



Aldus Corporation
411 First Avenue South
Seattle, WA 98104-2871
206.622.5500

March 20, 1992

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Aldus Corporation, which will be held at the Washington State Convention Trade Center (enter through the main entrance, Level 4), Seattle, Washington, on Tuesday, May 5, 1992, at 10:00 a.m. I am looking forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the annual meeting are given in the enclosed Notice of Annual Meeting and Proxy Statement.

Your vote is very important—whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy in the postage-paid envelope. If you decide to attend the annual meeting and vote in person, you will still have the opportunity of doing so.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of Aldus.

Sincerely,

Paul Brainerd
President

ALDUS CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 5, 1992

To the Shareholders:

The annual meeting of the shareholders of Aldus Corporation will be held at the Washington State Convention Trade Center (enter through the main entrance, Level 4), Seattle, Washington, on Tuesday, May 5, 1992, at 10:00 a.m., for the following purposes:

1. To elect five directors to hold office until the next annual meeting.
2. To amend the 1991 Employee Stock Purchase Plan to allow employees of foreign subsidiaries to be eligible to participate under the Plan.
3. To ratify the selection of Ernst & Young as independent auditors for the 1992 fiscal year.
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 6, 1992, are entitled to notice of, and to vote at, the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Paul Brainerd, President

Seattle, Washington
March 20, 1992

IMPORTANT

Whether or not you expect to attend in person, we urge you to sign, date, and return the enclosed proxy at your earliest convenience to ensure the presence of a quorum at the meeting. A self-addressed stamped envelope is enclosed for that purpose. If you send in your proxy and then decide to attend the meeting to vote your stock in person, you may still do so. Your proxy is revocable at your request.

ALDUS CORPORATION
411 First Avenue South
Seattle, Washington 98104

**PROXY STATEMENT FOR ANNUAL MEETING
OF SHAREHOLDERS
To Be Held May 5, 1992**

This Proxy Statement, which was first mailed to shareholders on March 20, 1992, is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Aldus Corporation (the "Company" or "Aldus") for the Annual Meeting of Shareholders of the Company ("Annual Meeting"). The Annual Meeting will be held at 10 a.m. on Tuesday, May 5, 1992, at the Washington State Convention Trade Center (enter through the main entrance, Level 4) located at 800 Convention Place, Seattle, Washington, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. All shares of Common Stock of the Company ("Common Stock") represented by proxies will be voted in accordance with the shareholders' directions. Any proxy card signed and returned without any direction given will be voted in accordance with the recommendations of the Board. Proxies may be revoked at any time prior to exercise by delivery of a signed statement to the Secretary of the Company at or before the Annual Meeting or by execution of another proxy dated as of a later date. The principal executive offices of the Company are located at 411 First Avenue South, Seattle, Washington 98104.

Shareholders of record at the close of business on March 6, 1992, will be entitled to vote at the Annual Meeting on the basis of one vote for each share of Common Stock held. On March 6, 1992, there were 15,016,687 shares of Common Stock outstanding, held of record by 1,067 shareholders.

ELECTION OF DIRECTORS

Five directors are to be elected at the Annual Meeting, to hold office until the next Annual Meeting of shareholders and until their successors are elected and qualified. It is intended that the accompanying proxy will be voted in favor of the following persons to serve as directors, unless the shareholder indicates to the contrary on the proxy. Management expects that each of the nominees will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxy will be voted for the election of another nominee to be designated by the Board to fill any such vacancy.

<u>Nominees</u>	<u>Common Stock Beneficially Owned as of March 6, 1992</u> ¹	<u>Percent of Class</u>
Paul Brainerd	3,000,000	19.18
Douglas G. DeVivo ²	79,234	*
Gene P. Carter ³	93,504	*
Andrew V. Smith ⁴	7,500	*
Gary P. Arnold ⁵	6,875	*
All executive officers and directors as a group ⁶ (14 persons)	3,605,038	24.01

* Less than 1 percent.

¹ Beneficial ownership represents sole voting and investment power with respect to the Common Stock.

² Includes 28,834 shares subject to options which are exercisable within 60 days, 5,487 shares for which Mr. DeVivo has sole investment power and 44,913 shares subject to shared voting power under a trust account. Mr. DeVivo is a member of the Audit Committee.

³ Includes 90,500 shares subject to options which are exercisable within 60 days. Mr. Carter is a member of the Compensation Committee.

⁴ Includes 7,500 shares subject to options which are exercisable within 60 days. Mr. Smith is a member of the Compensation Committee

⁵ Includes 6,875 shares subject to options which are exercisable within 60 days. Mr. Arnold is a member of the Audit Committee.

⁶ Includes 303,850 shares subject to options which are exercisable within 60 days.

Other Information Concerning Directors

Paul Brainerd, 44, the Company's founder, has been President, Chief Executive Officer, and a director of Aldus since its inception.

Douglas G. DeVivo, 48, has been a director of the Company since September 1984. Mr. DeVivo was a founder and since 1981 has been a general partner of Vanguard Associates and Vanguard Associates II, California venture capital partnerships.

Gene P. Carter, 57, has been a director of Aldus since April 1985. Mr. Carter has been a private investor since 1984 and since 1989 has been Chairman of Portable Energy Products, Inc., a privately held manufacturer of rechargeable energy cells for the portable instrumentation market. Mr. Carter is also a director of Tigan Communications, Inc. and Chips & Technologies. From 1977 to 1984, Mr. Carter was Vice President, Sales, for Apple Computer, Inc., a microcomputer manufacturer.

Andrew V. Smith, 67, has been a director of Aldus since February 1989. From 1978 to 1988, Mr. Smith was President of Pacific Northwest Bell, a diversified telecommunications company now known as U S WEST Communications and was executive vice president from January 1989 to July 1989. He retired in August 1989. Mr. Smith is also a director of Airborne Express, Cascade Natural Gas, Tektronix Inc., U.S. Bancorp, Unigard Insurance, Univar Corporation, and Momentum Distribution Inc.

Gary P. Arnold, 50, has been a director of the Company since June 1991. From 1985 to 1990, Mr. Arnold served with National Semiconductor Corporation, a manufacturer of semiconductors, in a number of capacities, most recently as Vice President and Chief Financial Officer, and since 1990 has been Vice President and Chief Financial Officer of Tektronix, Inc., a manufacturer of high technology equipment. Mr. Arnold is also a director of National Semiconductor Corporation, Tektronix, Triquint Semiconductor, Inc., and Portland State University Foundation.

Directors receive no cash compensation for serving on the Board, except for reimbursement of reasonable expenses incurred in attending meetings. In the past, each nonemployee director of the Company received annually, concurrent with the election of directors, an option to acquire 1,000 shares of Common Stock at fair market value at the time of grant under the 1987 Stock Option Plan for Nonemployee Directors (the "Nonemployee Directors Plan"). An amendment to the Nonemployee Directors Plan was approved by the shareholders at the 1991 Annual Meeting to grant each nonemployee director elected at the 1991 Annual Meeting an option to purchase 22,500 shares of Common Stock.

The Board met 11 times during the last fiscal year, and took action twice by written consent. The Audit Committee, consisting of directors Carter, DeVivo, and Smith, held four meetings, and took action once by written consent. This committee is primarily responsible for reviewing the services performed by Aldus' independent auditors, reviewing quarterly financial results, and evaluating Aldus' accounting policies and its systems of internal controls. All directors and members of the Audit Committee attended 75 percent or more of the Board meetings and Audit Committee meetings, respectively. The Compensation Committee, consisting of directors Carter and Smith, held one meeting. This committee is primarily responsible for establishing executive compensation.

Information Regarding Principal Shareholders

To the Company's knowledge, the only shareholders who beneficially owned more than 5 percent of the outstanding shares of Common Stock as of March 6, 1992, were:

<u>Beneficial Owner</u>	<u>Common Stock Beneficially Owned as of March 6, 1992</u>	<u>Percent of Class</u>
Paul Brainerd ¹	3,000,000	19.98
Prudential Insurance Company of America ²	1,713,800	11.41
Chancellor Capital Management Inc. ³	1,058,500	7.05
Chancellor Trust Company ³	1,058,500	7.05
Kemper Financial Services Inc. ⁴	1,021,750	6.80

¹ Address: c/o Aldus Corporation, 411 First Avenue South, Seattle, Washington 98104.

² Address: 751 Broad Street, Newark, New Jersey 07102-3777. Prudential currently holds 220,900 shares of the issuer's common stock for the benefit of its general account, separate accounts, externally managed accounts, registered investment companies, and its subsidiary Prudential Securities Inc. In addition, Prudential holds 1,492,900 shares for the benefit of subsidiary Jennison Associates Capital Corp. Information based on the Company's review of Schedule 13G filed by the shareholders on February 28, 1992.

³ Address: 153 East 53rd Street, New York, New York 10022. Chancellor Capital Management Inc. and Chancellor Trust Company, as investment advisers for various fiduciary accounts, have sole power to vote or direct the vote, and sole power to dispose of or direct the disposition of, all such shares, based on publically available information reported on February 13, 1992.

⁴ Address: 120 South LaSalle Street, Chicago, Illinois 60603.

Information Regarding Executive Officer Compensation

Cash Compensation

Cash compensation paid by the Company during fiscal 1991 to its five most highly compensated executive officers and to all executive officers as a group is set forth in the following table:

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacity in Which Served</u>	<u>Cash Compensation</u>	
		<u>Salary</u> ¹	<u>Bonus</u> ²
Paul Brainerd	President and Chief Executive Officer	\$346,596	\$98,412
Phillip B. Herres	Chief Operating Officer	249,630	70,400
Larry Spelhaug	Vice President of Marketing ³	198,665	47,666
William McAleer	Vice President of Finance	159,070	45,791
Aaron Howard	Vice President, Aldus USA	159,070	45,791
All executive officers as a group (10 persons) ⁴		\$1,856,153	\$433,979

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- ¹ Includes amounts deferred pursuant to employee contribution to the Aldus Employee Salary Deferral Plan. See “Compensation Pursuant to Plans” below.
 - ² Bonuses awarded under the Company’s 1989 Bonus Profit-Sharing Plan and the Aldus Europe 1989 Bonus Profit-Sharing Plan. See “Compensation Pursuant to Plans” below.
 - ³ Mr. Spelhaug resigned as Vice President of Marketing effective December 31, 1991, and the amount above includes separation benefits. Mr. Spelhaug will serve as a consultant to the Company through June 30, 1992, for which services he will be paid \$80,000. Vesting was accelerated for 6,875 of Mr. Spelhaug’s options, effective as of January 21, 1992.
 - ⁴ Includes Richard Mathews, who resigned as Vice President of Engineering effective June 3, 1991.
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Certain Transactions

Aldus has contracted with McQueen Holdings Limited (“McQueen”) for various printing, assembly, and warehousing services. Aldus holds a 10 percent equity interest in McQueen and a \$525,000 convertible note receivable due October 31, 1993. Aldus’ investment in McQueen is accounted for at cost. Purchases from McQueen amounted to \$9,271,000, \$6,824,000, and \$4,234,000 for the years ended December 31, 1991, 1990, and 1989, respectively.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s officers and directors, and persons who own more than 10 percent of a registered class of the Company’s equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors, and greater-than-10-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to the Company, or written representations that no Forms 5 were required, the Company believes that during the fiscal year ended December 31, 1991, all Section 16(a) filing requirements applicable to its officers, directors and greater-than-10-percent beneficial owners were complied with; except that one report covering an aggregate of two transactions and one report covering an aggregate of seven transactions, were filed late by Messrs. Brainerd and Derek Gray (Managing Director of the Company’s wholly owned subsidiary, Aldus Europe Limited), respectively, and one report for a Form 3 filing was filed late by Gerald Barber, Acting Vice President of Engineering.

Compensation Pursuant to Plans **1989 Bonus Profit-Sharing Plan**

The Company adopted its 1989 Bonus Profit-Sharing Plan (the “1989 Plan”) in 1989. The 1989 Plan covers all non-European employees who have completed six months of service with the Company. Bonuses are paid quarterly based on achievement of a minimum of 90 percent of the previous quarter’s target after-tax profit set by the Board. The payout increases once the Company exceeds 100 percent of its target. Non-employee directors may not participate in the 1989 Plan. Amounts paid to each of the five most highly compensated executive officers, and to all current executive officers as a group, under the 1989 Plan are included in the cash compensation table above for the fiscal year ended December 31, 1991. For the fiscal years ended December 31, 1990 and 1989, the amounts paid were as follows: Mr. Brainerd, \$95,447 and \$132,693; Mr. Herres, \$74,779 and \$13,327; Mr. Spelhaug, \$32,070 and \$0; Ms. Smith, \$51,606 and \$40,981; and all current executive officers as a group, \$510,723 and \$977,833. For the fiscal years ended December 31, 1991, 1990 and 1989, the following amounts were paid to all employees eligible to participate in the 1989 Plan who are not executive officers: \$1,357,358, \$1,630,038, and \$654,854.

Aldus Europe Limited 1989 Bonus Profit-Sharing Plan

Aldus Europe Limited (“Aldus Europe”), adopted its 1989 Bonus Profit-Sharing Plan (the “Aldus Europe Plan”) in 1989. The Aldus Europe Plan covers all full-time and regular part-time Aldus Europe employees employed during the entire previous quarter. Bonuses are paid quarterly based on Aldus Europe’s achieving of at least 80 percent of its target pre-tax

profits for the previous quarter. Aldus Europe's targets are set by the Aldus Board. The payout increases once Aldus Europe exceeds 100 percent of its target. Non-employee directors may not participate in the Aldus Europe Plan. Mr. Gray is the only executive officer who has received bonuses under the Aldus Europe Plan. Amounts paid to Mr. Gray under the Aldus Europe Plan for the fiscal years ended December 31, 1991, 1990, and 1989 were \$22,580, \$58,325, and \$94,432, respectively. For the fiscal years ended December 31, 1991, 1990 and 1989, the following amounts were paid to all employees eligible to participate in the Aldus Europe Plan who are not executive officers: \$165,420, \$255,885, and \$429,145.

1984 Restated Stock Option Plan

The Company's 1984 Restated Stock Option Plan (the "1984 Plan") was adopted in 1984. The 1984 Plan is designed to reward the officers and employees of the Company and provides for the granting of incentive stock options, nonqualified stock options, and stock appreciation rights ("SARs"). No SARs have been granted under the 1984 Plan. In an amendment approved by the shareholders of the Company at its 1991 Annual Meeting, the 1984 Plan was modified to reserve additional shares of Common Stock for issuance upon exercise of options.

The 1984 Plan provides for the grant of options to acquire up to 7,100,000 shares of Common Stock to officers and employees of the Company. The time or times at which options may be granted pursuant to the 1984 Plan, whether all such options will vest at one time or on a vesting schedule, the prices at which such options may be exercised, and the term or terms of such options will be set by the Board, as Plan Administrator. For incentive stock options, the exercise price may not be less than the fair market value of Common Stock on the grant date. The exercise price for nonqualified options will generally not be less than 85 percent of the fair market value of Common Stock on the date of grant. The following table shows, for certain executive officers of the Company, all current executive officers as a group, and all employees who are not executive officers, (a) options granted during the period from January 1, 1989, to December 31, 1991, and the average exercise price per share, and (b) the number of options exercised during the same period and the net value of those exercised options (i.e., net value equals the market price at the time of exercise less the exercise price).

	<u>Paul Brainerd</u>	<u>Phillip Herres</u>	<u>Derek Gray</u>	<u>William McAlear</u>	<u>Aaron Howard</u>	<u>All Executive Officers as a Group (10 persons)</u>	<u>All Employees Not Executive Officers</u>
Granted 1/1/89 to 12/31/91							
Number of shares	0	150,000	83,000	52,500	52,500	610,000	2,310,025
Average per share exercise price	0	\$18.23	\$18.56	\$20.25	\$20.25	\$19.375	\$23.776
Exercised 1/1/89 to 12/31/91							
Number of shares	0	15,000	27,000	34,600	24,500	212,475	1,110,536
Net value of exercised options	0	\$470,250	\$768,375	\$937,125	\$749,500	\$5,761,557	\$19,737,795

1987 Stock Option Plan for Nonemployee Directors

The Company's 1987 Stock Option Plan for Nonemployee Directors (the "Nonemployee Directors Plan") was amended on May 7, 1991, by persons who were holders on the record date of a majority of the outstanding Common Stock, to provide that each nonemployee director elected at the 1991 Annual Meeting receive a grant of an option to purchase 22,500 shares of Common Stock. Under the amendment, of the options granted to each nonemployee director, options to purchase 7,500 of such shares vested immediately and were exercisable after six months. Options for the remaining 15,000 shares granted to a nonemployee director under the one-time grant vest and become immediately exercisable at the rate of 7,500 per year upon the first and second anniversaries of such director's election at the 1991 Annual Meeting. Under the terms of the amendment, then current nonemployee directors receive no further grants under the Nonemployee Directors Plan unless the Nonemployee Directors Plan is further amended upon approval by the Company's shareholders. The amendment to the Nonemployee Directors Plan also provided that, should a nonemployee director be elected to fill a vacancy on the Board, the new director would automatically be granted (a) a fully vested option, exercisable after six months, to purchase a pro rata portion of 7,500 shares based upon a fraction, the numerator of which is the number of months (not more than 12) such director is anticipated to serve until the next annual election of directors by the Company's shareholders, and the denominator of which is 12, plus (b) an option to purchase 15,000 shares that would vest and be exercisable at the rate of 7,500 per year over the two-year period following his or her election. During fiscal year 1991, options to purchase 89,375 shares were granted pursuant to the Nonemployee Directors Plan at an average price of \$47.06 per share. During fiscal years 1989 and 1990, options to purchase an aggregate of 6,000 shares were granted pursuant to the Nonemployee Directors Plan at an average exercise price of \$18.50 and \$22.00 per share for each fiscal year, respectively. During fiscal years 1989, 1990, and 1991, 2,000 of these options were exercised for net value received of \$21.75 per share for 1,000 shares and \$18.25 per share for 1,000 shares.

Salary Deferral Plan

In 1988, the Company adopted the Aldus Employee Salary Deferral Plan (the "Salary Deferral Plan"). The Salary Deferral Plan is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), so that contributions by participants are not taxable until withdrawn from the Salary Deferral Plan. Under the Salary Deferral Plan all employees having at least six months of continuous service with the Company are eligible to elect, from time to time, to reduce their current compensation in an amount not less than 2 percent nor more than the maximum permissible amount allowed under the Code per calendar year, and have the amount so reduced contributed to the Salary Deferral Plan. The Company makes no matching contributions. Nonemployee directors do not participate in the Salary Deferral Plan. Amounts deferred under the Salary Deferral Plan by each of the five most highly compensated executive officers, and by all current executive officers as a group, are included in the cash compensation table above for the fiscal year ended December 31, 1991. For the fiscal years ended December 31, 1990 and 1989, the amounts deferred were as follows: Mr. Brainerd, \$7,979 and \$7,627; Mr. Herres, \$7,979 and \$0; Mr. Spelhaug, \$0 and \$0; Ms. Smith, \$7,979 and \$0; and all current executive officers as a group, \$37,726 and \$12,604. During fiscal years 1989, 1990, and 1991, employees who are not executive officers contributed \$636,032, \$695,901, and \$1,086,100, respectively. As of December 31, 1991, approximately 609 officers and employees of the Company were eligible to participate in the Salary Deferral Plan.

PROPOSAL 1: APPROVAL OF AMENDMENT TO THE 1991 EMPLOYEE STOCK PURCHASE PLAN

The Board of Directors adopted the 1991 Employee Stock Purchase Plan ("the Purchase Plan") on December 19, 1990, and on May 7, 1991, the holders of a majority of the outstanding Common Stock approved the adoption of the Purchase Plan. On December 17, 1991, the Board unanimously approved an amendment to the Purchase Plan to expand participation under the Purchase Plan to all regular-status employees of the Company's foreign subsidiaries who customarily work 20 or more hours per week and five or more months in any calendar year. The Purchase Plan, as proposed to be amended, is attached as Appendix A hereto. The Board's approval of the amendment is subject to approval of the amendment by holders of a majority of the outstanding Common Stock at the Annual Meeting.

An aggregate of 300,000 shares of Common Stock may be sold by the Company under the Purchase Plan (subject to adjustment in the event of stock splits, combinations of shares, stock dividends or the like). Stock issued under the Purchase Plan is intended to afford the employees the favorable tax treatment provided by Section 423 of the Code.

The purpose of the Purchase Plan is to provide a means whereby the Company's employees may purchase the Common Stock of the Company at a discounted price in order to attract and retain the services of such employees and to provide added incentive to them by encouraging stock ownership in the Company. The Board of Directors believes that expansion of participation under the Purchase Plan will be an important aspect of the Company's ability to attract and retain highly qualified and motivated employees of its foreign subsidiaries.

Description of the Purchase Plan

The Purchase Plan is administered by the Board. The Board, as administrator, has the power to make and interpret all rules and regulations it deems necessary to administer the Purchase Plan and has broad authority to amend such plan, subject to certain amendments requiring shareholder approval.

All regular-status domestic employees of the Company and its domestic subsidiaries who customarily work 20 or more hours per week and five or more months in any calendar year, including all the Company's executive officers, are eligible to participate in the Purchase Plan. Nonemployee directors of the Company are not eligible to participate in the Purchase Plan.

An eligible employee may enroll in the Purchase Plan, re-enroll in the Purchase Plan after a period of nonparticipation, or withdraw and immediately re-enroll in the Purchase Plan as of the first trading day of any purchase period under the Purchase Plan. A participant is not eligible to continue his or her participation in the Purchase Plan in the event that such participant's employment is voluntarily or involuntarily terminated, or if such participant owns or will own, as a result of such participation, shares possessing 5 percent or more of the total combined voting power or value of all classes of stock of the Company or any related corporation. No employee may purchase more than 600 shares of Common Stock during any purchase period. Moreover, no employee may purchase shares under the Purchase Plan, which, together with all other "employee stock purchase plans" of the Company, would accrue at a rate that exceeds \$25,000 in fair market value (determined as of the enrollment date of each purchase period) of Common Stock during any calendar year.

An employee may elect to participate in the Purchase Plan only by means of payroll deductions. Purchase periods commence under the Purchase Plan on July 1 and January 1 of each calendar year and continue for a period of six months thereafter.

A participant may elect to contribute a stated percentage of his or her compensation at a rate of not less than 2 percent nor more than 10 percent of such employee's regular cash compensation during each payroll period in the purchase period. Once enrolled for any purchase period, the participant will automatically be re-enrolled for the next purchase period, unless the participant notifies the plan administrator that the participant wishes to discontinue participation. For purposes of the Purchase Plan, regular cash compensation does not include overtime, commissions, severance pay, hiring and relocation bonuses, bonuses paid under the 1989 Bonus Profit-Sharing Plan, pay in lieu of vacations or sick leave, or any other special payments.

The Purchase Plan does not permit a participant to modify his or her payroll deductions except at the commencement of a purchase period. However, a participant may discontinue his or her payroll deductions at any time and withdraw from the Purchase Plan.

If a participant has not withdrawn prior to the last trading day of the purchase period, the participant's accumulated payroll deductions will be used to purchase shares of the Company's Common Stock on the last trading day of the purchase period, six months after the commencement of the purchase period.

The purchase price per share of Common Stock under the Purchase Plan is 85 percent of the fair market value of the Common Stock (a) on the first trading day of a purchase period under the Purchase Plan or (b) on the last trading day of a purchase period under the Purchase Plan, whichever is less. Upon purchase, the amount credited to a participant's account is applied to as many full shares of Common Stock as may be purchased with such amount (any amounts remaining in a participant's account may be withdrawn by the participant or retained in the account). As promptly as practicable after the relevant purchase date, the Company will deliver to each participant certificates for the full shares purchased by such participant.

A participant has no interest in shares purchasable under the Purchase Plan until payment for the shares has been completed at the close of business on the purchase date. The Purchase Plan provides only an unfunded, unsecured promise by the Company to pay money or property in the future. Except with respect to shares that have been purchased for his or her account, a participant in the Purchase Plan has no greater right than an unsecured creditor of the Company. After purchase of the shares under the Purchase Plan has been made, each participant shall be entitled to all rights of a shareholder with respect to the purchased shares.

If there is an insufficient number of shares to permit the full exercise of all existing rights to purchase shares, or if the legal obligations of the Company prohibit the issuance of all shares purchasable upon the full exercise of such rights, the Company will allocate the remaining shares, based pro rata upon the aggregate amount of each participant's account. In such event, payroll deductions are reduced accordingly and the Company will give written notice to each affected participant.

All payroll deductions received or held by the Company under the Purchase Plan may be used by the Company for any corporate purposes. No participant is entitled to any payment or credit for interest with respect to or on the payroll deductions contemplated by the Purchase Plan.

Participants have no right to acquire Common Stock upon termination of employment. Upon termination of a participant's employment (other than for death, retirement, or disability) occurring at anytime prior to a purchase date, or upon termination for death, retirement, or disability prior to the last month of a purchase period, the accumulated payroll deductions are returned to the participant. Upon termination during the last month of a purchase period because of death, retirement or disability, all accumulated payroll deductions are used to purchase shares on the next purchase date. Any remaining balance is returned to the participant or his or her beneficiary.

The Board may at any time suspend, amend, or terminate the Purchase Plan as it deems proper and in the best interests of the Company, provided that the Company must obtain the approval of the Company's voting stock within 12 months before or after the adoption by the Board of any amendment requiring shareholder approval under new provisions of Rule 16(b)-3 under the Exchange Act or Section 423 of the Code. Currently, such approval is necessary for any amendment that would (i) increase the number of shares currently authorized under the Purchase Plan, (ii) materially increase the benefits accruing to participants under the Purchase Plan, or (iii) materially modify the requirements as to eligibility for participation in the Purchase Plan. In the event the Purchase Plan is terminated, amounts credited to accounts of participants shall be returned to such participants.

Neither payroll deductions credited to a participant's account nor any rights with regard to the purchase of shares under the Purchase Plan may be assigned, transferred, pledged or otherwise disposed of in any way by the participant other than by will or the laws of descent and distribution. The Company may treat any such act as an election to withdraw from the Purchase Plan.

As of December 31, 1991, there were approximately 952 employees of the Company, 577 of whom were eligible to participate in the Purchase Plan and 272 of whom were participating in the Purchase Plan.

Federal Income Tax Consequences

The Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. As such, a participant is not subject to federal income tax on the discounted price of shares of Common Stock purchased pursuant to the Purchase Plan at the time such participant receives such shares. The participant is, however, subject to federal income tax when he or she disposes of such shares.

If a participant holds the Common Stock purchased pursuant to the Purchase Plan for at least one year from the date such shares were transferred to him or her and two years from the commencement of the offering in which such shares were purchased, and if the participant has been an employee at all times from such commencement of the offering through the month preceding the last month of the purchase period, the participant generally will be subject to federal income tax on the subsequent disposition of such shares at ordinary income rates on the lesser of (a) the excess of the fair market value of the shares as of the first trading day of the offering in which such shares were purchased over the purchase price for such shares or (b) the excess of the fair market value of such shares as of the date of disposition over the price paid for the shares. Any

additional gain will be taxed as capital gain. Capital gain and ordinary income generally are taxed in the same manner, except that the maximum federal tax rate on capital gain is 28 percent, and the maximum rate on ordinary income is 31 percent. In addition, capital losses generally may only be deducted from capital gains. The Company will not be entitled to take a deduction for the amount of the discount under these circumstances.

If, however, a participant does not hold shares of Common Stock purchased pursuant to the Purchase Plan for the periods described above, the participant will be subject to federal income tax at the time of disposition on the excess of the fair market value of such shares as of the date of purchase over the purchase price paid for such shares; any such excess shall be taxed as ordinary income. The Company will be entitled to take a deduction for the amount of such excess. Any additional gain will be taxed as capital gain.

The foregoing is only a brief summary of the federal income tax laws applicable to the Purchase Plan and its participants. Such laws are complex and subject to change. A participant's particular tax situation may be such that some variation of the general rules is applicable. State and local taxes that may be applicable are not discussed. In addition, if the participant is a resident of or is employed in a country other than the United States, the participant may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

The affirmative vote of the holders of a majority of the outstanding shares of Common Stock represented in person or by proxy at the Annual Meeting will be required to approve Proposal 1.

The Board has unanimously approved the amendment to the Purchase Plan and recommends that shareholders vote FOR Proposal 1.

PROPOSAL 2: RATIFICATION OF SELECTION OF ACCOUNTANTS

At the Annual Meeting, the Board will request that the shareholders ratify its selection of Ernst & Young as independent auditors for the Company for the current fiscal year.

Unless instructed to the contrary, it is intended that votes be cast pursuant to the accompanying proxy for the ratification of the selection of Ernst & Young. The affirmative vote of a majority of the votes cast by shareholders present in person or by proxy and entitled to vote at the Annual Meeting, a quorum being present, is required to ratify the selection of Ernst & Young.

Representatives of Ernst & Young are expected to be present at the Annual Meeting and will have an opportunity to respond to appropriate questions.

The affirmative vote of the holders of a majority of the outstanding shares of Common Stock represented in person or by proxy at the Annual Meeting will be required to approve Proposal 2.

The Board has unanimously approved the selection of Ernst & Young as auditors for the Company for the 1992 fiscal year and recommends a vote FOR Proposal 2.

PROPOSALS OF SHAREHOLDERS

Proposals that shareholders wish to present at the 1993 Annual Meeting must be received by the Company no later than March 5, 1993, to be included in the Company's Proxy Statement and form of proxy relating to that meeting.

SOLICITATION OF PROXIES

The proxy accompanying this Proxy Statement is solicited by the Board. Proxies may be solicited by directors, officers and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. Such solicitations may be made personally, or by mail, telephone, telex, telegraph or messenger. The Com-

pany will not be employing the services of a proxy solicitation firm. The Company will also reimburse persons holding shares of Common Stock in their names or in the names of nominees, but not owning such shares beneficially, such as brokerage houses, banks, and other fiduciaries, for the expense of forwarding soliciting materials to their principals. All costs of solicitation of proxies will be paid by the Company.

OTHER MATTERS

The Board does not intend to bring any other business before the Annual Meeting and, so far as is known to the Board, no matters are to be brought before the Annual Meeting except as specified in the Notice of Annual Meeting of Shareholders. However, as to any other business that may properly come before the Annual Meeting, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

The Board has adopted an amendment to the Bylaws that requires shareholders wishing to bring business before an annual meeting to provide the Company with notice of such business not less than 60 or more than 90 days prior to the date of the meeting. For a special meeting such notice must be received by the Company not later than the seventh business day following the date on which notice of such meeting was first given to shareholders.

DATED: March 6, 1992, Seattle, Washington

Copies of the Company's Annual Report on Form 10-K for fiscal year 1991, containing information on operations, as filed with the Securities and Exchange Commission, will be available upon request. Please contact:

Aldus Corporation
Attn: Manager, Investor Relations
411 First Avenue South
Seattle, Washington 98104-2871
(206) 622-5500

APPENDIX A

ALDUS CORPORATION 1991 EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. PURPOSE

The purpose of this Aldus Corporation 1991 Employee Stock Purchase Plan (the "Plan") is to provide a means whereby certain employees of Aldus Corporation (the "Company"), or of any Related Corporation designated by the Company, may be granted stock options to purchase the common stock of the Company, in order to attract and retain the services or advice of such employees and to provide added incentive to them by encouraging stock ownership in the Company. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed in a manner consistent with the requirements of that Section of the Code.

SECTION 2. DEFINITIONS

2.1 Account

"Account" shall mean the funds accumulated with respect to a Participant as a result of deductions from his or her paycheck for the purpose of purchasing stock under this Plan. The funds allocated to a Participant's Account shall remain the property of the respective Participant at all times but may be commingled with the general funds of the Company.

2.2 Base Pay

"Base Pay" means the basic or regular rate of compensation (excluding bonuses, overtime, commissions, and the proceeds from the exercise of nonqualified stock options, other payments for incentive compensation, and any other special payments).

2.3 Code

"Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

2.4 Eligible Employee

"Eligible Employee" shall mean any employee who is eligible to participate in the Plan pursuant to the provisions of Section 5.

2.5 Offering Date

"Offering Date" shall mean the commencement date of an offering, if such date is a regular business day; otherwise, it shall mean the first regular business day following such commencement date. A different date may be set by resolution of the Board.

2.6 Participant

"Participant" shall mean an Eligible Employee who has completed and filed a Participation Agreement pursuant to Section 7.1.

2.7 Related Corporation

"Related Corporation," when referring to a subsidiary corporation, shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock of each of the corporations other than the Company is owned by one of the other corporations in such chain. When referring to a parent corporation, the term "Related Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

SECTION 3. ADMINISTRATION

This Plan shall be administered by the Board of Directors of the Company (the "Board") or, in the event the Board shall appoint and/or authorize a Compensation Committee to administer this Plan, by such committee. The administrator of this Plan shall hereinafter be referred to as the "Plan Administrator." A member of the Plan Administrator shall not be eligible to participate in or receive or hold options under this Plan.

The foregoing notwithstanding, in the event the Company shall register any of its equity securities pursuant to Sections 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), then, to the extent required under Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, the following provisions shall replace the paragraph above. The administrator of this Plan shall be the Board, a majority of which Board and majority of which directors acting in the matter are disinterested directors, or may be a committee consisting solely of not less than three disinterested directors of the Company. The members of any committee serving as Plan Administrator shall be appointed by the Board for such term as the Board may determine. The Board may from time to time remove members from, or add members to, the committee. Vacancies on the committee, however caused, may be filled by the Board. If at any time an insufficient number of disinterested directors is available to serve on such committee, interested directors may serve on such committee; however, during such time, no options shall be granted under this Plan to any director.

For purposes of this Section 3, a disinterested director is a member of the Board who (a) is not at the time he or she exercises discretion in administering this Plan eligible and has not at any time within one (1) year prior thereto been eligible for selection as a person to whom stock may be allocated or to whom stock options or stock appreciation rights may be granted pursuant to this Plan or any other plan of the Company or any related corporation entitling the participants therein to acquire stock, stock options, or stock appreciation rights of the Company or any related corporation or (b) otherwise meets the definition of "disinterested person" as set forth in the rules and regulations promulgated under Section 16(b) of the Exchange Act.

3.1 Procedures

The Board shall designate one of the members of the Plan Administrator as chairman. The Plan Administrator may hold meetings at such times and places as it shall determine. The acts of a majority of the members of the Plan Administrator present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Plan Administrator members, shall be valid acts of the Plan Administrator.

3.2 Responsibilities

Except for the terms and conditions explicitly set forth in this Plan, the Plan Administrator shall have the authority, in its discretion, to determine all matters relating to the options to be granted under this Plan, including all terms and conditions of the options. The interpretation and construction by the Plan Administrator of any terms or provisions of this Plan or any option issued hereunder, or of any rule or regulation promulgated in connection herewith, shall be conclusive and binding on all interested parties, so long as such interpretation and construction corresponds to the requirements of Code Section 423, the regulations thereunder, and any amendments thereto.

SECTION 4. STOCK SUBJECT TO THIS PLAN

4.1 Type and Number of Shares

The stock subject to this Plan shall be the Company's Common Stock (the "Common Stock"), presently authorized but unissued or subsequently acquired by the Company. Subject to adjustment as provided in Section 22, the aggregate amount of Common Stock to be delivered upon the exercise of all options granted under this Plan shall not exceed three hundred thousand (300,000) shares as such Common Stock was constituted on the effective date of this Plan. If any option granted under this Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall thereupon again be available for delivery under this Plan.

4.2 Limitation on Exercise

If the total number of shares for which options are to be exercised on any date in accordance with Section 10 exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Plan Administrator shall make a pro rata allocation of the shares remaining available in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable. The Company shall give written notice of such reduction to each Participant affected thereby and shall return any unused portion of each Participant's Account to such Participant.

SECTION 5. ELIGIBILITY

Any regular employee of the Company (or any Related Corporation designated by the Company) who is in the employ of the Company (or any such designated Related Corporation) on one or more Offering Dates is eligible to participate in the Plan, except for (i) employees who have been employed less than six months, (ii) employees whose customary employment is less than twenty (20) hours per week, and (iii) employees whose customary employment is for less than five (5) months in any calendar year. If the Company permits any employees of a Related Corporation to participate in this Plan, then any employees of that Related Corporation who meet the requirements of this Section 5 shall also be considered Eligible Employees.

SECTION 6. OFFERINGS

There will be consecutive six-month offerings pursuant to the Plan, until the earlier of the termination of the Plan or the date when all (except de minimis amounts) the shares of Common Stock authorized under Section 4.1 to be delivered upon exercise of options granted under the Plan have been so delivered. The first offering shall commence on July 1, 1991 (or a later date designated by the Board) and terminate on December 31, 1991. Thereafter, offerings shall commence on each subsequent January 1 and July 1.

SECTION 7. PARTICIPATION BY PAYROLL DEDUCTION

- 7.1** An Eligible Employee may participate by completing a Participation Agreement provided by the Company authorizing payroll deductions, and completing any other necessary papers, and filing the Agreement and any other such papers with the Company prior to the commencement date (January 1 or July 1) of the offering in which the Eligible Employee wishes to participate. Participation, in one offering under the Plan shall neither limit, nor require, participation in any other offering.
- 7.2** Payroll deductions for a Participant shall commence on the Offering Date, and shall end on the termination date of such offering unless earlier terminated by the Participant as provided in Section 13.
- 7.3** At the time a Participant files his Participation Agreement, the Participant shall elect to have payroll deductions made from the Participant's Base Pay, measured by whole number percentages from two (2) up to a maximum of ten percent (10%) of Base Pay, on each pay day during the time he or she is a Participant in an offering.
- 7.4** All payroll deductions made for a Participant shall be credited to the Participant's Account under the Plan. A Participant may not make any separate cash payment into such Account, nor may the Participant make payment for shares other than by payroll deduction.
- 7.5** A Participant may discontinue his or her participation in the Plan as provided in Section 13, but no other change can be made during an offering and, specifically, a Participant may not alter the rate of payroll deductions for that offering.

SECTION 8. OPTION PRICE

The purchase price per share of Common Stock during any offering shall be the lesser of (1) 85 percent of the fair market value of the Common Stock on the Offering Date; or (2) 85 percent of the fair market value of the stock on the last business day of the offering. Fair market value shall mean the closing bid price as reported on the National Association of Securities Dealers Automated Quotation System, or if the stock is traded on a stock exchange the closing price for the stock on the principal such exchange.

SECTION 9. GRANTING OF OPTION

On each Offering Date, this Plan shall be deemed to have granted to the Participant an option for as many full shares as he or she will be able to purchase with the payroll deductions credited to his or her Account during participation in that offering. Notwithstanding the foregoing, no Participant may purchase more than 600 shares of Common Stock during any single offering.

SECTION 10. EXERCISE OF OPTION

Each Eligible Employee who continues to be a Participant in an offering on the last business day of that offering shall be deemed to have exercised his or her option on such date and shall be deemed to have purchased from the Company such number of full shares of Common Stock reserved for the purpose of the Plan as the accumulated payroll deductions on such date will pay for at the option price, subject to the limitations of Section 4.2.

SECTION 11. PARTICIPANT'S RIGHTS AS A SHAREHOLDER

- 11.1** No Participant shall have any right as a shareholder with respect to any shares of Common Stock until the shares have been purchased in accordance with Section 10 above.
- 11.2** Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant, or, if the Participant so directs, by written notice to the Company prior to the termination date of the pertinent offering, in the names of the Participant and one such other person as may be designated by the Participant, as joint tenants with right of survivorship, tenants in common or as community property, to the extent and in the manner permitted by applicable law.

SECTION 12. DELIVERY OF STOCK CERTIFICATES

Certificates for stock issued to Participants will be delivered as soon as practicable after the end of each offering.

SECTION 13. WITHDRAWAL

- 13.1** A Participant may withdraw from the Plan, in whole but not in part, at any time prior to the last business day of each offering by delivering a Withdrawal Notice to the Company, in which event the Company will refund the entire balance of his or her Account as soon as practicable thereafter.
- 13.2** To re-enter the Plan, an Eligible Employee who has previously withdrawn must file a new Participation Agreement in accordance with Section 7.1. Re-entry into the Plan cannot, however, become effective before the beginning of the next offering following withdrawal.

SECTION 14. CARRYOVER OF ACCOUNT

At the termination of each offering the Company shall automatically re-enroll the Participant in the next offering, and the balance in the Participant's Account shall be used for option exercises in the new offering unless the Participant has terminated employment or has advised the Plan Administrator in a written notice that he or she no longer wishes to participate in the Plan. If the Participant is not re-enrolled in the Plan or the Plan terminates, the balance of each Participants Account shall be refunded to him or her.

SECTION 15. INTEREST

No interest will be paid or allowed on any money in the Accounts of Participants.

SECTION 16. RIGHTS NOT TRANSFERABLE

No Participant shall be permitted to sell, assign, transfer, pledge, or otherwise dispose of or encumber either the payroll deductions credited to his or her Account or any rights with regard to the exercise of an option or to receive shares under the Plan other than by will or the laws of descent and distribution, and such right and interest shall not be liable for, or subject to, the debts, contracts, or liabilities of the Participant. If any such action is taken by the Participant, or any claim is asserted by any other party in respect of such right and interest whether by garnishment, levy, attachment or otherwise, such action or claim will be treated as an election by the Participant to withdraw funds in accordance with Section 13.1.

SECTION 17. TERMINATION OF EMPLOYMENT

Upon termination of employment for any reason other than death, retirement, or disability, on or prior to the last business day of the offering, or upon termination because of death, retirement, or disability prior to the last month of the offering, the balance in the Account of a Participant shall be paid to the Participant or his or her estate. Upon termination of employment because of death, retirement, or disability during the last month of the offering, the balance of the Account, unless withdrawn pursuant to Section 13, shall be used to purchase Common Stock in accordance with Section 10.

SECTION 18. DOLLAR AMOUNT LIMITATION

- 18.1** No Eligible Employee may be granted an option under this Plan which would permit the Eligible Employee's rights to purchase Common Stock under all "employee stock purchase plans" of the Company, including any parent corporation or subsidiary corporation (as the terms "parent corporation" and "subsidiary corporation" are defined in Sections 425(e) and (f) of the Code), to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) of fair market value of such Common Stock (determined at the Offering Date) for each calendar year in which such option is outstanding at any time.
- 18.2** For purposes of this Plan, (i) the right to purchase stock under an option accrues when the option (or any portion thereof) first becomes exercisable during the calendar year, and (ii) a right to purchase stock which has accrued under one option granted pursuant to this Plan may not be carried over to any other option.

SECTION 19. CONTINUATION OF EMPLOYMENT

Nothing in this Plan or in any option granted pursuant to this Plan shall confer upon any Participant any right to continue in the employ of the Company or of a Related Corporation, or to interfere in any way with the right of the Company or of any Related Corporation to terminate his or her employment or other relationship with the Company or Related Corporation at any time.

SECTION 20. WITHHOLDING TAXES

As a condition to the exercise of a stock option, the Participant shall make such arrangements as the Plan Administrator may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such exercise. Each Participant will agree by entering the Plan, promptly to give the Company notice of any such stock disposed of within two years after the date of grant of the applicable option, showing the number of such shares disposed of. THE PARTICIPANT ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE STOCK.

SECTION 21. GREATER THAN FIVE PERCENT SHAREHOLDERS

No Eligible Employee may be granted an option under this Plan if such employee, immediately after the option is granted, owns stock of the Company possessing five percent (5%) or more of the total combined voting power of all classes of stock of the Company or of any Related Corporations. For purposes of this Section 21, the rules of Section 425(d) of the Code shall apply in determining the stock ownership of an employee, and stock which an employee may purchase under corresponding options (under this Plan or any other plan or contract) shall be treated as stock owned by such employee.

SECTION 22. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

- 22.1** The aggregate number and class of shares for which options may be granted under this Plan, the number and class of shares covered by each outstanding option and the exercise price per share thereof (but not the total price), and each such option, may all be proportionately adjusted by the Plan Administrator as it deems appropriate, for any change in the structure of the Common Stock of the Company resulting from a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, or any other capital adjustment.
- 22.2** All adjustments under this Section 22 shall be made by the Plan Administrator, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. Unless a Participant agrees otherwise, any change or adjustment to an option shall be made in such a manner so as not to constitute a "modification," as defined in Section 425(h) of the Code, and so as not to cause the Participant's stock option issued hereunder to fail to continue to qualify as a stock option granted pursuant to an employee stock purchase plan, as defined in Section 423(b) of the Code.

SECTION 23. SECURITIES REGULATION

- 23.1** Shares shall not be issued with respect to an option granted under this Plan unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, any applicable state securities laws, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, the requirements of any automated quotation system through which shares may then be traded, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of any shares hereunder. Inability of the Company to obtain, from any regulatory body having jurisdiction, the authority deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder or the unavailability of an exemption from registration for the issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority shall not have been obtained.
- 23.2** As a condition to the exercise of an option, the Company may require the Participant to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any relevant provision of the aforementioned laws. At the option of the Company, a stop-transfer order against any shares of stock may be placed on the official stock books and records of the Company, and a legend

indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided (concurring in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates in order to ensure exemption from registration. The Plan Administrator may also require such other action or agreement by the Participants as may from time to time be necessary to comply with the federal and state securities laws. THIS PROVISION SHALL NOT OBLIGATE THE COMPANY TO UNDERTAKE REGISTRATION OF THE OPTIONS OR STOCK HEREUNDER.

SECTION 24. AMENDMENT AND TERMINATION

The Board may at any time suspend, amend or terminate this Plan; provided, however, the Board may not amend this Plan without appropriate shareholder approval if such approval is required by Section 423 of the Code or the Securities and Exchange Commission Rule 16b-3 under the 1934 Act or any successor rule or other regulatory requirement. The Plan Administrator may also amend the Plan; provided, however, that the Plan Administrator may not amend the Plan in any way which would require shareholder approval.

SECTION 25. INDEMNIFICATION OF BOARD AND PLAN ADMINISTRATOR

In addition to all other rights of indemnification they may have as Directors of the Company or as members of the body serving as the Plan Administrator, members of the Board and Plan Administrator shall be indemnified by the Company for all reasonable expenses and liabilities of any type and nature, including attorneys' fees, incurred in connection with any action, suit or proceeding to which they or any of them are a party by reason of, or in connection with, any stock option granted hereunder, and against all amounts paid by them in settlement thereof (if such settlement is approved by independent legal counsel selected by the Company); provided, however, that if such member or members are adjudged liable for willful misconduct, the indemnification provisions of this Section 25 shall not apply to expenses which relate to matters involving such willful misconduct. This indemnification shall apply only if such member or members notify the Company of such action, suit or proceeding in writing, within fifteen (15) days after institution of any such action, suit or proceeding, so that the Company may have the opportunity to make appropriate arrangements to prosecute or defend any such action.

SECTION 26. EFFECTIVENESS

This Plan shall become effective upon adoption by the Board so long as it receives any required approval by the holders of a majority of the Company's outstanding shares of voting capital stock at any time within twelve (12) months before or after the adoption of this Plan.

