



## INTERLEAF, INC.

Ten Canal Park  
Cambridge, Massachusetts 02141

**Notice of Special Meeting in Lieu of an Annual Meeting of Stockholders  
to be held August 14, 1987**

A Special Meeting in Lieu of an Annual Meeting of Stockholders (the "Special Meeting") of Interleaf, Inc. (the "Company") will be held at The Bank of Boston, 100 Federal Street, Boston, Massachusetts on Friday, August 14, 1987 at 9:00 a.m., local time, to consider and act upon the following matters:

1. To fix the number of directors at six (6) and to elect six (6) directors to serve for the ensuing year.
2. To ratify and approve amendments to the Company's 1983 Stock Option Plan (the "Stock Option Plan") to increase the number of shares of Common Stock available for issuance under the Stock Option Plan from 1,200,000 to 1,700,000 shares and to provide for the grant of options to non-employee directors, as described in the Proxy Statement.
3. To approve the Company's 1987 Employee Stock Purchase Plan covering 200,000 shares of the Company's Common Stock, as described in the Proxy Statement.
4. To approve an amendment to the Company's Articles of Organization to eliminate the personal liability of directors for monetary damages under certain circumstances, as described in the Proxy Statement.
5. To approve amendments to the Company's Articles of Organization providing for the classification of the Board of Directors into three classes and providing for amended procedures for changing the number of directors, removing directors and filling vacancies on the Board, and to approve amendments to the Company's By-Laws adopting notice requirements for bringing matters before meetings and providing for judges of election, as described in the Proxy Statement.
6. To approve a "Fair Price Amendment" to the Company's Articles of Organization providing for minimum price, form of consideration and procedural requirements or, alternatively, the affirmative vote of 80% of the holders of the outstanding stock entitled to vote in connection with certain business combinations involving a 10% stockholder, or a vote of a majority of the holders of the outstanding stock entitled to vote in connection with corporate actions which satisfy or do not trigger the Fair Price Amendment, as described in the Proxy Statement.
7. To ratify the selection of Ernst & Whinney as the Company's independent auditors for the 1988 fiscal year.
8. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business of June 25, 1987 will be entitled to vote at the Special Meeting or any adjournment thereof. The stock transfer books of the Company will remain open.

By Order of the Board of Directors,

J. John Brennan, Clerk

July 7, 1987  
Cambridge, Massachusetts

**WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.**



Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock Outstanding
CEDE & Co.(1) ..... P.O. Box 20 Bowling Green Station New York, NY 10004	4,831,236	43.07%
First Capital Corporation of Chicago (2) ..... Suite 1330 Three First National Plaza Chicago, IL 60602	755,181	6.73
David A. Boucher(3) ..... c/o Interleaf, Inc. Ten Canal Park Cambridge, MA 02141	586,339	5.22
Harry A. George ..... c/o Interleaf, Inc. Ten Canal Park Cambridge, MA 02141	567,189	5.05
All directors and officers as a group (13 persons)(4) .....	1,787,050	15.80

- (1) CEDE & Co., the nominee of The Depository Trust Company, New York, New York, is used primarily by banks and brokers to hold shares as nominee for themselves and their customers.
- (2) Includes 8,334 shares held by Madison Dearborn Partners, an entity which may be considered to be part of a group with First Capital Corporation of Chicago.
- (3) Includes 10,000 shares held by Mr. Boucher's spouse. Includes 100,000 shares held by an irrevocable trust for the benefit of Mr. Boucher's children, as to which Mr. Boucher disclaims beneficial ownership.
- (4) Does not include 132,700 shares held by children and irrevocable trusts of certain directors and officers, as to which these directors and officers disclaim beneficial ownership. Includes 10,000 shares held by the spouse of a director. Does not include shares held by Applied Technology Partners, L.P., First Capital Corporation of Chicago, Madison Dearborn Partners or funds managed by or affiliated with Hambrecht & Quist Venture Partners, of which certain directors of the Company may be deemed to be beneficial owners. William J. Hunckler, III, currently a director of the Company, has chosen not to stand for re-election due to other commitments. Includes an aggregate of 97,785 shares issuable upon exercise of options held by eight officers, which options are currently exercisable or become exercisable within the 60-day period after April 30, 1987.

#### Votes Required

The affirmative vote of the holders of a majority of the shares of Common Stock present or represented at the meeting is required for the election of directors, the approval of amendments to the Company's 1983 Stock Option Plan, the approval of amendments to the Company's 1987 Employee Stock Purchase Plan and the selection of Ernst & Whinney as the Company's independent auditors for the fiscal year ended March 31, 1988. The affirmative vote of the holders of two-thirds of the shares of Common Stock outstanding and entitled to vote at the meeting is required for the approval of each of the proposed amendments to the Company's Articles of Organization and the related amendments to the Company's By-laws.

#### ELECTION OF DIRECTORS

The persons named in the enclosed proxy will vote to fix the size of the Company's Board of Directors at six and to elect as directors the six nominees named below, all of whom are presently directors of the Company, unless authority to vote for any or all of the directors is withheld by marking the proxy to that effect. All of the nominees have indicated their willingness to serve, if elected, but if any should be unable to serve, the proxies may be voted for a substitute nominee or nominees designated by management.

If the stockholders approve the amendment regarding classification of the Board of Directors, the Company's Articles of Organization will provide for three classes of directors. See "Amendments Concerning the Classification of the Board of Directors and Related Matters." In such event and if the nominees are elected, Messrs. Boucher and Bamber will be elected for an initial term expiring at the 1990 Annual Meeting of Stockholders; Messrs. Potter and Hammer will be elected for an initial term expiring at the 1989 Annual Meeting of Stockholders; and Messrs. George and Sansonetti will be elected for an initial term expiring at the 1988 Annual Meeting of Stockholders (in all cases until their respective successors are duly elected and qualified). If the proposed amendment regarding classification of the Board of Directors is not so approved, all of those so elected will serve as directors of the Company until the next Annual Meeting of Stockholders and until their respective successors are elected and qualified.

The following table sets forth the name and age of each nominee, the year of the commencement of his term as a director of the Company, the number of shares of Common Stock of the Company reported as beneficially owned by him on April 30, 1987 and the percentage of all outstanding shares of Common Stock owned by him on such date:

Name and Age	Commencement of Term as a Director	Number of Shares Beneficially Owned(1)	Percentage of Common Stock Outstanding
David A. Boucher, 38 .....	1981	586,339(2)	5.22%
Harry A. George, 38 .....	1981	567,189	5.05
George D. Potter, Jr., 50 .....	1983	256,865(3)	2.29
Frederick B. Bamber, 44 .....	1984	0(4)	•
Michael Hammer, 39 .....	1982	70,660	•
Patrick J. Sansonetti, 42 .....	1985	2,400(5)	•

\*Less than 1%

- (1) Includes an aggregate of 38,485 shares issuable upon exercise of options held by certain directors, which options are currently exercisable or become exercisable within the 60-day period after April 30, 1987.
- (2) Includes 10,000 shares held by Mr. Boucher's wife. Includes 100,000 shares held by an irrevocable trust established for the benefit of Mr. Boucher's children, as to which Mr. Boucher disclaims beneficial ownership.
- (3) Does not include an aggregate of 2,700 shares owned by Mr. Potter's children or 30,000 shares held by an irrevocable trust established for the benefit of Mr. Potter's children, as to which Mr. Potter disclaims beneficial ownership.
- (4) Does not include 391,700 shares held by Applied Technology Partners, L.P., as to which Mr. Bamber disclaims beneficial ownership. Mr. Bamber is one of two General Partners of Applied



Technology Associates, L.P. which is the General Partner of Applied Technology Partners, L.P., and accordingly shares voting and investment power with respect to all such shares.

- (5) Does not include 166,667 shares held by the funds managed by or affiliated with Hambrecht & Quist Venture Partners, of which Mr. Sansonetti is a General Partner. Mr. Sansonetti shares voting and investment power with respect to, but disclaims beneficial ownership of, all such shares.

#### Principal Occupation of Nominees

*David A. Boucher* serves as Chief Executive Officer of the Company and has served as President and a Director of the Company since its inception in 1981.

*Harry A. George* has served as Vice President of Finance, Treasurer and a Director of the Company since its inception in 1981.

*George D. Potter, Jr.* has served as Vice President of Marketing and a Director of the Company since February 1983. From 1979 to 1983, he was employed by Wang Laboratories, Inc., most recently as New England District Sales Manager.

*Frederick B. Bamber* has been a Director of the Company since January 1984. Since January 1982 he has been a General Partner of Applied Technology Partners, L.P., a venture capital limited partnership.

*Michael Hammer* has served as a Director of the Company since July 1982. He has been President of Hammer and Company, Inc., a management consulting firm, since 1982.

*Patrick J. Sansonetti* has been a Director since July 1985. He has been associated with Hambrecht & Quist since September 1983, currently as a General Partner. From 1982 to 1983, Mr. Sansonetti was Vice President, Business Development, of Fidelity Systems Company, a subsidiary of Fidelity Investments. Previously Mr. Sansonetti was associated with Prime Computer Inc. for five years in various management positions.

#### Board and Committee Meetings

The Company established a standing Audit Committee of the Board of Directors in May 1986, which provides the opportunity for direct contact between the Company's independent auditors and the Board. The Audit Committee reviews the effectiveness of the auditors during the annual audit, discusses the Company's internal control policies and procedures and considers and recommends the election of the Company's independent auditors. The Audit Committee did not meet formally during the 1987 fiscal year. The current Audit Committee members are Messrs. Hunckler (Chairman), Bamber and Sansonetti.

The Company established a standing Compensation Committee of the Board of Directors in August 1986. The Compensation Committee met seven times during the 1987 fiscal year to make recommendations to the Board regarding compensation programs of the Company and to administer the Company's 1983 Stock Option Plan and the 1987 Employee Stock Purchase Plan. The current members of the Compensation Committee are Messrs. Boucher (Chairman), Bamber and Sansonetti.

The Company has no Nominating Committee.

The Board of Directors met eleven times during the fiscal year ended March 31, 1987. Each current director attended at least 75% of the aggregate number of meetings of the Board of Directors and of all committees of the Board on which he served.

There are no arrangements or understandings between any director or officer and any other person pursuant to which such director or officer is to be elected as a director or officer. There are no family relationships between or among any directors or officers of the Company.

#### Executive Compensation

The following table sets forth the cash compensation paid by the Company during the fiscal year ended March 31, 1987 to each of its five most highly compensated executive officers whose cash compensation exceeded \$60,000, and the cash compensation of all executive officers of the Company as a group. Amounts set forth below include compensation only for periods during which such offices were held.

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation</u>
David A. Boucher . . . . .	Chief Executive Officer	\$ 112,693
George D. Potter, Jr. . . . .	Vice President of Marketing	113,321
Harry A. George . . . . .	Vice President of Finance and Treasurer	95,655
Steven M. Schwartz . . . . .	Vice President of Marketing Programs and Communications	110,432
Frederick J. Egan . . . . .	Vice President of Third Party Operations	93,182
All executive officers . . . . . as a group (9 persons)		857,067

Effective in July 1987, directors of the Company shall receive \$500 per Board meeting attended. In addition, subject to stockholder approval, each current non-employee director will be granted an option to purchase 4,500 shares of the Common Stock of the Company at a price equal to the fair market value at the time of grant, which option will become exercisable over three years and, subject to certain additional conditions, each non-employee director elected in the future will be granted an option to purchase Common Stock having a fair market value on the date of grant of up to \$200,000. See "Approval of Amendments to 1983 Stock Option Plan - Proposed Amendments - Outside Directors' Options".

#### Bonus Plan

David A. Boucher, Harry A. George and George D. Potter, Jr. participate in a compensation program pursuant to which they are eligible to receive bonuses based upon achievement of certain revenue and earnings objectives. Messrs. Boucher, George and Potter received \$16,000, \$12,000 and \$12,000, respectively, under this program for fiscal 1987 and are eligible to receive up to an aggregate of \$100,000 for fiscal 1988.

#### 1983 Stock Option Plan

For information concerning the Company's 1983 Stock Option Plan, see "Approval of Amendments to 1983 Stock Option Plan" below.

#### 1987 Employee Stock Purchase Plan

For information concerning the Company's 1987 Employee Stock Purchase Plan, see "Approval of 1987 Employee Stock Purchase Plan" below.

#### Certain Transactions

During the fiscal year ended March 31, 1987, the Company recorded revenues from product sales, license fees and royalties from Eastman Kodak Company ("Kodak") in the aggregate amount of



\$1,888,000. Prior to the Company's initial public offering, Kodak owned more than 5% of the Company's capital stock, all of which was sold in the initial public offering in July 1986. Until May 1986, an officer of Kodak was a Director of the Company.

#### APPROVAL OF AMENDMENTS TO 1983 STOCK OPTION PLAN

Under the Company's 1983 Stock Option Plan, as amended (the "Stock Option Plan"), the Company is currently authorized to grant options to employees of the Company to purchase up to 1,200,000 shares of Common Stock, of which 101,132 shares of Common Stock remained available for future grant as of March 31, 1987. Any shares of the Company's Common Stock issued pursuant to the Stock Option Plan which are returned to the Company shall be available for future grants under the plan.

#### Proposed Amendments

**Increase in Shares.** To ensure that the Company may continue to attract and retain key employees, on February 27, 1987 and April 24, 1987, the Board of Directors amended, subject to the approval of the Company's stockholders, the Stock Option Plan to increase the number of shares reserved for issuance under the Stock Option Plan from 1,200,000 to a maximum aggregate of 1,700,000 shares (subject to adjustment for any dividend, stock split or other relevant changes in the Company's capitalization). The Company believes this amendment will enhance its ability to attract and retain key employees.

**Outside Directors' Options.** To ensure that the Company may continue to attract and retain talented non-employee ("outside") directors and to give the outside directors an equity interest in the Company, the Board of Directors on June 19, 1987 adopted, subject to stockholder approval, an amendment to the Stock Option Plan providing for a mandatory grant of a non-statutory stock option to each outside director. Each current outside director will receive an option to purchase 4,500 shares of the Common Stock of the Company at an exercise price equal to 100% of the fair market value of the Common Stock on the date of grant. The date of grant for current outside directors will be the date on which stockholder approval of this amendment is obtained. These options will become exercisable on a cumulative basis over a three-year period, with one-third of the option becoming exercisable at the end of each year.

In addition, each person who in the future becomes an outside director will be granted, on the date of his election to the Board, an option for the purchase of Common Stock having a fair market value on the date of grant of no more than \$200,000. The exercise price of all such options shall be equal to the fair market value on the date of grant and such options shall become exercisable in installments over a period of not less than three years. The Company intends to seek a "no-action" letter from the Securities and Exchange Commission with respect to the compliance under Rule 16b-3 under the Securities Exchange Act of 1934 of the proposed provision regarding the grant of options to new outside directors. Such provision shall not become effective, and no such options will be granted to new outside directors, until the Company receives such a "no-action" letter.

The following is a brief summary of the provisions of the Stock Option Plan:

#### Eligibility

All officers and employees of the Company are eligible to receive stock options. Persons owning 10% or more of the Company's Common Stock are only eligible to receive incentive stock options having a duration of five years or less and an exercise price which must be at least 110% of fair market value. As of June 1, 1987, approximately 383 employees of the Company were participating in the Stock Option Plan.

#### Administration, Option Exercise and Price

The Stock Option Plan is administered by the Board of Directors which has delegated its administration to the Compensation Committee subject to the Board's ultimate control. Both non-statutory stock

options and "incentive stock options" intended to qualify under Section 422A of the Internal Revenue Code may be granted under the Stock Option Plan. The Compensation Committee selects the optionees and determines (i) the number of shares subject to each option, (ii) when the option becomes exercisable, (iii) the exercise price, which cannot be less than 100% of the fair market value for incentive stock options, and (iv) the duration of the option, which cannot exceed 10 years. Payment of the option exercise price is made in cash. While the Company may grant options which are exercisable at different times or within different periods, options currently are generally exercisable in full immediately, subject to certain transfer restrictions which provide the Company with the right to repurchase such stock in decreasing amounts in accordance with a three-year vesting schedule. Options are not assignable or transferable except by will or the laws of descent and distribution. An optionee may exercise his option up to three months after he ceases to be an employee. If termination is due to death or disability, the option is exercisable by the deceased employee's representative or the disabled employee for a one-year period thereafter.

#### Special Provisions for Incentive Stock Options

In February 1987, the Board of Directors adopted certain amendments to the Stock Option Plan to conform the provisions of such plan to the Tax Reform Act of 1986. The Stock Option Plan, as amended, provides that (a) no incentive stock option granted under the plan prior to January 1, 1987 may be exercised by an optionee while any incentive stock option previously granted to such optionee remains outstanding, (b) the aggregate fair market value of the Common Stock (at the date of grant) which may be made the subject of incentive stock options granted under the plan prior to January 1, 1987 to any officer or employee in any one calendar year cannot exceed the sum of \$100,000 plus any unused carry over and (c) no incentive stock option granted under the Stock Option Plan on or after January 1, 1987 can, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate fair market value (at the date of grant) of more than \$100,000.

#### Previous Grants

The following table shows as to each of the officers named in the table on page 5 above and as to all executive officers as a group, (i) the number of shares covered by options granted between April 1, 1984 and May 15, 1987, and the average price per share thereof, and (ii) the net value realized upon exercise of options during such period:

	<u>Granted</u>		<u>Exercised</u>
	Number of Shares of Common Stock	Average Per Share Exercise Price	Aggregate Net Value Realized(1)
George D. Potter, Jr . . . . .	30,000	\$ 14.63	---
David A. Boucher . . . . .	40,000	14.63	---
Steven M. Schwartz . . . . .	19,500	3.46	\$ 17,220
Harry A. George . . . . .	30,000	14.63	---
Frederick J. Egan . . . . .	7,000	3.54	5,740
All executive officers as a group (9 persons including the above) . . . . .	219,500	\$ 8.52	\$ 300,985

(1) Represents the difference between the option price and the fair market value of the shares of Common Stock acquired as of the date of exercise.



During the period from April 1, 1984 to May 15, 1987, incentive stock options for the purchase of an aggregate of 790,034 shares of Common Stock (net of cancellations and terminations) were granted to employees of the Company other than executive officers. As of May 15, 1987, an aggregate of 338,499 shares of Common Stock had been issued to employees (including executive officers and net of repurchases) upon exercise of options granted under the Stock Option Plan, and stock options to purchase an aggregate of 949,685 shares of Common Stock at an average exercise price of \$7.02 per share were outstanding and held by 383 employees (including executive officers), with expiration dates ranging from July 30, 1993 to May 15, 1997.

#### Amendment

The Board of Directors may at any time amend or revise the terms of the Stock Option Plan except that no such amendment or revision to the Stock Option Plan may be made without the approval of the holders of a majority of the Company's Common Stock, if such amendment would (a) materially increase the benefits accruing to participants under such plan, (b) materially increase the number of shares which may be issued under such plan or (c) materially modify the requirements as to eligibility for participation under such plan.

The Board of Directors believes that the proposed amendments to the Stock Option Plan are in the best interest of the Company and its stockholders and recommends a vote FOR this proposal.

#### APPROVAL OF 1987 EMPLOYEE STOCK PURCHASE PLAN

In February 1987, the Board of Directors adopted, subject to shareholder approval, the Company's 1987 Employee Stock Purchase Plan (the "Stock Purchase Plan") covering an aggregate of 200,000 shares of Common Stock (subject to adjustment for any dividend, stock split or other relevant changes in the Company's capitalization). The Company believes that the opportunity to acquire shares of its Common Stock through participation in the Stock Purchase Plan is an incentive to employees of the Company and that the Stock Purchase Plan will help the Company in attracting employees.

#### Annual Offerings; Number and Purchase Price of Shares

The Stock Purchase Plan consists of four semi-annual offerings of 50,000 shares each. The number of shares available for an offering may be increased, at the election of the Compensation Committee, by any shares which were made available, but not purchased, during an earlier offering. The first offering of the Stock Purchase Plan commenced in May 1987, subject to stockholder approval of the Stock Purchase Plan, and will terminate in October 1987. Offering periods will commence on or about each May 1 and November 1 thereafter through April 1989.

During each semi-annual offering, the maximum number of shares which may be purchased by a participating employee is determined on the first day of the offering period under a formula whereby 85% of the market value of a share of Common Stock on the first day of the offering period is divided into an amount equal to the employee's total compensation (semi-annualized). An employee may elect to have up to 10% deducted from his or her total compensation for this purpose. The price at which the employee may purchase the stock is the lower of 85% of the last reported sale price of the Common Stock on the NASDAQ National Market System on the day that the offering commences or the day that the offering terminates. If the Company receives requests from employees to purchase more than the number of shares available during any offering, the available shares will be allocated on a pro rata basis to subscribing employees.

#### Eligibility

Each employee of the Company having at least three months of continuous service as of the date an offering commences and who ordinarily works more than 20 hours per week and more than five months

per year is eligible to participate in the Stock Purchase Plan. As of May 15, 1987, approximately 331 employees were eligible to participate in the first offering under the Stock Purchase Plan.

#### Amendment and Termination

The Board of Directors of the Company may at any time amend the Stock Purchase Plan. However, no amendment shall be made without prior approval of the majority of the Company's outstanding Common Stock, if such amendment would (a) materially increase the benefits accruing to participants under such plan, (b) materially increase the number of shares which may be issued under such plan, or (c) materially modify the requirements as to eligibility for participants under such plan.

#### Administration

The Stock Purchase Plan is administered by the Board of Directors which has delegated its administration to the Compensation Committee subject to the Board's ultimate control.

#### Federal Income Tax Consequences

The Stock Purchase Plan is intended to qualify as an "employee stock purchase plan" as defined in Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company is currently seeking a revenue ruling from the Internal Revenue Service (the "IRS") with respect to the deduction of contributions from total compensation, defined as base pay plus any overtime, shift differential, incentive compensation, bonuses and other special payments. While the Company has no reason to believe that the IRS will rule unfavorably, there can be no assurance that a favorable ruling will be received. In the event that the Company does not receive a favorable ruling, the Company will terminate the Stock Purchase Plan and any options previously granted under the Stock Purchase Plan shall terminate. In such event, payroll deductions shall be returned to employees with simple interest computed upon such balance at the rate of 4% per annum.

Under a qualified "employee stock purchase plan", an employee does not have to pay any federal income tax when he or she joins the employee stock purchase plan or when an offering ends and he or she receives shares of the Company's Common Stock. The employee must, however, recognize income on the difference, if any, between the sale price and the purchase price of the shares, which shall be determined as follows: If the employee has owned the shares for more than two years from the date of grant and more than six months from the date of exercise (the "Holding Period") and the market price of the shares on the date of sale is higher than the purchase price under the Stock Purchase Plan, the employee must recognize ordinary income at an amount equal to the lesser of (a) the market price of the shares on the day the offering commenced over the price paid or (b) the excess of the amount actually received for the shares over the purchase price. Any further gain will be treated as long-term capital gain. If the employee sells the shares prior to the end of the Holding Period, he or she must recognize ordinary income on the amount of the difference between the actual purchase price and the market price of the shares on the date of purchase. The difference between the sale price and the fair market value on the date of purchase will be taxed at capital gain rates. The Company generally will not be entitled to a tax deduction upon either the purchase or sale of shares under the Stock Purchase Plan.

The Board of Directors believes that the proposed Stock Purchase Plan is in the best interest of the Company and its stockholders and recommends a vote FOR this proposal.



APPROVAL OF AMENDMENT TO  
ARTICLES OF ORGANIZATION  
REGARDING DIRECTORS' LIABILITY

On December 24, 1986 the Commonwealth of Massachusetts adopted amendments to its General Laws, based upon substantially similar amendments recently adopted in the State of Delaware, to permit Massachusetts corporations to limit the liability of directors for violations of their duty of care. The amendments authorize a Massachusetts corporation to include in its Articles of Organization provisions which, subject to certain exceptions set forth below, eliminate or limit a director's personal liability for monetary damages to the Company or its stockholders resulting from a breach of such director's fiduciary duty.

The Company believes that its continued growth and profitability depends to a large extent on its ability to attract and retain qualified directors, and to remove obstacles to the quality and stability of its governance. Accordingly, the Board of Directors, at a meeting on June 19, 1987, unanimously approved the amendment to the Articles of Organization described below and attached hereto as *Exhibit A* (the "Amendment"), and recommended that the Amendment be presented to the stockholders for their approval.

**Purpose of the Proposed Amendment**

As in Delaware, the amendments to Massachusetts law are part of a nationwide legislative response to recent changes in the market for directors' liability insurance. In recent years, directors of public companies have increasingly become subject to substantial personal liability for actions taken or omitted by them as directors, as well as to significant expenses in defending their conduct. The proliferation of these suits has in large part made it difficult to obtain directors' liability insurance. Over the past year, many insurance carriers have ceased to write directors' and officers' liability insurance policies and other insurance carriers that have remained in the business have curtailed the amount of coverage they are willing to provide and have significantly increased premiums. This unavailability or significantly increased cost of directors' liability insurance has been perceived as a threat to the quality and stability of the governance of corporations because directors became unwilling, in many instances, to serve without the protection provided by such insurance and, in other cases, became inhibited in making business decisions that would be in the best interest of the corporations.

If the proposed provision regarding the limitation of liability is adopted and implemented, the Board of Directors believes that directors' and officers' liability insurance may be more readily available at a lower cost to the Company. The Board of Directors also believes that although the Company has not yet experienced problems in attracting or retaining highly qualified directors, adoption of the proposed provision will enhance the Company's ability to attract and retain highly qualified directors. Additionally, the Board of Directors believes that to the extent that provisions similar to this amendment are adopted by most of the companies incorporated in the Commonwealth of Massachusetts, those companies without such provisions in their Articles of Organization may be at a disadvantage in procuring liability insurance for their directors or retaining and recruiting qualified directors. The Company does not currently carry directors' and officers' liability insurance.

Although the current directors of the Company could benefit from the proposed provision, and therefore may have a conflict of interest in recommending stockholder approval of this proposal, the directors' primary concern is to enhance the Company's ability to attract and retain directors in the future. There is not any currently pending or threatened litigation against any director of the Company and the Company is not aware of any such threatened litigation or proceeding or any such past litigation or proceeding.

**Description and Effect of the Proposed Amendment**

The proposed Amendment provides that a director of the Company shall not be personally liable to either the Company or its stockholders for monetary damages resulting from a breach of fiduciary duty as

a director, to the fullest extent permitted by Chapter 156B of the General Laws of Massachusetts (the "Massachusetts Business Corporation Law"). The Massachusetts Business Corporation Law prohibits the elimination or limitation of a director's liability for any of the following:

- a. Breaches of the director's duty of loyalty to the Company or its stockholders;
- b. Acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- c. Acts covered by Sections 61 or 62 of the Massachusetts Business Corporation Law (which relate generally to the liability of directors for authorizing distributions to stockholders at a time when the Company is insolvent or bankrupt and the liability of directors for approving loans to officers or directors of the Company which are not repaid and which were not approved or ratified by a majority of disinterested directors or stockholders); and
- d. Transactions from which the director derived an improper personal benefit.

The proposed Amendment would preclude actions for monetary damages against directors of the Company only with respect to violations of a director's duty of care. A director's duty of care is his duty to act with such care as an ordinarily prudent person in a like position would use under similar circumstances. Under the Amendment, directors would not be personally liable to the Company or its stockholders for monetary damages arising from a breach of the duty of care occasioned by a director's failure to exercise sufficient care in reaching decisions or otherwise attending to a director's responsibilities. Thus, a director will generally no longer be liable to stockholders for monetary damages for negligence or gross negligence in exercising his business judgment, including the exercise of judgment with respect to acquisition proposals for the Company. If the Amendment is approved, a stockholder will be able to prosecute an action against a director for monetary damages only if he can show a breach of the duty of loyalty, a failure to act in good faith, intentional misconduct, a knowing violation of law, an improper personal benefit or an illegal dividend or stock repurchase.

The Amendment would not affect the ability of the Company or its stockholders to seek equitable remedies, such as an injunction or rescission, against a director for breach of his fiduciary duty and would not limit the liability of directors under other laws such as the federal securities laws. In addition, the Amendment would not limit the liability of officers or employees of the Company or of any director acting in his capacity as an officer or employee of the Company, and would not affect the liability of a director for acts or omissions that occurred prior to the effectiveness of the Amendment. Also, the duty of loyalty imposed on directors would not be affected by the Amendment. The duty of loyalty generally requires that a director act in good faith and in a manner he reasonably believes to be in the best interest of the Company, rather than in his own interest or in the interest of others.

The proposed limitations on the personal liability of a director to the Company and its stockholders for monetary damages for violation of his fiduciary duty extends only so far as is legally permitted under the Massachusetts Business Corporation Law. Because the amendment to the Massachusetts Business Corporation Law permitting such limitation has only recently been enacted, there have not been any judicial interpretations as to its precise scope or validity. If the courts or the Massachusetts legislature narrow or expand the coverage of the relevant provisions of the Massachusetts Business Corporation Law, under the terms of the Articles of Organization, this limitation on liability will likewise be narrowed or expanded without any further stockholder action.

The Board of Directors believes that the proposed Amendment is in the best interest of the stockholders and the Company and that it will, in combination with the indemnification provisions previously adopted, help to maintain the Company's ability to attract and retain individuals to serve as directors of the Company and to allow such individuals to exercise their independent business judgment on behalf of the Company. The Amendment, however, limits the remedies available to stockholders dissatisfied with a Board decision which is protected by the provision. A dissatisfied stockholder's only remedy in such a



circumstance is to seek the equitable remedy of rescission or injunction, which may not, in all circumstances, be an adequate remedy. The Board of Directors, however, believes that the diligence exercised by directors stems primarily from their desire to act in the best interest of the Company and not from a fear of monetary damage awards. Consequently, the Board believes that the level of scrutiny and care exercised by directors will not be lessened by the adoption of the Amendment.

The Board of Directors recommends a vote FOR the Amendment.

#### AMENDMENTS CONCERNING THE CLASSIFICATION OF THE BOARD OF DIRECTORS AND RELATED MATTERS

This group of proposals would (a) amend the Articles of Organization of the Company to (i) classify the Board of Directors into three classes, each of which will serve for three years, with one class being elected each year; (ii) provide that directors may be removed only with approval of holders of at least 80% of the voting power of the Company entitled to vote generally in the election of directors; (iii) provide that any vacancy on the Board shall be filled by a majority of the directors then in office, even though less than a quorum, and (iv) increase the stockholder vote required to alter, amend or repeal the foregoing provisions, or related provisions of the Articles of Organization or By-laws, from the two-thirds currently required to 80% of the voting power of the Company; and (b) amend the By-laws of the Company to provide that advance notice shall be given by stockholders proposing to introduce business at a meeting of stockholders and to provide for the appointments of judges of election.

The Board also has approved conforming amendments to the By-laws of the Company relating to number, election, classification and removal of directors and the filling of vacancies which will become effective upon the effectiveness of the proposed amendments to the Articles of Organization. The full text of the proposed amendments to the Articles of Organization, and the proposed amendments to the By-laws (other than conforming amendments), are attached to this Proxy Statement as *Exhibit B*, and stockholders are urged to review carefully the text of such amendments. Minor adjustments may be made to the language proposed in *Exhibit B* (and the other exhibits to this Proxy Statement) if required by Secretary of State of the Commonwealth of Massachusetts. The Company plans to file Amended and Restated Articles of Organization to reflect the amendments, if any, adopted by the stockholders at their Special Meeting. Stockholders should also read the section appearing later in this Proxy Statement captioned "Fair Price Amendment", which describes a separate proposed amendment to the Articles of Organization and which may have a significant effect on the ability of stockholders of the Company to benefit from certain transactions if opposed by the incumbent Board of Directors.

These proposed amendments relating to the classification of the Board, the removal of directors, the filling of vacancies in the Board, the manner of bringing business before a meeting and the appointment of judges of election are being presented to stockholders of the Company for their approval as a single proposal. As discussed more fully below, the Board of Directors believes that the proposed amendments, taken together, would, if adopted, enhance the likelihood of continuity and stability in the composition of the Company's Board of Directors and in the policies formulated by the Board and, at the same time, effectively reduce the possibility that a third party could effect a sudden change in majority control of the Company's Board of Directors without the support of the incumbent Board. However, adoption of the proposed amendments may have significant effects on the ability of stockholders of the Company to change the composition of the incumbent Board of Directors and to benefit from certain transactions which are opposed by the incumbent Board.

#### Description of the Proposed Amendments

*Classification of the Board of Directors.* The By-laws of the Company currently provide that all directors are to be elected to the Company's Board of Directors annually for a term of one year. The proposed amendment to Article 6 of the Articles of Organization provides that the Board shall be divided

into three classes of directors, each class to be as nearly equal in number of directors as possible. If the proposed amendments are adopted, the Company's directors will be divided into three classes and initially, two directors will be elected for a three-year term expiring at the 1990 Annual Meeting of Stockholders, two directors will be elected for a two-year term expiring at the 1989 Annual Meeting of Stockholders and the remaining two directors will be elected for a one-year term expiring at the 1988 Annual Meeting of Stockholders (in each case, until their respective successors are duly elected and qualified). Starting with the 1988 Annual Meeting of Stockholders, one class of directors will be elected each year for a three-year term. In the event of any increase or decrease in the authorized number of directors, the Board of Directors shall apportion the newly created or eliminated directorships resulting from such increase or decrease to ensure that no one class has more than one director more than any other class. For information regarding the current nominees for election at the 1987 Special Meeting in Lieu of an Annual Meeting of Stockholders and the terms for which each of them will initially serve if the proposed amendments are adopted, see "Election of Directors." If the proposed provisions are not adopted, all directors elected at the 1987 Annual Meeting of Stockholders will be elected for a term expiring at the 1988 Annual Meeting of Stockholders and until their successors are duly elected and qualified under the Company's present By-laws.

The classification provisions, by staggering the terms of classes of directors, will have the effect of lengthening the time necessary to change the composition of the Board of Directors. At least two stockholder meetings, instead of one, will be required to effect a change in the majority control of the Board, except in the event of vacancies resulting from removal or other reasons (in which case the remaining directors are authorized to fill the vacancies so created). Although there has been no problem in the past with the continuity or stability of the Board of Directors, the Board believes that the longer time required to elect a majority of the classified Board will help to assure the continuity and stability of the Company's affairs and policies in the future, as a majority of the directors at any given time will have prior experience as directors of the Company.

These classification provisions will apply to every election of directors, whether or not a change in the Board might arguably be beneficial to the Company and its stockholders and whether or not a majority of the Company's stockholders believes that such a change might be desirable.

*Removal of Directors; Filling Vacancies on the Board of Directors; Size of the Board.* The proposed amendments to Article 6 of the Articles of Organization provide that a director, or the entire Board of Directors, may be removed only by the affirmative vote of the holders of at least 80% of the shares entitled to vote generally in the election of directors. The By-laws currently provide that a director may be removed with or without cause by vote of a majority of the outstanding shares of stock of the Company entitled to vote. Directors elected by a particular class of stockholders may be removed from office with or without cause only by a vote of a majority of the shares of such class. Directors may be removed from office for cause by a vote of a majority of Directors, after reasonable notice and an opportunity to be heard.

The By-laws also currently provide that a vacancy on the Board may be filled by the majority of the remaining Directors present at any meeting of directors at which a quorum is present, unless and until filled by the stockholders. The proposed amendments to Article 6 of the Articles of Organization provide that a vacancy on the Board occurring during the course of the year, including a vacancy resulting from any increase in the number of directors, may be filled only by vote of at least a majority of the directors then in office, although less than a quorum. This provision would not permit stockholders to fill vacancies in the Board, including vacancies resulting from removal of directors. In addition, the proposed amendments to Article 6 of the Articles of Organization provide that any new director elected to fill a vacancy on the Board will serve for the remainder of the full term of the class in which the vacancy occurred rather than (as is presently the case) until the next annual meeting of stockholders. They also provide that no decrease in the number of directors shall shorten the term of any incumbent. Conforming amendments to the provisions of the By-laws will be made if the proposed provisions of the Articles of Organization relating to the election and removal of directors are adopted.



These proposed provisions relating to the removal of directors and the filling of vacancies on the Board preclude a third party from removing incumbent directors without an 80% stockholder vote and simultaneously gaining control of the Board by filling the vacancies created by such removal with its own nominees. These provisions will also reduce the power of stockholders, even those with a majority but less than 80% of the voting power, to remove incumbent directors. Under the proposed provisions, stockholders will have the power to remove directors only with an 80% stockholder vote, and a majority of the remaining directors may elect a successor to fill the vacancies created by such removal.

With respect to the number of directors on the Board and the manner for determining such number, the By-laws currently provide that the Board of Directors shall be composed of not less than three persons, except when there are less than three stockholders, and that the number of directors shall be fixed by the stockholders. The proposed amendments would provide that (a) the Board of Directors shall consist of not less than three nor more than 13 members and (b) the exact number of directors within the minimum and maximum limitations shall be fixed by the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office. The shareholders have currently fixed the number of directors at seven. The requirement that only a majority of the directors can fix the number of directors within the minimum and maximum limitations (together with the provision discussed above that newly created directorships may be filled only by the Board) would prevent a third party seeking majority representation on the Board of Directors from obtaining such representation simply by enlarging the Board and filling the new directorships created thereby with its own nominees.

*Procedures for Introducing Business at Stockholder Meetings; Judges of Election.* In order to ensure that the Company has adequate notice of any matters to be brought before annual or special meetings of stockholders, the proposed amendments would add a provision requiring that all business to be considered and acted upon at a meeting of stockholders shall either be (a) specified in the written notice of the meeting delivered to stockholders at the direction of the Board, (b) brought before the meeting at the direction of the Board or the Chairman of the Company, or (c) specified in a written notice delivered to the Clerk of the Company (i) in the case of a special meeting, not more than 10 days after the date of the initial notice of such meeting or (ii) in the case of an annual meeting, not less than 30 days prior to the first anniversary date of the notice of the previous year's annual meeting.

The proposed amendments provide that the notice to the Company shall set forth certain information concerning director nominee(s) proposed by a stockholder, including such information as would be required to be included in a proxy statement soliciting proxies for the election of the nominee(s) and the consent of each nominee to serve as a director of the Company if so elected. The advance notice requirement regulating stockholder nominations at any meeting of stockholders affords the Board of Directors the opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board, inform stockholders about such qualifications. Although the proposed provision does not give the Board of Directors any power to approve or disapprove any stockholder nominations for election of directors, it may have the effect of precluding a contest for the election of directors if the procedures established by it are not followed. It may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors, whether this might be harmful or beneficial to the Company and its stockholders.

The proposed amendments also provide that a notice with respect to matters other than director nomination shall contain specified information relating to the proposal. This advance notice requirement enables the Board of Directors to consider the merits of stockholder proposals and, if deemed necessary or desirable by the Board, to inform stockholders as to its position on any such proposals. Although the provision does not enable the Board to prevent the introduction of stockholder proposals, it may have the effect of precluding the introduction of a stockholder proposal if the procedures are not followed or it may discourage a stockholder from introducing a proposal, without regard to whether this might be harmful or beneficial to the Company and its stockholders.

The proposed amendments also provide for the appointment by the Board of Directors of judges of election to act at stockholder meetings. Such judges of election shall number either one or three, as

determined by the Board, and shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, and shall hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes.

*Vote Required to Amend or Repeal.* The proposed amendments to Article 6 include a provision that any repeal or further amendment to the provisions relating to classification of the Board, the removal of directors, the filling of vacancies and the size of the Board will require the affirmative vote of the holders of at least 80% of the voting power of the Company entitled to vote to elect directors, unless such amendment, repeal or adoption was previously approved by the Board of Directors and by each disinterested director, in which case, an affirmative vote of only the holders of a majority of the voting power of the Company entitled to vote to elect directors shall be required. In addition, under the proposed Amendment, none of the By-law provisions requiring an 80% vote may be amended or repealed, unless such amendment, repeal or adoption was previously approved by the Board of Directors and by each disinterested director, in which case, an affirmative vote of only the holders of a majority of the voting power of the Company entitled to vote to elect directors shall be required.

*Participation at Previous Stockholders' Meetings.* At the Company's Special Meeting in Lieu of Annual Meeting held on September 29, 1986, the first stockholders' meeting held since the Company became subject to the proxy solicitation rules contained in the Securities Exchange Act of 1934, there were present in person or represented by proxy the holders of 59% of the Company's outstanding stock. At the Company's 1984 and 1985 Annual Meetings, there were present in person or represented by proxy the holders of 79% and 86%, respectively, of the Company's outstanding stock. At Special Meetings of Stockholders held in 1984 and 1985 there were present in person or represented by proxy the holders of 80% and 90%, respectively, of the Company's outstanding stock.

#### Purposes and Effects of the Proposed Provisions

The purpose of the proposed amendments to the Articles of Organization and By-laws concerning classification of the Board and the related matters discussed in this section of the Proxy Statement is to discourage certain types of transactions, described below, which involve an actual or threatened change of control of the Company. They are designed to make it more difficult and time consuming to change majority control of the Board and thus to reduce the vulnerability of the Company to an unsolicited proposal for the takeover of the Company that does not contemplate the acquisition of at least 80% of the outstanding stock, or an unsolicited proposal for the restructuring or sale of all or part of the Company. As more fully described below, the Board believes that, as a general rule, such unsolicited takeover proposals are not in the best interest of the Company and its stockholders.

There has been a recent trend toward the accumulation of substantial stock positions in public companies by third parties as a prelude to proposing a takeover or restructuring or sale of all or part of the company or other similar extraordinary corporate action. Such actions are often undertaken by the third party without advance notice to or consultation with management of the company. In many cases, the purchaser seeks representation on the company's board of directors in order to increase the likelihood that its proposal will be implemented by the company. If the company resists such efforts to obtain representation on its board, the purchaser may commence a proxy contest to have its nominees elected to the board in place of certain directors, or the entire board. In some cases, the purchaser may not truly be interested in taking over the company, but uses the threat of a proxy fight and/or a takeover bid as a means of obtaining for itself a special benefit which might not be available to all of the company's stockholders, such as forcing the company to repurchase its equity position at a substantial premium over market price.

The Board of Directors of the Company believes that in such situations the imminent threat of removal of the Company's management would severely curtail management's ability to negotiate effectively with such purchasers. Management would be deprived of the time and information necessary to



evaluate the takeover proposal, to study alternative proposals and to help ensure that the best result is obtained in any transaction that may ultimately be undertaken involving the Company.

Takeovers or changes in management of the Company which are proposed and effected without prior consultation and negotiation with the Company's management are not necessarily detrimental to the Company and its stockholders. In addition, the Board of Directors has no knowledge of any present effort to gain control of the Company or to organize a proxy contest. However, particularly in view of the current environment of increasing stock accumulations and proxy contests facing public companies, the Board believes that it is prudent and in the best interest of stockholders generally to provide the greater assurance of continuity of the Board's composition and policies which would result from adoption of the proposed provisions. The Board believes such advantages outweigh any disadvantages relating to preserving incumbent management in office or possibly discouraging potential acquirers from making an effort to obtain control of the Company.

The proposed provisions will make more difficult or discourage a proxy contest or the assumption of control by a holder of a substantial block of the Company's stock or the removal of the incumbent Board and could thus increase the likelihood that incumbent directors will retain their positions. In addition, since the proposed Fair Price Amendment discussed below provides that certain business combinations involving the Company and any 10% stockholder which do not meet specified criteria and are not approved by an 80% stockholder vote cannot be consummated without the approval of the Board of Directors and each of those directors who are neither affiliated with nor representatives of such 10% stockholder, the proposed provisions described above could give incumbent management the power to prevent certain takeovers under the Fair Price Amendment. The Fair Price Amendment may also, in conjunction with the proposed provisions discussed in this section of the Proxy Statement, discourage attempts to effect a "two-step" acquisition in which a third party purchases a controlling interest in cash and acquires the balance of the outstanding stock for a lesser or less desirable consideration. Under the classified Board and related provisions, the third party would not immediately obtain the ability to control the Board through its first-step acquisition and, under the Fair Price Amendment, having made the first-step acquisition, the third party could not acquire the balance of the outstanding stock for a lower price without an 80% stockholder vote or the approval of a majority of such unaffiliated directors.

The Board of Directors believes that the proposed provisions are in the best interest of the Company and its stockholders and recommends a vote FOR this proposal.

#### AMENDMENT CONCERNING FAIR PRICE PROVISION

On June 19, 1987, the Board of Directors adopted, subject to stockholder approval, certain "fair price provisions" (the "Fair Price Amendment") which provide that certain Business Combinations (as defined below) involving the Company and any Interested Stockholder (as defined below) may not be consummated without an 80% stockholder vote, unless approved by the Board of Directors and a majority of the Disinterested Directors (as defined below) or certain minimum price and procedural requirements are met. Stockholders are urged to review carefully the text of the Fair Price Amendment, which is attached to this Proxy Statement as *Exhibit C*.

Under Massachusetts law, certain corporate actions, including mergers and the sale of all or substantially all of a corporation's assets, require the approval of the holders of two thirds of the outstanding stock entitled to vote. Massachusetts law also permits provisions in the Articles of Organization which require either a greater or lesser vote than the vote otherwise required by law for such corporate actions. Currently, the Articles of Organization of the Company provide that such corporate actions require the affirmative vote of the holders of two-thirds of all outstanding shares entitled to vote. The Fair Price Amendment provides that the necessary vote shall be lowered from two-thirds to a majority of stockholders for such corporate actions which do not trigger or which satisfy the Fair Price Amendment.

#### Background

Corporate takeovers frequently involve an initial payment of cash to acquire a controlling equity interest in a company followed by the acquisition of the remaining equity interest at a lower price per share or for a less desirable form of consideration, such as securities of the purchaser that do not have an established trading market at the time of issue. Such approaches tend to cause concern on the part of stockholders that if they do not act promptly to take advantage of the initial tender offer during the period of 20 days or more for which it must remain open under applicable law, they risk either being relegated to the status of minority stockholders in a controlled company or being forced to accept a lower price or less favorable consideration for all of their shares in a second-step merger or similar transaction. Therefore, such a structure pressures stockholders into selling as many of their shares as possible either to the purchaser or in the open market -- without having the opportunity to make a free and unpressured investment choice between remaining stockholders of the company or disposing of their shares. These sales facilitate the purchaser's acquisition of a controlling interest in the company, at which point the purchaser is able to force the exchange of the remaining shares for a lower price or a possibly less desirable form of consideration in a merger or other business combination.

The Board believes that the Fair Price Amendment will help prevent the utilization of such tactics and will help assure that all holders of the Company's voting stock will be treated similarly if a Business Combination is effected. By lowering the vote required for certain corporate actions, other than Business Combinations, the Fair Price Amendment will help facilitate such transactions.

The Fair Price Amendment will not, however, prevent a stockholder who owns (or can obtain the affirmative votes of) at least 80% of the Company's voting stock from effecting a Business Combination involving the Company in which the equity interest of the minority stockholders is eliminated. The Fair Price Amendment nevertheless may make it more difficult to accomplish certain transactions which arguably may benefit stockholders but are opposed by the incumbent directors.

#### Description of the Fair Price Amendment

**80% Vote Required for Certain Business Combinations.** At present, under Massachusetts law, mergers, consolidations, sales of all or substantially all of the assets of the Company, the adoption of a plan of dissolution, and recapitalizations of the Company involving amendments to the Articles of Organization of the Company, generally must be approved by a vote of the holders of two-thirds of the shares entitled to vote on such matters.

The Fair Price Amendment would require that the holders of at least 80% of the outstanding Voting Stock of the Company (as defined in the Fair Price Amendment) (an "80% Stockholder Vote") approve any Business Combination with any Interested Stockholder, except in cases in which either (i) the transaction is approved by the Board of Directors or a majority of the Disinterested Directors or (ii) certain minimum price requirements and procedural requirements are satisfied. In the event the minimum price criteria and procedural requirements are met or the requisite approval of the Board of Directors and the Disinterested Directors is given with respect to a particular Business Combination, only a vote of a majority of the holders of the outstanding shares would be required, thereby providing greater flexibility for the Company and its stockholders. For information regarding stockholder participation at prior stockholders' meetings, see "Amendments Concerning the Classification of the Board of Directors and Related Matters--Participation at Previous Stockholders' Meetings."

An "Interested Stockholder" is defined as anyone who is, or was within the past two years, the beneficial owner of at least 10% of the voting stock of the Company or who is an "affiliate" or "associate" (as defined) of any such person, or who is a member of a group which is, or was within the past two years, the beneficial owner of at least 10% of the Voting Stock.

A "Disinterested Director" with regard to a Business Combination is defined as any member of the Board of Directors of the Company who is not an Interested Stockholder, who is not an affiliate of



associate of an Interested Stockholder involved in the Business Combination, and who was a director before the Interested Stockholder became an Interested Stockholder, and any subsequently selected member of the Board who is not an Interested Stockholder, who is not an affiliate or associate of the Interested Stockholder, and who is nominated or selected as a director by a majority of the Disinterested Directors on the Board at the time of his nomination or selection.

A "Business Combination" includes the following transactions:

(i) a merger or consolidation of the Company or any subsidiary with an Interested Stockholder or any other corporation which is, or after such merger or consolidation would be, an affiliate of an Interested Stockholder; (ii) the sale or other disposition by the Company or a subsidiary of assets having a value equal to 10% or more of the Company's total assets if an Interested Stockholder or any affiliate thereof is a party to the transaction; (iii) the issuance of stock or other securities by the Company or any subsidiary to any Interested Stockholder or any affiliate thereof in exchange for consideration worth 10% or more of the total assets of the Company; (iv) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of an Interested Stockholder or any affiliate thereof (v) any reclassification of securities, recapitalization or other transaction which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Company or any subsidiary which is owned by any Interested Stockholder or any affiliate thereof; and (vi) any agreement or other arrangement with an Interested Stockholder providing for any one or more of the actions specified in clauses (i) to (v) above.

*Exceptions to 80% Stockholder Vote Requirements.* An 80% Stockholder Vote would not be required for a Business Combination that has been approved by the Board of Directors and by each Disinterested Director or which satisfies all of the minimum price requirements and procedural requirements described below. In such cases, only the vote of a majority of the holders of the outstanding shares would be required.

(a) *Minimum Price Requirements.* In a Business Combination involving cash or other consideration being paid to the Company's stockholders, the consideration would be required to be paid either in cash or the same type of consideration used by the Interested Stockholder in acquiring the largest portion of its Voting Stock prior to the first public announcement of the terms of the proposed Business Combination (the "Announcement Date").

In case of payments to holders of the Company's Common Stock, the per share fair market value of such payments would have to be at least equal to the value of the highest of (i) the highest per share price paid by the Interested Stockholder in acquiring any shares of Common Stock during the two years prior to the Announcement Date (although not an Interested Stockholder at the time of any such acquisition) or in the transaction in which it became an Interested Stockholder, whichever is higher, (ii) the fair market value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher or (iii) the price representing a premium over the fair market value of a share of Common Stock on the Announcement Date equivalent to the highest premium over the fair market value of a share of Common Stock on the Determination Date (based on the market average during the preceding 90 days) that was paid by the Interested Stockholder in acquiring any shares of Common Stock in the two-year period prior to the Announcement Date. If the Interested Stockholder did not purchase any shares of Common Stock during the two-year period prior to the Announcement Date, the required price would be the fair market value of the shares, as determined under clause (ii) above.

For example, if the acquisition by an Interested Stockholder of Common Stock of the Company was by cash purchases in open market transactions and the highest price paid per share of Common Stock during the previous two years was \$30, and assuming that the fair market values per share of Common Stock on the Determination Date and on the Announcement Date were \$25 and \$35, respectively, the amount required to be paid to the holders of Common Stock would be \$42 per share in cash, representing a premium over the \$35 fair market value on the Announcement Date equal to the 20% premium repre-

senting the highest price which the Interested Stockholder paid for his shares (\$30) over the fair market value per share on the Determination Date (\$25).

In addition to the right to receive payment for their shares in cash if the Interested Stockholder purchased the largest portion of the shares of Common Stock of the Company it owns for cash, under the Fair Price Amendment the fair market value of any non-cash consideration to be received by holders of shares of Common Stock in the Business Combination must be determined as of the date of consummation of the Business Combination. Where the definitive terms of such non-cash consideration are established in advance of such date of consummation, intervening adverse developments in the economy, the market generally, the financial condition or business of the Interested Stockholder, or otherwise, could result in a decline in the originally anticipated fair market value of such consideration. In that event, on the date scheduled for consummation of the Business Combination, even though it had not previously been considered as requiring an 80% Stockholder Vote or approval by the Board of Directors and a majority of the Disinterested Directors (because it satisfied the procedural requirements and was expected to satisfy the minimum price requirements), the Business Combination could not be consummated since such vote or approval would then be required (in addition to any lesser vote required) because the Business Combination did not, in fact, meet the above price requirements on such date. An Interested Stockholder could avoid such a situation, however, by establishing, in advance, terms for the Business Combination whereby the non-cash consideration would be determined by reference to its fair market value on the date of consummation. The Fair Price Amendment uses the date of consummation as the date for determining the fair market value of any non-cash consideration to be paid in a Business Combination in order to assure that the Interested Stockholder, and not the other stockholders, would bear the risk of a decline in the value of such consideration prior to the receipt of such consideration by the other stockholders.

(b) *Procedural Requirements.* Under the Fair Price Amendment unless the Business Combination is approved by the Board of Directors and each of the Disinterested Directors, the Business Combination would require approval by an 80% Stockholder Vote, even if it satisfied the minimum price requirements, in each of the situations discussed below:

(i) If the Company, after the Interested Stockholder became an Interested Stockholder, fails to pay any required dividends on any of its outstanding shares of Preferred Stock or reduces the rate of dividends last paid on its Common Stock, unless such failure or reduction is approved by each of the Disinterested Directors. This provision is designed to prevent an Interested Stockholder from attempting to depress the market price of the Company's stock prior to proposing a Business Combination by failing to pay or reducing dividends.

(ii) If the Interested Stockholder receives at any time after it becomes an Interested Stockholder the benefit of any loans or other financial assistance or tax advantages provided by its equity position in the Company, other than proportionally as a stockholder. This provision is intended to deter an Interested Stockholder from self-dealing.

(iii) If the Interested Stockholder, at any time after it becomes an Interested Stockholder, fails to mail a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 to all stockholders at least 30 days prior to the consummation of a Business Combination, whether or not such proxy or information statement is required by law. This provision is intended to assure that the Company's stockholders would be fully informed of the terms and conditions of the proposed Business Combination.

(iv) If the Interested Stockholder makes (made) any major change in the Company's business or equity capital structure without the approval of each of the Disinterested Directors. This provision is designed to prevent an Interested Stockholder from changing the Company's business in order to facilitate its own planned acquisition of the Company.

(v) If the Interested Stockholder acquired any additional shares of voting stock of the Company, directly from the Company or otherwise, in any transaction subsequent to the transaction in which it



became an Interested stockholder. This provision is intended to prevent an Interested Stockholder from purchasing additional shares of voting stock at prices which are lower than those set by the minimum price criteria of the Fair Price Amendment.

The Fair Price Amendment also includes additional provisions designed to effectuate its purposes. Neither the minimum price requirements nor the procedural requirements described above would apply in the event of a Business Combination approved by a majority of the Disinterested Directors. In such event, only a majority of the Stockholders would be required to approve such a Business Combination. In the absence of such approval, both the minimum price and the procedural requirements would have to be satisfied to avoid the 80% Stockholder Vote requirement.

*80% Stockholder Vote Required to Amend.* The Fair Price Amendment would require an 80% Stockholder Vote in order to amend, alter or repeal the Fair Price Amendment unless the amendment, alteration or repeal has been approved by the Board of Directors and each of the Disinterested Directors. The proposed 80% Stockholder Vote would be in addition to any separate class vote which might in the future be accorded by the Board to any series of Preferred Stock that might be outstanding at the time any such change is submitted to stockholders. For information regarding stockholder participation at prior stockholders' meetings, see "Amendments Concerning the Classification of the Board of Directors and Related Matters-Participation at Previous Stockholders' Meetings."

#### Purposes and Effects of the Fair Price Amendment

The Fair Price Amendment is designed to prevent a purchaser from utilizing two-tier pricing and similar tactics in an attempted takeover of the Company. Federal and state securities laws regulations govern the disclosure required to be made to minority stockholders in such transactions but do not assure the fairness to stockholders of the terms of the Business Combination. Massachusetts law, for example, does not impose a requirement that the amount offered to other stockholders in such a transaction be comparable to that paid by the Interested Stockholder in acquiring his shares. While stockholders of a Massachusetts corporation, such as the Company, have a statutory right to dissent in connection with certain Business Combinations and receive the fair value of their shares in cash as determined by a court, the exercise of such right may involve significant expense, delay and uncertainty and dissenting stockholders have no assurance that "fair value" as determined in such a proceeding would be equivalent to the price required under the minimum price requirements of the Fair Price Amendment. Furthermore, in the case of many Business Combinations, including sales of assets not constituting all or substantially all of a company's assets and reclassifications or recapitalizations of the outstanding shares of a company's stock, the statutory right to dissent and receive fair value may not be available to the stockholder at all.

The Fair Price Amendment is intended to cover partially these gaps in federal and state law and to prevent certain of the potential inequities of those Business Combinations that involve two or more steps by requiring, as a prerequisite to completion of a Business Combination, that is not approved by the Board of Directors and a majority of the Disinterested Directors, that the Interested Stockholder must either acquire (or assure itself of obtaining the affirmative votes of) at least 80% of the voting stock prior to the Business Combination or be prepared to meet both the minimum price requirements and procedural requirements. The Fair Price Amendment is also designed to protect those stockholders who have not tendered or otherwise sold their shares to a purchaser who is attempting to acquire control, and becomes an Interested Stockholder, by assuring that at least as favorable a price and form of consideration are paid to such stockholders in any Business Combination with such Interested Stockholder during the following two years as were paid to stockholders in the initial step of the acquisition.

The Board believes that, to the extent a Business Combination is involved as part of a plan to acquire control of the Company, adoption of the Fair Price Amendment would increase the likelihood that an acquirer would negotiate directly with the Board. The Board believes that it is normally in a better position than the individual stockholders of the Company to negotiate effectively on behalf of all stockholders in that the Board is likely to be more knowledgeable than any individual stockholder in assessing the business

and prospects of the Company. Accordingly, the Board believes that negotiations between the Board and any potential purchaser would increase the likelihood that stockholders would receive a higher price for their shares from anyone desiring to obtain control of the Company through a Business Combination or otherwise.

The Fair Price Amendment is not designed to prevent or discourage all tender offers for control of the Company. It does not impede an offer for at least 80% of the stock of the Company in which each stockholder receives substantially the same price per share as every other stockholder or which the Disinterested Directors have approved. Moreover, the Fair Price Provision does not preclude an offer or from making a tender offer for some of the shares of the Company stock without proposing a business combination in which the remaining shares are purchased. Except for the restrictions on Business Combinations, the Fair Price Amendment will not prevent a holder of a controlling interest of the Common Stock from exercising control over the Company or increasing its interest in the Company. The holder of a controlling interest could increase its ownership to 80% and satisfy the requirements of the Fair Price Amendment. However, the proposed provisions relating to the creation of a classified Board of Directors would, as indicated above, limit a majority stockholder's ability to exercise control in several respects.

The Fair Price Amendment provides additional flexibility to the Company by lowering the required stockholder vote to a majority to effectuate Business Combinations which do not trigger the provisions of the Fair Price Amendment and therefore do not raise concerns regarding two-tier pricing and potential and inequitable treatment of stockholders. Furthermore, the Fair Price Amendment provides additional flexibility to the Company and its stockholders by lowering the required stockholder vote to effectuate Business Combinations which have been approved by a majority of the Disinterested Directors.

Although the Fair Price Amendment is designed to help assure fair treatment of all stockholders vis-a-vis other stockholders in the event of a takeover, its purpose is not to assure that stockholders will receive a premium price for their shares in a takeover. Accordingly, adoption of the Fair Price Amendment would not preclude the Board's opposition to any future takeover proposal which it believes not to be in the best interest of the Company and its stockholders, whether or not such a proposal satisfied the minimum price criteria and procedural requirements of the Fair Price Amendment.

#### Possible Disadvantages of Proposed Provisions

Tender offers or other non-open market acquisitions of stock are usually made at prices above the prevailing market price of a company's stock. In addition, acquisitions of stock by persons attempting to acquire control through market purchases may cause the market price of the stock to reach levels that are higher than would otherwise be the case. The Fair Price Amendment may discourage such purchases and may therefore deprive some holders of the Company's stock of an opportunity to sell their shares at a temporarily higher market price. Because of the higher percentage requirements for stockholder approval of any subsequent Business Combination and the possibility of having to pay a higher price to other stockholders in such a Business Combination, it may become more costly for a purchaser to acquire control of the Company if the Fair Price Amendment is adopted. The Fair Price Amendment may therefore decrease the likelihood that an offer will be made for less than 80% of the voting stock and, as a result, may adversely affect those stockholders who would desire to participate in such an offer. A potential purchaser of stock seeking to obtain control may also be discouraged from purchasing stock because an 80% Stockholder Vote would be required in order to change or eliminate these provisions. It should be noted that the provisions of the Fair Price Amendment would not necessarily discourage persons who might be willing to seek control by acquiring 80% of the voting stock without intending to acquire the remaining 20% minority. However, such transactions are rare.

In certain cases, the Fair Price Amendments minimum price provisions, while providing objective pricing criteria, could be arbitrary and not indicative of value. In addition, an Interested Stockholder may be unable, as a practical matter, to comply with all of the procedural requirements of the Fair Price Amendment. In these cases, unless an 80% Stockholder Vote is obtained, the potential purchaser would be forced to negotiate with the Board or abandon the proposed Business Combination.



Another effect of adoption of the Fair Price Amendment would be to give veto power to the holders of a minority of the voting power of the Company's Common Stock with respect to a Business Combination which is opposed by the Board but which the holders of a majority of the stock (but less than 80%) may believe to be desirable and beneficial. In addition, since the approval of the Disinterested Directors will be necessary to reduce or eliminate the 80% Stockholder Vote required for Business Combinations, the Fair Price Amendment may have the effect of insulating current management against the possibility of removal in the event of a takeover bid. Conversely, if an Interested Stockholder were to have replaced all the directors who were in office on the date it became an Interested Stockholder with nominees of its choice (which it cannot be assured of accomplishing until at least two stockholder meetings have been held), there would be no Disinterested Directors and consequently the 80% Stockholder Vote requirement would apply to any Business Combination consummated subsequent to such replacement unless all of the minimum price and procedural requirements were met.

#### Other Considerations

Information as to the beneficial ownership of the outstanding shares of Common Stock of the Company by members of the Board of Directors and officers of the Company and its principal stockholders is described elsewhere in this Proxy Statement under the captions "Principal Stockholders" and "Election of Directors." Except as described in such sections, management of the Company is not aware of any other stockholder or group of stockholders owning more than 5% of the Common Stock of the Company or intending to effect large accumulations of its Common Stock. Further, the Company is not involved in, or aware of, and does not currently anticipate any acquisition or disposition of, a material amount of its assets or securities, including any transaction which would bring into effect the proposed Fair Price Amendment. Accordingly, the proposals regarding the classification of the Board and the Fair Price Amendment presented herein are not the result of management's knowledge of any specific efforts to accumulate Common Stock or obtain control of the Company by means of a merger, tender offer, proxy solicitation in opposition to management or otherwise.

The Company's Articles of Organization currently authorize the Board of Directors to issue up to 20,000,000 shares of Common Stock and 5,000,000 shares of Series Preferred Stock. Shares of Common Stock and shares of Series Preferred Stock may be issued without stockholder approval, and the Board of Directors has the authority to determine, subject to the provisions of Massachusetts law, the designations, preferences and rights of such Series Preferred Stock. Although the Board presently has no intention of doing so, these shares could, within the limits imposed by applicable law, be issued to a holder that would thereby have sufficient voting power to assure that any proposal to consummate a Business Combination, or any alteration, amendment or repeal of the provisions that would be added by the provisions proposed in this Proxy Statement, would not receive the required stockholder vote. Accordingly, the Board of Directors would have the power to issue additional shares which could make it more difficult to replace incumbent directors and to accomplish certain Business Combinations opposed by the incumbent Board of Directors.

The Board of Directors has no present intention to adopt, or to propose to stockholders for adoption, any other provision amending the Articles of Organization or By-laws of the Company which could be viewed as having an anti-takeover affect.

The Board of Directors believes that the Fair Price Amendment is in the best interest of the Company and its stockholders and recommends a vote FOR the Fair Price Amendment.

#### RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

Subject to ratification by the stockholders, the Board of Directors, on the recommendation of the Audit Committee, has selected the firm of Ernst & Whinney as the Company's independent auditors for the current fiscal year. Ernst & Whinney has served as the Company's independent auditors since the Company's inception in 1981.

Representatives of Ernst & Whinney are expected to be present at the Special Meeting in Lieu of an Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

#### OTHER MATTERS

Management does not know of any other matters which may come before the Special Meeting in Lieu of the Annual Meeting. However, if any other matters are properly presented to the meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and the Company will reimburse them for their out-of-pocket expenses in this connection. Morrow & Co. has been engaged to solicit proxies on behalf of the Company for a fee of \$6,500, plus reasonable out-of-pocket expenses.

#### Deadline For Submission Of Stockholder Proposals

Proposals of stockholders intended to be presented at the 1988 Annual Meeting of Stockholders must be received by the Company at its principal office in Cambridge, Massachusetts by not later than March 9, 1988 for inclusion in the proxy statement for that meeting.

By Order of the Board of Directors,

J. John Brennan, Clerk

July 7, 1987

**THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE SPECIAL MEETING IN LIEU OF AN ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. YOUR PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND WILL BE APPRECIATED. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR SHARES PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.**



Article 6 of the Articles of Organization of the Corporation shall be amended by adding new Article 6D, to read as follows:

**6D. LIMITATION OF DIRECTOR LIABILITY**

To the fullest extent permitted by Chapter 156B of the Massachusetts General Laws, as it may be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability.



To the fullest extent permitted by Chapter 156B of the Massachusetts General Laws, as it may be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability.

Article 6 of the Articles of Organization of the Corporation shall be amended by adding new Article 6E, to read as follows:

#### 6E. CLASSIFIED BOARD OF DIRECTORS

This Article is inserted for the management of the business and for the conduct of the affairs of the Corporation, and it is expressly provided that it is intended to be in furtherance and not in limitation or exclusion of the powers conferred by the statutes of the Commonwealth of Massachusetts.

*Section 1. Number of Directors.* Subject to the rights of the holders of Preferred Stock of the Corporation then outstanding to elect additional directors under specified circumstances, the number of directors of the Corporation shall not be less than three nor more than 13. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time pursuant to a resolution adopted by a majority of the entire Board of Directors.

*Section 2. Classes of Directors.* The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the authorized number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class III and, if such fraction is two thirds, one of the extra directors shall be a member of Class III and one of the extra directors shall be a member of Class II, unless otherwise provided for from time to time by resolution adopted by a majority of the entire Board of Directors.

*Section 3. Election of Directors.* Elections of directors need not be by written ballot except as and to the extent provided in the By-Laws of the Corporation.

*Section 4. Terms of Office.* Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; *provided, however,* that each initial director in Class I shall serve for a term ending on the date of the Corporation's 1988 annual meeting; each initial director in Class II shall serve for a term ending on the date of the Corporation's 1989 annual meeting; and each initial director in Class III shall serve for a term ending on the date of the Corporation's 1990 annual meeting.

*Section 5. Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors.* In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as director of the class of which he is a member until the expiration of his current term or his prior death, retirement or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum.

*Section 6. Quorum; Action of Meeting.* A majority of the directors at any time in office shall constitute a quorum for the transaction of business and, if at any meeting of the Board of Directors there



shall be less than such a quorum, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law, by the By-Laws of the Corporation or by these Articles of Organization.

*Section 7. Removal.* Subject to the rights of the holders of any Preferred Stock then outstanding, any director or the entire Board of Directors may be removed from office, with or without cause, at any time by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors voting together as a single class.

*Section 8. Tenure.* Notwithstanding any provisions to the contrary contained herein, each director shall serve until a successor is elected and qualified or until his death, resignation or removal.

*Section 9. Vacancies.* Subject to the rights of the holders of any Preferred Stock then outstanding, any vacancies in the Board of Directors occurring for any reason and any newly created directorships resulting from any increase in the number of directors may be filled only by the Board of Directors acting by the affirmative vote of at least a majority of the directors then in office, although less than a quorum. Each director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his successor shall be elected and qualified or until his earlier death, resignation or removal.

*Section 10. Stockholder Nominations and Introduction of Business, Etc.* Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided in the By-Laws of the Corporation and the appointment of judges of election shall be made in the manner provided in the By-Laws of the Corporation.

*Section 11. Amendments to Article.* Notwithstanding any other provisions of law, these Articles of Organization or the By-Laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least eighty percent (80%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article; provided that such eighty percent (80%) vote shall not be required for any amendment, repeal or adoption previously approved by the Board of Directors and by each Disinterested Director (as defined in Article 6E).

ARTICLE I of the By-Laws of the Corporation shall be amended by adding new Sections 1.10 and 1.11 as follows:

*1.10 Introduction of Business at Stockholder Meetings.* Except as otherwise provided by law, at any annual or special meeting of stockholders only such business shall be conducted as shall have been properly brought before the meeting. In order to be properly brought before the meeting, such business must have been either (A) specified in the written notice of the meeting (or any supplement thereto) given to stockholders of record on the record date for such meeting by or at the direction of the Board of Directors, (B) brought before the meeting at the direction of the Board of Directors or the Chairman of the meeting or (C) specified in a written notice given by or on behalf of a stockholder of record on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such stockholder, in accordance with all of the following requirements. A notice referred to in clause (C) hereof must be delivered personally to or mailed to and received at the principal executive office of the Corporation, addressed to the attention of the Secretary, not more than ten (10) days after the date of the initial notice referred to in Clause (A) hereof, in the case of business to be brought before a special meeting of stockholders, and not less than thirty (30) days prior to the first anniversary date of the initial notice referred to in Clause (A) hereof to the previous year's annual meeting, in the case of business to be brought before an annual meeting of stockholders, provided, however, that such notice shall not be required to be given more than fifty (50) days prior to an annual meeting of stockholders. Such notice referred to in clause (C) hereof shall set forth (i) a full description of each such item of business to be

brought before the meeting, (ii) the name and address of the person proposing to bring such business before the meeting, (iii) the class and number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting (if such date has then be made publicly available) and as of the date of such notice, (iv) if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto, and the written consent of each such nominee to serve if elected, and (v) all other information that would be required to be filed with the Securities and Exchange Commission if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto. No business shall be brought before any meeting of stockholders of the corporation otherwise than as provided in this Section.

Notwithstanding the foregoing provisions, the Board of Directors shall not be obligated to include information as to any nominee for director in any proxy statement or other communication sent to stockholders.

The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any proposed item of business was not brought before the meeting in accordance with the foregoing procedure and, if he should so determine, he shall so declare to the meeting and the defective item of business shall be disregarded.

*1.11 Judges of Election.* In advance of any meeting of stockholders, the Board of Directors may appoint judges of election, who need not be stockholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the Chairman of any such meeting may and, on the request of any stockholder or his proxy shall, make such appointment at the meeting. The number of judges shall be one or three as shall be determined by the Board of Directors, except that, if appointed at the meeting on the request of one or more stockholders or proxies, the holders of a majority of the shares of the Corporation present and entitled to vote shall determine whether one or three judges are to be appointed. No person who is a candidate for office shall act as a judge.

In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the officer or person acting as Chairman.

The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and tabulate all votes, determine the result, and do such other acts as may be proper to conduct the election or vote with fairness to all stockholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical. If there be three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

On request of the Chairman of the meeting or of any stockholder or his proxy, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.



Article 6 of the Articles of Organization of the Corporation shall be amended by adding new Article 6F, to read as follows:

#### 6F. FAIR PRICE PROVISION

The stockholder vote required to approve Business Combinations (hereinafter defined) shall be as set forth in this Article.

*Section 1. Definition of "Business Combination".* The term "Business Combination" as used in this Article shall mean any of the following:

- (a) Any merger or consolidation of the Corporation or any Subsidiary with (i) any Interested Stockholder or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or
- (b) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder of all or a Substantial Part of the assets of the Corporation or any Subsidiary thereof; or
- (c) The issuance, exchange or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder in exchange for cash, securities or other consideration (or a combination thereof) having an aggregate Fair Market Value of, equal to or in excess of a Substantial Part of the assets of the Corporation; or
- (d) The adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or
- (e) Any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or
- (f) Any agreement, contract or other arrangement with an Interested Stockholder (or in which the Interested Stockholder has an interest other than proportionately as a stockholder) providing for any one or more of the actions specified in subsections (a) to (e) of this Section 1.

*Section 2. Vote for Certain Transactions.* Except where a higher vote may be required by law or these Articles of Organization, the Corporation may, by vote of a majority of the stock outstanding and entitled to vote thereon (or if there are two or more classes of stock entitled to vote as separate classes, then by vote of a majority of each such class of stock outstanding) (i) authorize the sale, lease or exchange of all or substantially all of its property and assets, including its goodwill, pursuant to Section 75 of Chapter 156B of the Massachusetts General Laws, as amended from time to time, (ii) approve an agreement of merger or consolidation pursuant to Section 78 of Chapter 156B of the Massachusetts General Laws, as amended from time to time, and (iii) authorize the dissolution of the Corporation pursuant to Section 100 of Chapter 156B of the Massachusetts General Laws, as amended from time to time.



*Section 3. Higher Vote for Business Combinations.* In addition to any affirmative vote required by law, the By-Laws of the Corporation or these Articles of Organization, and except as otherwise expressly provided in Section 4 of this Article, any Business Combination shall require the affirmative vote of the holders of at least eighty per cent (80%) of the votes which all stockholders would be entitled to cast at any annual election of Directors or class of Directors (the "Voting Stock"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required or that a lesser percentage may be specified by law or in any agreement with any national securities exchange or otherwise.

*Section 4. When Higher Vote Is Not Required.* The provisions of Section 1 of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law and any other provision of the Articles of Organization or the By-Laws, if the condition specified in either of the following subsections (a) or (b) are met:

(a) *Approval by Disinterested Directors.* The Business Combination shall have been approved by a majority of the Disinterested Directors.

(b) *Price and Procedure Requirements.* All of the following seven conditions shall have been met:

(i) The transaction constituting the Business Combination shall provide that the holders of Common Stock receive, in exchange for their stock, per share consideration (consisting of the cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash) at least equal to the highest of the following:

A. If applicable, the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of Common Stock in connection with the acquisition by the Interested Stockholder of shares of Common Stock which were acquired (1) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

B. The Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher; and

C. If applicable, the price per share equal to the Fair Market Value per share of Common Stock determined pursuant to paragraph B immediately preceding, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of Common Stock in connection with the acquisition by the Interested Stockholder of shares of Common Stock which were acquired within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of Common Stock on the first date in such two-year period on which the Interested Stockholder beneficially owned any shares of Common Stock.

All per share prices shall be adjusted to reflect any intervening stock splits, stock dividends and reverse stock splits.

(ii) If the transaction constituting the Business Combination shall also provide that the holders of any class of outstanding Voting Stock, other than Common Stock, if any, are to receive consideration in exchange for their stock, the per share consideration (consisting of the cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash) shall be at least equal to the highest of

the following (it being intended that the requirements of this subsection (b)(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder beneficially owns any shares of a particular class of Voting Stock):

A. If applicable, the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of such class of Voting Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of such share which was acquired (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

B. If applicable, the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, regardless of whether the Business Combination to be consummated constitutes such an event;

C. The Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

D. If applicable, the price per share equal to the Fair Market Value per share of such class of Voting Stock determined pursuant to paragraph C immediately preceding, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the stockholder for any share of such class of Voting Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of shares which were acquired within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of such class of Voting Stock on the first day in such two-year period on which the Interested Stockholder beneficially owned any shares of such class of Voting Stock.

All per share prices shall be adjusted for intervening stock splits, stock dividends and reverse stock splits.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as was previously paid by or on behalf of the Interested Stockholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class of Voting Stock. If the Interested Stockholder beneficially owns shares of any class of Voting Stock which were acquired with varying forms of consideration, the form of consideration to be received by holders of such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock beneficially owned by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (A) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding preferred stock; (B) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock) except as approved by a majority of the Disinterested Directors, and (2) an increase in such annual rate of dividends (as necessary to prevent any such reduction) in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase



such annual rate is approved by a majority of the Disinterested Directors; and (C) such Interested Stockholder shall not have become the beneficial owner of any shares of Voting Stock except as part of the transaction in which it became an Interested Stockholder and except in a transaction which after giving effect thereto, would not result in any increase in the Interested Stockholder's percentage beneficial ownership of any class of Voting Securities.

- (v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.
- (vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed by the Interested Stockholder to all stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).
- (vii) Such Interested Stockholder shall not have made any major change in the Corporation's business or equity capital structure without the approval of the majority of the Disinterested Directors.

*Section 5. Certain Definitions.* For the purposes of this Article:

- (a) The term "person" shall mean any individual, firm, corporation or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Voting Stock of the Corporation.
- (b) The term "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which:
  - (i) Is at such time the beneficial owner, directly or indirectly, of shares of the Corporation having more than ten per cent (10%) of the voting power of the then outstanding Voting Stock; or
  - (ii) At any time within the two-year period immediately prior to such time was the beneficial owner, directly or indirectly, of shares of the Corporation having more than ten per cent (10%) of the voting power of the then outstanding Voting Stock, or
  - (iii) Is at any time an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to such time beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.
- (c) A person shall be a "beneficial owner" of any shares of Voting Stock:

- (i) Which are beneficially owned, directly or indirectly, by such person or any of its Affiliates or Associates;
  - (ii) Which such person or any of its Affiliates or Associates has (a) the right to acquire (whether or not such right is exercisable immediately) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise or (b) the right to vote pursuant to any agreement, arrangement or understanding; or
  - (iii) Which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.
- (d) For the purposes of determining whether a person is an Interested Stockholder pursuant to subsection 4(b), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by an Interested Stockholder through application of subsection 4(c) but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise.
  - (e) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on June 19, 1987 (the term registrant in said Rule 12b-2 meaning, in this case, the Corporation).
  - (f) "Beneficially owned" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on June 19, 1987.
  - (g) "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation.
  - (h) "Disinterested Director" means any member of the Board of Directors of the Corporation who is unaffiliated with, and not a representative of, an Interested Stockholder and was a member of the Board of Directors on June 19, 1987 or prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with, and not a representative of, the Interested Stockholder and is recommended or elected to succeed a Disinterested Director by a majority of the Disinterested Directors then on the Board of Directors.
  - (i) "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange or, if such stock is not listed on such the Composite Tape, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed or, if such stock is not listed on any such exchange, the highest closing sale price or the highest closing bid quotation, respectively, with respect to a share of such stock during the 30-day period preceding the date in question on the National Market System or the National Association of Securities Dealers, Inc. Automated Quotations System, as the case may be, or any system then in use or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board of Directors in good faith.



- (j) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash" as used in subsection 3(b) of this Article shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.
- (k) "Substantial Part" of the Corporation shall mean more than ten per cent (10%) of the fair market value of the total assets of the Corporation as of the end of its most recent fiscal quarter ending prior to the time the determination is made.

*Section 6. Determinations by Disinterested Directors.* The Disinterested Directors shall have the power and duty to determine for purposes of this Article, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article, including, without limitation, (a) whether a person is an Interested Stockholder, (b) the number of shares of Voting Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether the requirements of subsection 4(b) have been met with respect to any Business Combination and (e) whether the assets which are the subject of any Business Combination equal or exceed, or whether the consideration to be received from the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination equals or exceeds, a Substantial Part of the assets of the Corporation. Any such determination made in good faith shall be binding and conclusive.

*Section 7. No Duty to Approve Business Contributions.* Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

*Section 8. Minimum Consideration.* Consideration for shares to be paid to any stockholder pursuant to this Article shall be the minimum consideration payable to the stockholder and shall not limit a stockholder's right under any provision of law or otherwise to receive greater consideration for any shares of the Corporation.

*Section 9. Fiduciary Obligations.* The fact that any Business Combination complies with the provisions of Section 4 of this Article shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors or any member thereof with respect to evaluations of or actions and responses taken with respect to such Business Combination.

*Section 10. Amendments to Article.* Notwithstanding any other provisions of law, these Articles of Organization or the ByLaws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least eighty percent (80%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article; provided that such eight percent (80%) vote shall not be required for any amendment, repeal or adoption previously approved by the Board of Directors and by each Disinterested Director.