

CAPTARIS INC  
Form DEF 14A  
April 20, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_ )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**CAPTARIS, INC.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

**CALCULATION OF FILING FEE**

<b>Title of each class of securities to which transaction applies:</b>	<b>Aggregate number of securities to which transaction applies:</b>	<b>Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:</b>	<b>Proposed maximum aggregate value of transaction:</b>	<b>Total fee paid:</b>
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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:



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**NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on June 7, 2007**

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Captaris, Inc. will be held at Captaris' s principal executive offices located at 10885 NE 4<sup>th</sup> Street, Bellevue, WA 98004, at 9:00 a.m. local time, on June 7, 2007. Only shareholders who owned stock at the close of business on the record date, March 30, 2007, can vote at the Annual Meeting or any adjournments of the Annual Meeting that may take place. At the Annual Meeting we will ask you to:

- (1) elect three directors to our Board of Directors to serve for terms as more fully described in the accompanying Proxy Statement;
- (2) ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for 2007; and
- (3) transact any other business properly presented at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE NOMINATED DIRECTORS DESCRIBED IN THE PROXY STATEMENT AND FOR THE RATIFICATION OF THE APPOINTMENT OF MOSS ADAMS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

All shareholders are cordially invited to attend the Annual Meeting in person.

To ensure your representation at the Annual Meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible, even if you plan to attend the Annual Meeting. A return envelope, which requires no postage if mailed in the United States, is enclosed for this purpose. You may attend the Annual Meeting and vote in person even if you have previously returned your proxy card.

By order of the Board of Directors,

Christopher Stanton  
*Chief Legal Officer, General Counsel and Secretary*

April 20, 2007

**Please note that attendance at our Annual Meeting will be limited to shareholders who owned stock at the close of business on the record date, or their authorized representatives, and their guests.**

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**CAPTARIS, INC.**

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**PROXY STATEMENT**

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Captaris, Inc. of proxies for use at the Annual Meeting of Shareholders to be held at Captaris's principal executive offices located at 10885 NE 4<sup>th</sup> Street, Bellevue, WA 98004, at 9:00 a.m. local time, on June 7, 2007, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. It is expected that this Proxy Statement and accompanying proxy card will be mailed to shareholders on or about April 25, 2007.

**Record Date and Outstanding Shares**

Only holders of record of Captaris common stock at the close of business on the record date, March 30, 2007, are entitled to notice of and to vote at the Annual Meeting. On that date, 27,419,237 shares of common stock were issued and outstanding.

**Revocability of Proxies**

If you give your proxy to us, you have the power to revoke it at any time before it is exercised. Your proxy may be revoked by:

notifying the Secretary of Captaris in writing before the Annual Meeting;

delivering to the Secretary of Captaris before the Annual Meeting a signed proxy with a later date; or

attending the Annual Meeting and voting in person.

**Quorum and Voting**

The presence at the Annual Meeting, in person or by proxy, of the holders of at least a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the meeting to conduct business. Abstentions and broker non-votes will be included in determining the presence of a quorum at the Annual Meeting.

For the proposal relating to the election of directors (Proposal 1), the nominees for election to the Board of Directors who receive the greatest number of affirmative votes cast by holders of common stock present, in person or by proxy, and entitled to vote at the Annual Meeting, will be elected to the Board. The proposal relating to the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm (Proposal 2) will be adopted if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal.

Abstentions and broker non-votes will have no effect on the proposals to be voted on at the Annual Meeting because they will not represent votes cast at the Annual Meeting for the purpose of voting on such proposals. Broker non-votes occur when a person holding shares through a bank or brokerage account does not provide instructions as to how his or her shares should be voted and the broker either does not exercise, or is not permitted to exercise, discretion to vote those shares on a particular matter. Brokers may exercise discretion to vote shares as to which instructions are not given with respect to Proposals 1 and 2.

You are entitled to one vote for each share of common stock you hold. If your shares are represented by proxy, they will be voted in accordance with your directions. If your proxy is signed and returned without any directions given, your shares will be voted in accordance with our recommendations.

We are not aware, as of the date of this Proxy Statement, of any matters to be voted on at the Annual Meeting other than as stated in this Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders. If any other matters are properly brought before the Annual Meeting, the enclosed proxy gives discretionary authority to the persons named in it to vote the shares in their best judgment.

If the Annual Meeting is postponed or adjourned for any reason, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have at that time effectively been revoked or withdrawn, notwithstanding that they may have been effectively voted on the same or any other matter at a previous meeting.

#### **Solicitation of Proxies**

The Board of Directors of Captaris is soliciting the proxies in the form enclosed. David P. Anastasi and Peter Papano, and each or either of them, are named as proxies. Proxies may be solicited by certain of our directors, officers and regular employees, without additional compensation. We may solicit your proxy by personal interview, mail, electronic mail or telephone. Captaris will pay all costs of solicitation of proxies. In addition, Captaris may reimburse brokerage firms and other persons representing beneficial owners of shares of common stock for their expenses in forwarding solicitation materials to such beneficial owners.

#### **ELECTION OF DIRECTORS (PROPOSAL 1)**

In accordance with the Bylaws of Captaris, the Board of Directors shall be composed of not less than five nor more than ten directors, the specific number set by resolution of the Board. The Board is currently composed of eight directors, divided into three classes as follows: three Class I directors, three Class II directors and two Class III directors. Directors are generally elected for three-year terms that are staggered such that approximately one-third of the directors are elected each year. Generally, one class of directors will be selected each year by our shareholders. Each director will hold office until the election and qualification of his or her successor or upon earlier resignation or removal. Additional directorships resulting from an increase in the number of directors will be distributed among the three classes, so that as nearly as possible each class will consist of an equal number of directors.

This year, the terms of three Class I directors expire. At the Annual Meeting, three Class I directors will be elected to serve three-year terms expiring in 2010.

If elected, each director will serve until the end of his respective term or until his earlier retirement, resignation or removal. Biographical information regarding each of the nominees for the Board of Directors is set forth below. Ages listed are as of March 31, 2007.

The Board of Directors has no reason to believe that the nominees named below will be unable to serve as directors. If, however, any nominee should be unwilling or unable to serve, the persons named as proxies will have discretionary authority to vote for the election of such substitute nominees as may be designated by the Board.

Unless authority to do so is withheld, the persons named as proxies on the accompanying proxy card will vote **FOR** the election of the nominees listed below.

**The Board of Directors unanimously recommends a vote **FOR** each nominee.**

#### **Nominee for Election of Class I Directors Whose Terms Expire in 2010**

ROBERT F. GILB (age 61) has served as a director of Captaris since 1998. He has been the President of Robert F. Gilb Strategic & Business Consulting, L.L.C. since May 1997. From 1992 to 1997, Mr. Gilb held several positions at Microsoft Corporation, including General Manager, Financial Analysis; General Manager,

Finance; and General Manager, Worldwide Business Operations. From 1979 to 1992, Mr. Gilb was an audit partner with Arthur Andersen L.L.P. in Seattle, Washington. In this capacity, he provided services to private and publicly owned companies in a variety of industries, including computer software, biotech, retail and distribution. His primary role was to audit and review financial statements for compliance with SEC reporting rules and generally accepted accounting principles. Mr. Gilb also provided services in connection with mergers and acquisitions and business process reengineering. Mr. Gilb is an Associate Trustee to the Pacific Science Center in Seattle. Mr. Gilb has a B.S. degree in accounting from California State University, Long Beach.

DANIEL R. LYLE (age 61) has served as a director of Captaris since May 26, 2005. From 1982 to June 2003, Mr. Lyle served as a partner with PricewaterhouseCoopers LLP. During his tenure, he was Managing Partner for the National Retail Practice and Managing Partner for the West Region Retail and Consumer Product Practice. Mr. Lyle's clients included many of PricewaterhouseCoopers' largest retail and consumer products companies, and he was involved in numerous mergers, acquisitions and public financing transactions. Since July 2003, Mr. Lyle has served as a director for RedEnvelope, Inc., a specialty gift retailer, and is currently the Chairman of the Audit Committee. Mr. Lyle is also the Chairman of the Audit Committee for Gymboree, Inc., a clothing retailer. Mr. Lyle received a B.A. degree in economics from California State University, Northridge and an M.B.A. degree from the University of California at Los Angeles.

MARK E. SIEFERTSON (age 47) has served as a director of Captaris since April 2005. Mr. Siefertson has accumulated over 20 years of technology architecture, systems design and consulting experience. In 1997, Mr. Siefertson co-founded Diamond Technology Partners, Inc., which was later merged with Cluster Consulting, a leading European consultancy, creating DiamondCluster International, Inc., a global management consulting firm. While with Diamond, Mr. Siefertson served in various positions, including Senior Vice President and Managing Director of the Marketplace Solutions Group, until his retirement from Diamond in June 2001. At Diamond, Mr. Siefertson's specialty was digital strategy, technology strategy and technology architecture. His project experience included the design and implementation of complex scalable technologies across a broad range of industries. Prior to founding Diamond, Mr. Siefertson was employed in various positions with Technology Solutions Company, IBM and Electronic Data Systems Corp. After his retirement from Diamond, Mr. Siefertson founded Wild Eyed Technology, Inc., a strategy and technology consulting company, and he continues to serve as its President and sole employee.

#### **DIRECTORS CONTINUING IN OFFICE**

The following individuals are continuing directors and are not standing for election this year:

##### **Continuing Class II Directors Whose Terms Expire in 2008**

BRUCE L. CROCKETT (age 63) has served as a director of Captaris since September 2001 and was elected Chairperson of the Board of Directors in 2003. Mr. Crockett has accumulated 32 years of experience in finance and general management in the banking, aerospace and telecommunications industries. Mr. Crockett has served, since 1996, as Chairman of Crockett Technologies Associates, a strategic consulting firm that provides services to the information technology and communications industries. From 1992 to 1996, he served as President, Chief Executive Officer and a Director of COMSAT Corporation, an international satellite and wireless telecommunications company. Mr. Crockett currently serves as Chairperson of the Board of the mutual funds of the AIM Management Group Inc., an investment company, and as a director of ACE Limited, an insurance company. Mr. Crockett is also a Senior Trustee of the University of Rochester. Mr. Crockett holds an A.B. degree in geography and economics from the University of Rochester, an M.B.A. degree in finance from Columbia University, a B.S. degree in accounting from the University of Maryland and an Honorary J.D. degree from the University of Maryland.

ROBERT L. LOVELY (age 69) has served as a director of Captaris since 1983. He currently serves as President and a director of The Lovely Corporation, a business development and management firm. Mr. Lovely is also a director and treasurer of the Providence St. Peter Foundation. From 1994 to 2000, Mr. Lovely served as Executive Vice President and director of Travel Automation Systems Corporation, a software company. Prior to 1994, Mr. Lovely served as President, Chief Executive Officer and a director of Satellite Information Systems Co.; founder, general manager and director of US Intelco Networks, Inc. (now a part of VeriSign, Inc.); and

founder, manager, Chief Executive Officer and director of Allied Data, a data processing services company. Over the years, Mr. Lovely has started or assisted in starting many privately held companies and has served as a director and officer on boards of a variety of civic and charitable organizations. He holds a B.A. degree in mathematics from Washington State University and an M.B.A. degree from Pacific Lutheran University. He has held a Certificate of Director Education from the NACD Corporate Directors Institute since 2005.

PATRICK J. SWANICK (age 49) has served as a director of Captaris since November 2003. Mr. Swanick spent nearly 26 years in the financial services industry, holding various executive level positions in retail and commercial banking, operations, technology and e-commerce. Mr. Swanick currently serves as Chief Executive Officer of Gila Corporation, a privately held firm specializing in outsourced collections, payment processing and call center services for governmental entities and financial institutions nationwide. From June 1992 until January 2005, Mr. Swanick was employed by KeyCorp, a financial services company based in Cleveland, Ohio. At KeyCorp, he served as President of the Retail Bank, CEO of Key Electronic Services and Vice Chairman of KeyBank, N.A. In various other assignments, Mr. Swanick was KeyCorp's executive in charge of all Call Centers, ATMs, Retail Operations, Consumer Product Management, Online Banking and Electronic Payments. Prior to his employment with KeyCorp, he was a senior executive with Fidelity Bank and First Fidelity Bancorporation in Philadelphia, Pennsylvania, both now part of Wachovia Corporation. He is a director of Tyfone, Inc., a privately held technology company focused on the mobile payments marketplace. Mr. Swanick also serves as a director of First Partners, Inc., the parent company of Gila Corporation. Mr. Swanick holds a B.S. degree in marketing, with a minor in Spanish, and an M.B.A. degree in management, from Saint Joseph's University in Philadelphia, Pennsylvania.

#### **Continuing Class III Directors Whose Terms Expire in 2009**

DAVID P. ANASTASI (age 50) joined Captaris as President, Chief Executive Officer and a director in November 2000. From May to November 2000, Mr. Anastasi served as President and Chief Executive Officer of Conversational Computing Corporation, a speech recognition technologies company. Prior to that, he was a founder and President and Chief Executive Officer of the Global Chipcard Alliance, a SmartCard consortium, from 1999 to 2000. From 1994 to 1999, Mr. Anastasi served as Vice President and General Manager of the Public Access Solutions & Smart Card Division of U S WEST. Mr. Anastasi currently serves on the Board of Directors of the AeA (formerly known as the American Electronics Association). Mr. Anastasi holds a B.S. degree in marketing management from Bentley College and a master's degree with an emphasis in international management from the University of San Francisco.

THOMAS M. MURNANE (age 60) has served as a director of Captaris since July 2003. From July 1988 until September 2002, Mr. Murnane was a partner with PricewaterhouseCoopers LLP where he served as Director of the firm's Retail Strategy Consulting Practice and later as Global Director of Marketing and Brand Management for PwC Consulting. Since retiring as a Partner from PricewaterhouseCoopers in October 2002, Mr. Murnane has served on the Boards of Directors and Audit Committees of each of Pacific Sunwear of California, Inc., a specialty apparel retailer, Finlay Enterprises, Inc., a specialty jewelry retailer, and The Pantry, Inc., a convenience store chain, where he is Lead Director. Mr. Murnane serves as the Chairperson of the Governance Committee at Finlay Enterprises, Inc. and The Pantry, Inc. and is on the Executive Committee of the Board of Directors of The Pantry, Inc. In addition, he is a founder and principal of ARC Business Advisors, a consulting firm that advises on merger and acquisition transactions involving retail and apparel companies, and provides research and strategic consulting services to retailers and their suppliers. As a strategy consultant at PricewaterhouseCoopers from 1980 until 1998, Mr. Murnane worked with several well-known retail and consumer products companies, led the development of the business strategy for PwC Consulting and later oversaw the development of the new brand for PwC Consulting, in connection with its intended initial public offering. Mr. Murnane also served on PwC Consulting's Executive Committee from July 1998 until July 2001. Mr. Murnane holds a B.S.B.A. degree and an M.B.A. degree from The Ohio State University.



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**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**
**Independence of the Board of Directors**

The Board of Directors has reviewed the relationships between Captaris and each of its directors and has determined that all of the directors, other than Mr. Anastasi, Captaris's President and Chief Executive Officer, are independent under the Nasdaq corporate governance listing standards.

**Board Attendance**

During 2006, there were nine meetings of the Board of Directors. Each of our directors attended, during the term of his directorship, at least 75% of the aggregate of (a) the total number of meetings of the Board and (b) the total number of meetings held by each of the committees on which he served.

The Board of Directors has adopted a policy that each director is encouraged to attend Captaris's regularly scheduled Annual Meeting of Shareholders. All of our directors attended Captaris's 2006 Annual Meeting of Shareholders.

**Committees of the Board of Directors**

The Board of Directors has a Compensation Committee, Audit Committee and Governance Committee. The membership of each as of March 15, 2007 is indicated in the table below.

<b>Director</b>	<b>Compensation</b>	<b>Audit</b>	<b>Governance</b>
Bruce L. Crockett	X	X	
Robert F. Gilb	X	X	
Robert L. Lovely	X	X	
Daniel R. Lyle		Chair	X
Thomas M. Murnane	X		Chair
Mark E. Siefertson			X
Patrick J. Swanick	Chair		X
<i>Compensation Committee</i>			

Each member of the Compensation Committee is an independent director under Nasdaq listing standards. The primary function of the Compensation Committee is to discharge the responsibilities of the Board of Directors relating to the compensation of Captaris's Chief Executive Officer and other executives, employees and directors who are not employees of Captaris, and relating to Captaris's retirement, welfare and other benefit plans. The Compensation Committee is also responsible for performing other related duties set forth in its charter, which is posted on Captaris's website at <http://www.captaris.com> under the Corporate Governance section. The Compensation Committee, when appropriate, may delegate authority to subcommittees and may delegate authority to one or more designated members of the Compensation Committee, the Board or Captaris officers. Additionally, the Compensation Committee, in its sole discretion, may retain independent counsel, accounting and other professionals without seeking approval of the Board with respect to the selection, fees and/or retention terms for these advisors.

The Compensation Committee establishes, and annually reviews, policies regarding executive compensation. With respect to our Chief Executive Officer, each year the Compensation Committee solicits input from the full Board of Directors and, based on that input, develops and approves corporate goals and objectives relevant to the CEO's compensation, evaluates the CEO's performance in light of those goals and objectives and sets the CEO's compensation based on this evaluation and other relevant information. The CEO provides the Compensation Committee a performance assessment and recommendation regarding performance goals and compensation for other executive officers. The Compensation Committee reviews this information and the recommendations, as well as other relevant information, and approves the compensation of these officers on an annual basis.

The Chief Executive Officer reports to the Compensation Committee regularly on the results of the evaluations of our executive officers (other than the CEO). In addition to the CEO's involvement in setting individual performance goals, conducting evaluations and making compensation recommendations for other executive officers, our management team plays an active role in updating the Compensation Committee on the trends and challenges of hiring, retaining and competing for talent. The management team periodically suggests alternative forms of compensation or compensation strategies to assist the Compensation Committee in setting compensation packages that will enable us to attract and retain key talent.

At least annually, the Compensation Committee also reviews director compensation practices including and in relation to peer companies and recommends to the Board of Directors, as appropriate, revisions to our director compensation program. In addition, the Compensation Committee develops, periodically reviews and recommends to the Board director and executive stock ownership guidelines, and provides oversight and recommendations to the Board regarding our welfare and other tax-qualified and nonqualified benefit plans.

The Compensation Committee periodically retains consultants for analysis of our executive and director compensation and comparisons to overall compensation offered by peer companies in our industry and other selected industries, as well as for other project-related work. The Compensation Committee has the sole authority to engage or terminate these consultants, including sole authority to approve fees and other retention terms. In late 2004 and early 2005, the Compensation Committee retained AON Consulting as its independent compensation consultant to advise the Compensation Committee on executive compensation policies and practices, and this advice was considered by the Compensation Committee in establishing 2006 executive compensation packages. The Compensation Committee also engaged Compensation Venture Group as its independent compensation consultant in late 2006 to perform a new peer survey for use in establishing compensation packages for our executive officers in 2007. The compensation consultant reports to the Chair of the Compensation Committee and acts at the direction of the Chair and the Compensation Committee. Captaris management does not direct or oversee the activities of the consulting firm with respect to executive compensation programs.

Minutes of each meeting of the Compensation Committee are prepared by the Compensation Committee Chair or by his designee and sent to each Compensation Committee member and to the full Board of Directors. In addition, the Compensation Committee reports regularly to the Board on any significant matters arising from the Compensation Committee's work, including awards to top executives and special executive employment, compensation and retirement arrangements. The Compensation Committee held ten meetings in 2006.

#### *Audit Committee*

Each member of the Audit Committee is an independent director under Securities and Exchange Commission (SEC) rules and Nasdaq listing standards. The Board of Directors has determined that both Messrs. Lyle and Gilb meet the definition of an audit committee financial expert under SEC rules.

The primary functions of the Audit Committee are to represent and assist the Board of Directors with the oversight of:

the integrity of Captaris's financial statements and internal controls;

Captaris's compliance with legal and regulatory requirements;

the independent registered public accounting firm's qualifications and independence; and

the performance of the audit function by the independent registered public accounting firm.

The Audit Committee has ultimate authority to select, evaluate and, where appropriate, replace the independent registered public accounting firm, approve all audit engagement fees and terms, and engage outside advisors, including its own counsel and other advisors, as it determines necessary to carry out its duties. The Audit Committee is also responsible for performing other related duties set forth in its written charter, which is posted on Captaris's website at <http://www.captaris.com> under the Corporate Governance section. The Audit Committee held 12 meetings in 2006.

*Governance Committee*

Each member of the Governance Committee is an independent director under Nasdaq listing standards.

The primary functions of the Governance Committee are to:

identify individuals qualified to become members of the Board of Directors;

approve and recommend to the Board of Directors director candidates for election to the Board of Directors;

develop, update as necessary, and recommend to the Board of Directors corporate governance principles and policies applicable to Captaris; and

monitor compliance with such principles and policies.

The Governance Committee is also responsible for performing other related duties set forth in its charter, which is posted on Captaris' s website at <http://www.captaris.com> under the Corporate Governance section. The Governance Committee held seven meetings in 2006.

**Director Nomination Procedures**

The Governance Committee is generally responsible for the identification, review, selection and recommendation to the Board of Directors of candidates for director nominees, including the development of policies and procedures to assist in the performance of these responsibilities. The Governance Committee reviews with the Board the requisite qualifications, skills and characteristics for Board nominees and composition and the specific considerations relating to individual director candidates. Upon the Governance Committee's recommendations, the Board recommends the director nominees to the shareholders for selection.

Potential director candidates are referred to the Chair of the Governance Committee for consideration by the Governance Committee, which may then recommend the director candidate to the Board of Directors for its consideration, if deemed appropriate. If necessary or desirable in the opinion of the Governance Committee, the Governance Committee will determine appropriate means for seeking additional director candidates, including engagement of outside consultants to assist in the identification of director candidates.

The Governance Committee will consider candidates recommended by shareholders. Shareholders wishing to suggest director candidates should submit their suggestions in writing to the Chair of the Governance Committee, c/o the Secretary of Captaris, providing the candidate's name, biographical data and other relevant information. Shareholders who intend to nominate a director for election at the 2008 Annual Meeting of Shareholders must provide advance written notice of such nomination to the Secretary of Captaris in the manner described below under the heading Shareholder Proposals.

The Governance Committee has recommended to the Board of Directors, and the Board has adopted, the Director Selection Guidelines set out in Exhibit A to the Governance Committee Charter. In accordance with the Director Selection Guidelines, the Governance Committee and the Board, as appropriate, will review the following considerations, among others, in their evaluation of candidates for Board nomination: personal and professional ethics, training, experience and ability at making and overseeing policy in business, government and/or educational sectors, commitment to fulfilling the duties of the Board, commitment to understanding Captaris' s business, commitment to engaging in activities in the best interests of Captaris, independence, diversity, industry knowledge and contacts, financial or accounting expertise, leadership qualities, public company board of director and committee experience and other relevant qualifications. A director candidate's ability to devote adequate time to Board and committee activities is also considered. The Governance Committee periodically reviews with the Board the appropriate process for and the considerations to be taken in the evaluation of director candidates. In the event there is a vacancy on the Board, the Governance Committee will initiate the effort to identify appropriate director candidates.

**Shareholder Communications With the Board of Directors**

Shareholders of Captaris may contact the Board of Directors as a group or an individual director by the U.S. postal mail directed to the Chairman of the Board of Directors, c/o the Secretary of Captaris, at 10885 NE 4<sup>th</sup> Street, Bellevue, WA 98004. Shareholder communications received by the Secretary of Captaris will be promptly forwarded to the specified director addressees or to the full Board, as applicable. Shareholders should clearly specify in each communication the name of the individual director or group of directors to whom the communication is addressed.

Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2008 Annual Meeting of Shareholders should follow the procedures specified below under the heading Shareholder Proposals. That section outlines the procedures for submission of shareholder proposals for inclusion in Captaris' s proxy statement for the 2008 Annual Meeting of Shareholders and submission of nominations of persons for election to the Board of Directors or proposals for other business to be considered at the 2008 Annual Meeting of Shareholders.

**Additional Corporate Governance Information**

A link to the following corporate governance materials of Captaris is available on Captaris' s website at <http://www.captaris.com>. You may access the materials by clicking on the Corporate menu and selecting the Corporate Governance link. A copy of the materials will be mailed to you upon request to Captaris, Investor Relations, 10885 NE 4<sup>th</sup> Street, Bellevue, WA 98004:

Audit Committee, Compensation Committee and Governance Committee Charters.

Code of Business Conduct applicable to all directors, officers and employees of Captaris.

Finance Code of Professional Conduct for our Chief Executive Officer and senior financial officers.

If we waive any material provision of our Code of Business Conduct for our directors and officers or our Finance Code of Professional Conduct for our senior financial officers, including the Chief Executive Officer, or substantively change the codes, we will disclose that fact on our website within four business days.

**Compensation Committee Interlocks and Insider Board Participation**

The Compensation Committee currently consists of Messrs. Crockett, Gilb, Lovely, Murnane and Swanick. None of these Compensation Committee members has served as an officer or employee of Captaris. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has an executive officer serving as a member of our Board of Directors or Compensation Committee.

**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table summarizes certain information regarding the beneficial ownership of Captaris common stock as of March 15, 2007 for:

our Chief Executive Officer;

each of our other named executive officers in the 2006 Summary Compensation Table below;

each of our directors;

our directors and executive officers as a group; and

each person or group that we know of who owns more than 5% of Captaris common stock.

Beneficial ownership is determined in accordance with SEC rules and includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of March 15, 2007 are deemed outstanding for computing the percentage ownership of the person holding the options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated, we believe the beneficial owners of the common stock listed below, based on information furnished by them, have sole voting and investment power with respect to the shares listed opposite their names.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percentage of Class (2)
<b>Executive Officers and Directors</b>		
David P. Anastasi (3)	1,244,681	4.34%
Bruce L. Crockett (4)	75,986	*
Robert F. Gilb (5)	121,825	*
Robert L. Lovely (6)	142,760	*
Daniel R. Lyle (7)	44,063	*
Thomas M. Murnane (8)	75,360	*
Peter Papano (9)	384,645	1.38%
Matthias M. Scheuing (10)	582,250	2.08%
Mark E. Siefertson (11)	25,868	*
Patrick J. Swanick (12)	59,860	*
All directors and current executive officers as a group (10 persons) (13)	2,707,298	9.17%
<b>Other Principal Shareholders</b>		
Dimensional Fund Advisors LP (14) 1299 Ocean Avenue, 11 <sup>th</sup> Floor Santa Monica, CA 90401	1,955,338	7.12%
SACC Partners LP (15) 11100 Santa Monica Blvd., Suite 800 Los Angeles, CA 90025	1,400,170	5.10%

\* Less than 1%

(1) Unless otherwise indicated, the business address of each of the shareholders named in the table above is Captaris, Inc., 10885 NE 4<sup>th</sup> Street, Bellevue, WA 98004.

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- (2) Based on 27,469,237 outstanding shares as of March 15, 2007.
- (3) Includes 1,222,131 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007. Also includes an aggregate of 12,000 shares held by Mr. Anastasi's three minor children. Each child holds 4,000 shares. Also includes 5,650 shares held by the Anastasi Family Trust, of which Mr. Anastasi serves as trustee. Also includes 4,900 shares held by Credit Suisse as custodian for the David P. Anastasi IRA.
- (4) Consists of 73,860 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007, and 2,126 deferred stock units.

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- (5) Includes 97,360 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007, and 4,465 deferred stock units.
  - (6) Includes 85,860 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (7) Includes 29,063 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (8) Includes 57,860 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007. Also includes 17,500 shares held by Merrill Lynch as custodian for the Thomas Murnane IRA.
  - (9) Consists of 384,645 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (10) Includes 572,750 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (11) Consists of 25,868 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (12) Includes 49,860 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007.
  - (13) Includes 2,601,152 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 15, 2007, and 6,592 deferred stock units.
  - (14) Information presented is based on a Schedule 13G/A filed on February 9, 2007 by Dimensional Fund Advisors LP ( Dimensional ). According to the Schedule 13G/A, Dimensional is an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. In its role as investment advisor or manager, Dimensional reports in the Schedule 13G/A that it possesses investment and/or voting power over the shares listed in the table above that are owned by these investment companies, trusts and accounts.
  - (15) Information presented is based on a Schedule 13G filed on September 28, 2006 by SACC Partners, LP ( SACC ), Riley Investment Management, LLC ( RIM ), B. Riley & Co. ( BRC ) and Bryant R. Riley ( Mr. Riley ). According to the Schedule 13G, 1,399,143 of the shares listed in the table above are owned by SACC. Because RIM has sole voting and investment power over SACC's security holdings and Mr. Riley, in his role as sole manager of RIM, controls its voting and investment decisions, each of SACC, RIM and Mr. Riley may be deemed to have beneficial ownership of the 1,399,143 shares owned of record by SACC. 1,024 of the shares listed in the table above are owned of record by BRC. Mr. Riley, in his role as Chairman of BRC, may be deemed to have beneficial ownership of the 1,024 shares owned of record by BRC. RIM has shares voting and dispositive power over 92,922 of the shares listed in the table above that are owned by advisory clients of RIM.

### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding Captaris common stock that may be issued upon the exercise of options, warrants and other rights granted to employees, consultants or directors under all of our existing equity compensation plans, as of December 31, 2006.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,451,776(1)	\$ 4.73(2)	3,343,414(3)
Equity compensation plans not approved by security holders	2,629,544(4)	\$ 5.31	
<b>Total</b>	<b>5,081,320</b>	<b>\$ 5.03</b>	<b>3,343,414</b>

- (1) Includes 40,558 deferred stock units issued to our nonemployee directors under our Nonemployee Director Equity Grant Program and 6,066 deferred stock units relating to cash compensation deferred by certain of our nonemployee directors pursuant to our Deferred Compensation Plan for Non-Employee Directors.
- (2) Calculation excludes shares subject to deferred stock units.
- (3) Represents shares available for grant under the 2006 Equity Incentive Plan.
- (4) Represents shares that would be issued upon exercise of options granted under the 2000 Non-Officer Employee Stock Compensation Plan and upon exercise of options granted to three individuals, the terms of which are described below.

#### Summary of Equity Compensation Plans Not Approved by Shareholders

##### *2000 Non-Officer Employee Stock Compensation Plan*

In connection with the adoption our 2006 Equity Incentive Plan, the Board of Directors determined that the 2000 Non-Officer Employee Stock Compensation Plan (the 2000 Plan ) will not be used for future grants, effective June 8, 2006. As a result, no further awards will be issued under the 2000 Plan, and the 2000 Plan will terminate when all stock options outstanding under the 2000 Plan have been exercised or have terminated, expired or been cancelled according to their terms.

##### *Types of Awards*

The only awards under the 2000 Plan have been awards of nonqualified stock options to Captaris employees who are not officers or directors of Captaris.

##### *Corporate Transactions*

In the event of a Corporate Transaction, unless otherwise provided in the instrument evidencing the option or in an employment or services agreement between a participant and Captaris, each outstanding stock option will be assumed or an equivalent option or right substituted by the successor corporation. If the successor corporation refuses to assume or substitute for an outstanding stock option, then each outstanding stock option will become fully vested and exercisable with respect to 100% of the unvested portion of the stock option. All stock options will terminate and cease to remain outstanding immediately following a Corporate Transaction, except to the extent such stock options are assumed by the successor corporation. Also, in the event of a Corporate Transaction, all shares subject to outstanding stock awards will immediately vest and the forfeiture provisions to which the stock awards are subject will lapse, if and to the same extent that the vesting of outstanding stock options accelerates in connection with a Corporate Transaction. For purposes of the 2000 Plan, a Corporate Transaction means (a) the consummation of any merger or consolidation of





Captaris with or into another corporation or (b) the consummation of any sale, lease, exchange or transfer (other than a transfer of Captaris's assets to a majority-owned subsidiary of Captaris) in one transaction or a series of related transactions of all or substantially all of Captaris's outstanding securities or assets.

*Nonassignability*

During a participant's lifetime, awards granted under the 2000 Plan may be exercised only by the participant. Awards may not be assigned, pledged or transferred by a participant other than by will or by the applicable laws of descent and distribution. The plan administrator may, however, to the extent permitted by Section 422 of the Internal Revenue Code of 1986, as amended, permit assignment, transfer and exercise and may permit a participant to designate a beneficiary who may exercise the award after the participant's death.

***Non-Plan Grants***

*David P. Anastasi*

On November 15, 2000, Captaris granted David P. Anastasi, President, Chief Executive Officer and director of Captaris, a nonqualified stock option grant outside any of Captaris's equity incentive plans (the Non-Plan Grant). This Non-Plan Grant was an inducement to Mr. Anastasi's employment. The Non-Plan Grant was for the purchase of 750,000 shares of common stock and vested at a rate of 25% on the first anniversary of the grant date and 2.0833% each month thereafter, such that it was fully vested on November 15, 2004. The exercise price of the Non-Plan Grant is \$5.94 per share, equal to 100% of the fair market value of Captaris common stock on the date of grant. Except as expressly provided in the option agreement relating to the Non-Plan Grant, the Non-Plan Grant is subject to the terms and conditions of the 1989 Restated Stock Option Plan (the 1989 Plan) prior to its amendment and renaming as the 2006 Equity Incentive Plan. The term of the Non-Plan Grant is ten years from the date of grant unless sooner terminated.

In the event of a change in control as a result of which Captaris's shareholders receive capital stock of another corporation in exchange for their shares of Captaris common stock, the Non-Plan Grant may be converted into an option to purchase shares of the surviving corporation.

As amended on March 11, 2005, the Non-Plan Grant provides that if Mr. Anastasi's employment or service relationship with Captaris is terminated prior to the expiration of the Non-Plan Grant, the continued exercisability of the Non-Plan Grant will be as follows:

if Mr. Anastasi's employment or service relationship terminates for any reason other than for cause (as such term is defined in the 1989 Plan), he may exercise that portion of the Non-Plan Grant that is exercisable at the time of termination for a period of 12 months after the date of termination;

if Mr. Anastasi is terminated by Captaris for cause, the Non-Plan Grant will automatically terminate and Mr. Anastasi will have no further right to purchase any shares pursuant to the Non-Plan Grant; and

if Mr. Anastasi dies while he has an employment or service relationship with Captaris or within the 12-month period following termination, the Non-Plan Grant may be exercised within one year after the date of death, to the extent Mr. Anastasi would have been entitled to exercise the Non-Plan Grant.

Payment of the exercise price for the Non-Plan Grant may be made by any of the following means: (a) cash, (b) personal, bank-certified or cashier's check, (c) tendering shares of Captaris common stock already owned for at least six months that on the day prior to the exercise date have a fair market value equal to the aggregate exercise price of the shares being purchased, or (d) delivery of a properly executed notice, together with irrevocable instructions to a broker to promptly deliver to Captaris the amount of sale proceeds necessary to pay the exercise price.

*Former Employees*

On October 22, 1997, Captaris granted each of two former employees of Captaris a nonqualified stock option outside any of Captaris's equity incentive plans (the "Non-Plan Grants"). The Non-Plan Grants were an inducement to the former employees' employment in connection with the acquisition by Captaris of CommercePath. The Non-Plan Grants were each for the purchase of 240,000 shares of Captaris common stock (as adjusted for stock splits) and vested over a three-year period, with full vesting on December 31, 2001. The exercise price for each of the Non-Plan Grants is \$7.03 per share (as adjusted for stock splits). The pre-stock split exercise price of \$28.09 per share for each of the Non-Plan Grants was equal to 100% of the fair market value of Captaris common stock on the date of grant. The Non-Plan Grants both expire on October 22, 2007. As of December 31, 2006, one former employee had exercised his option with respect to 121,428 shares and the other had exercised his option with respect to 120,000 shares.

In the event of a change in control (including a merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation of Captaris) as a result of which Captaris's shareholders receive cash, stock or other property in exchange for their shares of Captaris common stock, the Non-Plan Grants will terminate, unless exercised by each of the former employees, as applicable, prior to the consummation of the change in control. In the event of a change in control as a result of which Captaris's shareholders receive capital stock of another corporation in exchange for their shares of Captaris common stock, the Non-Plan Grants will be converted into an option to purchase shares of the surviving corporation.

The former employees' employment or service relationship with Captaris ended for reasons other than for cause (as such term is defined in the Non-Plan Grant Letter Agreements) and, accordingly, they are able to continue to exercise the respective Non-Plan Grants on the same terms as if their employment or service relationship with Captaris had not ended.

Payment of the exercise price for the Non-Plan Grants may be made by any of the following means: (a) cash, (b) personal, bank-certified or cashier's check, (c) tendering shares of Captaris common stock already owned for at least six months that on the day prior to the exercise date have a fair market value equal to the aggregate exercise price of the shares being purchased, or (d) delivery of a properly executed notice, together with irrevocable instructions to a broker to promptly deliver to Captaris the amount of sale proceeds necessary to pay the exercise price.

**EXECUTIVE OFFICERS**

Our executive officers are as follows (ages as of March 31, 2007):

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Officer Since</b>
David P. Anastasi	50	President, Chief Executive Officer and Director	2000
Peter Papano	57	Chief Financial Officer and Treasurer	2003
Paul Yantus	45	Executive Vice President Marketing and Product Development	2007

For *Mr. Anastasi's* biographical summary, see "Continuing Class III Directors Whose Terms Expire in 2009."

*Mr. Papano* joined Captaris in September 2003. Prior to joining Captaris, Mr. Papano served as Chief Financial Officer of Evant, Inc., an enterprise software company, from 2000 to 2003; QRS Corporation, a publicly traded e-commerce company, from 1998 to 2000; and The Dialog Corporation, an electronic information company, from 1991 to 1998. Mr. Papano is a certified public accountant. He holds a B.S. degree in business with an emphasis in finance and an M.B.A. degree in accounting from the University of Colorado.

*Mr. Yantus* joined Captaris in April 2007. Prior to joining Captaris, Mr. Yantus served as Chief Executive Officer of Scan-Optics from 2005 to 2006. Mr. Yantus also held senior management positions with Espire Marketing from 2003 to 2004, MSX International from 1999 to 2003, Danka from 1997 to 1999, and Lason Systems from 1995 to 1997. Mr. Yantus began his career at Eastman Kodak, where he worked from 1986 to 1995 in a variety of sales and marketing roles. He holds a B.B.A. degree in marketing from Western Michigan University and a post bachelor degree in computer science from Wayne State University.

*Matthias M. Scheuing* served as our Chief Operating Officer, and was an executive officer, until his departure from Captaris on April 3, 2007.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview of Compensation Program and Philosophy

Our executive compensation programs have been designed to ensure that the executive officers' total compensation is closely aligned with our business objectives and financial performance, and to enable us to attract and retain skilled professionals who contribute to our long-term success. The objectives of our executive compensation programs are as follows:

pay competitively to attract, retain, develop and motivate a highly competent executive team;

provide market-based incentive programs that link corporate performance and total executive compensation; and

align executives' financial interests with the creation of shareholder value by providing long-term incentive plans subject to vesting over time and/or performance-based incentives tied to meaningful and quantifiable performance metrics.

We have designed our compensation program to reward our executive officers' measurable accomplishments toward the creation of shareholder value and the sustainability of our company in the marketplace. To this end, a significant portion of our executive compensation packages is comprised of variable pay in the form of annual bonuses, which are dependent on the achievement of company performance objectives, and long-term equity-based compensation that is dependent on achievement of individual objectives.

### Components of Compensation

Our executive compensation program consists of three primary components: base salary, an annual cash bonus opportunity and long-term equity-based incentive awards. We pay base salaries to remain competitive in the marketplace and to attract and retain talented executives. Base salaries are established assuming an acceptable level of individual performance and provide our executives with a steady cash payment. We have established an annual cash-based incentive compensation program with payouts contingent on the attainment of measurable financial and strategic company goals so that a significant portion of our executive officers' annual cash compensation is at risk. Through grants of long-term equity-based awards, we seek to enable executives to develop and maintain a significant long-term