

# Interleaf

Interleaf, Inc.  
Prospect Place  
9 Hillside Avenue  
Waltham, MA 02154

## Notice of Special Meeting in Lieu of an Annual Meeting of Shareholders to be held August 5, 1993

A Special Meeting in Lieu of an Annual Meeting of Shareholders (the "Special Meeting") of Interleaf, Inc. (the "Company") will be held at Bank of Boston, 100 Federal Street, Boston, Massachusetts, on Thursday, August 5, 1993 at 8:30 a.m., local time, to consider and act upon the following matters:

1. To elect three (3) Class III directors to serve for the ensuing three years.
2. To ratify and approve an amendment to the Company's Restated Articles of Organization to increase the number of shares of common stock, par value \$.01 per share, of the Company authorized for issuance from 20,000,000 to 30,000,000 shares, as described in the Proxy Statement.
3. To ratify and approve the Company's 1993 Stock Option Plan covering 750,000 shares of the Company's common stock, as described in the Proxy Statement.
4. To ratify and approve amendments to the Company's 1987 Employee Stock Purchase Plan ("Stock Purchase Plan") to (i) increase the number of shares of common stock authorized for issuance from 1,000,000 shares to 1,750,000 shares, and (ii) extend the term of the Stock Purchase Plan by three (3) years to May 1996, as described in the Proxy Statement.
5. To ratify the selection of Ernst & Young as the Company's independent auditors for the 1994 fiscal year.
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on June 21, 1993 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,

John K. Hyvnar, Clerk

Waltham, Massachusetts  
July 1, 1993

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.

# Interleaf, Inc.

Prospect Place  
9 Hillside Avenue  
Waltham, Massachusetts 02154

## Proxy Statement for the Special Meeting in Lieu of an Annual Meeting of Shareholders

August 5, 1993

### INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Interleaf, Inc. (the "Company") for use at the Special Meeting in Lieu of an Annual Meeting of Shareholders to be held on Thursday, August 5, 1993 and at any adjournment of that meeting (the "Special Meeting"). All proxies will be voted in accordance with the shareholders' instructions, and if no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying Notice of Special Meeting. Any proxy may be revoked by a shareholder at any time before its exercise by delivery of written revocation, or a subsequently dated proxy to the Clerk of the Company, or by voting in person at the Special Meeting.

The Board of Directors has fixed June 21, 1993 as the record date for determining shareholders who are entitled to vote at the Special Meeting. At the close of business on June 21, 1993 there were outstanding and entitled to vote 13,254,902 shares of common stock of the Company, \$.01 par value per share ("Common Stock") and 1,928,572 shares of the Company's Senior Series B Convertible Preferred Stock, \$.10 par value per share ("Preferred Stock"). At the Special Meeting each share of the Common Stock is entitled to one vote; each share of the Preferred Stock is entitled to 1.34375 votes, and therefore the total number of votes eligible to be cast at the Special Meeting is 15,846,420.

The Company's Annual Report for the fiscal year ended March 31, 1993 is being mailed to the shareholders with the accompanying Notice of Special Meeting and this Proxy Statement on or about July 2, 1993.

### Principal Shareholders

The following table sets forth certain information, as of June 1, 1993, with respect to all of the beneficial ownership of the Company's voting shares by (i) each person known by the Company to own beneficially more than five percent (5%) of the outstanding shares of any voting class, (ii) each named executive listed under "Executive Compensation" contained below, and (iii) all current directors and executive officers of the Company as a group:

| Directors, Officers and 5% Shareholders  | Common Stock                     |                        | Preferred Stock                  |                        | % of Total Voting Capital Stock Outstanding <sup>1</sup> |
|--|----------------------------------|------------------------|----------------------------------|------------------------|--|
|  | No. of Shares Beneficially Owned | % of Class Outstanding | No. of Shares Beneficially Owned | % of Class Outstanding |  |
| Citicorp<br>399 Park Avenue<br>New York, NY 10043                                    | 791,150 <sup>2</sup>             | 5.97%                  | —                                | —                      | 4.99%  |
| GeoCapital Corporation<br>767 Fifth Avenue<br>New York, NY 10153                     | 681,300 <sup>3</sup>             | 5.14%                  | —                                | —                      | 4.30%  |
| Wellington Management Co.<br>75 State Street<br>Boston, MA 02109                     | 714,000 <sup>4</sup>             | 5.38%                  | —                                | —                      | 4.51%  |
| Advent International Corporation<br>101 Federal Street<br>Boston, MA 02110           | —                                | —                      | 1,241,242 <sup>5</sup>           | 64.36%                 | 10.53%   |
| Compagnie Financiere du Scribe<br>73, Rue du Faubourg<br>Saint Honore, Paris, France | —                                | —                      | 428,572                          | 22.22%                 | 3.63%  |
| Mark K. Rupert   | 42,125 <sup>6</sup>              | *                      | —                                | —                      | *  |
| David J. Collard   | 34,000 <sup>6</sup>              | *                      | —                                | —                      | *  |
| Peter Cittadini  | 40,000 <sup>6</sup>              | *                      | —                                | —                      | *  |
| Philip E. London   | 15,000 <sup>6</sup>              | *                      | —                                | —                      | *  |
| Lawrence S. Bohn   | 24,166 <sup>7</sup>              | *                      | —                                | —                      | *  |
| All current directors and executive officers as a group (14 persons)                 | 870,037 <sup>8</sup>             | 6.08%                  | 428,572 <sup>9</sup>             | 22.22%                 | 9.02%  |

\*Less than 1%.

- (1) Determined by using a conversion ratio of 1.34375 for the Preferred Stock.
- (2) Of which amount, Citicorp has sole voting power over 340,360 shares and shared voting power over 125,000 shares. The Company has relied on information contained in Form 13G filed by Citicorp on February 12, 1993, in providing this information.
- (3) Of which amount, GeoCapital Corporation has sole voting power over 681,300 shares. The Company has relied on information contained in a Form 13G filed by GeoCapital Corporation on January 23, 1993, in providing this information.
- (4) Of which amount, Wellington Management Co. has shared voting power over 250,000 shares and shared dispositive power over 714,000 shares. The Company has relied on information contained in a Form 13G filed by Wellington Management Co. on February 10, 1993, in providing this information.
- (5) Represents 1,241,242 shares of Senior Series B Convertible Preferred Stock held by various limited partnerships of which Advent International Corporation is either the general partner or a general partner in limited partnerships, which are the general partners in such various limited partnerships ("Advent"). The Company has relied on information contained in a Schedule 13D, filed on October 18, 1989 by Advent, in providing this information.
- (6) Represents shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 1, 1993.
- (7) Includes 15,000 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 1, 1993.
- (8) Includes 106,000 shares held by the children and spouses of certain directors and officers, and certain trustees of irrevocable trusts established for the benefit of the children of certain directors and officers, as to all of which shares these directors and officers disclaim all beneficial ownership. Includes an aggregate of 195,991 shares issuable upon exercise of options held by two (2) directors and six (6) executive officers, which options are currently exercisable or become exercisable within the 60-day period after June 1, 1993.
- (9) Represents 428,572 shares of Preferred Stock owned by Compagnie Financiere du Scribe, a French corporation of which Andre Harari, a director of the Company, is Chairman of the Board of Directors, Chief Executive Officer and controlling shareholder. Does not include any shares of Preferred Stock listed as beneficially owned by Advent International Corporation, a corporation of which Patrick J. Sansonetti and Clinton P. Harris, directors of the Company, serve as Senior Vice Presidents.

### Votes Required

The affirmative vote of a plurality of the votes that are cast at the Special Meeting is required for the election of directors, and the affirmative vote of a majority of the votes cast at the Special Meeting is required for approval of the other matters to be voted on as set forth in the accompanying Notice of Special Meeting.

## 1. ELECTION OF DIRECTORS

The Company has a classified Board of Directors presently consisting of two (2) Class I, two (2) Class II, and three (3) Class III directors. At each annual meeting of shareholders (or special meeting in lieu thereof), a class of directors is elected for a full term of three years to succeed those directors whose terms are expiring.

At the Special Meeting, three (3) Class III directors will be elected to hold office until the 1996 annual meeting of shareholders (or special meeting in lieu thereof) and until their respective successors are duly elected and qualified. All nominees have indicated their willingness to serve if elected; however, if an individual should be unable to serve, the proxies may be voted for a substitute nominee or nominees designated by management.

The persons named in the enclosed proxy will vote to elect as directors the Class III nominees named below, unless authority to vote for any or all of the directors is withheld by marking the proxy to that effect.

The following table sets forth the name and age of each nominee for election as a Class III director (each of whom is currently a director) and each of the Class I and Class II directors, the positions and offices held by him with the Company, his principal occupation and business experience during the past five years, the names of other publicly held companies of which he serves as a director, if any, the year of the commencement of his term as a director of the Company, the number of shares of Common and/or Preferred Stock of the Company reported as beneficially owned by him on June 1, 1993, the percentage of all outstanding shares of Common and/or Preferred Stock owned by him as of such date, and the percentage of total voting capital stock of the Company owned by him as of such date.

| Name, Age, Principal Occupation, Business Experience and Directorships  | Number of Shares of Common Stock Beneficially Owned | Percentage of Common Stock Outstanding | Number of Shares of Preferred Stock Beneficially Owned | Percentage of Preferred Stock Outstanding | Percentage of Total Voting Capital Stock Outstanding |
|---|---|--|--|---|--|
| <b>Nominees For Terms Expiring in 1996 (Class III Directors)</b>  |   |  |  |   |  |
| David A. Boucher<br>Age 42; Private investor; Chairman of the Board of Directors of the Company since October 1989; Chief Executive Officer from October 1989 to July 1992; Chief Executive Officer and President from 1981 to October 1989. Director of the Company since 1981. Director of Viewlogic, Inc.  | 424,244 <sup>2</sup>                                | 3.2%                                   | —  | —   | 2.67%  |
| Frederick B. Bamber<br>Age 50; General Partner of Applied Technology Partners, L.P., a venture capital limited partnership, since January 1982. Director of the Company since 1984.   | 19,491 <sup>3</sup>                                 | *                                      | —  | —   | *  |
| Mark K. Ruport<br>Age 40; Chief Executive Officer since August 1992, and President and Chief Operating Officer of the Company since January 1991; Sr. Vice President World Wide Sales of the Company from June 1990; prior to that date, from October 1989 to June 1990 Sr. Vice President of Sales of Informix Software, Inc., a developer and marketer of database software; from April 1986 to October 1989 Vice President North American Operations and Client Services of Cullinet Software, Inc., a developer and marketer of software for mainframe computers. Director of the Company since 1991. | 42,214 <sup>4</sup>                                 | *                                      | —  | —   | *  |

| Name, Age, Principal Occupation, Business Experience and Directorships  | Number of Shares of Common Stock Beneficially Owned | Percentage of Common Stock Outstanding | Number of Shares of Preferred Stock Beneficially Owned | Percentage of Preferred Stock Outstanding | Percentage of Total Voting Capital Stock Outstanding |
|---|---|--|--|---|--|
| <b>Directors Whose Terms Expire in 1994 (Class I Director)</b>  |   |  |  |   |  |
| Clinton P. Harris<br>Age 46; Sr. Vice President of Advent International Corporation, a venture capital company, since December 1984. Director of the Company since 1990.  | 6,000 <sup>5</sup>                                  | *                                      | —  | —   | *  |
| <b>Preferred Class I Director</b>   |   |  |  |   |  |
| Patrick J. Sansonetti<br>Age 49; Sr. Vice President of Advent International Corporation, a venture capital company, since December 1987.  | 17,900 <sup>3</sup>                                 | *                                      | —  | —   | *  |
| <b>Directors Whose Terms Expire in 1995 (Class II Directors)</b>  |   |  |  |   |  |
| Andre Harari<br>Age 50; Chairman of the Board of Directors and Chief Executive Officer of Compagnie Financiere du Scribe, a French venture capital firm, since January 1975. Director of the Company since May, 1991.   | —   | —                                      | 428,572 <sup>6</sup>                                   | 22.22%                                    | 3.63%  |
| George D. Potter, Jr.<br>Age 56; Independent business consultant September 1991 to present; Senior Vice President of Sales and Marketing, Gescan International, Inc., a data retrieval software company, from January 1990 to September 1991; Senior Vice President of Sales Operations of the Company from April 1989 to December 1990; Vice President of Marketing of the Company, February 1983 to March 1989. Director of the Company since 1983. | 250,482 <sup>7</sup>                                | 1.89%                                  | —  | —   | 1.58%  |

\*Less than 1%

- (1) Determined by using a conversion ratio of 1.34375 for the Preferred Stock.
- (2) Includes 10,000 shares of Common Stock held by Mr. Boucher's spouse and 85,000 shares of Common Stock held by trustees of an irrevocable trust established for the benefit of Mr. Boucher's children, as to all of which shares Mr. Boucher disclaims all beneficial ownership, and 22,400 shares of Common Stock which could have been issuable upon the exercise of certain options by Mr. Boucher within a 60-day period after June 1, 1993 pursuant to the terms of Mr. Boucher's consulting arrangement with the Company.
- (3) Includes 15,000 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 1, 1993.
- (4) Represents 42,121 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 1, 1993.
- (5) Includes 2,000 shares of Common Stock held by trustees of trusts established for the benefit of Mr. Harris' wife and children, as to all of which shares Mr. Harris disclaims beneficial ownership.
- (6) Represents 428,572 shares of Preferred Stock which are owned by Compagnie Financiere du Scribe.
- (7) Includes 24,000 shares of Common Stock issuable held by a trustee of an irrevocable trust established for the benefit of Mr. Potter's children, as to all of which shares Mr. Potter disclaims all beneficial ownership.

## Board and Committee Meetings

The Company has a standing Audit Committee of the Board of Directors, which provides the opportunity for direct contact between the Company's independent auditors and the Board of Directors. The Audit Committee reviews the overall scope and specific plans of the annual audit by the Company's independent auditors and the adequacy of the Company's internal controls, and considers and recommends the selection of the Company's independent auditors. The Audit Committee met four (4) times during fiscal 1993. The current Audit Committee members are Messrs. Bamber (Chairman), Sansonetti, and Potter.

The Company also has a standing Compensation Committee of the Board of Directors, which provides recommendations to the Board of Directors regarding compensation programs of the Company and administers the Company's 1983 Stock Option Plan, 1993 Stock Option Plan, and 1987 Employee Stock Purchase Plan. The Compensation Committee met four (4) times during fiscal 1993. The current members of the Compensation Committee are Messrs. Bamber, Harari, and Sansonetti (Chairman).

The Company has no nominating committee.

The Board of Directors met five (5) times during fiscal 1993. Each current director attended at least 75% of the aggregate number of the meetings of the Board of Directors and of all committees of the Board of Directors on which he served.

There are no family relationships between or among any directors or officers of the Company. Under the terms of the Certificate of Vote Establishing the Preferred Stock, the holders of the Preferred Stock have the right, as a single class, to elect one director, herein designated the Preferred Class I Director. At the time of such establishment in September, 1989, a current director of the Company, Patrick J. Sansonetti, was so designated. Mr. Sansonetti was elected a Preferred Class I Director for a term of three (3) years at the Special Meeting In Lieu of An Annual Meeting of Shareholders held on August 9, 1991. Daniel Harari and Clinton P. Harris were elected by the Board of Directors as directors of the Company pursuant to arrangements arising out of the Company's private placement of the Preferred Stock in September, 1989. In May, 1991, Daniel Harari resigned as a director of the Company. Subsequently, the Board of Directors elected Mr. Andre Harari a Class II director of the Company, succeeding to the position previously held Daniel Harari. Andre Harari is the brother of Daniel Harari, and is the Chairman of the Board of Directors and Chief Executive Officer of Compagnie Financiere du Scribe. Mr. Andre Harari was elected a Class II Director at the Special Meeting in Lieu of an Annual Meeting of Shareholders held August 21, 1992 by holders of both the Common and Preferred Stock.

## Certain Transactions

In September, 1989, the Company completed the acquisition of Interleaf France, S.A. for approximately \$7 million from Compagnie Financiere du Scribe ("CFS"). In September, 1989, the Company sold 428,572 shares of its Preferred Stock to CFS for approximately \$3 million. Mr. Andre Harari, a director of the Company since May, 1991 and a current Class II director, is Chairman of the Board of Directors, Chief Executive Officer and controlling shareholder of CFS. In September, 1989, the Company also sold 1,714,285 shares of its Preferred Stock to a group of investors and funds advised and/or controlled by Advent International Corporation ("Advent") for approximately \$12 million. Mr. Sansonetti, a director of the Company at such time, and a current Preferred Class I Director, serves as Sr. Vice President of Advent. Mr. Harris, a director of the Company since March, 1990, also serves as Sr. Vice President of Advent. Pursuant to adjustments required by the terms of Certificate of Vote Establishing the Preferred Stock, each share of Preferred Stock may be converted into a Preferred Stock are entitled to vote the number of shares of Common Stock they would have owned if they had converted their Preferred Stock.

## Executive Compensation

The following table sets forth the summary of compensation received by the Chief Executive Officer and each of the Company's four other most highly compensated executive officers along with their principal positions, for services rendered with respect to fiscal 1993, 1992, and 1991:

| SUMMARY COMPENSATION TABLE   |                     |                       |                      |                                 |
|--|---------------------|-----------------------|----------------------|---------------------------------|
| (a)<br>Name and<br>Principal Position  | Annual Compensation |                       |                      | Long Term<br>Compensation       |
|  | (b)<br>Year         | (c)<br>Salary<br>(\$) | (d)<br>Bonus<br>(\$) | (g)<br>Awards<br>Options<br>(#) |
| Mark K. Ruport, President and<br>Chief Executive Officer                                 | 1993                | \$250,000             | \$87,500             | 25,000                          |
|  | 1992                | \$250,000             | \$119,000            | -                               |
|  | 1991                | \$158,942             | \$50,000             | 125,000                         |
| David J. Collard, Sr. VP of Finance<br>and Administration and Chief<br>Financial Officer | 1993                | \$170,000             | \$59,500             | -                               |
|  | 1992                | \$170,000             | \$81,000             | -                               |
|  | 1991                | \$170,000             | -                    | 85,000                          |
| Peter Cittadini,<br>Sr. VP Worldwide Operations  | 1993                | \$150,000             | \$293,303            | -                               |
|  | 1992                | \$90,576              | \$72,916             | 100,000                         |
|  | 1991                | -                     | -                    | -                               |
| Philip E. London,<br>Sr. VP of Engineering   | 1993                | \$175,000             | \$61,600             | 75,000                          |
|  | 1992                | -                     | -                    | -                               |
|  | 1991                | -                     | -                    | -                               |
| Lawrence S. Bohn,<br>Sr. VP Business Dev.  | 1993                | \$141,076             | \$45,500             | 20,000                          |
|  | 1992                | \$124,807             | \$40,525             | -                               |
|  | 1991                | \$124,807             | \$41,000             | 20,000                          |

The following table sets forth certain information with respect to the grant of incentive and non-qualified stock options for the Chief Executive Officer and each of the Company's four other most highly compensated executive officers in fiscal 1993:

| OPTION GRANTS TABLE                 |                                  |  |   |                           |  |                 |
|-------------------------------------|----------------------------------|--|---|---------------------------|--|-----------------|
| Options Granted in Fiscal Year 1993 |                                  |  |   |                           |  |                 |
| (a)<br>Name                         | (b)<br>Options<br>Granted<br>(#) | (c)<br>% of Total<br>Options Granted<br>to Employees in<br>Fiscal Year | (d)<br>Exercise or<br>Base Price<br>(\$/Sh) | (e)<br>Expiration<br>Date | Potential Realizable Value at<br>Assumed Annual Rates of Stock<br>Price Appreciation for Option Term |                 |
|                                     |                                  |  |   |                           | (f)<br>5% (\$)   | (g)<br>10% (\$) |
| Mark K. Ruport                      | 25,000                           | 5.9%   | \$10.63                                     | April 2, 2002             | \$167,422  | \$422,543       |
| David J. Collard                    | -                                | -  | -   | -                         | -  | -               |
| Peter Cittadini                     | -                                | -  | -   | -                         | -  | -               |
| Philip E. London                    | 75,000                           | 17.6%  | \$10.63                                     | April 2, 2002             | \$502,268  | \$1,267,628     |
| Lawrence S. Bohn                    | 20,000                           | 4.7%   | \$10.63                                     | April 2, 2002             | \$133,938  | \$338,034       |

The following table sets forth certain information on option exercises in fiscal 1993 for the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers in fiscal 1993 and the value of such executive officers unexercised options at March 31, 1993:

| OPTION EXERCISES AND FISCAL 1993 YEAR-END VALUE TABLE        |                                 |                     |   |  |
|--|---------------------------------|---------------------|---|--|
| Aggregated Option Exercises in 1993 and FY-End Option Values |                                 |                     |   |  |
| (a)  | (b)                             | (c)                 | (d)   | (e)  |
| Name   | Shares Acquired On Exercise (#) | Value Realized (\$) | Number of Unexercised Options at FY1993-End (#) | Value of Unexercised In-the-Money Options at FY1993-End (\$) |
|  |                                 |                     | Exercisable/Unexercisable                       | Exercisable/Unexercisable                                    |
| Mark K. Rupert   | —                               | —                   | 35,000/86,250                                   | \$179,825/\$415,350  |
| David J. Collard   | —                               | —                   | 34,000/51,000                                   | \$225,600/\$338,400  |
| Peter Cittadini  | —                               | —                   | 25,000/75,000                                   | \$112,500/\$357,500  |
| Philip E. London   | —                               | —                   | 15,000/60,000                                   | —  |
| Lawrence S. Bohn   | —                               | —                   | 15,000/32,000                                   | \$89,710/\$61,840  |

#### Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Company's Board of Directors during fiscal 1993 were Andre Harari, Patrick J. Sansonetti and Frederick B. Bamber, none of whom is or has ever been an officer or employee of the Company or any of its subsidiaries. No member of the Compensation Committee is a party to any relationship required to be disclosed under Item 402 or Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission. See "Certain Transactions," above.

#### COMPENSATION COMMITTEE REPORT

The Company's executive compensation program is developed and approved by the Compensation Committee. The Committee's philosophy is to reward executives based upon corporate and individual performance as well as to provide long-term incentives for the achievement of future financial and strategic goals. These corporate goals are primarily based on the Company's revenue growth and corporate net income. It is also the Committee's philosophy to base approximately 50% of executives' total compensation opportunity on corporate performance incentives, except for executives whose salaries are highly leveraged based on profitability for a particular business unit. Of the above-named executives, only Peter Cittadini, the Company's Sr. Vice President of Worldwide Operations, has his compensation based on this criterion.

The Company's executive compensation program for fiscal 1993 consisted of the following three elements: (1) base salary; (2) incentive compensation in the form of commissions and annual cash bonuses earned under the Company's 1993 Corporate Bonus Pool; and (3) long-term equity-based incentive compensation in the form of stock options.

#### 1. Base Salary

Base salaries for the Company's executive officers, including the Company's President, Mark K. Rupert, are determined by taking into account the following three factors: (a) salaries generally paid for similar positions in comparable software companies, (b) the particular skills of the executive, and (c) the past performance of the executive with the Company.

#### 2. Incentive Compensation

In April 1992, the Compensation Committee established, with the subsequent approval of the Board of Directors, the 1993 Corporate Bonus Program ("Bonus Program"). Under the Bonus Program, each named executive, with the exception of Mr. Cittadini, may receive up to 50% of his base salary if certain targeted corporate net income and cash flow goals are achieved ("Goals"). No bonuses are paid if the Company achieves less than 70% of Goals; at 70% of Goals, 25% is paid; and at 90% of Goals, 70% is paid. Finally, only if 100% of Goals are achieved, will an executive receive a bonus equal to approximately 50% of his base salary.

The bonus awarded Mr. Rupert in fiscal 1993 was based on the Company achieving 90% of its Goals, resulting in Mr. Rupert receiving 70% of his maximum bonus.

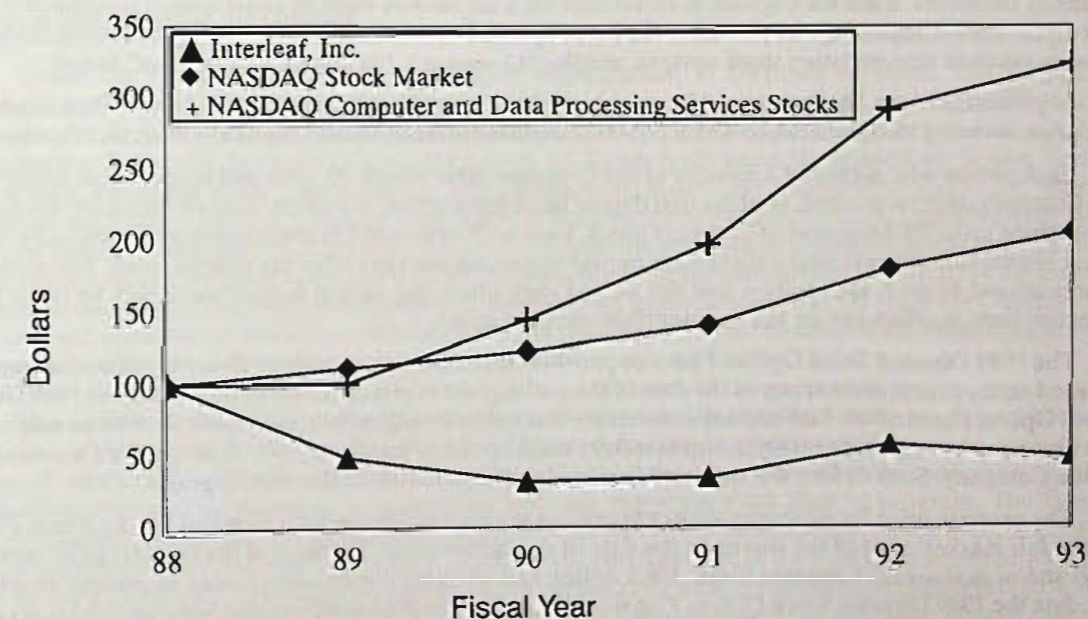
#### 3. Long-Term Incentives

The Company awards options primarily to executives and key employees. Under the Company's 1983 Stock Option Plan, stock options are awarded to executives to incent the executive to focus on the Company's long-term success as measured by the Company's stock price. Since options for executives vest annually over a 4 to 5 year period, executives are encouraged to focus on the long-term success of the Company.

Compensation Committee: Andre Harari Frederick B. Bamber Patrick J. Sansonetti

#### Stock Performance Graph

The following graph compares the Company's cumulative shareholder return with that of a broad market index (NASDAQ Stock Market Index for U.S. and Foreign Companies) and a published industry index (NASDAQ Computer and Data Processing Services Stocks). Each of these indexes is calculated assuming that \$100 was invested on March 31, 1988. The lines represent monthly index levels derived from the changes in the daily market capitalization, which is calculated based on daily closing stock prices, quarterly shares outstanding and quarterly dividend reinvestments. The broad market index and industry index is weighted on the basis of market capitalization.



|   | 3/31/88 | 3/31/89 | 3/31/90 | 3/31/91 | 3/31/92 | 3/31/93 |
|---|---------|---------|---------|---------|---------|---------|
| Interleaf, Inc.                                     | 100.000 | 48.720  | 31.410  | 33.970  | 56.410  | 48.076  |
| NASDAQ Stock Market                                 | 100.000 | 111.650 | 122.630 | 140.215 | 179.785 | 209.940 |
| NASDAQ Computer and Data Processing Services Stocks | 100.000 | 100.830 | 144.430 | 197.220 | 291.640 | 324.016 |

#### Severance Plan

Executive officers and all other officers of the Company are covered by the Company's Officer Severance Benefit Plan (the "Severance Plan"). Adopted by the Board of Directors effective March 15, 1989, the Severance Plan provides that if any officer, vice president or more senior officer loses his employment with the Company, or has his responsibilities significantly diminished, during a one year period after a "change in control of the Company," such individual will be entitled to receive an amount equal to his then total annual compensation. For purposes of the Severance Plan, a "change in control" occurs if (a) an individual by his effort in affiliation with others shall acquire, directly or indirectly, 25% or more of the combined voting power of Company's outstanding securities, or causes the replacement of a majority of the incumbent Board of Directors

of the Company, (b) the Company is merged or reorganized into or with another entity, resulting in previous shareholders of the Company holding less than 80% of the combined voting power of the outstanding securities of the resulting entity, or (c) the Company is liquidated or substantially all of its assets are sold.

#### Directors' Compensation

**Cash Compensation.** Non-employee directors of the Company receive \$500 for each Board of Directors meeting attended.

**Company's 1989 Director Stock Option Plan.** On March 20, 1989, the Board of Directors of the Company adopted the 1989 Director Stock Option Plan (the "1989 Director Stock Option Plan"), which was ratified by the shareholders at the Special Meeting held in August 1989.

Only directors who are neither employees nor officers of the Company are eligible to participate in the 1989 Director Stock Option Plan. Subject to adjustments for mergers, consolidations, sales of assets, reorganizations, recapitalizations, reclassifications, stock dividends, stock splits and other similar distributions, the maximum number of shares of Common Stock of the Company which may be issued and sold under the 1989 Director Stock Option Plan is 150,000 shares.

Each non-employee director of the Company was granted a non-statutory stock option to purchase 12,000 shares of Common Stock on March 20, 1989, the date the 1989 Director Stock Option Plan was adopted by the Board of Directors. Each such option is exercisable on a cumulative basis in equal annual installments over a three-year period beginning one year after the date of grant. For information concerning the federal income tax consequences of non-statutory stock options, see the "Company's 1983 Stock Option Plan" below.

At present, Messrs. Sansonetti and Bamber participate in the 1989 Directors Stock Option Plan. Each holds an option covering 15,000 shares, of which 15,000 shares are currently issuable upon the exercise of such option.

Each person who is elected a director of the Company after March 20, 1989 and who is not an employee of the Company, may be granted, as of the first date of his or her election as a director, a non-statutory stock option to purchase up to 20,000 shares of Common Stock. Each such option will be exercisable on a cumulative basis in equal annual installments over a three-year period beginning one year after the date of grant. The number of shares subject to each such option and the period over which the option is exercisable will be fixed by the directors then in office before the recipient becomes a director.

The 1989 Director Stock Option Plan also provides that each non-employee director will be automatically granted on the fourth anniversary of the date of the initial grant to him or her of options under the 1989 Director Stock Option Plan and on each annual anniversary thereafter if such person continues to serve as a director of the Company on such anniversary, a non-statutory stock option to purchase 3,000 shares of the Common Stock of the Company. Such option will be immediately exercisable in full on the date of grant.

The exercise price for all shares subject to options granted under the 1989 Director Stock Option Plan will be the fair market value of the shares on the date of the option grant. Payment of the exercise price may be in cash and/or in shares of Common Stock. Each option and all rights thereunder granted to present directors on the date the 1989 Director Stock Option Plan was adopted by the Board of Directors will expire 10 years plus 30 days from the date of grant and will be subject to earlier termination as provided in such plan. Each option and all rights thereunder granted to a non-employee director upon his or her initial election to the Board of Directors will expire on such date as the Board of Directors shall determine before the recipient becomes a director, but in no event after the expiration of 10 years plus 30 days after the date on which the option is granted, and shall be subject to earlier termination as provided in the 1989 Director Stock Option Plan. Each option automatically granted beginning on the fourth anniversary of a non-employee director's initial grant will expire 10 years plus 30 days from the date of automatic grant, and will be subject to earlier termination as provided in the 1989 Director Stock Option Plan.

While Mr. Boucher served as the Company's Chief Executive Officer, the Company and Mr. Boucher entered into an agreement, that in the event Mr. Boucher should resign from his employment with the Company, he would be available on an exclusive consulting basis to the Company for a period of 18 months, during which time his monthly compensation would equal that granted during FY1992 (\$30,750 per month). Additionally, in such event, certain outstanding unvested stock options, approximately 30,000 shares, would continue to vest. In July 1992, Mr. Boucher resigned as Chief Executive Officer and has been receiving such compensation as of such date.

#### Company's 1993 Stock Option Plan

For information concerning the Company's 1993 Stock Option Plan, see "Ratification and Approval of the Company's 1993 Stock Option Plan" below.

#### Company's 1987 Employee Stock Purchase Plan

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

## 2. RATIFICATION AND APPROVAL OF AMENDMENT TO ARTICLES OF ORGANIZATION TO INCREASE NUMBER OF AUTHORIZED SHARES

#### General

On June 2, 1993, the Board of Directors of the Company adopted, subject to shareholder approval, a proposal to amend the Company's Restated Articles of Organization to increase the number of authorized shares of Common Stock from 20,000,000 to 30,000,000. The additional shares of Common Stock for which authorization is sought would be part of the existing class of Common Stock and, if and when issued, would have the same rights and privileges as the shares of Common Stock currently outstanding. The amendment, if approved by the shareholders, would become effective upon the filing with the Secretary of State of Massachusetts of appropriate Articles of Amendment, which is expected to be accomplished as soon as practicable after shareholder approval is obtained.

#### Purposes and Effects of Amendment

Under the Company's Restated Articles of Organization, as currently in effect, the Company is authorized to issue 20,000,000 shares of Common Stock, \$.01 par value per share, and 5,000,000 shares of Preferred Stock, \$.10 par value per share, 200,000 shares of which have been designated as Series A Junior Participating Preferred Stock and 2,142,857 shares of which have been designated as Senior Series B Convertible Preferred Stock. As of June 1, 1993, there were issued and outstanding 13,253,747 shares of Common Stock and 1,928,572 shares of Senior Series B Convertible Preferred Stock. In addition, at June 1, 1993, an aggregate of approximately 6,696,253 shares of Common Stock was reserved for issuance under various employee benefit plans, upon conversion of the outstanding Series B Convertible Preferred Stock and upon exercise or conversion of certain outstanding warrants, leaving approximately 100,572 shares of Common Stock unissued and available for future use. The Company thus has only a limited number of authorized but unissued shares of Common Stock available for issuance.

The additional shares of Common Stock to be authorized by the proposed amendment could be issued from time to time at the direction of the Board of Directors for any proper corporate purpose, including the raising of additional capital for use in the Company's business, the acquisition of other businesses, a split or dividend on outstanding shares or in connection with any employee stock plan or program. The Board of Directors has no present plans to issue any of the additional shares of Common Stock, except in connection with the Company's 1993 Stock Option Plan. (See "Ratification and Approval of the Company's 1993 Stock Option Plan" below.) The Company is not subject to any stock exchange or similar requirement calling for shareholder vote on the issuance of additional shares of stock (except in connection with an employee benefit plan) and, therefore, future issuances of authorized shares of Common Stock could generally be authorized by the Board of Directors without further action by shareholders. The holders of outstanding shares of the Company's capital stock do not have any preemptive rights to subscribe for any of the Company's securities and will not have any rights to subscribe for the additional shares of Common Stock proposed to be authorized.

#### Other Considerations; Recommendation Of the Board of Directors

Shareholders should realize that although the Board of Directors will issue additional shares of Common Stock only when it considers such issuance to be in the best interest of the Company, the issuance of additional shares of Common Stock may, among other things, have a dilutive effect upon earnings per share of Common Stock and on the equity and voting rights of holders of Common Stock. Furthermore, the issuance of additional Common Stock could have the effect of delaying, deferring or preventing a change in control of the Company, whether or not beneficial to the Company's shareholders, or of hindering or preventing the adoption by shareholders of proposals to remove directors, amend or repeal any of the provisions of the Article of Organization or By-Laws or take other shareholder actions which are not supported by the Company's management. However, the Board believes that the benefits of providing it with the flexibility to issue additional shares of Common Stock without delay for any proper business purpose outweigh these possible disadvantages and that increasing the number of authorized shares of Common Stock is in the best interests of the shareholders. Accordingly, the Board recommends a vote FOR approval of the Amendment.

### 3. RATIFICATION AND APPROVAL OF THE COMPANY'S 1993 STOCK OPTION PLAN

On June 2, 1993, the Board of Directors adopted the Company's 1993 Stock Option Plan (the "1993 Stock Option Plan"), subject to shareholder approval of the 1993 Stock Option Plan and to shareholder approval of the Amendment to the Articles of Organization described above. Under the terms of the 1993 Stock Option Plan, the Company is authorized to grant incentive and non-statutory stock options to employees (including executive officers) of, and consultants to, the Company to purchase up to 750,000 shares of the Common Stock of the Company. The Company's 1983 Stock Option Plan terminated by its terms on June 23, 1993 and no further options can be issued under the 1983 Stock Option Plan. The purpose of the 1993 Stock Option Plan is to ensure that the Company may continue to attract and retain qualified employees and consultants who are expected to contribute to the Company's growth and success. In the event that the amendment to the Articles of Organization described under the caption "Ratification and Approval of Amendment to Articles of Organization to Increase Number of Authorized Shares" is not approved, the 1993 Stock Option Plan will terminate and be of no effect.

The following is a summary of certain provisions of the 1993 Stock Option Plan.

#### Eligibility

All employees (including executive officers) of the Company are eligible to receive incentive stock options and non-statutory stock options. Consultants and advisors to the Company are only eligible to receive non-statutory stock options. As of June 1, 1993, approximately 870 employees (including 7 executive officers) were eligible for selection to receive stock options under the 1993 Stock Option Plan.

#### Administration; Option Terms

The 1993 Stock Option Plan is administered by the Compensation Committee of the Board of Directors, which designates the optionees, number of shares, exercise price, date of grant and other terms of each option. The exercise price may not be less than 100% of the fair market value of the Common Stock for both non-statutory and for incentive stock options. Under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), no incentive stock option granted under the 1993 Stock Option Plan can, together with any other incentive stock option granted under any other plan of the Company, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate fair market value (determined as of the date of grant) of more than \$100,000 and no incentive stock option can have a term exceeding ten years. Payment of the option price may be made in cash, shares of Common Stock or a combination thereof.

While the Company may grant options which are exercisable at different times or within different periods, it is anticipated that options granted generally will be exercisable on a cumulative basis in three equal annual installments (generally four or five equal annual installments in the case of executive officers). Options are nontransferable other than by the laws of descent and distribution and are exercisable, during the optionee's lifetime, only by him or her. The Compensation Committee will determine the length of time an optionee may exercise his option following the termination of employment of the optionee (which may not exceed three months in the case of incentive stock options) or upon the optionee's death or disability (which may not exceed one year in the case of incentive stock options). In the event of a "Change of Control" of the Company, as defined in the 1993 Stock Option Plan, all outstanding options will immediately become exercisable in full.

The last reported sale price for the Common Stock as reported by NASDAQ on the National Market System on June 1, 1993 was \$9.00 per share.

#### Cancellation and Grant of New Options

The Compensation Committee, with the consent of the affected option holder, may at any time cancel any or all outstanding options under the 1993 Stock Option Plan and grant in substitution therefor new options under the 1993 Stock Option Plan covering the same or different numbers of shares of Common Stock. Such new options shall have an exercise price of not less than 100% of the fair market value on the date of the new grant in the case of both non-statutory and incentive stock options. The Company anticipates that in most cases the option price in effect under any such new grant will be less than the option price which would have been payable under the cancelled options since the new grant is likely to arise in situations where the exercise price of existing options exceed the market price and new options are granted at lower prices to restore incentive to recipients of such options.

#### Amendment and Termination

The Board of Directors may at any time amend or terminate the 1993 Stock Option Plan except that no amendment may be made without the approval of the Company's stockholders if such amendment would (i)

materially increase the benefits accruing to participants under the 1993 Stock Option Plan, (ii) materially increase the number of shares which may be issued under the 1993 Stock Option Plan or (iii) materially modify the requirements as to eligibility for participation under the 1993 Stock Option Plan.

#### Federal Income Tax Consequences

The following is a summary of the federal income tax treatment of incentive stock options and non-statutory stock options.

**Non-Statutory Options.** No taxable income is recognized by the optionee upon the grant of a non-statutory stock option. The optionee must recognize as ordinary income in the year in which the option is exercised the amount by which the fair market value of the purchased shares on the date of exercise exceeds the option price. The Company will be entitled to a business expense deduction equal to the amount of ordinary income recognized by the optionee. Any additional gain or loss recognized upon the subsequent disposition of the purchased shares will be a capital gain or loss, and will be a long-term gain or loss if the shares are held for more than one year from the date of exercise.

**Incentive Stock Options.** No taxable income will be recognized by the optionee upon the grant or exercise of an incentive stock option and no corresponding business expense deduction will be available to the Company. Generally, if an optionee holds shares acquired upon the exercise of incentive stock options for at least two years from the grant of the option and for at least one year from the date of transfer of the purchased shares to him or her, any gain recognized by the optionee on a subsequent sale of the shares will be treated as long-term capital gain. The gain recognized upon the sale of the stock is the difference between the option price and the sale price of the stock. The net federal income tax effect on the holder of an incentive stock option is to defer, until the stock is sold, taxation of any increase in the stock's value from the time of grant to the time of exercise.

If the optionee disposes of the shares prior to the expiration of the statutory holding periods described above, he or she will recognize taxable income at ordinary income tax rates in an amount equal to the lesser of (i) the value of the shares on the date of exercise, less the option price, or (ii) the amount realized on the date of sale, less the option price and the Company will receive a corresponding business expense deduction. The amount by which the proceeds of sale exceed the fair market value of the shares on the date of exercise will be treated as long-term capital gain if the shares are held for more than one year prior to the sale and as short-term capital gain if the shares are held for a shorter period. In the case of a sale where a loss, if sustained, would have been recognized, the amount of the optionee's income, and the amount of the Company's corresponding expense deduction, will not exceed the difference between the sale price and the adjusted basis of the shares.

For the purposes of the "alternative minimum tax" applicable to individuals, an incentive stock option is treated as if it were a non-statutory stock option. Thus, in the year of option exercise, an optionee must generally include in his or her alternative minimum taxable income the difference between the exercise price and the fair market value of the stock on the date of exercise, and in the year of sale any additional gain or loss is included in alternative minimum taxable income.

#### Information About Participation

Because the selection of optionees and the number of shares to be covered by options will be made from time to time in the future by the Compensation Committee of the Board of Directors, it is not possible to determine the benefits or amounts that will be received by executive officers named under the caption "Executive Compensation" above, all current executive officers as a group or all employees, including all current officers who are not executive officers, as a group. For information concerning recent grants to executive officers of stock options under the Company's 1983 Stock Option Plan, see the table captioned "Option Grants Table" above.

#### Recommendation of the Board of Directors

The Board of Directors believes that the approval of the 1993 Stock Option Plan is in the best interests of the Company and its stockholders, and accordingly recommends a vote FOR the proposal.

### 4. RATIFICATION AND APPROVAL OF AMENDMENTS TO THE COMPANY'S 1987 EMPLOYEE STOCK PURCHASE PLAN

The Company's 1987 Employee Stock Purchase Plan (the "Stock Purchase Plan") was originally adopted by the Board of Directors in February 1987 and was approved by the stockholders in August 1987. Under the Plan,

as previously amended, eligible employees have been permitted to utilize payroll deductions to acquire up to 1,000,000 shares of Common Stock (subject to adjustment for any dividend, stock split or other relevant changes in the Company's capitalization) through a series of semi-annual and annual offerings, the last of which terminated in May 1993.

#### **Proposed Amendments to the Plan**

The Board of Directors has amended the Stock Purchase Plan, subject to stockholder approval, to (i) increase the number of shares available for issuance under the Stock Purchase Plan from 1,000,000 to 1,750,000 and (ii) extend the term of the Stock Purchase Plan to provide for three additional annual offerings. The Company believes that the continued opportunity for employees to acquire shares of its Common Stock on the terms set forth in the Stock Purchase Plan will help enable the Company to continue to attract and retain qualified employees and is in the best interest of the Company and its stockholders.

The following is a summary of certain provisions of the Stock Purchase Plan:

#### **Eligibility**

All employees (including executive officers) who are employed on the date an offering commences and who ordinarily work an average of at least 32 hours per week and for more than 5 months per year may participate in the Stock Purchase Plan.

As of June 1, 1993, approximately 850 employees (including 7 executive officers) were eligible to participate in the Stock Purchase Plan.

#### **Offerings: Purchase Terms**

The Stock Purchase Plan consists of a series of offerings (initially semi-annual and currently annual). The proposed amendment to the Stock Purchase Plan provided for three annual offerings, commencing on or about May 1, 1993, May 1, 1994, and May 1, 1995, respectively. The number of shares of Common Stock to be available for purchase in each of these three offerings is a maximum of 250,000 shares.

Each participating employee may elect to have payroll deductions of up to 12% of his or her estimated annual compensation used to purchase the Common Stock of the Company at a price equal to 85% of the lower of the fair market price of the Common Stock on the day that the offering period commences or the day the offering period terminates. Upon the termination of the offering period, each participating employee who has not elected to withdraw from the Stock Purchase Plan receives the number of shares of Common Stock which can be purchased with his or her payroll deductions, subject to the condition that the maximum number of shares which can be purchased by an employee during an offering cannot exceed the number determined by dividing 85% of the market price of the Common Stock on the day that the offering period commences into 20% of the participant's estimated annual compensation. In addition, no employee may acquire more than \$25,000 in fair market value of stock (determined at the commencement of the offering period) under the Stock Purchase Plan or any similar plan of the Company in any calendar year. If there are 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 participating employees.

The last reported sale price for the Common Stock as reported by NASDAQ on the National Market System on June 1, 1993 was \$9.00 per share.

#### **Administration**

The Stock Purchase Plan is administered by the Compensation Committee of the Board of Directors.

#### **Amendment and Termination**

The Board of Directors may at any time amend or terminate the Stock Purchase Plan except that no amendment may be made without the approval of the Company's stockholders if such amendment would (i) materially increase the benefits accruing to participants under the Stock Purchase Plan, (ii) materially increase the number of shares which may be issued under the Stock Purchase Plan or (iii) materially modify the requirements as to eligibility for participation under the Stock Purchase Plan.

#### **Federal Income Tax Consequences**

The Stock Purchase Plan is intended to be an "employee stock purchase plan" as defined in Section 423 of the Code. Under that Section, an employee does not have to pay any federal income tax when he or she joins the

Stock Purchase Plan or when an offering period ends and he or she receives shares of the Company's Common Stock. The employee is, however, required to pay a federal income tax on the difference, if any, between the purchase price of the shares and the price at which he or she sells the shares.

If the employee has owned the shares for more than one year and disposes of them more than two years after the date the offering commenced, he or she will be taxed as follows. If the market price of the shares on the date they are sold is equal to or less than the price paid for the shares under the Stock Purchase Plan, the employee will recognize a long-term capital loss in an amount equal to the excess of the price paid over the sale price. If the sale price is higher than the price paid under the Stock Purchase Plan, the employee will recognize ordinary income in an amount equal to the lesser of (i) the excess of the market price of the shares on the day the offering commenced over the price actually paid or (ii) the excess of the sale price over the price actually paid. Any further gain is treated as a long-term capital gain. The Company generally will not be entitled to a business expense deduction upon either the purchase or sale of shares under the Stock Purchase Plan if the holding period requirements set forth above are met.

If the employee sells the shares before he or she has owned them for more than one year or before the expiration of the two-year period commencing on the day the offering period commenced, the employee will recognize ordinary income in an amount equal to the excess of the market price of the shares on the date of purchase and the actual price paid under the Stock Purchase Plan, and the Company will recognize an expense deduction for the same amount. The employee will recognize a capital gain or loss, which will be long-term or short-term depending on whether the employee has owned the shares for more or less than one year, on the difference between the sale price and the market price on the date of purchase.

#### **Information About Participation**

Under the Stock Purchase Plan's last offering, which ended April 29, 1993, 319 employees and one executive officer, Lawrence S. Bohn, participated, and 162,726 shares of common stock (including 2,652 shares to Mr. Bohn) were issued at a per share purchase price of \$6.49. Under the current Stock Purchase Plan, which is subject to shareholder approval at the Special Meeting, as of June 1, 1993, 392 employees and two executive officers, one of whom is Lawrence S. Bohn, are participating.

Because the number of shares to be acquired by an employee in the future depends, in part, on whether and to what extent the employee elects to participate and, if so, whether the employee elects to withdraw his or her participation during an offering period, it is not possible to determine the benefits or amounts that will be received in the future by executive officers named under the caption "Executive Compensation" above, all current executive officers as a group or all employees, including all current officers who are not executive officers, as a group.

#### **Recommendation of the Board of Directors**

The Board of Directors believes that the approval of the amendments to the 1983 Employee Stock Purchase Plan described above is in the best interests of the Company and its stockholders, and accordingly recommends a vote FOR the proposal.

### **5. RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

Subject to ratification by the shareholders, the Board of Directors, on the recommendation of the Audit Committee, has selected the firm of Ernst & Young as the Company's independent auditors for the current fiscal year, ending March 31, 1994. Ernst & Young has served as the Company's independent auditors since 1981.

Representatives of Ernst & Young are expected to be present at the Special 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 shareholders.



## OTHER MATTERS

Management does not know of any other matters which may come before the Special 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 other 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.

### Deadline For Submission Of Shareholder Proposals

Proposals of shareholders intended to be presented at the 1994 Annual Meeting of Shareholders must be received by the Company at its principal office in Waltham, Massachusetts, by no later than April 1, 1994 for inclusion in the proxy statement for that meeting.

By Order of the Board of Directors,

John K. Hyvnar, Clerk

July 1, 1993

THE BOARD OF DIRECTORS HOPES THAT SHAREHOLDERS 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. SHAREHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR SHARES PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.