8) %

Notes:

- (1) The \$1.1 million represents restructuring related charges of \$798,000 for other operating costs associated with the closing of plant facilities and \$239,000 for inventory markdowns. The \$30,000 represents restructuring related charges for other operating costs associated with the closing of plant facilities.
- (2) The \$466,000 represents restructuring charges of \$740,000 for asset movement costs, \$327,000 for other exit costs, \$62,000 for net write-downs of buildings and equipment, a credit of \$22,000 for termination benefits, and a credit of \$437,000 for sales proceeds received on equipment with respect to the closing of plant facilities.
- (3) The \$2.3 million represents restructuring related charges of \$1.9 million of accelerated depreciation, inventory markdowns, and \$65,000 for other operating costs associated with the closing of plant facilities.
- (4) The \$3.0 million represents accelerated depreciation.
- (5) The \$6.2 million represents restructuring charges of \$2.9 million for write-downs of buildings and equipment, \$1.4 million for asset movement costs, \$1.4 million for employee termination benefits, and \$378,000 for other exit costs.
- (6) The \$5.3 million represents restructuring related charges of \$4.9 million for accelerated depreciation, inventory markdowns, and \$65,000 for other operating costs associated with the closing of plant facilities.

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Three and Six Months ended October 29, 2006 compared with Three and Six Months ended October 30, 2005

For the second quarter of fiscal 2007, net sales were \$59.0 million compared to \$67.0 million for the second quarter of fiscal 2006. The company reported a net income of \$812,000, or \$0.07 per share diluted, in the second quarter of fiscal 2007, which included restructuring and related pre-tax charges of \$365,000. The company reported a net loss of \$4.2 million, or \$0.36 per share diluted, in the second quarter of fiscal 2006, which included restructuring and related pre-tax charges of \$6.2 million.

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For the first six months of fiscal 2007, net sales were \$121.6 million compared to \$129.3 million for the first six months of fiscal 2006. The company reported a net income of \$946,000 or \$0.08 per share diluted, for the first six months of fiscal 2007, which included restructuring and related pre-tax charges of \$1.5 million. The company reported a net loss of \$8.1 million, or \$0.70 per share diluted, for the first six months of fiscal 2006, which included restructuring and related pre-tax charges of \$11.5 million.

Restructuring and Related Charges

During the second quarter of fiscal 2007, total restructuring and related charges incurred were \$365,000, of which \$354,000 related to asset movement costs, \$333,000 for lease termination and other exit costs, \$321,000 for operating costs associated with the closing of plant facilities, a credit of \$53,000 for write-downs of a building and equipment, a credit of \$129,000 for sales proceeds received on equipment with no carrying value associated with closed plant facilities, and a credit of \$461,000 associated with employee termination benefits. Of the total charge, \$291,000 was recorded in cost of sales, \$30,000 was recorded in selling, general, and administrative expenses, a credit of \$264,000 was recorded in restructuring expense, and a charge of \$308,000 was recorded in other expense in the 2007 Consolidated Statement of Net Income. These charges relate to the Upholstery Fabrics segment.

During the first six months of fiscal 2007, total restructuring and related charges incurred were \$1.5 million of which \$828,000 represents operating costs associated with the closing of plant facilities, \$740,000 for asset movement costs, \$327,000 for lease termination and other exit costs, \$239,000 for inventory markdowns, \$62,000 for net write-downs of buildings and equipment, a credit of \$226,000 for employee termination benefits, and a credit of \$437,000 for sales proceeds received on equipment with no carrying value associated with closed plant facilities. Of the total charge, \$1.0 million was recorded in cost of sales, \$30,000 was recorded in selling, general, and administrative expenses, and \$466,000 was recorded in restructuring expense in the 2007 Consolidated Statement of Net Income. These charges relate to the Upholstery Fabrics segment.

Mattress Fabrics Segment

Net Sales -- Mattress fabric (known as mattress ticking) sales for the second quarter of fiscal 2007 decreased 2.1% to \$23.5 million compared to \$24.0 million for the second quarter of fiscal 2006. Mattress ticking yards sold during the second quarter of fiscal 2007 were 10.2 million compared to 11.1 million yards in the second quarter of fiscal 2006, a decline of 7.9%. This trend reflects a decline in demand for printed ticking, a less popular category. However, sales of knitted ticking continued to increase, reflecting changing customer preferences. The average selling price was \$2.28 per yard for the second quarter of fiscal 2007, compared to \$2.16 per yard in the second quarter of fiscal 2006, an increase of 5.5%. This increase is due to the shift in product mix to increased sales of substantially higher priced knitted ticking. For the first six months of fiscal 2007, net sales decreased 3.3% to \$45.3 million compared to \$46.9 million for the first six months of fiscal 2006. Mattress ticking yards sold during the first six months of fiscal 2007 were 19.7 million compared to 21.2 million for the first six months of fiscal 2006. For the first six months

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of fiscal 2007, the average selling price for mattress fabrics was \$2.29 per yard compared to \$2.22 per yard for the first six months of fiscal 2006, an increase of 3.3%. The trends (and the factors causing those trends) for the first six months of fiscal 2007 compared with the first six months of fiscal 2006 parallel those for the second quarter of fiscal 2007 compared with the second quarter of fiscal 2006.

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Operating Income -- For the second quarter of fiscal 2007, the mattress fabrics segment reported operating income of \$2.5 million, or 10.5% of net sales, compared to \$1.7 million, or 6.9% of net sales, for the second quarter of fiscal 2006. Operating margins improved for the second quarter of fiscal 2007 compared to the second quarter of fiscal 2006 due to productivity gains from the \$10.0 million capital project implemented over the past 2 years. We also continue to see higher sales and gross margins compared to prior periods in knitted ticking, and we expect this product line to represent a higher percentage of our mattress ticking business in fiscal 2007. We are experiencing a growing trend with our customers to use more knits on the top of the mattress and woven jacquards on the sides. For the first six months of fiscal 2007, operating income was \$4.3 million, or 9.5% of net sales, compared to \$3.0 million, or 6.4% of net sales, for the first six months of fiscal 2006. The trends (and the factors causing those trends) for the first six months of fiscal 2007 compared with the first six months of fiscal 2006 parallel those for the second quarter of fiscal 2007 compared with the second quarter of fiscal 2006.

Segment Assets -- Segment assets consist of accounts receivable, inventory, and property, plant, and equipment. As of October 29, 2006, accounts receivable and inventory totaled \$22.7 million compared to \$21.2 million at April 30, 2006. Also as of October 29, 2006, property, plant and equipment totaled \$23.4 million compared to \$25.4 million at April 30, 2006. Included in property, plant, and equipment are assets located in the U.S. totaling \$12.3 million and \$12.9 million at October 29, 2006, and April 30, 2006, respectively.

Upholstery Fabrics Segment

Net Sales -- Upholstery fabric sales for the second quarter of fiscal 2007 decreased 17.4% to \$35.5 million compared with \$43.0 million in the second quarter of fiscal 2006. Upholstery fabric yards sold during the second quarter of fiscal 2007 were 8.4 million compared to 10.3 million in the second quarter of fiscal 2006, a decline of 18.1%. The average selling price was \$4.16 per yard for the second quarter of fiscal 2007, compared to \$4.19 per yard in the second quarter of fiscal 2006, a decrease of less than 1%. Sales of upholstery fabrics reflect higher sales of non-U.S. produced fabrics, and continued very weak demand industry wide for U.S. produced fabrics, driven by consumer preference for leather and suede furniture and other imported fabrics, including an increasing amount of cut and sewn kits. Sales of non-U.S. produced fabrics were \$20.6 million in the second quarter of fiscal 2007 compared with \$12.5 million in the second quarter of fiscal 2006, an increase of 65%. The company expects continued growth in the sales of fabrics produced outside the U.S., however, the year-over-year growth rate is expected to decline. Sales of U.S. produced fabrics decreased 51% to \$14.9 million in the second quarter of fiscal 2007 compared to \$30.5 million in the second quarter of fiscal 2006.

For the first six months of fiscal 2007, net sales decreased 7.5% to \$76.3 million compared to \$82.4 million for the first six months of fiscal 2006. Upholstery fabric yards sold during the first six months of fiscal 2007 were 18.0 million compared to 19.3 million for the first six months of fiscal 2006, a decline of 6.7%. The average selling price for the first six months of fiscal 2007 was \$4.19 compared to \$4.28 for the first six months of fiscal 2006, a decrease of 2.2%. Sales of non-U.S. produced fabrics were \$44.1 million for the first six months of fiscal 2007 compared with \$24.1 million for the first six months of fiscal 2006, and increase of 83% over the same period last year. Sales of U.S. produced fabrics decreased 45% to \$32.1 million for the first six months of fiscal 2007 compared with \$58.3 million for the first six months of fiscal

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2006. The trends (and the factors causing those trends) for the first six months of fiscal 2007 compared with the first six months of fiscal 2006 parallel those for the second quarter of fiscal 2007 compared with the second quarter of fiscal 2006.

Operating Income (Loss) - Operating income for the second quarter of fiscal 2007 was \$393,000 compared with an operating loss of \$69,000 for the second quarter of fiscal 2006. These results reflect significantly higher gross profit on non-U.S. produced fabrics and substantially lower gross profit related to U.S. produced fabrics. Operating income for the first six months of fiscal 2007 was \$2.0 million compared with an operating loss of \$448,000 for the first six months of fiscal 2006. The trends (and the factors causing those trends) for the first six months of fiscal 2007 compared with the first six months of fiscal 2006 parallel those for the second quarter of fiscal 2007 compared with the second quarter of fiscal 2006.

Non-U.S. Produced Sales - Net sales of upholstery fabrics produced outside the company's U.S. manufacturing operations accounted for approximately 58% of total upholstery fabric sales in the second quarter of 2007, compared to 29% for the second quarter of fiscal 2006. Net sales of upholstery fabrics produced outside the company's U.S. manufacturing operations accounted for approximately 58% of total upholstery fabric sales for the first six months of fiscal 2007, compared to 29% for the first six months of fiscal 2006. The company has established an industry-leading operation near Shanghai, China, designed to accommodate the growing customer demand for products sourced outside the U.S. This wholly-owned platform is the key driver of the company's future growth in upholstery fabrics. The company is aggressively expanding its capabilities in China with a strong focus on product innovation, quality, and global logistics. The company now employs 450 people in China and has five buildings approximating a total of 300,000 square feet.

U.S. Produced Sales - Management has continued to take aggressive actions over the past year to reduce manufacturing complexities and improve the cost structure of its U.S. upholstery fabric operations. The lower sales volume for the first six months of fiscal 2007 has had a significant impact on the company's operating results, and employment levels were reduced during the first six months of fiscal 2007 across the remaining three U.S. manufacturing facilities to more appropriately support current demand.

As a result of the continuing sharp declines in demand for U.S. produced fabrics, management will continue to evaluate its domestic strategy and production requirements. Management remains committed to take whatever additional steps are necessary to achieve profitable U.S. upholstery fabric operations, and the company could take additional restructuring actions in the near future. The company could experience additional markdowns of its inventory and write-downs of its property, plant, and equipment from any new restructuring initiatives.

Segment Assets -- Segment assets consist of accounts receivable, inventory, and property, plant, and equipment. As of October 29, 2006, accounts receivable and inventory totaled \$45.1 million compared to \$44.6 million at April 30, 2006. As of October 29, 2006, assets held for sale totaled \$1.6 million compared to \$3.1 million at April 30, 2006. The company received sales proceeds of \$2.3 million on assets held for sale during the six month period ended October 29, 2006. The company expects the majority of assets held for sale as of October 29, 2006 to be sold by the end of the fiscal year.

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We and the selling shareholders are responsible for the information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus and any related free writing prospectus we

prepare or authorize. Neither we nor the selling shareholders have authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. This document may only be used where it is legal to sell these securities. The information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus or in any related free writing prospectus we prepare or authorize may only be accurate as of the date of the applicable document.

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[ALTERNATIVE PAGE TO CANADIAN PROSPECTUS SUPPLEMENT]

Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on behalf of the selling shareholders to subscribe for and purchase any securities and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized, to any person to whom it is unlawful to make such an offer or solicitation or by anyone who is not permitted to sell such securities.

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[ADDITIONAL PAGE TO CANADIAN PROSPECTUS SUPPLEMENT]

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is incorporated by reference into the short form base shelf prospectus dated May 1, 2014 as of the date hereof and only for the purposes of the distribution of the common shares offered hereby. The information incorporated by reference is an important part of this prospectus supplement. Certain information that we subsequently file with the Canadian securities regulators will automatically update and supersede information in this prospectus supplement and in our other filings with the Canadian securities regulators. We incorporate by reference the documents listed below, which we have already filed with Canadian securities regulators, which documents form an integral part of this prospectus supplement:

our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (as amended by a Form 10-K/A dated February 11, 2014);

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013;

our Quarterly Report on Form 10-Q for the quarter ended December 31, 2013;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014;

our Current Reports on Form 8-K dated July 31, 2013 (excluding Item 2.02 and Exhibit 99.1), September 26, 2013, October 30, 2013 (excluding Item 2.02 and Exhibit 99.1), November 5, 2013 (excluding Item 7.01 and Exhibit 99.1) (as amended by a Form 8-K/A dated November 6, 2013), November 20, 2013, December 20, 2013, January 16, 2014 (excluding Item 7.01 and Exhibit 99.1) (as amended by a Form 8-K/A dated April 2, 2014), January 23, 2014 (excluding Item 2.02 and Exhibit 99.1), February 5, 2014 and May 2, 2014;

our Proxy Circular dated August 16, 2013, distributed in connection with the annual meeting of shareholders held on September 26, 2013;

our Business Acquisition Report filed with the Canadian securities regulators on April 9, 2014 (regarding our acquisition of GXS);

our Material Change Reports filed with the Canadian securities regulators on November 8, 2013 (regarding our acquisition of GXS), January 23, 2014 (regarding our acquisition of GXS) and January 28, 2014 (regarding a stock dividend); and

the description of OpenText securities contained in OpenText's Current Report on Form 8-K dated April 24, 2014.

We also deem to be incorporated by reference into this prospectus supplement any future filings we make with the Canadian securities regulators (other than confidential material change reports and press releases (except press releases deemed or stated to be incorporated by reference herein)), with respect to the Company, all updated earnings coverage ratio information, as well as all prospectus supplements disclosing additional or updated information, filed by us subsequent to the date of this prospectus supplement and prior to the termination of the offering hereunder, except that we are not incorporating any information included in a Current Report on Form 8-K that has been or will be furnished (and not filed) with the SEC and not filed with the Canadian securities regulators, unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document and is filed with the Canadian securities regulators.

When a new Annual Report on Form 10-K (which also constitutes an annual information form for the purposes of Canadian securities law) is filed by us with the Canadian securities regulators during the currency of this prospectus supplement, the previous Annual Report on Form 10-K and the annual consolidated financial statements and related management's discussion and analysis for the previous fiscal year, and all Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, interim consolidated financial statements and related management's discussion and analysis, material change reports and information circulars (other than our management information circular prepared in connection with our annual meeting of holders of common shares)

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[ADDITIONAL PAGE TO CANADIAN PROSPECTUS SUPPLEMENT]

filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated by reference into this prospectus supplement for purposes of future offers and sales of securities under this prospectus supplement. When a new management information circular prepared in connection with our annual meeting of holders of common shares is filed by us with the Canadian securities regulators during the currency of this prospectus supplement, the previous management information circular prepared in connection with an annual meeting of the Company shall be deemed no longer to be incorporated by reference into this prospectus supplement for purposes of future offers and sales of securities under this prospectus supplement.

Any template version of any marketing materials (as such term is defined in National Instrument 41-101 *General Prospectus Requirements*) filed after the date of this prospectus supplement and before the termination of the distribution of securities offered hereunder is deemed to be incorporated by reference into this prospectus supplement.

Any statement contained in this prospectus supplement, the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus shall be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this prospectus supplement or the accompanying prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded thereafter shall not constitute a part of this prospectus supplement or the accompanying prospectus, except as so modified or superseded.

We will provide to each person, including any beneficial owner, to whom a prospectus supplement is delivered, without charge upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus supplement and accompanying prospectus but not delivered with this prospectus supplement. You may request a copy of these filings by writing or calling us at the following address: 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, Telephone: (519) 888-7111, Attention: Corporate Secretary. Our website is www.opentext.com. Our website is included in this prospectus supplement as an inactive textual reference only. Except for the documents specifically incorporated by reference into this prospectus supplement and accompanying prospectus, information contained on our website is not incorporated by reference into this prospectus supplement or accompanying prospectus and should not be considered to be a part of this prospectus supplement or the accompanying prospectus.

PURCHASERS STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any

amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

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PROSPECTUS

Common Shares

Preference Shares

Debt Securities

Depositary Shares

Warrants

Purchase Contracts

Units

Subscription Receipts

The following are types of securities that we may offer, issue and sell from time to time, or that may be sold by selling securityholders from time to time, together or separately:

common shares;

preference shares;

debt securities;

depositary shares;

warrants;

purchase contracts;

units; and

subscription receipts.

Any of these securities may be offered together or separately and in one or more series, if any, in amounts, at prices and on other terms to be determined at the time of the offering and described in an accompanying prospectus supplement. This prospectus describes some of the general terms that may apply to these securities and the specific manner in which the securities will be offered. We, or any selling securityholders, will provide you with the specific terms of the particular securities being offered in supplements to this prospectus. In the case of an offering by a selling securityholder, the applicable prospectus supplement will include the identity of, and specific information required with respect to, any selling securityholder. Any prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and each related prospectus supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We, or any selling securityholders, may offer and sell these securities through one or more underwriters, dealers or agents, through underwriting syndicates managed or co-managed by one or more underwriters, or directly to purchasers, on a continuous or delayed basis. The prospectus supplement for each offering of securities will describe in detail the plan of distribution for that offering.

Unless otherwise stated in a prospectus supplement, none of these securities other than our common shares will be listed on any securities exchange. Our common shares are traded on the NASDAQ Global Select Market under the symbol OTEX and on the Toronto Stock Exchange (TSX) under the symbol OTC.

Investing in the offered securities involves risks. You should read the section entitled Risk Factors on page 3 and carefully consider the discussion of risks and uncertainties under the heading Risk Factors contained in any applicable prospectus supplement and in the documents that are incorporated by reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus or any applicable prospectus supplement. Any representation to the contrary is a criminal offense.

Prospectus dated April 24, 2014

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We and any selling securityholders are responsible for the information contained and incorporated by reference in this prospectus, any prospectus supplement and any free writing prospectus prepared by us or on behalf of us. Neither we nor any selling securityholders have authorized anyone to give you any other information, and we or any selling securityholders take no responsibility for any other information that others may give you. We and any selling securityholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus or any prospectus supplement is accurate as of any date other than the date of the document containing the information.

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NOTICE TO UNITED STATES INVESTORS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC), utilizing an automatic shelf registration process. Under this shelf process, we or any selling securityholders may periodically sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides a general description of our common shares, preference shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts that we or any selling securityholders may offer. Each time we or any selling securityholders offer securities, we or any selling securityholders will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information, including information about us, contained in this prospectus. Therefore, before making your investment decision, you should carefully read both this prospectus and any prospectus supplement together with the documents referred to in Where You Can Find More Information.

ABOUT THIS PROSPECTUS

All references in this prospectus to OpenText, the Company, we, us or our refer to Open Text Corporation and, in context requires otherwise, its subsidiaries.

When we use the term securities, we are referring to any of our common shares, preference shares, debt securities, depositary shares, warrants, purchase contracts, units or subscription receipts, each as may be offered by this prospectus and the accompanying prospectus supplement.

Except as noted, all amounts are expressed in U.S. Dollars. All references to U.S.\$ or \$ are to U.S. Dollars and all references to Cdn. \$ are to Canadian Dollars.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents incorporated by reference contain forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and created under the Securities Act of 1933, as amended (the Securities Act), and the Securities Exchange Act of 1934, as amended (the Exchange Act), the Securities Act (Ontario) and Canadian securities legislation in each of the provinces in which this prospectus is filed. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. We have based those forward-looking statements on our current expectations and projections about future results. When we use words such as anticipates, expects, intends, plans, believes, seeks, estimates, may, could, would and variations of similar expressions, we do so to identify forward-looking statements. In addition, any information or statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances, such as certain assumptions about the economy, as well as market, financial and operational assumptions. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors and assumptions that may cause actual results, performance or achievements to differ materially. Such factors include, but are not limited to: (i) the future performance, financial and otherwise, of OpenText; (ii) the ability of OpenText to bring

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new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) the Company's growth and profitability prospects; (v) the estimated size and growth prospects of the enterprise information management (EIM) market; (vi) the Company's competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (vii) the benefits of the Company's products and services to be realized by customers; (viii) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the EIM marketplace; (ix) the Company's financial condition and capital requirements; and (x) the intended use of net proceeds of offerings of securities pursuant to this prospectus and the applicable prospectus supplement. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts (such as those related to our acquisition of GXS Group, Inc.), including the quantum of restructuring charges and the timing thereof; (ii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act and the rules promulgated thereunder; (iii) the risks associated with bringing new products and services to market; (iv) fluctuations in currency exchange rates; (v) delays in the purchasing decisions of the Company's customers; (vi) the competition the Company faces in its industry and/or marketplace; (vii) the final determination of litigation, tax audits and other legal proceedings; (viii) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (ix) the continuous commitment of the Company's customers; and (x) demand for the Company's products and services.

You should keep in mind that any forward-looking statement we make in this prospectus, any prospectus supplement, the documents incorporated by reference or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. In any event, these and other important factors, including those set forth under the heading "Risk Factors" in any applicable prospectus supplement and the documents incorporated by reference, may cause actual results to differ materially from those indicated by our forward-looking statements. We have no duty, and do not intend, to update or revise the forward-looking statements we make in this prospectus, any prospectus supplement, the documents incorporated by reference or elsewhere, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the future events or circumstances described in any forward-looking statement we make in this prospectus, any prospectus supplement, the documents incorporated by reference or elsewhere, might not occur.

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OPEN TEXT CORPORATION

We are an independent company providing a comprehensive suite of software products and services that assist organizations in finding, utilizing, and sharing business information from any device in ways which are intuitive, efficient and productive. Our technologies and business solutions address one of the biggest problems encountered by enterprises today, which is the explosive growth of information in terms of volume and formats. Our software allows organizations to manage the information that flows into, out of, and throughout the enterprise as part of daily operations. Our product and service offerings provide solutions which help to increase customer satisfaction, improve collaboration with partners, address the legal and business requirements associated with information governance, and ensure the security and privacy of information demanded in today's highly regulated climate. In addition, our products and services provide the benefit of organizing and managing business content, while leveraging it to operate more efficiently and effectively. OpenText products incorporate social and mobile technologies and are delivered for on-premises deployment as well as through cloud and managed hosted services models to provide the flexibility and cost efficiencies demanded by the market.

Open Text Corporation was incorporated on June 26, 1991. Our principal office is at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, and our telephone number at that location is (519) 888-7111. Our website is www.opentext.com. Our website is included in this prospectus and any applicable prospectus supplement as an inactive textual reference only. Except for the documents specifically incorporated by reference into this prospectus, information contained on our website is not incorporated by reference into this prospectus and any applicable prospectus supplement and should not be considered to be a part of this prospectus or any applicable prospectus supplement.

RISK FACTORS

Investing in our securities involves risks. Before deciding to invest in our securities, you should carefully consider the discussion of risks and uncertainties under the heading "Risk Factors" contained in any applicable prospectus supplement and in the documents that are incorporated by reference. See the sections entitled "Where You Can Find More Information" on page 28 and "Documents Incorporated by Reference" on page 29.

USE OF PROCEEDS

Except as otherwise set forth in a prospectus supplement, we intend to use the net proceeds from any sale by us of the securities described in this prospectus for our general corporate purposes. The net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt until they are used for their stated purpose.

While we currently anticipate that we will use the net proceeds from any sale of the securities described in this prospectus as set forth above, we may reallocate the net proceeds from time to time based on our strategy relative to the market and other conditions in effect at the time.

Unless otherwise set forth in a prospectus supplement, we will not receive any proceeds in the event that the securities are sold by a selling securityholder.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS**

The following table sets forth the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preference dividends for the indicated periods:

	Nine Months Ended		Fiscal Year Ended June 30,			
	March 31,	2013	2012	2011	2010	2009
	2014					
Ratio of earnings to fixed charges ⁽¹⁾	11.41x	11.49x	9.82x	17.11x	11.36x	7.88x
Ratio of earnings to combined fixed charges and preference dividends ⁽²⁾	11.41x	11.49x	9.82x	17.11x	11.36x	7.88x

- (1) For the purpose of these calculations, earnings is the amount resulting from adding together earnings before taxes, fixed charges, and losses attributable to non-controlling interests. Fixed charges includes interest expensed, capitalized and capitalized expenses related to indebtedness.
- (2) There were no preference shares outstanding for the indicated periods. Accordingly, the ratio of earnings to combined fixed charges and preference dividends was identical to the ratio of earnings to fixed charges for each period.

Table of Contents**SUPPLEMENTAL CANADIAN DISCLOSURE**

The following information under **Prior Sales**, **Trading Price and Volume** and **Consolidated Capitalization** is included solely for the purposes of complying with the requirements of applicable securities laws in each of the provinces of Canada in which this prospectus is filed.

Prior Sales

During the 12-month period before the date of this prospectus, we have issued common shares as follows:

Date of Issue/Grant	Price per Common Share⁽¹⁾	Number of Common Shares⁽¹⁾
March 19, 2014	\$ 49.42 ⁽²⁾	2,500
March 17, 2014	\$ 48.75 ⁽²⁾	1,084
March 13, 2014	\$ 48.13 ⁽²⁾	10,000
March 13, 2014	\$ 48.20 ⁽²⁾	10,000
March 10, 2014	\$ 49.61 ⁽²⁾	44,600
March 6, 2014	\$ 50.47 ⁽²⁾	9,000
February 28, 2014	\$ 50.85 ⁽²⁾	3,750
February 21, 2014	\$ 50.97 ⁽²⁾	2,700
February 21, 2014	\$ 51.39 ⁽²⁾	7,300
February 21, 2014	\$ 51.65 ⁽²⁾	7,500
February 20, 2014	\$ 50.68 ⁽²⁾	34,000
February 6, 2014	\$ 49.34 ⁽²⁾	5,000
February 5, 2014	\$ 49.04 ⁽²⁾	12,500
January 30, 2014	\$ 48.20 ⁽²⁾	20,000
January 30, 2014	\$ 49.02 ⁽²⁾	12,500
January 30, 2014	\$ 49.16 ⁽²⁾	100,000
January 28, 2014	\$ 47.65 ⁽²⁾	212,190
January 27, 2014	\$ 50.08 ⁽³⁾	1,485,000
January 27, 2014	\$ 48.23 ⁽²⁾	100,000
January 27, 2014	\$ 48.50 ⁽²⁾	50,000
January 17, 2014	\$ 44.99 ⁽²⁾	4,000
January 16, 2014	\$ 38.54 ⁽⁴⁾	2,595,042
January 8, 2014	\$ 46.63 ⁽²⁾	1,000
December 31, 2013	\$ 43.72 ⁽⁵⁾	28,594
December 13, 2013	\$ 44.06 ⁽²⁾	3,000
December 5, 2013	\$ 44.43 ⁽²⁾	4,000
November 26, 2013	\$ 42.74 ⁽²⁾	5,000
November 18, 2013	\$ 42.83 ⁽²⁾	14,000
November 13, 2013	\$ 42.85 ⁽²⁾	17,096
November 12, 2013	\$ 42.45 ⁽²⁾	10,000
November 11, 2013	\$ 41.84 ⁽²⁾	37,500
November 7, 2013	\$ 41.61 ⁽³⁾	378,654

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October 16, 2013	\$ 38.13 ⁽²⁾	3,000
October 1, 2013	\$ 37.59 ⁽²⁾	50,000
September 26, 2013	\$ 37.00 ⁽²⁾	3,106
September 26, 2013	\$ 37.09 ⁽²⁾	1,552
September 26, 2013	\$ 37.11 ⁽²⁾	1,242
September 19, 2013	\$ 36.52 ⁽²⁾	3,106
September 19, 2013	\$ 36.65 ⁽²⁾	464
September 18, 2013	\$ 36.63 ⁽²⁾	5,434

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Date of Issue/Grant	Price per Common Share⁽¹⁾	Number of Common Shares⁽¹⁾
September 16, 2013	\$ 35.66 ⁽²⁾	930
September 13, 2013	\$ 36.04 ⁽²⁾	10,000
September 3, 2013	\$ 34.65 ⁽²⁾	5,000
August 29, 2013	\$ 34.97 ⁽²⁾	2,328
August 2, 2013	\$ 33.17 ⁽³⁾	270,288
August 2, 2013	\$ 33.17 ⁽²⁾	48,000
July 29, 2013	\$ 36.00 ⁽²⁾	1,552
July 23, 2013	\$ 35.30 ⁽²⁾	1,164
July 23, 2013	\$ 35.34 ⁽²⁾	464
June 28, 2013	\$ 32.60 ⁽⁵⁾	33,378
June 14, 2013	\$ 36.10 ⁽²⁾	10,000
June 6, 2013	\$ 37.77 ⁽²⁾	5,000
June 4, 2013	\$ 35.25 ⁽²⁾	15,000
June 3, 2013	\$ 34.56 ⁽²⁾	1,750
June 3, 2013	\$ 34.63 ⁽²⁾	5,000
May 16, 2013	\$ 34.41 ⁽²⁾	44,000
May 16, 2013	\$ 35.00 ⁽²⁾	3,750
May 14, 2013	\$ 34.43 ⁽²⁾	116,600
May 9, 2013	\$ 34.37 ⁽²⁾	5,000
May 6, 2013	\$ 33.43 ⁽²⁾	5,000
May 3, 2013	\$ 33.03 ⁽²⁾	20,600
May 3, 2013	\$ 33.40 ⁽²⁾	20,000
May 2, 2013	\$ 32.90 ⁽²⁾	140,000
May 2, 2013	\$ 32.94 ⁽²⁾	24,000
May 1, 2013	\$ 32.70 ⁽²⁾	10,000
April 30, 2013	\$ 32.00 ⁽²⁾	5,000
April 29, 2013	\$ 31.84 ⁽²⁾	100,000
April 29, 2013	\$ 32.01 ⁽²⁾	3,000
April 26, 2013	\$ 31.76 ⁽³⁾	140,000
April 26, 2013	\$ 31.60 ⁽²⁾	300,000
April 26, 2013	\$ 32.03 ⁽²⁾	10,000

- (1) Figures shown reflect a two-for-one stock split of our common shares in the form of a stock dividend which was effected on February 18, 2014.
- (2) Issued upon exercise of options granted pursuant to one of the Company's stock option plans.
- (3) Options to acquire common shares granted pursuant to the Company's stock option plan originally adopted by the board of directors in October, 2004.
- (4) Issued in connection with our acquisition of GXS Group, Inc. Pursuant to the Agreement and Plan of Merger dated November 4, 2013, we agreed to issue to certain preferred stockholders of GXS Group, Inc. that were verified as accredited investors under the Securities Act, an aggregate of \$100 million worth of common shares based on an average trading-price for the 10 days ended January 14, 2014, but at a price no lower than \$34.87 per share and no higher than \$38.54 per share on a post-stock split basis. Given the applicable trading average, the shares were issued on January 16, 2014 based on a deemed price of \$38.54 per share, resulting in the issuance of

2,595,042 common shares, on a post-stock split basis.

- (5) Issued pursuant to the Company's employee share purchase plan, originally adopted by the board of directors in October, 2004.

Table of Contents**Trading Price and Volume**

Our common shares are traded on the NASDAQ under the symbol OTEX and on the TSX under the symbol OTC. The following tables set forth the reported high and low closing prices and the aggregate volume of trading of our common shares, respectively, on the NASDAQ and the TSX for the periods indicated during the 12-month period before the date of this prospectus. The prices below have been adjusted to reflect the two-for-one stock split of our common shares in the form of a stock dividend effected on February 18, 2014.

NASDAQ

Month	U.S.\$ High	U.S.\$ Low	Volume
March, 2013	29.51	27.46	7,011,686
April, 2013	32.70	27.29	12,344,434
May, 2013	35.14	32.90	9,160,790
June, 2013	36.69	33.22	10,253,186
July, 2013	36.05	33.73	7,794,214
August, 2013	35.01	32.53	12,156,150
September, 2013	37.80	34.66	5,123,856
October, 2013	38.91	36.58	8,451,850
November, 2013	43.21	36.70	14,271,342
December, 2013	46.33	43.46	14,346,714
January, 2014	50.08	44.32	18,324,038
February, 2014	51.57	49.01	8,539,034
March, 2014	50.71	46.61	5,910,010
April, 2014 (to April 23, 2014)	47.09	45.34	5,255,702

The closing price of our common shares on the NASDAQ on April 23, 2014 was U.S.\$46.13.

TSX

Month	Cdn.\$ High	Cdn.\$ Low	Volume
March, 2013	30.19	28.22	6,752,060
April, 2013	32.92	28.01	8,269,002
May, 2013	36.10	33.17	17,763,242
June, 2013	37.44	34.78	8,227,664
July, 2013	37.03	34.74	6,811,348
August, 2013	36.72	33.74	5,681,352
September, 2013	38.93	36.51	5,880,122
October, 2013	40.69	38.09	8,725,576
November, 2013	45.28	38.35	8,782,456
December, 2013	49.23	46.29	5,151,590
January, 2014	55.50	48.25	11,903,900
February, 2014	56.62	55.77	5,551,271
March, 2014	56.39	51.48	4,971,538
April, 2014 (to April 23, 2014)	51.92	49.75	4,863,401

The closing price of our common shares on the TSX on April 23, 2014 was Cdn.\$50.81.

Consolidated Capitalization

There have been no material changes in our share or loan capital on a consolidated basis since March 31, 2014, being the date on which our most recently completed financial quarter ended.

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DESCRIPTION OF SECURITIES

This prospectus contains summary descriptions of the common shares, preference shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts that we or selling securityholders, as applicable, may sell from time to time. These summary descriptions are not meant to be complete descriptions of each security. The particular terms of any security will be described in a related prospectus supplement, if necessary.

Description of Common Shares

The description below summarizes the general terms of our common shares. This section is a summary, and it does not describe every aspect of our common shares. This summary is subject to and qualified in its entirety by reference to our articles and our by-laws.

Authorized Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of the date of this prospectus, there were 121,592,348 common shares outstanding. All outstanding common shares are fully paid and non-assessable.

Voting Rights

Holders of common shares are entitled to receive notice of and to attend all shareholder meetings and are entitled to cast one vote for each common share held of record on all matters acted upon at any shareholder meeting. Holders of the common shares are not entitled to cumulate votes in connection with the election of directors.

Dividends and Other Distributions

Holders of the common shares are entitled to dividends if, as and when declared by the board of directors of the Company, subject to the rights of shares, if any, having priority over the common shares, including the preference shares. Our board of directors adopted a policy in April 2013 to pay non-cumulative quarterly dividends. However, future declarations of dividends are subject to the final determination of our board of directors, in its discretion based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our board of directors may conclude would be in the best interest of our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements.

Liquidation Rights

Upon our liquidation, dissolution or winding up, the holders of common shares are entitled to share ratably in all assets remaining after payment of debts and liabilities, subject to the rights of shares, if any, having priority over the common shares, including the preference shares.

Other Provisions

Holders of common shares have no pre-emptive, subscription, redemption or conversion rights.

Shareholder Rights Plan

On September 26, 2013, our shareholders approved the continuation, amendment and restatement of the shareholder rights plan (the Amended Rights Plan) that OpenText and Computershare Investor Services Inc. originally entered into as of December 2, 2010. Upon such shareholder approval, the Amended Rights Plan was entered into as of September 26, 2013.

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The Amended Rights Plan continues a right (which may only be exercised if a person acquires control of 20% or more of our common shares) for each shareholder, other than the person that acquires 20% or more of the common shares, to acquire additional common shares at one-half of the market price at the time of exercise. The primary objectives of the Amended Rights Plan are to ensure that, in the context of a bid for control of the Company through an acquisition of the common shares, our board of directors has sufficient time to assess alternatives for maximizing shareholder value as it considers in its judgment to be in the best interests of the Company, including: continued implementation of our long-term strategic plans, as these may be modified by us from time to time; to provide adequate time for competing bids to emerge; to ensure that shareholders have an equal opportunity to participate in such a bid and to give them adequate time to properly assess the bid; and lessen the pressure to tender typically encountered by a securityholder of an issuer that is subject to a bid.

The Amended Rights Plan will remain in force until the earlier of the Termination Time (the time at which the right to exercise rights shall terminate, as defined in the Amended Rights Plan) and the termination of the annual meeting of the shareholders in the year 2016 unless at or prior to such meeting our shareholders ratify the continued existence of the Amended Rights Plan, in which case the Amended Rights Plan would expire at the earlier of the Termination Time and the termination of the 2019 annual meeting of our shareholders.

Description of Preference Shares

The Company is authorized to issue an unlimited number of preference shares (designated in our articles as First Preference Shares), without par value, in one or more series, each such series consisting of such number of shares and having the designation, rights (including voting and dividend rights), privileges, restrictions and conditions as may be determined by our board of directors and as will be set forth in an amendment to our articles. The prospectus supplement relating to any series of preference shares we may offer will contain the specific terms of that series, including some or all of the following:

whether the shares of the series are redeemable, and if so, the prices at which, and the terms and conditions on which, the shares may be redeemed, including the date or dates upon or after which the shares will be redeemable and the amount per share payable in case of redemption;

whether shares of the series will be entitled to receive dividends or other distributions and, if so, the distribution rate on the shares, any restriction, limitation or condition upon the payment of the dividends or other distributions, whether dividends or other distributions will be cumulative, and the dates on which dividends or other distributions are payable;

any preferential amount payable upon shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of OpenText;

whether and the extent to which the series will be guaranteed;

whether the shares of the series are convertible, or exchangeable for, shares of any other class or classes of stock or of any other series of stock, or any other securities of Open Text, and if so, the terms and conditions

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of such conversion or exchange, including price or rates of conversion at which, and the terms and conditions on which, the shares of the series may be converted or exchanged into other securities;

a discussion of any material U.S. federal income tax and Canadian federal or provincial income tax considerations applicable to the preference shares being offered;

terms and conditions of the purchase or sinking fund provisions, if any, for the purchase or redemption of shares of the series;

the distinctive designation of each series and the number of shares that will constitute the series;

the voting power, if any, of shares of the series; and

any other relative rights, preferences or limitations.

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Holders of each series of preference shares, except as required by law, will not be entitled to vote at shareholder meetings except as specified in the rights, privileges, restrictions and conditions relating to the series of preference shares. With respect to the payment of dividends and the distribution of assets in the event of the liquidation or winding-up of the Company, whether voluntary or involuntary, the preference shares of each series shall rank on parity with the preference shares of every other series and are entitled to preference over the common shares and any other shares ranking junior to the preference shares from time to time and may also be given such other preference over the common shares and any other shares ranking junior to the preference shares as may be determined at the time of creation of such series.

As of the date of this prospectus, no preference shares are outstanding.

Description of Debt Securities

This section describes the general terms that will apply to any debt securities that we may offer pursuant to this prospectus and an applicable prospectus supplement. The specific terms of any offered debt securities, and the extent to which the general terms described in this section apply to these debt securities, will be described in the applicable prospectus supplement at the time of the offering. The prospectus supplement may or may not modify the general terms found in this prospectus. For a complete description of any series of debt securities, you should read both this prospectus and the prospectus supplement that applies to that series of debt securities.

In this section, the terms we, our, us and OpenText refer solely to Open Text Corporation (and not to any of its affiliates, including subsidiaries). As used in this prospectus, debt securities means the debentures, notes, bonds and other evidences of indebtedness offered pursuant to this prospectus and an applicable prospectus supplement and authenticated, to the extent required, and delivered, under the applicable indenture.

We may issue senior debt securities or subordinated debt securities. We refer to the senior debt securities and the subordinated debt securities together in this prospectus as the debt securities. We may issue senior debt securities under an indenture dated as of April 24, 2014 among us and Computershare Trust Company, N.A., as trustee, and Computershare Trust Company of Canada, as co-trustee. This indenture, as supplemented from time to time, is referred to in this prospectus as the senior indenture. The senior indenture is filed as an exhibit to the registration statement of which this prospectus is a part. We may issue subordinated debt under a separate indenture to be entered into among us and one or more trustees and co-trustees. This indenture, as supplemented from time to time, is referred to in this prospectus as the subordinated indenture. The trustee and the co-trustee for each series of our subordinated debt securities issued under the subordinated indenture will be identified in the applicable prospectus supplement. References to the indenture in this prospectus refer to the senior indenture or the subordinated indenture, as applicable. With respect to the senior indenture, we refer to Computershare Trust Company, N.A. as the trustee and Computershare Trust Company of Canada as the co-trustee in this prospectus. With respect to the subordinated indenture, references to the trustee and the co-trustee in this prospectus refer to the trustee and the co-trustee to be identified in the applicable prospectus supplement. If a different trustee or co-trustee or a different indenture for a series of debt securities is used, those details will be provided in a prospectus supplement and the forms of any other indentures will be filed with the SEC and the securities commissions or similar regulatory authorities in each of the provinces of Canada other than Québec (which we refer to as the Canadian securities regulators) at the time they are used.

We have summarized below the material provisions of the indenture and the debt securities, and indicated which material provisions will be described in an applicable prospectus supplement. For further information, you should read the indenture. The following summary is qualified in its entirety by the provisions of the indenture.

General

The debt securities that we may offer under the indenture are not limited in aggregate principal amount. We may issue debt securities at one or more times in one or more series. Each series of debt securities may have

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different terms. The terms of any series of debt securities will be described in, or determined by action taken pursuant to, a resolution of our board of directors or a committee appointed by our board of directors or in a supplement to the indenture relating to that series.

We are not obligated to issue all debt securities of one series at the same time and, unless otherwise provided in the prospectus supplement, we may reopen a series, without the consent of the holders of the debt securities of that series, for the issuance of additional debt securities of that series. Additional debt securities of a particular series will have the same terms and conditions as outstanding debt securities of that series, except for the date of original issuance and the offering price, and will be consolidated with, and form a single series with, those outstanding debt securities.

The prospectus supplement relating to any series of debt securities that we may offer will state the price or prices at which the debt securities will be offered and will contain the specific terms of that series. These terms may include the following:

the title of the series;

any limit upon the aggregate principal amount of the series;

the date or dates on which each of the principal of and premium, if any, on the securities of the series is payable and the method of determination thereof;

the rate or rates at which the securities of the series will bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which interest will accrue or the method by which the date or dates will be determined, the interest payment dates on which any interest will be payable and the record date, if any;

the place or places where the principal of (and premium, if any) and interest, if any, on securities of the series will be payable;

the place or places where the securities may be exchanged or transferred;

the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which, and the other terms and conditions upon which, securities of the series may be redeemed, in whole or in part, at our option, if we are to have that option with respect to the applicable series;

our obligation, if any, to redeem or purchase securities of the series in whole or in part pursuant to any sinking fund or analogous provision or upon the happening of a specified event or at the option of a holder thereof and the period or periods within which, the price or prices at which, and the other terms and

conditions upon which securities of the series will be redeemed or purchased, in whole or in part, pursuant to such an obligation;

if other than denominations of \$2,000 and multiples of \$1,000 thereafter, the denominations in which securities of the series are issuable;

if other than U.S. dollars, the currency or currencies (including currency unit or units) in which payments of principal of (and premium, if any) and interest, if any, on the securities of the series will or may be payable, or in which the securities of the series will be denominated, and the particular provisions applicable thereto;

if the payments of principal of (and premium, if any), or interest, if any, on the securities of the series are to be made, at our or a holder's election, in a currency or currencies (including currency unit or units) other than that in which the securities are denominated or designated to be payable, the currency or currencies (including currency unit or units) in which the payments are to be made, the terms and conditions of the payments and the manner in which the exchange rate with respect to the payments will be determined, and the particular provisions applicable thereto;

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if the amount of payments of principal of (and premium, if any) and interest, if any, on the securities of the series will be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on a currency or currencies (including currency unit or units) other than that in which the securities of the series are denominated or designated to be payable), the index, formula or other method by which those amounts will be determined;

whether, and the terms and conditions upon which, the securities of the series may or must be converted into our securities or exchanged for our securities or those of another enterprise;

if other than the principal amount thereof, the portion of the principal amount of securities of the series which will be payable upon declaration of acceleration of the maturity thereof pursuant to an event of default or the method by which that portion will be determined;

any ranking provisions or subordination provisions applicable to securities of the series;

any modifications of or additions to the events of default or covenants with respect to securities of the series;

any modifications of or additions to subordination provisions with respect to the subordinated debt securities;

whether the securities of the series will be subject to legal defeasance or covenant defeasance as provided in the indenture;

if other than the trustee or co-trustee, the identity of the registrar and any paying agent;

if the securities of the series will be issued in whole or in part in global form, (i) the depositary for the global securities, (ii) the form of any legend that will be borne by the global securities, (iii) whether beneficial owners of interests in any securities of the series in global form may exchange those interests for certificated securities of that series and of like tenor of any authorized form and denomination and (iv) the circumstances under which any such exchange may occur;

a discussion of any material U.S. federal income tax and Canadian federal or provincial income tax considerations applicable to the debt securities being offered; and

any other terms of the series.

Interest

Unless otherwise indicated in the applicable prospectus supplement, if any payment date with respect to debt securities falls on a day that is not a business day, we will make the payment on the next business day. The payment made on the next business day will be treated as though it had been made on the original payment date, and no interest will accrue on the payment for the additional period of time.

Ranking

The senior debt securities that we may offer under the indenture will be our direct, unconditional, unsecured and unsubordinated obligations and will rank *pari passu* with all of our other unsecured obligations. However, the senior debt securities will be effectively junior to all of our secured obligations to the extent of the value of the assets securing those obligations. The debt securities will also be structurally subordinated to all liabilities, including trade payables, of our subsidiaries. The subordinated debt securities will be our direct, unconditional, unsecured and subordinated obligations and will be junior in right of payment to our existing and future senior obligations. The extent of subordination of the subordinated debt securities will be described below under **Additional Provisions Applicable to Subordinated Debt Securities** **Subordination of Subordinated Debt Securities**, or as described in the applicable prospectus supplement.

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Covenants

Except as described below or in the prospectus supplement with respect to any series of debt securities, neither we nor our subsidiaries are restricted by the indenture from paying dividends or making distributions on our or their capital stock or purchasing or redeeming our or their capital stock. The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, with certain exceptions, the indenture does not contain any covenants or other provisions that would limit our or our subsidiaries' right to incur additional indebtedness or limit the amount of additional indebtedness, including senior or secured indebtedness that we can create, incur, assume or guarantee.

Unless otherwise indicated in the applicable prospectus supplement, covenants contained in the indenture will be applicable to the series of debt securities to which the prospectus supplement relates so long as any of the debt securities of that series are outstanding.

Reporting

The indenture provides that we will furnish to the trustee, within 30 days after we file such annual and quarterly reports, information, documents and other reports with the SEC, copies of our annual report and of the information, documents and other reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. We will also comply with the other provisions of Section 314(a) of the Trust Indenture Act of 1939, as amended (the Trust Indenture Act).

Amalgamation, Consolidation, Merger and Sale of Assets

The indenture provides that we may not amalgamate, consolidate or merge with or into, or sell or convey all or substantially all of our assets in any one transaction or series of related transactions to another person, unless:

either we are the resulting, surviving or transferee corporation, or our successor is a corporation that expressly assumes by supplemental indenture all of our obligations under the indenture and all the debt securities; and

immediately after giving effect to the transaction, no default or event of default has occurred and is continuing.

Except in the case of a lease of all or substantially all of our assets, the successor will be substituted for us in the indenture with the same effect as if it had been an original party to such indenture. Thereafter, the successor may exercise our rights and powers under the indenture.

Events of Default, Notice and Waiver

In the indenture, the term event of default with respect to debt securities of any series means any of the following:

failure by us to pay interest, if any, on the debt securities of that series for 30 days after the date payment is due and payable;

failure by us to pay principal of or premium, if any, on the debt securities of that series when due, at maturity, upon any redemption, by declaration or otherwise;

failure by us to comply with other covenants in the indenture or the debt securities of that series for 90 days after notice that compliance was required;

certain events of bankruptcy or insolvency of us; and

any other event of default with respect to a series of debt securities described in the applicable prospectus supplement.

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If an event of default (other than relating to certain events of bankruptcy or insolvency of us or breach of our reporting obligation) has occurred and is continuing, the trustee or the holders of not less than 25% in aggregate principal amount of the debt securities of that series may declare the entire principal of all the debt securities of the affected series to be due and payable immediately.

If an event of default relating to certain events of bankruptcy or insolvency of us occurs and is continuing, then the principal amount of all of the outstanding debt securities and any accrued interest thereon will automatically become due and payable immediately, without any declaration or other act by the trustee or co-trustee or any holder.

The holders of not less than a majority in aggregate principal amount of the debt securities of any series may, after satisfying conditions, rescind and annul any of the above-described declarations and consequences involving the debt securities of that series, except a continuing default or event of default in the payment of principal of, or interest or premium, if any, on the debt securities of the affected series.

The indenture imposes limitations on suits brought by holders of debt securities of any series against us. Except for actions for payment of overdue principal or interest, no holder of a debt security of any series may institute any action against us under the indenture unless:

the holder has previously given to the trustee and the co-trustee written notice of an event of default and the continuance of that event of default;

the holder or holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have requested that the trustee and the co-trustee pursue the remedy;

such holder or holders have offered to the trustee and the co-trustee security or indemnity reasonably satisfactory to the trustee and the co-trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

the trustee and the co-trustee have not complied with the request within 60 days of the receipt of such notice, request and offer of indemnity; and

during the 60-day period, the trustee and the co-trustee have not received inconsistent direction by the holders of a majority in principal amount of the outstanding debt securities of that series.

We will be required to file annually with the trustee or co-trustee a certificate, signed by an officer of our company, stating whether or not the officer knows of any default by us in the performance, observance or fulfillment of any condition or covenant of the indenture.

Notwithstanding the foregoing, any breach of our obligation under the indenture to file or furnish reports or other financial information pursuant to section 314(a)(1) of the Trust Indenture Act (or as otherwise required by the indenture) will not constitute a default or an event of default. The sole remedy for such breach will be the payment of liquidated damages, and the holders will not have any right under the indenture to accelerate the maturity of the debt securities of the affected series as a result of any such breach. If any such breach continues for 90 days after notice

thereof is given in accordance with the indenture, we will pay liquidated damages to all the holders of the debt securities of that series at a rate per annum equal to 0.25% per annum of the principal amount of the debt securities of that series from the 90th day following such notice to but not including the date on which the breach relating to the reporting obligations referred to in this paragraph shall have been cured or waived. The provisions of the indenture described in this paragraph will not affect the rights of the holders of the debt securities of any series in the event of the occurrence of any other event of default.

Modification and Waiver

Except as provided in the two succeeding paragraphs, the indenture provides that we and the trustee and co-trustee thereunder may, with the consent of the holders of not less than a majority in aggregate principal amount

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of the debt securities of any series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, debt securities of that series), voting as one class, add any provisions to, or change in any manner, eliminate or modify in any way the provisions of, the indenture or modify in any manner the rights of the holders of the debt securities of that series.

We and the trustee and the co-trustee may amend or supplement the indenture or the debt securities of any series without the consent of any holder to:

secure the debt securities of any series;

evidence the assumption by a successor corporation of our obligations under the indenture and the debt securities of any series in the case of a merger, amalgamation, consolidation or sale of all or substantially all of our assets;

add covenant(s) or events of default(s) for the protection of the holders of all or any series of debt securities;

cure any ambiguity or correct any defect or inconsistency in the indenture or make any other provisions as we may deem necessary or desirable; provided, however, that no such provisions will materially adversely affect the interests of the holders of any debt securities;

evidence and provide for the acceptance of appointment by a successor trustee in accordance with the indenture;

provide for uncertificated debt securities in addition to, or in place of, certificated debt securities of any series in a manner that does not materially and adversely affect any holders of the debt securities of that series;

conform the text of the indenture or the debt securities of any series to any provision of this Description of Debt Securities or Description of Notes in the prospectus supplement for that series to the extent that the provision in that description was intended to be a verbatim recitation of a provision of the indenture or the debt securities of that series;

provide for the issuance of additional debt securities of any series in accordance with the limitations set forth in the indenture as of the date of the indenture;

make any change that would provide any additional rights or benefits to the holders of all or any series of debt securities or that does not adversely affect the legal rights under the indenture of any such holder or any holder of a beneficial interest in the debt securities of that series;

comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

comply with the requirements of the Canada Business Corporations Act applicable to trust indentures;

establish the form or terms of debt securities of any series as permitted by the indenture;

secure our obligations in respect of the debt securities of any series;

in the case of convertible or exchangeable debt securities of any series, subject to the provisions of the supplemental indenture for that series, to provide for conversion rights, exchange rights and/or repurchase rights of holders of that series in connection with any reclassification or change of our common shares or in the event of any amalgamation, consolidation, merger or sale of all or substantially all of the assets of us or our subsidiaries substantially as an entirety occurs;

in the case of convertible or exchangeable debt securities of any series, to reduce the conversion price or exchange price applicable to that series;

in the case of convertible or exchangeable debt securities of any series, to increase the conversion rate or exchange ratio in the manner described in the supplemental indenture for that series, provided that the increase will not adversely affect the interests of the holders of that series in any material respect; or

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any other action to amend or supplement the indenture or the debt securities of any series as described in the prospectus supplement with respect to that series of debt securities.

We and the trustee and the co-trustee may not, without the consent of the holder of each outstanding debt security affected thereby:

change the final maturity of any debt security;

reduce the aggregate principal amount on any debt security;

reduce the rate or amend or modify the calculation, or time of payment, of interest, including defaulted interest on any debt security;

reduce or alter the method of computation of any amount payable on any debt security upon redemption, prepayment or purchase of any debt security or otherwise alter or waive any of the provisions with respect to the redemption of any debt security, or waive a redemption payment with respect to any debt security;

change the currency in which the principal of, or interest or premium, if any, on any debt security is payable;

impair the right to institute suit for the enforcement of any payment on any debt security when due, or otherwise make any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of any debt security to receive payments of principal of, or premium, if any, or interest on any debt security;

modify the provisions of the indenture with respect to modification and waiver (including waiver of certain covenants or waiver of a default or event of default in respect of debt securities of any series), except to increase the percentage required for modification or waiver or to provide for the consent of each affected holder;

reduce the percentage of principal amount of outstanding debt securities of any series whose holders must consent to an amendment, supplement or waiver of the indenture or the debt securities of that series;

change the ranking provisions of the subordinated indenture in a manner adverse to the holders of debt securities issued thereunder in any material respect;

impair the rights of holders of debt securities of any series that are exchangeable or convertible to receive payment or delivery of any consideration due upon the conversion or exchange of the debt securities of that series; or

any other action to modify or amend the indenture or the debt securities of any series as may be described in the prospectus supplement with respect to that series of debt securities as requiring the consent of each holder affected thereby.

Defeasance

The indenture provides that we will be discharged from any and all obligations in respect of the debt securities of any series (except for certain obligations to register the transfer or exchange of the debt securities, to replace stolen, lost or mutilated debt securities, to maintain paying agencies, to hold monies for payment in trust and to pay the principal of and interest, if any, on those debt securities and certain obligations to the trustee and co-trustee), upon the deposit with the applicable trustee and co-trustee, in trust, of money and/or U.S. government obligations, which through the payment of interest and principal of the U.S. government obligations in accordance with their terms will provide money in an amount sufficient to pay any installment of principal and premium, if any, and interest, if any, on the debt securities of that series on the stated maturity date thereof in accordance with the terms of the indenture and the debt securities of that series. Also, the establishment of such a

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trust will be conditioned on the delivery by us to the trustee and co-trustee of (i) an opinion of U.S. counsel reasonably satisfactory to the trustee and co-trustee to the effect that, based upon applicable U.S. federal income tax law or a ruling published by the United States Internal Revenue Service (the IRS), such a defeasance and discharge will not be deemed, or result in, a taxable event with respect to the holders and (ii) an opinion of Canadian counsel reasonably satisfactory to the trustee and co-trustee to the effect that, based upon applicable Canadian federal or provincial income tax law or a ruling from the Canada Revenue Agency, such a defeasance and discharge will not be deemed, or result in, a taxable event with respect to the holders. For the avoidance of doubt, either such opinion would require a change in current U.S. and Canadian tax laws.

We may also omit to comply with the restrictive covenants, if any, of any particular series of debt securities, other than our covenant to pay the amounts due and owing with respect to that series. Any such omission will not be an event of default with respect to the debt securities of that series, upon the deposit with the applicable trustee and co-trustee, in trust, of money and/or U.S. government obligations, which through the payment of interest and principal of the U.S. government obligations in accordance with their terms will provide money in an amount sufficient to pay any installment of principal and premium, if any, and interest, if any, on the debt securities of that series on the stated maturity date thereof in accordance with the terms of the indenture and the debt securities of that series. Our obligations under the indenture and the debt securities of that series other than with respect to those covenants will remain in full force and effect. Also, the establishment of such a trust will be conditioned on the delivery by us to the trustee and co-trustee of (i) an opinion of U.S. counsel reasonably satisfactory to the trustee and co-trustee to the effect that, based upon applicable U.S. federal income tax law or a ruling published by the IRS, such a defeasance and discharge will not be deemed, or result in, a taxable event with respect to the holders and (ii) an opinion of Canadian counsel reasonably satisfactory to the trustee and co-trustee to the effect that, based upon applicable Canadian federal or provincial income tax law or a ruling from the Canada Revenue Agency, such a defeasance and discharge will not be deemed, or result in, a taxable event with respect to the holders.

Satisfaction and Discharge

At our option, we may satisfy and discharge the indenture with respect to the debt securities of any series (except for specified obligations of the trustee and co-trustee and ours, including, among others, the obligations to apply money held in trust) when:

either (a) all debt securities of that series previously authenticated under the indenture have been delivered to the trustee or co-trustee for cancellation or (b) all debt securities of that series not yet delivered to the trustee or co-trustee for cancellation (i) have become due and payable by reason of the mailing of a notice of redemption or otherwise or (ii) will become due and payable within one year, and we have irrevocably deposited or caused to be deposited with the trustee or co-trustee as trust funds in trust solely for the benefit of the holders an amount sufficient to pay and discharge the entire indebtedness on debt securities of that series;

no default or event of default with respect to debt securities of that series has occurred or is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of any other instrument to which we are bound;

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we have paid or caused to be paid all other sums payable by us under the indenture and any applicable supplemental indenture with respect to the debt securities of that series;

we have delivered irrevocable instructions to the trustee or co-trustee to apply the deposited funds toward the payment of securities of that series at the stated maturity date or the redemption date, as applicable; and

we have delivered to the trustee or co-trustee an officers certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the indenture as to that series have been satisfied.

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Unclaimed Money

If money deposited with the trustee or co-trustee or paying agent for the payment of principal of, premium or accrued and unpaid interest, if any, on debt securities remains unclaimed for two years, the trustee or co-trustee and paying agent will pay the money back to us upon our request. However, the trustee or co-trustee and paying agent have the right to withhold paying the money back to us until they publish in a newspaper of general circulation in the City of New York and Toronto, or mail to each holder, a notice stating that the money will be paid back to us if unclaimed after a date no less than 30 calendar days from the publication or mailing. After the trustee or co-trustee or paying agent pays the money back to us, holders of debt securities entitled to the money must look to us for payment, subject to applicable law, and all liability of the trustee and co-trustee and the paying agent with respect to the money will cease.

Purchase and Cancellation

The registrar and paying agent will forward to the trustee or co-trustee any debt securities surrendered to them for transfer, exchange, redemption or payment, and the trustee or co-trustee will promptly cancel those debt securities in accordance with its customary procedures. We will not issue new debt securities to replace debt securities that we have paid or delivered to the trustee or co-trustee for cancellation or that any holder has converted.

We may, to the extent permitted by law, purchase debt securities in the open market or by tender offer at any price or by private agreement. We may, at our option and to the extent permitted by law, reissue, resell or surrender to the trustee or co-trustee for cancellation any debt securities we purchase in this manner; provided that we not reissue or resell those debt securities if upon reissuance or resale, they would constitute restricted securities within the meaning of Rule 144 under the Securities Act. Debt securities surrendered to the trustee or co-trustee for cancellation may not be reissued or resold and will be promptly cancelled.

Replacement of Debt Securities

We will replace mutilated, lost, destroyed or stolen debt securities at the holder's expense upon delivery to the trustee or co-trustee of the mutilated debt securities or evidence of the loss, destruction or theft of the debt securities satisfactory to the trustee or co-trustee and us. In the case of a lost, destroyed or stolen debt security, we or the trustee or co-trustee may require, at the expense of the holder, indemnity satisfactory to us and the trustee or co-trustee.

Book-Entry Issuance

Unless otherwise specified in the applicable prospectus supplement (which may include certain other procedures applicable to securities issued to Canadian investors), our debt securities will be book-entry securities that are cleared and settled through the Depository Trust Company (DTC), a securities depository. Upon issuance, unless otherwise specified in the applicable prospectus supplement, all book-entry securities of the same series will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC and will be registered in the name of DTC or a nominee of DTC. DTC will thus be the only registered holder of any such securities and will be considered the sole owner of the securities.

Purchasers may only hold interests in the global securities through DTC if they are participants in the DTC system. Purchasers may also hold interests through a securities intermediary a bank, brokerage house or other institution that maintains securities accounts for customers that has an account with DTC or its nominee. DTC will maintain accounts showing the securities holdings of its participants, and these participants will in turn maintain accounts showing the securities holdings of their customers. Some of these customers may themselves be securities intermediaries holding

securities for their customers. Thus, each beneficial owner of a book-entry security will hold that security indirectly through a hierarchy of intermediaries, with DTC at the top and the beneficial owner's own securities intermediary at the bottom.

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The securities of each beneficial owner of a book-entry security will be evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of the securities will generally not be entitled to have the securities represented by the global securities registered in its name and will not be considered the owner. In most cases, a beneficial owner will also not be able to obtain a paper certificate evidencing the holder's ownership of securities. The book-entry system for holding securities eliminates the need for physical movement of certificates. The laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability to transfer book-entry securities.

Unless otherwise specified in the prospectus supplement with respect to a series of debt securities, the beneficial owner of book-entry securities represented by a global security may exchange the securities for definitive or paper securities only if:

DTC is unwilling or unable to continue as depository for such global security and we are unable to find a qualified replacement for DTC within 90 days;

at any time DTC ceases to be a clearing agency registered under the Exchange Act and we are unable to find a qualified replacement for DTC within 90 days;

We in our sole discretion decide to allow some or all book-entry securities to be exchangeable for definitive securities in registered form; or

An event of default has occurred and is continuing under the indenture, and a holder of the securities has requested definitive securities.

Any global security that is exchangeable will be exchangeable in whole for definitive securities in registered form with the same terms, and in the case of debt securities, in an equal aggregate principal amount in denominations of \$2,000 and whole multiples of \$1,000 (unless otherwise specified in the prospectus supplement). Definitive securities will be registered in the name or names of the person or persons specified by DTC in a written instruction to the registrar of the securities. DTC may base its written instruction upon directions it receives from its participants.

In this prospectus and the applicable prospectus supplement, for book-entry securities, references to actions taken by security holders will mean actions taken by DTC upon instructions from its participants, and references to payments and notices of redemption to security holders will mean payments and notices of redemption to DTC as the registered holder of the securities for distribution to participants in accordance with DTC's procedures.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the Exchange Act. The rules applicable to DTC and its participants are on file with the SEC.

Neither we nor the trustee or co-trustee shall have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

Regarding the Trustee and Co-Trustee

Computershare Trust Company, N.A. is the trustee and Computershare Trust Company of Canada is the co-trustee under the senior indenture. The trustee and the co-trustee for each series of our subordinated debt securities issued under the subordinated indenture will be identified in the applicable prospectus supplement.

Except during the continuance of an event of default, the trustee and the co-trustee will perform only such duties as are specifically set forth in the indenture. During the existence of an event of default, the trustee and the

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co-trustee will exercise such of the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The holders of a majority in principal amount of the then outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee and co-trustee, subject to certain exceptions. Subject to these provisions, none of the trustee or the co-trustee will be under obligation to exercise any of its rights or powers under the indenture at the request of any holder of debt securities, unless such holder has offered to the trustee or the co-trustee security and indemnity satisfactory to it against any loss, liability or expense.

Pursuant and subject to the Trust Indenture Act, the trustee and the co-trustee will be permitted to engage in other transactions with us; however, if the trustee or the co-trustee acquires any conflicting interest, it would be required to eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or co-trustee, or resign.

The trustee and co-trustee are affiliates of Computershare Investors Services Inc. which is the transfer agent and registrar for our common shares.

No individual liability of directors, officers, employees, incorporators, stockholders or agents

The indenture provides that none of our past, present or future directors, officers, employees, incorporators, stockholders or agents in their capacity as such will have any liability for any of our obligations under the debt securities of any series or the indenture. Each holder of debt securities of any series by accepting a debt security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the debt securities. The waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Governing law

The indenture and debt securities of each series are governed by, and construed in accordance with, the laws of the State of New York.

Additional Provisions Applicable to Subordinated Debt Securities

General

The subordinated debt securities will be our unsecured obligations under the subordinated indenture and will be subordinate in right of payment to certain other indebtedness as described below under "Subordination of Subordinated Debt Securities" or in the applicable prospectus supplement. The subordinated debt securities will be effectively subordinated to all of our secured debt, to the extent of the value of the assets securing that debt.

Subordination of Subordinated Debt Securities

Payments on the subordinated debt securities will, as described in the applicable prospectus supplement, be subordinated in right of payment to the prior payment in full, in cash or cash equivalents, of all of our existing and future senior debt. As a result, the subordinated debt securities will be contractually subordinated to all of our senior debt and effectively subordinated to all debt and other obligations of our subsidiaries.

Senior debt is defined in the subordinated indenture as, with respect to any person (as defined in the subordinated indenture), the principal of (and premium, if any) and interest on any indebtedness, whether outstanding at the date of

the subordinated indenture or thereafter created or incurred, which is for:

money borrowed by such person;

securities, notes, debentures, bonds or other similar instruments issued by such person;

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obligations of such person evidencing the purchase price of property by such person or a subsidiary of such person, all conditional sale obligations of such person and all obligations of such person under any conditional sale or title retention agreement other than trade accounts payable in the ordinary course of business;

obligations, contingent or otherwise, of such person in respect of any letters of credit, bankers acceptance, security purchase facilities or similar credit transactions;

obligations in respect of interest rate swap, cap or other agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements;

obligations in respect of any factoring, securitization, sale of receivables or similar transaction;

money borrowed by or obligations described in the six preceding bullet points of others and assumed or guaranteed by such person;

obligations under performance guarantees, support agreements and other agreements in the nature thereof relating to the obligations of any subsidiary of such person;

renewals, extensions, refundings, amendments and modifications of any indebtedness of the kind described in the eight preceding bullet points or of the instruments creating or evidencing the indebtedness, unless, in each case, by the terms of the instrument creating or evidencing the indebtedness or the renewal, extension, refunding, amendment and modification, it is provided that the indebtedness is not senior in right of payment to the subordinated debt securities; and

obligations of the type referred to in the preceding bullet points of others secured by a lien on the property or asset of such person.

Unless otherwise specified in the applicable prospectus supplement for a particular series of subordinated debt securities, in the event of any distribution of our assets upon dissolution, winding up, liquidation or reorganization, the holders of senior debt shall first be paid in full in respect of principal, premium (if any) and interest before any such payments are made on account of the subordinated debt securities. In addition, in the event that (1) the subordinated debt securities are declared due and payable because of an event of default (other than under the circumstances described in the preceding sentence) and (2) any default has occurred and is continuing in the payment of principal, premium (if any), sinking funds or interest on any senior debt, then no payment shall be made on account of principal, premium (if any), sinking funds or interest on the subordinated debt securities until all such payments due in respect of the senior debt have been paid in full.

By reason of the subordination provisions described above, in the event of liquidation or insolvency, any of our creditors who are not holders of senior debt may recover less, ratably, than holders of senior debt and may recover more, ratably, than holders of the subordinated debt securities.

Deferral of Interest Payments

The terms upon which we may defer payments of interest on subordinated debt securities of any series will be set forth in the relevant prospectus supplement and, to the extent necessary, in the supplemental indenture relating to that series. If any such terms are provided for, an interest payment properly deferred will not constitute a default in the payment of interest.

Description of Depositary Shares

We may issue fractional interests in common shares or preference shares, rather than common shares or preference shares, with those rights and subject to the terms and conditions that we may specify in a related prospectus supplement. If we do so, we will provide for a depositary (either a bank or trust company depositary that has its principal office in the United States) to issue receipts for depositary shares, each of which will

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represent a fractional interest in a common share or a preference share. The common shares or preference shares underlying the depositary shares will be deposited under a deposit agreement between us and the depositary. The prospectus supplement will include the name and address of the depositary.

Description of Warrants

We may issue warrants, including warrants to purchase debt securities, common shares, preference shares or other securities, property or assets (including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices) as well as other types of warrants. We may issue warrants independently or together with any other securities, and they may be attached to or separate from those securities. We will issue the warrants under warrant agreements to be entered into between us and a bank or trust company, as warrant agent, that we will describe in the prospectus supplement relating to the warrants that we offer. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The prospectus supplement relating to any warrants that we may offer will contain the specific terms of the warrants. These terms will include some or all of the following:

the title of the warrants;

the securities, which may include debt securities, common shares, preference shares or other securities, property or assets for which you may exercise the warrants;

the price or prices at which the warrants will be issued;

the number or principal amount of securities or amount of other property or assets that you may purchase upon exercise of each warrant;

the currency, currencies, or currency units, if other than in U.S. dollars, in which the warrants are to be issued or for which the warrants may be exercised;

the procedures and conditions relating to the exercise of the warrants;

the designation, amount and terms of the securities for which the warrants are exercisable;

the designation and terms of the other securities, if any, with which the warrants are to be issued and the number of warrants issued with each other security;

the aggregate number of warrants;

any provisions for adjustment of the number or amount of securities, property or assets receivable upon exercise of the warrants or the exercise price of the warrants;

the price or prices at which the securities, property or assets purchasable upon exercise of the warrants may be purchased;

the date on and after which the warrants and the securities, property or assets purchasable upon exercise of the warrants will be separately transferable, if applicable;

a discussion of any material U.S. federal income tax or Canadian federal or provincial income tax considerations applicable to the exercise of the warrants;

the date on which the right to exercise the warrants will commence, and the date on which the right will expire;

the maximum or minimum number of warrants that may be exercised at any time;

information with respect to book-entry procedures, if any; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

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We will also describe in the applicable prospectus supplement any provisions for a change in the exercise price or expiration date of the warrants and the kind, frequency and timing of any notice to be given. You may exchange warrant certificates for new warrant certificates of different denominations and may exercise warrants at the corporate trust office of the warrant agent or any other office that we indicate in the applicable prospectus supplement. Prior to exercise, you will not have any of the rights of holders of the debt securities, common shares, preference shares or other securities purchasable upon that exercise.

Description of Purchase Contracts

We may issue purchase contracts, including contracts obligating holders to purchase from us and us to sell to the holders, a specified number of common shares, preference shares or depositary shares at a future date or dates. Alternatively, the purchase contracts may obligate us to purchase from holders, and obligate holders to sell to us, a specified or varying number of common shares, preference shares or depositary shares. The consideration per common share or preference share or per depositary share may be fixed at the time the purchase contracts are issued or may be determined by a specific reference to a formula set forth in the purchase contracts. The purchase contracts may provide for settlement by delivery by us or on our behalf of shares of the underlying security, or they may provide for settlement by reference or linkage to the value, performance or trading price of the underlying security. The purchase contracts may be issued separately or as part of purchase units consisting of a purchase contract and debt securities, preference shares or debt obligations of third parties, including U.S. treasury securities, other purchase contracts or common shares, or other securities or property, securing the holders' obligations to purchase or sell, as the case may be, the common shares, preference shares, depositary shares or other security or property under the purchase contracts. The purchase contracts may require us to make periodic payments to the holders thereof or vice versa, and these payments may be unsecured or prefunded on some basis and may be paid on a current or on a deferred basis. The purchase contracts may require holders to secure their obligations thereunder in a specified manner and may provide for the prepayment of all or part of the consideration payable by holders in connection with the purchase of the underlying security or other property pursuant to the purchase contracts.

The securities related to the purchase contracts may be pledged to a collateral agent for our benefit pursuant to a pledge agreement to secure the obligations of holders of purchase contracts to purchase the underlying security or property under the related purchase contracts. The rights of holders of purchase contracts to the related pledged securities will be subject to our security interest therein created by the pledge agreement. No holder of purchase contracts will be permitted to withdraw the pledged securities related to such purchase contracts from the pledge arrangement.

The prospectus supplement relating to any purchase contracts that we may offer will contain the specific terms of the purchase contracts.

Description of Units

We may issue units consisting of one or more purchase contracts, warrants, debt securities, preference shares, common shares, subscription receipts or any combination of such of our securities (but not securities of third parties), as specified in a related prospectus supplement.

Description of Subscription Receipts

We may issue subscription receipts to purchase debt or equity securities, subject to compliance with applicable law. Each subscription receipt will entitle the holder to purchase for cash the amount of debt or equity securities at the exercise price stated or determinable in the applicable prospectus supplement for the subscription receipts. We may

issue subscription receipts independently or together with any offered securities. The subscription receipts may be attached to or separate from those offered securities. We will issue the subscription

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receipts under subscription receipt agreements to be entered into between us and a bank or trust company, as subscription receipt agent, all as described in the applicable prospectus supplement. The subscription receipt agent will act solely as our agent in connection with the subscription receipts and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of subscription receipts.

The prospectus supplement relating to any subscription receipts that we may offer will contain the specific terms of the subscription receipts.

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PLAN OF DISTRIBUTION

We or any selling securityholders may sell any combination of the securities covered by this prospectus in any of the following three ways (or in any combination of the following three ways):

to or through underwriters or dealers;

directly to a limited number of purchasers or to a single purchaser; or

through agents.

We or any selling securityholders may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement so indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or any selling securityholders or borrowed from us, any selling securityholders or others to settle those sales or to close out any related open borrowings of stock and may use securities received from us or any selling securityholders in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment to the registration statement of which this prospectus forms a part).

The applicable prospectus supplement will set forth the terms of the offering of the securities covered by this prospectus, including:

the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them;

the names of any selling securityholders;

the initial public offering price of the securities and the proceeds to us or any selling securityholders and any discounts, commissions or concessions allowed or reallocated or paid to dealers; and

any securities exchanges on which the securities may be listed.

Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Underwriters or the third parties described above may offer and sell the offered securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at

the time of sale. If we or any selling securityholders use underwriters in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions described above. The securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by underwriters. Generally, the underwriters' obligations to purchase the securities will be subject to customary conditions. The underwriters will be obligated to purchase all of the offered securities if they purchase any of the offered securities.

We or any selling securityholders may sell the securities through agents from time to time. The applicable prospectus supplement will name any agent involved in the offer or sale of the securities and any commissions we or any selling securityholders pay to them. Generally, any agent will be acting on a best efforts basis for the period of its appointment.

We may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase the securities from us at the public offering price set forth in the applicable prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The contracts will be subject only to those conditions set forth in the applicable prospectus supplement, and the applicable prospectus supplement will set forth any commissions we pay for solicitation of these contracts.

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Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the securities. Specifically, in connection with underwritten offerings of the offered securities and in accordance with applicable law and industry practice, the underwriters may over-allot and may bid for, and purchase, the securities in the open market.

Agents, underwriters and other third parties described above that participate in the distribution of the offered securities may be underwriters as defined in the Securities Act, and any discounts or commissions they receive from us or any selling securityholders and any profit on their resale of the securities may be treated as underwriting discounts and commissions under the Securities Act. We or any selling securityholders may have agreements with the agents, underwriters and those other third parties to indemnify them against specified civil liabilities, including liabilities under the Securities Act or Canadian securities legislation, or to contribute to payments they may be required to make in respect of those liabilities. Agents, underwriters and those other third parties may engage in transactions with or perform services for us in the ordinary course of their businesses.

To comply with applicable state securities laws, the securities offered by this prospectus will be sold, if necessary, in such jurisdictions only through registered or licensed brokers or dealers. In addition, securities may not be sold in some states absent registration or pursuant to an exemption from applicable state securities laws.

Each issue of preference shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts will be a new issue of securities with no established trading market. Unless otherwise specified in the applicable prospectus supplement, such securities will not be listed on any securities exchange or on any automated dealer quotation system. Certain broker-dealers may make a market in such securities but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in such securities or as to the liquidity of the trading market for such securities.

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SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

We are a Canadian company. Some of our directors and executive officers live outside the United States. Some of the assets of our directors and executive officers and some of our assets are located outside the United States. As a result, it may be difficult or impossible to serve process on us or on such persons in the United States or to obtain or enforce judgments obtained in U.S. courts or Canadian courts against them or us based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to whether Canadian courts would enforce the civil liability claims brought under U.S. federal securities laws in original actions and/or enforce claims for punitive damages.

VALIDITY OF THE SECURITIES

The validity of the securities in respect of which this prospectus is being delivered will be passed upon for OpenText by Blake, Cassels & Graydon LLP, Toronto, Ontario, with respect to matters of Canadian law, and Cleary Gottlieb Steen & Hamilton LLP, New York, New York, with respect to matters of U.S. law. The partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly or indirectly, less than one percent of all outstanding common shares of the Company. The partners, counsel and associates of Cleary Gottlieb Steen & Hamilton LLP beneficially own, directly or indirectly, less than one percent of all outstanding common shares of the Company. Except as may be specified in any applicable prospectus supplement, certain legal matters in connection with the securities offered hereby will be passed upon for any underwriters or agents, as the case may be, by Torys LLP, Toronto, Ontario, and Davis Polk & Wardwell LLP, New York, New York.

EXPERTS

The consolidated financial statements of the Company as of June 30, 2013 and 2012, and for each of the years in the three-year period ended June 30, 2013, and management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2013, have been incorporated by reference herein from the Company's Annual Report on Form 10-K/A for the year ended June 30, 2013 dated February 12, 2014 in reliance upon the reports therein of KPMG LLP, independent registered public accounting firm, also incorporated by reference herein from the Company's Annual Report on Form 10-K/A for the year ended June 30, 2013 dated February 12, 2014, and upon the authority of said firm as experts in accounting and auditing.

The consolidated balance sheets of GXS Group, Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' deficit and cash flows for each of the years in the three-year period ended December 31, 2013, have been incorporated by reference herein from OpenText's Current Report on Form 8-K/A filed with the SEC on April 2, 2014, in reliance upon the report of KPMG LLP, independent auditors, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, independent registered public accounting firm.

The transfer agent and registrar for the common shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario, Canada.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, and other information with the SEC and with the Canadian securities regulatory authorities. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. The documents that we have filed with the Canadian securities regulatory authorities are available to the public over the Internet at <http://www.sedar.com>. Please note that the SEC's website and the website containing Canadian securities regulatory filings are included in this prospectus and any applicable prospectus supplement as inactive textual references only. The information contained on such websites is not incorporated by reference into this prospectus and any applicable prospectus supplement and should not be considered to be part of this prospectus or any applicable prospectus supplement, except as described in the following paragraph. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

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DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference into this prospectus and any applicable prospectus supplement certain information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Certain information that we subsequently file with the SEC will automatically update and supersede information in this prospectus and in our other filings with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, until all securities offered by this prospectus have been sold and all conditions to the consummation of such sales have been satisfied, except that we are not incorporating any information included in a Current Report on Form 8-K that has been or will be furnished (and not filed) with the SEC, unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document:

our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 filed with the SEC on August 1, 2013 (as amended by Form 10-K/A on February 12, 2014);

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed with the SEC on October 31, 2013;

our Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on January 23, 2014;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the SEC on April 24, 2014;

our Current Reports on Form 8-K filed with the SEC on July 31, 2013 (excluding Item 2.02 and Exhibit 99.1), September 26, 2013, October 30, 2013 (excluding Item 2.02 and Exhibit 99.1), November 5, 2013 (excluding Item 7.01 and Exhibit 99.1) (as amended by Form 8-K/A on November 6, 2013), November 20, 2013, December 20, 2013, January 16, 2014 (excluding Item 7.01 and Exhibit 99.1)(as amended by Form 8-K/A on April 2, 2014), January 23, 2014 (excluding Item 2.02 and Exhibit 99.1), February 5, 2014 and April 24, 2014; and

the description of OpenText securities contained in OpenText's Current Report on Form 8-K filed with the SEC on April 24, 2014.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a

misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded thereafter shall not constitute a part of this prospectus, except as so modified or superseded.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, without charge upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus but not delivered with this prospectus. You may request a copy of these filings by writing or calling us at the following address: 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, Telephone: (519) 888-7111, Attention: Corporate Secretary. Our website is <http://www.opentext.com>. Our website is included in this prospectus and any applicable prospectus supplement as an inactive textual reference only. Except for the documents specifically incorporated by reference into this prospectus, information contained on our website is not incorporated by reference into this prospectus and any applicable prospectus supplement and should not be considered to be a part of this prospectus or any applicable prospectus supplement.

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[ALTERNATE PAGE FOR CANADIAN PROSPECTUS]

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus is a base shelf prospectus. This short form prospectus has been filed under legislation in each of the provinces of Canada, other than Québec, that permits certain information about these securities to be determined after this short form prospectus has become final and that permits the omission from this short form prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

We have filed a registration statement on Form S-3 with the United States Securities and Exchange Commission under the United States Securities Act of 1933, as amended, with respect to these securities.

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Open Text Corporation at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1 (telephone (519) 888-711), and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue and Secondary Offering

April 24, 2014

OPEN TEXT CORPORATION

U.S. \$350,000,000

Common Shares

Preference Shares

Debt Securities

Depositary Shares

Warrants

Purchase Contracts

Units

Subscription Receipts

Open Text Corporation (we , Open Text or the Company) or our securityholders may from time to time offer and issue or sell, as applicable, the following securities: (i) common shares; (ii) preference shares; (iii) debt securities; (iv) depositary shares; (v) warrants; (vi) purchase contracts; (vii) units; and (viii) subscription receipts, at an aggregate offering price of up to U.S. \$350,000,000 (or its equivalent in any other currency used to denominate the securities at the time of the offering) at any time during the 25-month period that this prospectus, including any amendments hereto, remains valid. These securities may be offered separately or together in amounts, at prices and on terms to be set forth in one or more prospectus supplements.

All shelf information omitted from this prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this prospectus. The specific terms of the securities in respect of which this prospectus is being delivered will be set forth in the applicable prospectus supplement. A prospectus supplement may include specific variable terms pertaining to the securities that are not within the alternatives and parameters described in this prospectus. Each prospectus supplement will be incorporated by reference into this prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the securities to which the prospectus supplement pertains.

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[ALTERNATE PAGE FOR CANADIAN PROSPECTUS]

We or any selling securityholders may sell the securities to or through underwriters or dealers purchasing as principals, and may also sell the securities to one or more purchasers directly pursuant to applicable statutory exemptions or through agents. The prospectus supplement relating to a particular offering of securities will set out the name of each underwriter, dealer or agent involved in the sale of the securities and will set forth the terms of the offering of such securities, the method of distribution of such securities, including, to the extent applicable, the proceeds to us and any selling securityholders, as applicable, and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution. See **Plan of Distribution** .

In connection with any offering of securities under this prospectus (unless otherwise specified in a prospectus supplement), the underwriters, dealers or agents may over-allot or effect transactions intended to stabilize or maintain the market price of the securities offered at a higher level than that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See **Plan of Distribution** .

Our common shares are listed on the NASDAQ Global Select Market (the **NASDAQ**) under the symbol **OTEX** and on the Toronto Stock Exchange (the **TSX**) under the symbol **OTC** . On April 23, 2014, the closing price per share of our common shares was U.S.\$46.13 on the NASDAQ and Cdn.\$50.81 on the TSX.

Unless otherwise specified in the applicable prospectus supplement, the securities in respect of which this prospectus is being delivered, other than our common shares, will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell such securities purchased under this prospectus and any applicable prospectus supplement. This may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation. See **Risk Factors in the applicable prospectus supplement.**

Investing in the offered securities involves risks. You should read the section entitled **Risk Factors on page 3 and carefully consider the discussion of risks and uncertainties under the heading **Risk Factors** contained in any applicable prospectus supplement and in the documents that are incorporated by reference.**

Owning our securities may subject you to tax consequences both in Canada and the United States. Such tax consequences are not described in this prospectus and may not be fully described in any applicable prospectus supplement. You should read the tax discussion in any prospectus supplement with respect to a particular offering and consult your own tax advisor with respect to your own particular circumstances.

The financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles. Accordingly, the presentation of financial statements may vary in a material way from financial statements prepared in accordance with International Financial Reporting Standards.

No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

Gail E. Hamilton and Brian J. Jackman, each a director of the Company, reside outside of Canada and have appointed Open Text Corporation, 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, as agent for service of process. Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The head and registered office of the Company is located at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L0A1.

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We and any selling securityholders are responsible for the information contained and incorporated by reference in this prospectus and any prospectus supplement. Neither we nor any selling securityholders have authorized anyone to give you any other information, and we or any selling securityholders take no responsibility for any other information that others may give you. We and any selling securityholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus or any prospectus supplement is accurate as of any date other than the date of the document containing the information.

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[ALTERNATE PAGE FOR CANADIAN PROSPECTUS]

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference into this prospectus and any applicable prospectus supplement certain information we file with the Canadian securities regulators, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Certain information that we subsequently file with the Canadian securities regulators will automatically update and supersede information in this prospectus and in our other filings with the Canadian securities regulators. We incorporate by reference the documents listed below, which we have already filed with Canadian securities regulators, which documents form an integral part of this prospectus:

our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 filed with the Canadian securities regulators on August 1, 2013 (as amended by Form 10-K/A on February 12, 2014);

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed with the Canadian securities regulators on October 31, 2013;

our Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the Canadian securities regulators on January 23, 2014;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the Canadian securities regulators on April 24, 2014;

our Current Reports on Form 8-K filed with the Canadian securities regulators on August 1, 2013 (excluding Item 2.02 and Exhibit 99.1), September 26, 2013, October 30, 2013 (excluding Item 2.02 and Exhibit 99.1), November 5, 2013 (excluding Item 7.01 and Exhibit 99.1) (as amended by Form 8-K/A on November 6, 2013), November 20, 2013, December 20, 2013, January 16, 2014 (excluding Item 7.01 and Exhibit 99.1) (as amended by Form 8-K/A on April 2, 2014), January 23, 2014 (excluding Item 2.02 and Exhibit 99.1) and February 5, 2014;

our Proxy Circular filed with the Canadian securities regulators on September 4, 2013;

our Business Acquisition Report filed with the Canadian securities regulators on April 9, 2014 (regarding our acquisition of GXS Group, Inc.);

our Material Change Reports filed with the Canadian securities regulators on November 8, 2013 (regarding our acquisition of GXS Group, Inc.), January 23, 2014 (regarding our acquisition of GXS Group, Inc.) and January 28, 2014 (regarding a stock dividend); and

the description of OpenText securities contained in OpenText's Current Report on Form 8-K filed with the Canadian securities regulators on April 24, 2014.

We also deem to be incorporated by reference into this prospectus any future filings we make with the Canadian securities regulators (other than confidential material change reports and press releases (except press releases deemed or stated to be incorporated by reference herein)), with respect to the Company, all updated earnings coverage ratio information, as well as all prospectus supplements disclosing additional or updated information, filed by us subsequent to the date of this prospectus, until all the securities offered by this prospectus have been sold and all conditions to the consummation of such sales have been satisfied, except that we are not incorporating any information included in a Current Report on Form 8-K that has been or will be furnished (and not filed) with the SEC and not filed with the Canadian securities regulators, unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document and is filed with the Canadian securities regulators.

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[ALTERNATE PAGE FOR CANADIAN PROSPECTUS]

When a new Annual Report on Form 10-K (which also constitutes an annual information form for the purposes of Canadian securities law) is filed by us with the Canadian securities regulators during the currency of this prospectus, the previous Annual Report on Form 10-K and the annual consolidated financial statements and related management's discussion and analysis for the previous fiscal year, and all Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, interim consolidated financial statements and related management's discussion and analysis, material change reports and information circulars (other than our management information circular prepared in connection with our annual meeting of holders of common shares) filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated by reference into this prospectus for purposes of future offers and sales of securities under this prospectus. When a new management information circular prepared in connection with our annual meeting of holders of common shares is filed by us with the Canadian securities regulators during the currency of this prospectus, the previous management information circular prepared in connection with an annual meeting of the Company shall be deemed no longer to be incorporated by reference into this prospectus for purposes of future offers and sales of securities under this prospectus.

Any template version of any marketing materials (as such term is defined in National Instrument 41-101 *General Prospectus Requirements*) filed after the date of a prospectus supplement and before the termination of the distribution of the securities offered pursuant to such prospectus supplement (together with this prospectus) is deemed to be incorporated by reference in such prospectus supplement.

A prospectus supplement containing the specific variable terms of an offering of securities will be delivered to purchasers of such securities together with this prospectus and will be deemed to be incorporated by reference into this prospectus as of the date of such prospectus supplement but only for the purposes of the offering of the securities covered by that prospectus supplement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded thereafter shall not constitute a part of this prospectus, except as so modified or superseded.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, without charge upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus but not delivered with this prospectus. You may request a copy of these filings by writing or calling us at the following address: 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, Telephone: (519) 888-7111, Attention: Corporate Secretary. Our website is <http://www.opentext.com>. Copies of the documents that are incorporated by reference into this prospectus are also available electronically at www.sedar.com. Our website is included in this prospectus and any applicable prospectus supplement as an inactive textual reference only. Except for the documents specifically incorporated by reference into this prospectus or any applicable prospectus supplement, information contained on our website is not incorporated by reference into this prospectus and applicable prospectus supplement and should not be considered to be a part of this prospectus or applicable prospectus supplement.

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[ADDITIONAL PAGE FOR CANADIAN PROSPECTUS]

EARNINGS COVERAGE RATIOS

Earnings coverage ratios will be provided in the prospectus supplement with respect to the issuance of securities pursuant to such prospectus supplement.

PURCHASERS STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In addition, original purchasers of Subscription Receipts, Warrants (unless the Warrants are reasonably regarded by the Company as incidental to the applicable offering as a whole) or convertible or exchangeable Debt Securities (or Units comprised partly thereof) will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of the Subscription Receipt, Warrant or the convertible or exchangeable Debt Security. The contractual right of rescission will be further described in any applicable prospectus supplement, but will, in general, entitle such original purchasers to receive the amount paid for the applicable convertible, exchangeable or exercisable security upon surrender of the underlying securities acquired thereby, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus.

In an offering of Subscription Receipts, Warrants or convertible or exchangeable Debt Securities (or Units comprised partly thereof), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which Subscription Receipts, Warrants or convertible or exchangeable Debt Securities (or Units comprised partly thereof) are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

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[ADDITIONAL PAGE FOR CANADIAN PROSPECTUS]

CERTIFICATE OF THE COMPANY

Dated: April 24, 2014

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, other than Québec.

(signed) Mark J. Barrenechea
Chief Executive Officer

(signed) Paul McFeeters
Chief Financial Officer

On behalf of the Board of Directors

(signed) P. Thomas Jenkins
Director

(signed) Randy Fowlie
Director

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Open Text Corporation
Up to 2,583,302 Common Shares

PROSPECTUS SUPPLEMENT

May 2, 2014