

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

March 19, 1993

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 4, 1993 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 4, 1993**

To the Shareholders:

The annual meeting of the shareholders of Aldus Corporation will be held at the Washington State Convention and Trade Center (enter through the main entrance, Level 4), Seattle, Washington, on Tuesday, May 4, 1993 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 1984 Restated Stock Option Plan (the "1984 Plan") to authorize the issuance of an additional 500,000 shares of common stock upon exercise of options granted under the 1984 Plan.
3. To amend and restate the Restated 1987 Stock Option Plan for Nonemployee Directors (the "1987 Plan") to authorize the issuance of an additional 100,000 shares of common stock upon exercise of options granted under the 1987 Plan, provide for annual grants to eligible directors, provide for determination of exercise price consistent with the 1984 Plan, and make certain other changes.
4. To ratify the selection of Ernst & Young as independent auditors for the 1993 fiscal year.
5. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 1, 1993, 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 19, 1993

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

This Proxy Statement, which was first mailed to shareholders on March 19, 1993, 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 (the "Annual Meeting"). The Annual Meeting will be held at 10:00 a.m. on Tuesday, May 4, 1993 at the Washington State Convention and 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 (the "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.

Solicitation of Proxies

The proxy accompanying this Proxy Statement is solicited by the Board. The solicitation by mail may be followed by solicitation in person, or by telephone or telegraph by directors, officers and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. In addition, the Company has retained Morrow & Co., Inc. to assist in the solicitation of proxies for a fee not to exceed \$4,000. 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.

Voting Securities

Shareholders of record at the close of business on March 1, 1993, will be entitled to vote at the Annual Meeting on the basis of one vote for each share of Common Stock held. On March 1, 1993, there were 13,326,028 shares of Common Stock outstanding, held of record by 1,456 shareholders. Under Washington law and the Company's Articles of Incorporation, if a quorum is present at the meeting: (i) the five nominees for election as directors who receive the greatest number of votes cast for the election of directors at the meeting by the shares present in person or represented by proxy at the meeting and entitled to vote shall be elected directors, (ii) Proposal 2 listed in the accompanying Notice of Annual Meeting of Shareholders will be approved if the holders of a majority of the outstanding shares of Common Stock vote in favor of the matter, and (iii) Proposal 3 listed in the accompanying Notice of Annual Meeting of Shareholders will be approved if a majority of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote, vote in favor of the matter. In the election of directors, any action other than a vote for a nominee will have the practical effect of voting against the nominee. Abstention from voting will have the practical effect of voting against either of Proposals 2 or 3 since it is one less vote for approval. Broker nonvotes will have the practical effect of voting against Proposal 2 since it is one less vote for approval, but will have no impact on Proposal 3 since they are not considered "shares present" for voting purposes.

Information Regarding Principal Shareholders

To the Company's knowledge, the only shareholders who beneficially owned more than five percent of the outstanding shares of Common Stock as of March 1, 1993, were:

<u>Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Paul Brainerd ¹	3,000,000	22.5
Fidelity Management and Research Co. ²	984,000	7.4
Branco Weiss ³	750,000	5.6

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

² Address: 82 Devonshire Street, Floor 9G, Boston, Massachusetts 02109.

³ Address: Hallwylstrasse 71, 8036 Zurich, Switzerland.

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.

Paul Brainerd, 45, the Company's founder, has been President, Chief Executive Officer, and a director of Aldus since its inception.

Gary P. Arnold, 51, 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 from 1990 to 1992 was Vice President and Chief Financial Officer of Tektronix, Inc., a manufacturer of high technology equipment. He is currently President of Analogy, Inc. Mr. Arnold is also a director of National Semiconductor Corporation, Tektronix, Triquint Semiconductor, Inc., and Portland State University Foundation. Mr. Arnold is a member of the Audit Committee.

Douglas G. DeVivo, 49, has been a director of the Company since September 1984. He was a founder and since 1981 has been a general partner of Vanguard Associates and Vanguard Associates II, California venture capital partnerships. Dr. DeVivo also serves as Chairman of the Board of Lumisys, Inc., a private imaging peripherals and software company. Dr. DeVivo is Chairman of the Audit Committee.

Gene P. Carter, 58, 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. Mr. Carter is a member of the Compensation Committee.

Andrew V. Smith, 68, 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 US 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. Mr. Smith is a member of the Compensation Committee.

The Board has unanimously approved the above-named nominees for director and recommends a vote IN FAVOR of their election.

Directors' Compensation

Directors receive \$6,000 per annum plus \$1,000 per board meeting as cash compensation for serving on the Board, plus 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 Restated 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 replace such annual grant with a one-time-only grant to each nonemployee director elected at the 1991 Annual Meeting and any new nonemployee director elected thereafter, of an option to purchase up to 22,500 shares of Common Stock subject to availability of authorized shares under said Nonemployee Directors Plan. An amendment to reinstate annual grants and to revise the determination of the exercise price is being proposed for approval by the shareholders at the Annual Meeting (see Proposal 3).

Board of Directors and Committees

The business of the Company is managed under the direction of the Board of Directors. All directors attended 75 percent or more of the Board meetings. The Board has established two committees whose principal functions are briefly described below. The Board met 11 times and took no action by written consent during the last fiscal year.

The Audit Committee is composed of two of the Company's four nonemployee directors, Dr. DeVivo and Mr. Arnold. The Committee reviews the scope and effectiveness of audits of the Company by the independent public accountants; selects and recommends to the Board the employment of independent public accountants for the Company; reviews the audit plan of the independent public accountants; reviews and approves the fees charged by the independent public accountants; reviews the Company's annual and quarterly financial statements before their release; reviews the adequacy of the Company's system of internal controls and recommendations of the independent public accountants with respect thereto; reviews and acts on comments and suggestions by the independent public accountants with respect to their audit activities; and reviews the Company's standards of business conduct policies. The Audit Committee held five meetings, and took no action by written consent during the last fiscal year. All members of the Audit Committee attended 75 percent or more of the Audit Committee meetings, respectively.

The Compensation Committee is primarily responsible for establishing executive compensation. Its activities are described in more detail under "Report of the Compensation Committee on Executive Compensation" below. The Committee consists of Mr. Carter and Mr. Smith. It held two meetings and took no action by written consent during the last fiscal year. All members of the Compensation Committee attended 75 percent or more of the Compensation Committee meetings.

The Company does not have a Nominating Committee. Nominees for director are selected by the Board as a whole.

SECURITIES OWNERSHIP OF MANAGEMENT

The following table shows the beneficial ownership reported to the Company as of March 1, 1993, of Common Stock, including shares as to which a right to acquire ownership exists (for example, through the exercise of stock options or through various trust arrangements) within the meaning of Rule 13d-3(d) (1) under the Securities Exchange Act, of each director and nominee, the Chief Executive Officer and the four other most highly compensated executive officers and, as a group, of such persons and other executive officers.

<u>Name</u>	<u>Title</u>	<u>Common Stock Beneficially Owned as of March 1, 1993</u>	<u>Percent of Class</u>
Paul Brainerd	President, Chief Executive Officer, and Director	3,000,000	22.5
Gary P. Arnold ¹	Director	14,375	*
Douglas G. DeVivo ²	Director	91,614	*
Gene P. Carter ³	Director	101,004	*
Andrew V. Smith ⁴	Director	15,000	*
Sandy Smith ⁵	Vice President and Chief Operating Officer	23,433	*
William McAleer ⁶	Vice President, Finance and Secretary	30,433	*
Steve Cullen ⁷	Vice President, General Manager Consumer Products Division	38,833	*
Edward Walter ⁸	Vice President, Engineering	16,250	*
All Directors and Executive Officers As a Group (11 people) ⁹		3,331,042	25.0

* Less than one percent.

¹ Includes 14,375 shares subject to options which are exercisable within 60 days.

² Includes 36,334 shares subject to options which are exercisable within 60 days, 5,487 shares for which Dr. DeVivo has sole voting and investment power and 49,793 shares subject to shared voting power under a trust account.

³ Includes 15,000 shares subject to options which are exercisable within 60 days and 86,004 shares for which Mr. Carter has shared voting and investment power under a trust account.

⁴ Includes 15,000 shares subject to options which are exercisable within 60 days.

⁵ Includes 23,083 shares subject to options which are exercisable within 60 days.

⁶ Includes 30,433 shares subject to options which are exercisable within 60 days.

⁷ Includes 38,833 shares subject to options which are exercisable within 60 days.

⁸ Includes 16,250 shares subject to options which are exercisable within 60 days.

⁹ Includes 189,308 shares subject to options which are exercisable within 60 days.

CERTAIN TRANSACTIONS

Aldus has contracted with McQueen Holdings Limited ("McQueen") for various supplies, printing, and assembly services. Aldus holds a ten percent equity interest in McQueen and a \$350,000 convertible note receivable due October 31, 1993. Aldus' investment in McQueen is accounted for at cost. In addition, Derek Gray, Managing Director of Aldus Europe Ltd., is a principal shareholder of McQueen. Purchases from McQueen amounted to \$6,876,000, \$9,271,000, and \$6,824,000 for the years ended December 31, 1992, 1991, and 1990, respectively.

REPORT OF COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

Compensation Philosophy

As its overriding principle, the Compensation Committee strives to align executive compensation with the value achieved by the executive team for the Company's shareholders. Toward that goal, the Company's compensation program emphasizes both short and long-term incentives designed to attract, motivate, and retain highly qualified executives who will effectively manage the Company to maximize shareholder value. Executive compensation is set at or above market, although actual compensation paid will vary to reflect the performance of the Company and the individual.

Compensation Committee

The Compensation Committee of the Board is composed of two of the Company's four outside directors. The Committee is responsible for setting and administering policies that govern executive compensation and stock option programs. The Committee has an established executive compensation program that provides a strong and direct link between corporate performance and executive pay.

The Committee reviews and evaluates each executive officer's base and variable compensation annually relative to corporate performance and comparative market information.

Forms of Compensation

Aldus provides the executive team with a compensation package consisting of base salary and variable incentive pay. In setting total compensation, the Committee considers individual and Company performance as well as market information in the form of published survey data provided to the Committee by Aldus' Human Resources staff. The market data consists primarily of base salary and total cash compensation rates, as well as incentive bonus and stock programs, of companies considered by the Committee to be peer companies in the software industry.

Specific executive compensation elements are:

- **Base salary.** Base salary ranges are reviewed annually using published salary survey data from peer software companies. Salary increases are awarded annually based on the Committee's evaluation of the individual's performance, as well as market-competitive considerations.
- **Bonus (Profit-Sharing) Plan.** The Company's bonus (profit-sharing) plan provides a short-term incentive, in the form of a bonus, that varies according to the Company's achievement of after-tax profit goals set by the Board. This plan will effectively pay executives at or above market when a high level of corporate performance and shareholder value is achieved, and less than market when results are below expectations. Executive-level bonuses are variable, targeted at 40 percent of total cash compensation, and are measured and paid quarterly. If less than 90 percent of forecasted profit is achieved, then no bonus is paid for the quarter. At 95 percent of goal, one-half of the bonus will be paid; the full bonus is paid when 100 percent of profit is attained. A bonus of greater than 40 percent of salary will be paid when profits are above the target. This effectively puts a significant amount of cash compensation at risk, dependent on achievement of profit goals.

The Profit-Sharing Plan is available to all employees, with differing participation targets depending on position and level within the organization.

- **Long-term incentives.** Longer term incentives are provided through a stock option plan, which generally vests options over five years, and a stock purchase plan, both of which reward executives through the growth in value of the Company's shares.

Both the stock option and stock purchase plans are available to all employees. Stock options are granted upon hire and promotion based on specific target amounts for jobs, and at performance review depending on individual performance and contribution. The Employee Stock Purchase Plan was adopted in 1991 as a means to provide all employees the opportunity to purchase Company stock at a discounted price and participate as individual shareholders with a financial interest in the Company's future success.

Performance Evaluation

In addition to other scheduled meetings, the Compensation Committee meets in December without the Chief Executive Officer present to review his performance and that of the other executives for the past year and to set objectives for the coming year. Corporate performance and individual achievement of objectives are considered in awarding annual performance increases. The Committee then reports on that evaluation and its recommendations to the other independent directors of the Board for approval.

1992 Compensation

Compensation for the Chief Executive Officer and other executives was set according to the established compensation philosophy described above. Executive base salary was a function of surveyed competitive base compensation in addition to a merit increase determined by evaluating 1991 Corporate performance. The bonus portion of CEO and other executive compensation was below target for 1992, reflecting lower-than-expected results for the First and Second Quarters, and achievement of profit sharing in the Third and Fourth Quarters. The CEO does not participate in the stock option plan, because, in the Committee's view, his existing significant ownership position in the Company closely aligns his interests with those of the Company's shareholders. (See "Information Regarding Principal Shareholders" above.) Options were granted during the year to all current officers and employees based on individual performance, as well as to all newly hired and promoted officers and employees.

1993 Compensation

Achievement of performance factors will be judged by review and observation by the Committee and the Board as the year unfolds. Most important will be the Company achieving profit goals in order to improve value for its shareholders. The specific manner of incentive recognition will be determined based upon results realized in 1993.

SUMMARY COMPENSATION TABLE

The following table shows the total annual and long-term compensation of the Chief Executive Officer and the other four most highly compensated executive officers of the Company.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation (\$ (b))
		Salary (\$)	Bonus	Stock Options (a)	
Paul Brainerd President/CEO	1992	\$378,336	\$63,873		\$1,392
	1991	\$345,780	\$98,413	—	\$816
	1990	\$245,192	\$95,447	—	\$296
Sandy Smith Vice President, Operations	1992	\$209,144	\$38,063	20,000	\$612
	1991	\$147,875	\$44,841	—	\$530
	1990	\$126,442	\$51,606	37,500	\$296
William McAleer Vice President, Finance	1992	\$190,961	\$32,375	20,000	\$653
	1991	\$158,519	\$45,791	—	\$551
	1990	\$124,038	\$50,752	52,500	\$191
Steve Cullen Vice President, General Manager, Aldus Consumer Division	1992	\$178,560	\$39,490	57,500	\$351
	1991	\$143,077	\$15,146	—	\$106
	1990	(c)	—	37,500	—
Edward Walter Vice President, Engineering	1992	\$150,243	\$26,000	75,000	\$500
	1991	(d)	—	—	—
	1990	—	—	—	—

(a) Includes initial new-hire grants, performance grants and options repriced in 1992.

(b) Amounts shown are for company-paid group life insurance premiums.

(c) Mr. Cullen was not an executive officer in 1990.

(d) Mr. Walter was not an executive officer in 1990 or 1991.

The following table provides information concerning 1992 grants to and exercises by the five most highly compensated executive officers of the Company.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Options Granted (#)	% of Total Options Granted to Employees	Exercise or Base Price (\$/Sh)	Expiration Date (a)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Stock Term	
					5% (\$)	10% (\$)
Paul Brainerd	0					
Sandy Smith	20,000	1.9%	\$20.75	1/28/02	\$261,450	\$659,850
William McAleer	20,000	1.9%	\$20.75	1/28/02	\$261,450	\$659,850
Steve Cullen	20,000 (b) 37,500	1.9% 3.6%	\$20.75 \$20.75	1/28/02 8/1/00	\$261,450 \$490,219	\$659,850 \$1,237,219
Edward Walter	75,000	7.2%	\$20.75	4/8/02	\$980,438	\$2,474,438

(a) Under terms of the 1984 Plan, the per-share exercise prices are the fair market value of Aldus Common Stock on the date of grant, calculated as described under Proposal 2: Amendment of the 1984 Restated Stock Option Plan—Description of the 1984 Plan, and the grant term is ten years and one week from grant date. Date of exercisability, or vesting, is generally 20% after one year, and 1.6666% each month completed thereafter, with full vesting after five years from grant date. The exercise price may be paid by delivery of already owned shares, by delivery of a promissory note, or by offset of the underlying shares, subject to certain conditions.

(b) Mr. Cullen's prior grant was exchanged and repriced, according to Section 5.14 of the Plan.

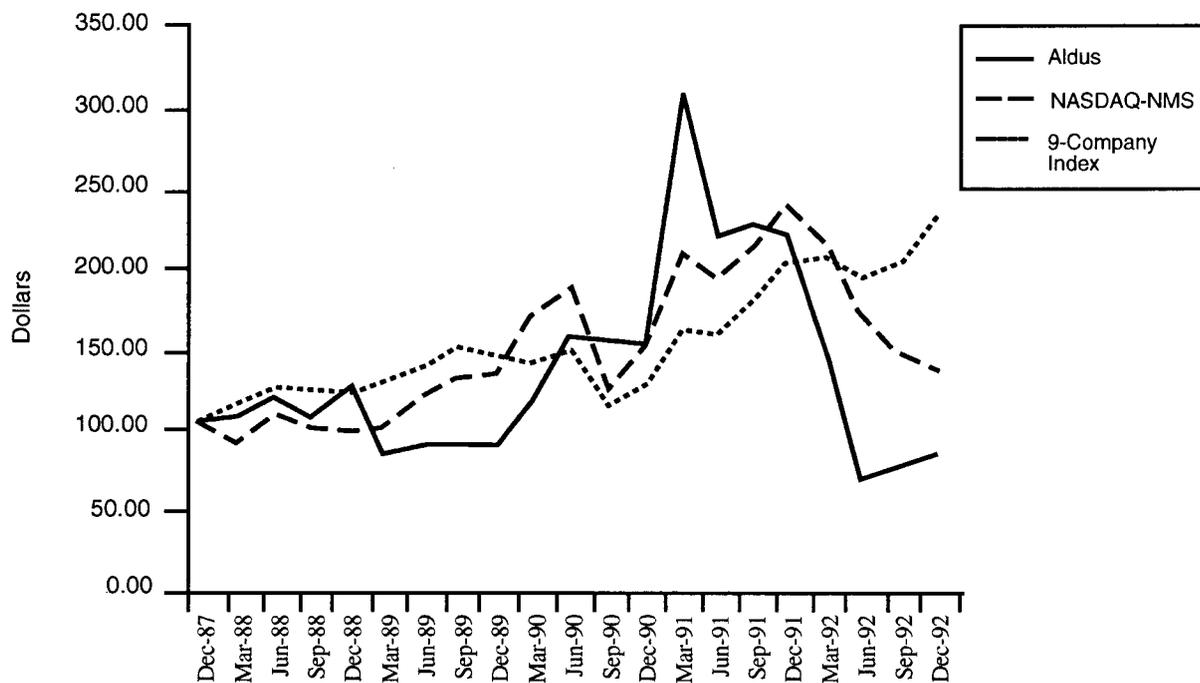
AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Stock Options at FY-End (#)	Value of Unexercised In-the-Money Stock Options at FY-End (\$) (a)
			Exercisable/ Unexercisable	Exercisable/ Unexercisable
Paul Brainerd	—	—	0	
Sandy Smith	5,000	\$60,750	14,625/ 39,375	\$0 \$0
William McAleer	7,550	\$94,350	20,725/ 47,125	\$0 \$0
Steve Cullen	—	—	27,250/ 58,750	\$0 \$0
Edward Walter	—	—	0/ 75,000	\$0 \$0

(a) No stock options were “in-the-money” at year-end 1992.

Comparison of Five-Year Cumulative Total Return ^(a) Among the Company, NASDAQ-NMS Index, and Peer Group

Annualized Compound Return	
Aldus	(4.0%)
NASDAQ-NMS	18.0%
9-Company Index ^(b)	5.5%



(a) Assumes \$100 initial investment on January 1, 1988, and reinvestment of dividends.

(b) Peer company index includes:

- Adobe Systems Inc.
- Autodesk Inc.
- Borlund International Inc.
- Caere Corporation
- Frame Technology Corporation
- Lotus Development Corporation
- MicroGrafx Inc.
- Software Publishing Corporation
- Symantec Corporation

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 ten 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-ten-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, 1992, all Section 16(a) filing requirements applicable to its officers, directors, and greater-than-ten-percent beneficial owners were complied with; except that Sandy Smith, Vice President and Chief Operating Officer, failed to timely report a purchase of the Company's stock through the Employee Stock Purchase Plan. Ms. Smith subsequently reported the transaction on Form 5.

PROPOSALS TO SHAREHOLDERS

PROPOSAL 2: AMENDMENT OF 1984 RESTATED STOCK OPTION PLAN

Proposed Amendment

The Board of Directors recommends the adoption of an amendment to the 1984 Plan to increase the number of shares authorized for issuance under the 1984 Plan from 7,100,000 to 7,600,000. On February 16, 1993, the Board unanimously approved such an amendment subject to approval by the Company's shareholders at the Annual Meeting. If the shareholders approve the amendment, approximately 1,321,199 shares will be available for future option and SAR grants under the 1984 Plan as of March 1, 1993.

The Board of Directors believes that the amendment to the 1984 Plan is necessary to recruit and retain competent, motivated employees. In recent years, the pool of qualified software company employees has been increasingly mobile, and the best employees remain in high demand. The Company competes nationwide with other software and technology companies for the services of these employees and must be able to offer comparable compensation benefits.

During 1991 and 1992 the Company depleted its pool of shares available for grant at a rate faster than anticipated. Contributing to the higher utilization were higher turnover than anticipated in executive positions and overall employees, and grants to employees of two new subsidiaries acquired in 1991. The Company needs the additional shares primarily for grants to new employees, including certain executive officers anticipated to be hired in 1993 and employees that may be added through acquisitions from time to time.

The future of the Company depends in large part upon the ability of its employees to anticipate and respond to the market for Aldus products. The Board believes that providing competitive and attractive incentive compensation is crucial to the Company's success because it allows the Company to continue to attract and retain the highly qualified employees who can help the Company meet these marketplace challenges.

The proposed amendment is attached as Appendix A hereto. The following is a summary of the 1984 Plan.

Description of the 1984 Plan

The 1984 Plan provides for the granting of incentive stock options, nonqualified stock option, and stock appreciation rights ("SARS"). As of March 1, 1993, options for 6,278,801 shares, net of cancellations, had been granted under the 1984 Plan. Although the 1984 Plan authorizes the grant of SARS in tandem with stock options or on a standalone basis, no SARS have ever been granted under the 1984 Plan. Of the options that have been granted under the 1984 Plan, 3,328,115 have been exercised and 2,950,686 remain outstanding.

The Company's Board currently acts as administrator of the 1984 Plan (the "Plan Administrator"). The number of options or SARS to be granted to each eligible officer and employee is set by the Plan Administrator at the time of grant. No member of the Plan Administrator who is or may become eligible to receive an option or SAR under the 1984 Plan may participate in the deliberations or actions with respect to the 1984 Plan.

The Plan Administrator establishes the time or times at which options or SARS may be exercised and whether all the options or SARS will be exercisable at one time or will vest in increments over time. The Plan Administrator is authorized to permit optionees to surrender outstanding options in exchange for the grant of new options or to require optionees to surrender outstanding options as a condition precedent to the grant of new options. The number of shares covered by the new options, the option price, the option period, and other terms and conditions of the new options shall all be determined in accordance with the 1984 Plan and may be different from the provisions of the surrendered options. The exercise price of the options or SARS granted under the 1984 Plan is set by the Plan Administrator at the time of grant: for incentive stock options, the exercise price may not be less than the fair market value of the Common Stock on the date of grant. Nonqualified stock options are priced as follows: (i) for new employees the exercise price is based on the lowest price at which shares of Common Stock are traded (as reported on the National Association of Securities Dealers Automated Quotation National Market System ("NASDAQ-NMS")) during the 30 days following the date of hire; and (ii) for existing employees the exercise price is based on the lowest price at which shares of Common Stock are traded (as reported on NASDAQ-NMS) during the 30 days following the date of grant. The exercise price for nonqualified stock options will not in any event be less than 85 percent of the fair market value per share of the Common Stock on the date of grant. The closing price of the Common Stock on the NASDAQ-NMS on March 1, 1993, was \$18.125.

In the event of stock dividends, splits, and similar capital changes, the 1984 Plan provides for appropriate adjustments in the number of shares available for options or SARS and the number or option prices of shares subject to outstanding options or SARS. Options or SARS granted under the 1984 Plan generally expire at the earliest of the following dates: (i) the date specified in the individual option (not more than ten years after the grant for an incentive stock option or ten years and one week for a nonqualified stock option or SAR); (ii) three months after termination of employment for any reason other than termination due to death or disability; and (iii) 12 months after the optionee's death or termination due to total disability.

Immediately prior to a merger, consolidation, liquidation, or similar reorganization of the Company, any option or SAR granted under the 1984 Plan may be exercised in whole or in part whether or not the vesting requirements applicable to such options and SARs have been satisfied, except as follows: Upon a merger, consolidation, liquidation, or similar reorganization of the Company in which the shareholders may receive stock of another corporation, all options and SARS granted under the 1984 Plan would be converted into options and SARS to purchase shares of the other corporation, unless otherwise determined by the Company and the other corporation. In the event of certain changes in control of the Company, all options and SARs would be vested immediately by two additional years and the vested portion cashed out, unless otherwise determined by the Board.

The exercise price of option shares may be paid in cash, by check, by delivery of shares of Common Stock held by the optionee having a fair market value equal to the exercise price of the option, by delivery of a full-recourse promissory note executed by the optionee, or from proceeds of the sale of shares of the Common Stock having a fair market value equal to the exercise price of the options. For nonqualified options, the optionee must also pay the Company, at the time of purchase, the amount required to satisfy federal, state, and local withholding tax obligations.

No incentive stock option granted prior to 1987 may be exercised by the optionee at any time that any incentive stock options previously granted to the optionee under the 1984 Plan are outstanding. For this purpose, an option is considered "outstanding" until it has been exercised in full or expires by reason of lapse of time.

The 1984 Plan may be suspended, amended, or terminated by the Board except with respect to options and SARs granted prior to such action. However, no such amendment may increase the number of shares of Common Stock as to which options or SARs may be granted, extend the term of incentive stock options beyond ten years, change the class of persons eligible for option and SAR grants, or otherwise materially increase the benefits accruing to participants under the 1984 Plan, unless approved by the shareholders of the Company.

Options and SARS granted under the 1984 Plan are nonassignable except by will or the laws of descent and distribution. Special restrictions are placed on grants to employees who own more than ten percent of the Common Stock. Annual limits are placed on the grant of incentive stock options to individual employees.

Federal Income Tax Consequences Relating to the 1984 Plan

Incentive Stock Options

An optionee will not be deemed to receive any income at the time an incentive stock option is granted. An optionee is not generally required to recognize any income on the exercise of an incentive stock option if the optionee does not make a “disqualifying disposition” (defined below) and either (i) the optionee is continuously employed by the Company or its subsidiaries from the date the incentive stock option was granted until at least three months (twelve months in the case of termination of employment because of permanent and total disability) before the date of exercise of the incentive stock option or (ii) the optionee’s employment is terminated because of death. However, the difference between the exercise price of the incentive stock option and the fair market value of the shares transferred pursuant to the exercise is includible in calculating an optionee’s alternative minimum taxable income, which may result in the optionee’s being subject to liability for the alternative minimum tax in the year of exercise. If an optionee does not dispose of the shares acquired on exercise of an incentive stock option before the later of two years after the grant of the incentive stock option or one year after the exercise of the incentive stock option (the “incentive stock option holding period”), the excess of any amount received upon disposition of the shares over the option price will be long-term capital gain.

Except in the case of certain enumerated events, if shares received upon exercise of an incentive stock option are disposed of before the expiration of the incentive stock option holding period, the optionee has made a “disqualifying disposition” and will be considered to have received ordinary income, taxable as compensation in the year of the disposition, equal to the excess of the fair market value of the shares at the time of exercise of the incentive stock option over the option price. Any additional gain realized on the disposition will constitute long-term or short-term capital gain depending on how long the stock had been held and on the holding period in effect at the time. If the amount realized on a disqualifying disposition is less than the fair market value of the shares at the time the incentive stock option was exercised (and if the disposition is a sale or exchange with respect to which a loss, if sustained, would be recognized to the optionee), the amount of ordinary compensation income will be limited to the excess (if any) of the amount realized over the option price and no capital gain or loss will result.

Nonqualified Stock Options

An optionee will not be deemed to receive any income at the time a nonqualified stock option is granted. When a nonqualified stock option is exercised, the optionee will recognize ordinary income at the time of exercise in an amount equal to the difference between the then fair market value of the shares acquired and the option price. Generally, upon a subsequent disposition of the shares, the optionee’s basis for determining taxable gain or loss will be the amount paid for such shares plus the amount which was includible in the optionee’s income at the time of exercise. Any gain recognized on such disposition would generally be taxed as long-term or short-term capital gain, depending on the length of time the optionee is deemed to have held the shares and the holding period in effect at the time.

Stock Appreciation Rights

No income will be recognized by an employee upon the grant of a SAR. The employee will recognize ordinary income upon exercise of a SAR in an amount equal to the sum of the fair market value of the shares and any cash received in exchange for surrender of the SAR.

Deduction to the Company

Subject to the applicable provisions of the Code and assuming any federal income tax withholding requirements are satisfied, the Company will be entitled to a deduction for federal income tax purposes in the year and in the amount in which the employee recognizes ordinary income taxable as compensation (but not capital gain) in respect of an incentive stock option, nonqualified stock option or SAR.

The Board has unanimously approved the amendment to the 1984 Plan and recommends that shareholders vote FOR Proposal 2.

PROPOSAL 3: AMENDMENT OF 1987 STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS

Proposed Amendment

On February 16, 1993, the Board unanimously approved a resolution to submit to the Company's shareholders for approval an amendment and restatement of the 1987 Plan which would increase the number of shares of Common Stock granted to nonemployee directors, provide for annual grants to eligible directors, provide for determination of exercise price consistent with the 1984 Plan, and make certain other changes. The proposed amendment and restatement of the 1987 Plan is subject, pursuant to the terms of the 1987 Plan, to approval by holders of a majority of the outstanding shares of Common Stock at the Annual Meeting. A copy of the 1987 Plan, as proposed to be amended, is attached as Appendix B hereto and is incorporated by reference herein.

The Board of Directors believes that the amendments to the 1987 Plan are necessary to attract and retain the services of experienced and knowledgeable nonemployee directors and to provide an incentive for such directors to increase their proprietary interest in the Company's long-term success and progress. The Board is responsible for overall direction of the Company, and outside directors provide valuable services to the Company in that capacity, particularly in the Company's long-range strategic planning. Moreover, the Company's outside directors have provided such service in the face of a trend in recent years, in which directors of public companies have been increasingly subjected to potential exposure to personal liability for actions as a director. When the 1987 Plan was adopted, it provided for the annual grant of an option for 1,000 shares for each nonemployee director. In 1991, the 1987 Plan was amended to provide for one-time grants of options for 22,500 to directors then in office and for an initial grant of up to 22,500 for directors subsequently elected or appointed. Currently, only 2,625 shares are available for grant under the 1987 Plan, leaving the Company little flexibility for grants to new directors. In addition, the 1991 grants were made at an exercise price ranging from \$47.00 to \$47.25 per share. The closing price of the Company's stock as quoted on NASDAQ-NMS was \$16.50 per share on February 16, 1993. Since the economic incentive to exercise the options granted in 1991 is significantly reduced, such grants are less likely to accomplish the goal of encouraging stock ownership by the Company's nonemployee directors. By providing for modest grants at regular intervals, it is more likely that, over time, the average exercise price of the options granted will more nearly reflect the long-term growth of the Company, rather than exceptional high or low points. In addition, the 1987 Plan currently provides that the exercise price of the options granted is the fair market value of the Common Stock on the date of grant. "Fair market value" is the lower of (a) the closing price or (b) the mean between the high and low sale prices quoted on the day of grant on NASDAQ-NMS. In contrast, pursuant to the 1984 Plan, the Plan Administrator provides for the grant of nonqualified options at an exercise price for existing employees based on the lowest price at which shares of Common Stock are traded (as reported on NASDAQ-NMS) during the 30 days following the date of grant (but in no event less than 85 percent of the fair market value per share of the Common Stock on the date of grant). Since only nonqualified options are granted under the 1987 Plan, there is no valid reason why the two plans should differ in the determination of the exercise price. Therefore, the Board of Directors believes that amending the 1987 Plan to resume annual grants at modest levels, with the exercise price determined in a manner consistent with the 1984 Restated Stock Option Plan, will provide a greater incentive for nonemployee directors to increase their ownership of the Company's stock.

If the amendment and restatement of the 1987 Plan is approved by the shareholders, and if Gary P. Arnold, Douglas G. DeVivo, Gene P. Carter, and Andrew V. Smith, nominees for Director, are each re-elected as a Director, each will receive an option for 1,000 shares under the 1987 Plan immediately following the Annual Meeting.

Description of the 1987 Plan

The Company is currently authorized to issue up to 100,000 shares of Common Stock upon exercise of options granted under the 1987 Plan. As of December 31, 1992, options for 97,375 shares of Common Stock had been granted under the 1987 Plan. Five thousand of these options have been exercised, and 2,625 shares remain available for the grant of options under the 1987 Plan. As of December 31, 1992, four nonemployee directors were eligible to participate in the 1987 Plan. As proposed to be amended, the 1987 Plan would authorize up to 200,000 shares of Common Stock to be issued upon exercise of options granted under the 1987 Plan.

The Company's Board currently administers the 1987 Plan. The exercise price of the options granted under the 1987 Plan is the fair market value of the Common Stock on the date of grant. "Fair market value" is the lower of (a) the closing price or (b) the mean between the high and low sale prices quoted on the day of grant on NASDAQ-NMS. The closing price of the

Common Stock on NASDAQ-NMS on March 1, 1993, was \$18.125. In the event of stock dividends, splits, and similar capital changes, the 1987 Plan provides for appropriate adjustments in the number of shares available for options and the number and option prices of shares subject to outstanding options. As proposed to be amended, the 1987 Plan would provide that the exercise price of the options granted under the 1987 Plan would be based on the lowest price at which shares of Common Stock are traded (as reported on NASDAQ-NMS) during the 30 days following the date of grant. The exercise price would in no event be less than 85 percent of the fair market value per share of the Common Stock on the date of grant.

The 1987 Plan as proposed to be amended provides that, commencing with the 1993 Annual Meeting, each nonemployee director who has previously received an Initial Grant (as described below) will automatically receive a grant of an option to purchase 1,000 shares of Common Stock immediately following each Annual Meeting of Shareholders. Each annual grant will be fully vested and exercisable after 30 days.

New nonemployee directors are automatically 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. Options granted under the 1987 Plan generally expire at the earliest of the following dates: (i) the date specified in the individual option (not more than ten years and one week from the date of grant); (ii) one year after the date the option holder ceases to be a director; and (iii) one year after the option holder's death.

The exercise price of option shares may be paid in whole or in part by delivery of shares of Common Stock already owned by the person exercising the option for a period of at least six months, valued at fair market value at the time of exercise or, as proposed to be amended, by delivery of a properly executed exercise notice together with irrevocable instructions to a broker to properly deliver to the corporation the amount of sale or loan proceeds to pay the exercise price. Options granted under the 1987 Plan are nonassignable except by will or the laws of descent and distribution.

The 1987 Plan may be suspended, amended, or terminated by the Board at any time, in its sole and absolute discretion. Without the approval of the Company's shareholders, however, no such amendment may increase the number of shares of Common Stock subject to the 1987 Plan, increase the number of shares of Common Stock for which options may be granted to a director or change the amount, price, vesting or timing with respect to which such options are granted, materially increase the benefits accruing to participants under the Plan, or otherwise require shareholder approval under Rule 16b-3.

Federal Income Tax Consequences Relating to the 1987 Plan

The federal income tax consequences of a director's participation in the 1987 Plan are similar to those of an optionee's participation in the 1984 Plan, except that only nonqualified stock options may be issued pursuant to the 1987 Plan. See "Proposal 2: Amendment of 1984 Restated Stock Option Plan—Federal Income Tax Consequences."

The Board has unanimously approved the amendment to the 1987 Plan and recommends that shareholders vote FOR Proposal 3.

PROPOSAL 4: 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 make a statement if they desire and to respond to appropriate questions.

The Board has unanimously approved the selection of Ernst & Young as auditors for the Company for the 1993 fiscal year and recommends a vote FOR Proposal 4.

PROPOSALS BY SHAREHOLDERS

Written notice of proposals that shareholders wish to present at the 1994 Annual Meeting must be delivered by a shareholder either in person or by registered or certified mail, postage prepaid, to the Secretary of the Company not less than 60 nor more than 90 days prior to the date of the meeting to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting.

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.

DATED: March 1, 1993, Seattle, Washington

Copies of the Company's Annual Report on Form 10-K for fiscal year 1992, as filed with the Securities and Exchange Commission, will be furnished without charge to beneficial shareholders or shareholders of record on March 1, 1993, upon request. Please contact:

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

APPENDIX A

**AMENDMENT DATED FEBRUARY 16, 1993
TO
ALDUS CORPORATION
1984 RESTATED STOCK OPTION PLAN**

The Aldus Corporation 1984 Restated Stock Option Plan (the "Plan") is hereby amended as follows and the restatement of such Plan to incorporate this amendment is hereby authorized and approved:

1. Section 3 of the Plan is amended to read as follows:

SECTION 3. Stock Subject to this Plan. 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 7 hereof, the aggregate amount of Common Stock to be delivered upon the exercise of all options and SARs granted under this Plan shall not exceed 7,600,000 shares as such Common Stock was constituted on February 16, 1993, the effective date of this Plan, as restated. If any option or SAR 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 purposes of this Plan.

The effective date of such amendment shall be February 16, 1993, the date of adoption by the Board, unless the shareholders of the corporation fail to approve such amendment within 12 months before or after the date of adoption by the Board of Directors.

**APPENDIX B
ALDUS CORPORATION**

**RESTATED 1987 STOCK OPTION PLAN
FOR NONEMPLOYEE DIRECTORS**

ARTICLE I PURPOSE

The purposes of the Restated 1987 Aldus Corporation Stock Option Plan for Nonemployee Directors (the "Plan") are to attract and retain the services of experienced and knowledgeable nonemployee directors of Aldus Corporation (the "Company") and to provide an incentive for such directors to increase their proprietary interests in the Company's long-term success and progress.

ARTICLE II SHARES SUBJECT TO THE PLAN

The total number of shares of common stock, par value \$.01 (the "Shares"), of the Company for which options may be granted under the Plan is 200,000, subject to adjustment in accordance with Article VI hereof. Such Shares shall be authorized and unissued shares and shall include shares representing the unexercised portion of any option granted under the Plan which expires or terminates without being exercised in full.

ARTICLE III ADMINISTRATION OF THE PLAN

The 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. Subject to the terms of the Plan, the Board shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable.

ARTICLE IV PARTICIPATION IN THE PLAN

Each member of the Company's Board of Directors (a "Director") who is not otherwise an employee of the Company or any subsidiary of the Company (an "Eligible Director") shall be eligible to participate in the Plan. No grant shall be made under this Article if the effect of such grant would be to obligate the Company to issue more Shares than are reserved under Article II hereof.

Section 1 Grants Prior to 1991 Annual Meeting of Shareholders

Each Eligible Director shall receive annually an option to acquire 1,000 Shares under the Plan concurrent with the annual election of Directors by the shareholders of the Company, commencing with the 1988 election and continuing through the 1990 election.

Section 2 1991 Grants Concurrent With 1991 Annual Meeting of Shareholders

Each person who is elected as a Director of the Company by the shareholders of the Company at the 1991 Annual Meeting of Shareholders and who is not otherwise an employee of the Company or any subsidiary shall, effective upon such election, be granted an option to acquire 22,500 Shares under the Plan (a "1991 Grant").

Section 3 Initial Grants

An option to purchase (a) 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 person is anticipated to serve until the next annual election of directors by the Company's shareholders, and the denominator of which is twelve, plus (b) 15,000 shares (an "Initial Grant") shall be granted to each Eligible Director who is appointed or elected to the Board of Directors after May 8, 1991, such Initial Grant to be effective upon such election or appointment; provided, that if an Eligible Director who previously received a 1991 Grant or an Initial Grant terminates service as a Director and is subsequently elected or appointed to the Board, such Director shall not be eligible to receive a second Initial Grant, but shall be eligible to receive only Annual Grants as provided in Section 4, beginning with the Annual Meeting at which such Director was re-elected or the first Annual Meeting held immediately following the appointment of such Director.

Section 4 Annual Grants

An Option to purchase 1,000 Shares shall be granted automatically each year, concurrent with the annual election of Directors by the shareholders of the Company, to each Director who is an Eligible Director at such time and who has received a 1991 Grant or an Initial Grant, such grants to begin with the 1993 Annual Meeting for Directors who are Eligible Directors immediately prior to such meeting and, for Eligible Directors who are first elected at the 1993 Annual Meeting or are subsequently elected or appointed, with the next Annual Meeting held after the date on which the Eligible Director receives an Initial Grant (each, an “Annual Grant”).

Section 5

Any party to whom an option is granted under this Plan shall be referred to hereinafter as an “Optionee.”

ARTICLE V OPTION TERMS

Each option granted to a Director under the Plan and the issuance of shares thereunder shall be subject to the following terms:

Section 1 Option Agreement

Each option under the Plan shall be evidenced by an option agreement (the “Agreement”) duly executed on behalf of the Company and by the Optionee. Each Agreement shall comply with and be subject to the terms and conditions of the Plan and shall conclusively evidence by the Optionee’s signature thereon that it is the intent of the Optionee to continue to serve as a Director of the Company for the remainder of the term to which the optionee was elected. Any Agreement may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Board.

Section 2 Option Exercise Price

The option exercise price for an option granted under the Plan shall be the fair market value of the Shares covered by the option which shall be determined based on the lowest price at which shares of the common stock of the Company are traded during the thirty (30) calendar days commencing on the day following the date of grant (the “Pricing Period”) as reported on the National Association of Securities Dealers Automatic Quotation National Market System. The option exercise price shall in no event be less than 85 percent of the fair market value per share of the common stock on the date of grant.

Section 3 Time and Manner of Option Exercise

Options granted under Section 1 and Section 4 of Article IV shall vest immediately and shall be exercisable upon the termination of the Pricing Period. Of the options granted under Section 2 of Article IV, options to purchase 7,500 Shares shall vest immediately and shall be exercisable after six months; options for the remaining 15,000 Shares shall vest and be exercisable at the rate of 7,500 per year upon the first and second anniversaries of such grants. Of the options granted under Section 3 of Article IV, options to purchase that number of Shares granted under Subsection 3(a) shall vest immediately and shall be exercisable six (6) months after the termination of the Pricing Period; options for the remaining 15,000 Shares shall vest and be exercisable at the rate of 7,500 per year upon the first and second anniversaries of such grants.

Options that are vested and exercisable may be exercised in full at one time or in part from time to time; provided, however, that no option granted under the Plan may be exercised until a corresponding Agreement (as described in Section 1, Article V) has been executed by the Company and Optionee. Any option may be exercised by giving written notice, signed by the person exercising the option, to the Company stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in whole or in part (i) in cash or by check, (ii) in shares of Common Stock already owned for at least six (6) months by the person exercising the option, valued at fair market value at the time of such exercise, or (iii) by delivery of a properly executed exercise notice, together with irrevocable instructions to a broker, to properly deliver to the Company the amount of sale or loan proceeds to pay the exercise price, all in accordance with the regulations of the Federal Reserve Board.

Section 4 Term of Options

Each option shall expire not more than ten (10) years and one (1) week from the date of the granting thereof, but shall be subject to earlier termination as follows:

- (a) In the event of the death of an Optionee, the vested portion of the option granted to such Optionee may be exercised within one (1) year after the date of death of such Optionee or prior to the date on which the option expires by its terms, whichever is earlier, by the estate of such Optionee or by any person or persons whom the Optionee shall have designated in writing on a form prescribed by and filed with the Company or, if no such designation has been made by the person or persons to whom the Optionee's rights have passed, by will or the laws of descent and distribution.
- (b) In the event that an Optionee ceases to be a director of the Company, the vested portion of the option granted to such Optionee may be exercised by him or her within one (1) year after the date such Optionee ceases to be a director of the Company or prior to the date on which the option expires by its terms, whichever is earlier.

Section 5 Transferability

The right of any Optionee to exercise an option granted to him or her under the Plan shall not be assignable or transferable by such Optionee otherwise than by will or the laws of descent and distribution, and any such option shall be exercisable during the lifetime of such Optionee only by such Optionee.

Section 6 Participant's or Successor's Rights as Shareholder

Neither the recipient of an option under the Plan nor his or her successor(s) in interest shall have any rights as a shareholder of the Company with respect to any Shares subject to an option granted to such person until such person becomes a holder of record of such Shares.

Section 7 Regulatory Approval and Compliance

The Company shall not be required to issue any certificate or certificates for shares of its stock upon the exercise of an option granted under the Plan, or record as a holder of record of such Shares the name of the individual exercising an option under the Plan, without obtaining to the complete satisfaction of the Board the approval of all regulatory bodies deemed necessary by the Board, and without complying, to the Board's complete satisfaction, with all rules and regulations, under federal, state, or local law deemed applicable by the Board.

Section 8 Holding Period

If a director or officer subject to Section 16 of the Exchange Act sells shares of Common Stock obtained upon the exercise of any option granted under the Plan within six (6) months after the termination of the Pricing Period for such option, the option grant will no longer be deemed a nonexempt purchase as of the date of the option grant.

ARTICLE VI CAPITAL ADJUSTMENTS

The aggregate number of Shares with respect to which options may be granted under the Plan, as provided in Article II, the number of Shares subject to each outstanding option and the price per share specified in such options, all may be adjusted, as the Board shall determine at its sole discretion or as may be required, for any increase or decrease in the number of issued shares of common stock of the Company resulting from a subdivision or consolidation of Shares or any other similar capital adjustment, the payment of a stock dividend, or a merger or consolidation of, the Company, or the sale of all or substantially all of the assets of, or the liquidation of, the Company.

Adjustments under this Article VI shall be made by the plan administrator, whose determination shall be final. No fractional shares shall be issued under the Plan or pursuant to any adjustment hereunder.

ARTICLE VII EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by the Company, and none of such expenses shall be charged to any Optionee.

ARTICLE VIII APPROVAL OF SHAREHOLDERS

The Plan shall be subject to approval by the vote of shareholders holding at least a majority of the voting stock of the Company, voting in person or by proxy at a duly held shareholders' meeting.

ARTICLE IX TERMINATION AND AMENDMENT OF THE PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that if required to qualify the Plan under Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, no amendment may be made more than once every six (6) months that would change the amount, price, timing or vesting of the options, other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules and regulations promulgated thereunder; and provided, further, that if required to qualify the Plan under Rule 16b-3, no amendment that would

- (a) materially increase the number of Shares that may be issued under the Plan,
- (b) materially modify the requirements as to eligibility for participation in the Plan, or
- (c) otherwise materially increase the benefits accruing to participants under the Plan

shall be made without the approval of the Company's shareholders by the affirmative votes of the holders of a majority of the shares of voting stock of the Company present in person or represented by proxy at a duly held shareholders' meeting.

ARTICLE X COMPLIANCE WITH RULE 16b-3

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan participants remain disinterested persons ("disinterested persons") for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision is later found not to be in compliance with Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining disinterested persons, that provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

ARTICLE XI EFFECTIVE DATE

The effective date of the Plan shall be the date on which the Plan is approved by shareholders.

Adopted by the Board of Directors on April 21, 1987, and approved by the shareholders on May 8, 1987; amended and restated by the Board of Directors on January 15, 1991, and approved by the shareholders on May 7, 1991; amended and restated by the Board of Directors on February 16, 1993, and approved by the shareholders on May 4, 1993.

