

CAPTARIS INC  
Form 10-K/A  
April 29, 2008  
Table of Contents

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

**Washington, D.C. 20549**

**FORM 10-K/A**

**(Amendment No. 1)**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended: December 31, 2007

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-25186

**CAPTARIS, INC.**

(Exact name of registrant as specified in its charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)

**91-1190085**  
(I.R.S. Employer  
Identification No.)

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301 116<sup>th</sup> Avenue NE, Suite 400

Bellevue, WA  
(Address of principal executive offices)

98004  
(Zip Code)

Registrant's telephone number, including area code: (425) 455-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	Nasdaq Global Market

Preferred Stock Purchase Rights

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Aggregate market value of voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2007 (our most recently completed second quarter) was \$138,169,155 (based upon the closing sale price of \$5.12 per share on the Nasdaq Global Market on such date). For purposes of this disclosure, shares of common stock held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates.

Number of shares of common stock outstanding as of April 14, 2008 was 26,466,844.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.



**Table of Contents**

**CAPTARIS, INC.**

**TABLE OF CONTENTS**

<b>Item</b>		<b>Page</b>
<b>PART III</b>		
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	2
Item 11.	<u>Executive Compensation</u>	5
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	23
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	27
Item 14.	<u>Principal Accountant Fees And Services</u>	27
<b>PART IV</b>		
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	29
	<u>Signatures</u>	31

**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A amends Captaris, Inc.'s Annual Report on Form 10-K, as filed by Captaris ( we , us , our ) with the Securities and Exchange Commission (the *SEC* ) on March 17, 2008 (the *Original Form 10-K* ), and is being filed to amend Part III, Items 10 through 14 of the Original Form 10-K. This information is being included in this Form 10-K/A because Captaris' definitive proxy statement will not be filed within 120 days after the end of its 2007 fiscal year. The reference on the cover page of the Original Form 10-K to the incorporation by reference of portions of Captaris' Proxy Statement for its 2008 Annual Meeting of Shareholders into Part III of the Original Form 10-K is hereby amended to delete that reference.

Except for the number of outstanding shares and incorporation by reference language on the cover page, Part III, Items 10 through 14 and the updated Exhibit 31 certifications, no other changes have been made to the Original Form 10-K. Except as otherwise noted on the cover page or in Part III, Items 10 through 14, this Form 10-K/A does not modify or update the disclosures contained in the Original Form 10-K to reflect any events that have occurred after March 17, 2008. For a discussion of events and developments thereafter, please see Captaris' reports filed with the SEC since March 17, 2008.

**Table of Contents****PART III****Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors**

The following table sets forth information regarding our directors as of March 31, 2008.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
David P. Anastasi	51	2000
Bruce L. Crockett	64	2001
Robert F. Gilb	62	1998
Robert L. Lovely	70	1983
Daniel R. Lyle	62	2005
Thomas M. Murnane	61	2003
Mark E. Siefertson	48	2005
Patrick J. Swanick	50	2003

*David P. Anastasi* joined Captaris as President, Chief Executive Officer and a director in November 2000. From May to November of 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 and SmartCard 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 Masters degree with an emphasis in international management from the University of San Francisco.

*Bruce L. Crockett* 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 F. Gilb* 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.

*Robert L. Lovely* 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

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NACD Corporate Directors Institute since 2005.

*Daniel R. Lyle* 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

**Table of Contents**

transactions. From July 2003 to November 2007, Mr. Lyle served as a director for RedEnvelope, Inc., a specialty gift retailer, and until February 2007 the (non-executive) Chairman of the Board of Directors and 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.

*Thomas M. Murnane* 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. Mr. Murnane currently is a principal in ARC Business Advisors, a boutique consulting firm specializing in retail, apparel and consumer products. 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.

*Mark E. Siefertson* 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.

*Patrick J. Swanick* 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 company specializing in accounts receivable management 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, both now part of Wachovia Corporation. Mr. Swanick serves as director of First Partners, Inc., the parent company of Gila Corporation. He previously served on boards of MasterCard International (US region), the Bank Administration Institute (BAI), Tyfone, Inc., KeyBank, N.A., and Key Merchant Services, LLC. 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.

**Executive Officers**

The following table sets forth information regarding our executive officers as of March 31, 2008. The biography for David P. Anastasi, our President and Chief Executive Officer, is listed above under the heading Directors.

Name	Age	Position	Executive Officer Since
David P. Anastasi	51	President, Chief Executive Officer and Director	2000
Peter Papano	58	Chief Financial Officer and Treasurer	2003
Paul M. Yantus	46	Executive Vice President of Marketing and Product Development	2007
Douglas F. Anderson	54	Senior Vice President of Global Sales and Field Operations	2007



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*Peter Papano* joined Captaris in September 2003. Prior to joining Captaris, Mr. Papano served as Chief Financial Officer of Ewant, 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.

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## **Table of Contents**

*Paul M. Yantus* joined Captaris in April 2007 as Executive Vice President of Marketing and Product Development. Prior to joining Captaris, from March 2005 to September 2006, Mr. Yantus served as President and CEO of Scan-Optics, a provider of information capture and recognition technologies to the financial, government, and education markets. Prior to Scan-Optics, he founded Espire, an ASP solution for managing branded messaging, and served as its President from July 2003 to March 2005. From March 1999 to June 2003, Mr. Yantus served as Senior Vice President of Custom Communications division for MSX International. Mr. Yantus holds a B.B.A. degree from Western Michigan University and a Post Bachelor degree in Computer Science from Wayne State University.

*Douglas F. Anderson* joined Captaris in July 2005 as Vice President of North American Field Operations. In May, 2007, he was promoted to Senior Vice President Global Sales and Field Operations. Prior to joining Captaris, Mr. Anderson held management positions at IBM from 1976 to 1985, Lotus Development Corporation from 1985 to 1990, Saros Corporation (FileNet) from 1991 to 1994, and executive-level positions with several emerging public and private companies headquartered both in and outside North America. Mr. Anderson holds a bachelor's degree from the University of Washington.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), requires our officers and directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish Captaris with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms that we received, or written representations from certain reporting persons that no forms were required for those persons, we believe that, during fiscal year 2007, all filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with on a timely basis by such persons, except as follows: (i) Bruce L. Crockett filed one late report related to one transaction involving the deferral of his annual cash retainer into deferred stock units under our Deferred Compensation Plan for Non-Employee Directors; (ii) Ramius Capital Group, L.L.C., Parche, LLC, Starboard Value and Opportunity Master Fund Ltd., RCG Enterprise, Ltd., RCG Starboard Advisors, LLC, C4S & Co., L.L.C., Peter A. Cohen, Morgan B. Stark, Jeffrey M. Solomon and Thomas W. Strauss, filing as a group, filed a late Form 3; and (iii) Vector Capital III, L.P., Vector Entrepreneur Fund III, L.P., Vector Capital Partners III, L.L.C. and Alexander R. Slusky, filing as a group, filed a late Form 3.

### **Code of Ethics**

We have adopted a code of ethics that applies to our principal executive officer, chief financial officer, senior vice president of finance and other senior financial officers. This code of ethics is posted on our web site at <http://www.captaris.com>. You may access this material by clicking on the About Us Corporate Governance menu on our web site. If we waive any material provision of our Finance Code of Professional Conduct for our principal executive officer and senior financial officers or substantively change the code, we will disclose that fact on our web site within four business days.

### **Changes to Procedures by Which Shareholders May Nominate Directors**

The Board of Directors recently approved amendments to Sections 3.3.1 and 2.6.1 of our Amended and Restated Bylaws. The amendments extended the deadline for nominating directors to the Board of Directors and for proposing other business with respect to our 2008 annual meeting of shareholders from April 8, 2008 to the close of business on the 10th day following the earlier of (i) the day on which notice of the 2008 annual meeting of shareholders is mailed or (ii) the day on which public announcement of the 2008 annual meeting of shareholders is made. For more information on the amendments, including the form of amendments themselves, please see our current report on Form 8-K filed with the SEC on April 3, 2008.

### **Audit Committee**

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58) of the Exchange Act. The Audit Committee consists of Bruce L. Crockett, Robert F. Gilb, Robert L. Lovely and Daniel R. Lyle (Chairperson). Each member of the Audit Committee is an independent director under SEC rules and Nasdaq listing standards. The Board of Directors has determined that each of Messrs. Crockett, 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:

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the integrity of our financial statements and internal controls;

our 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.

## **Table of Contents**

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 our website at <http://www.captaris.com> under the About Us Corporate Governance menu. The Audit Committee held 13 meetings in 2007.

### **Item 11. EXECUTIVE COMPENSATION. 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 awards 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 granted based in part on achievement of individual objectives and that is subject to vesting over time.

#### **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 goals and subjective strategic company initiatives 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 equity interest in Captaris common stock, align our executive officers' actions with our shareholders' interests and create a retention incentive for our executives to continue their employment with us.

We believe it is necessary to provide these three elements of compensation—base salary, annual incentive and long-term equity-based incentive awards—to compete for and retain executive talent in the increasingly competitive marketplace.

#### **Determination of Compensation**

##### *Total Compensation*

In establishing each executive officer's total compensation package, we consider:

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the compensation packages of executive officers in similar positions at a comparable group of peer companies; and

the experience and contribution levels of the individual executive officer.

Each element of compensation is compared with that of the peer companies for each executive position, and total compensation (the combined value of base salary, annual incentive, and long-term incentive awards) is also assessed.

In late 2006 through early 2007, the Compensation Committee retained an independent compensation consultant to advise the Compensation Committee on executive compensation policies and practices. This advice, including a peer group analysis and data provided by the 2006 Radford Executive Survey, was provided to the Compensation Committee in early 2007 and was considered by the Compensation Committee in establishing executive compensation packages for David P. Anastasi and Peter Papano for 2007. Because Paul M. Yantus was hired after the independent compensation consultant's work was completed, his compensation was determined using a different process described below. Douglas F. Anderson's compensation was increased as a result of his promotion to Senior Vice President, Global Field Operations in May 2007, as discussed below. Matthias M. Scheuing did not receive any increase in his compensation for 2007 as a result of his anticipated departure from Captaris in April 2007.

**Table of Contents**

The 2006 Radford Executive Survey includes compensation information for over 2,000 companies. From this survey, the Compensation Committee narrowed its focus on the compensation information for the following 35 companies within the same geographic location and industry as Captaris, although primarily relied on data for the companies with annual revenues of up to \$300 million:

Advanced Digital Information Corp.	Avanade Inc.	Clarity Visual Systems Inc.
Concur Technologies Inc.	Corbis Corporation	Corillian Corporation
Cray Inc.	Digimarc Corporation	Drugstore.com Inc.
Electro Scientific Industries Inc.	F5 Networks Inc.	FEI Company
Flir Systems Inc.	Getty Images Inc.	Housevalues Inc.
InFocus Corporation	Infospace Inc.	Intermec Technologies Corp.
Iovation Inc.	Lattice Semiconductor Corp.	Mentor Graphics Corp.
Onyx Software Corp.	Pixelworks Inc.	Planar Systems Inc.
PSC	Qsent Inc.	Radisys Corporation
Realnetworks Inc.	Sharp Microelectronics Corp.	Siltronic Corporation
SonoSite Inc.	Triquint Semiconductor Inc.	Unicru Inc.
Vallent Corporation	Watchguard Technologies Inc.	

The peer group used for purposes of analyzing the compensation of David P. Anastasi and Peter Papano developed with assistance from our independent compensation consultant includes firms that have annual revenues of \$75 million to \$300 million, have market values of between \$100 million and \$400 million, have a market capitalization to revenue ratio that is greater than 1.0, are profitable and cash flow positive, and are in an industry sector consistent with our business, such as hardware, software and related computer technology. These criteria resulted in a group of 27 peer companies against which Captaris' s compensation program for executives was compared. These companies are:

Radiant Systems Inc.	Ipass Inc.	Mapinfo Corporation
Magma Design Automation Inc.	Infocrossing Inc.	Bottomline Technologies
American Software Inc.	Agile Software Corporation	Epiq Systems Inc.
Quadramed Corporation	Carreker Corporation	Lightbridge Inc.
Neoware Inc.	Computer Programs & Systems Inc.	Actuate Corporation
Pegasystems Inc.	Digimarc Corporation	Netscout Systems Inc.
Integral Systems Inc.	TeleCommunications Systems Inc.	MetaSolv Inc.
Rimage Corporation	Art Technology Group Inc.	Stratasy Inc.
Accelrys Inc.	Mobius Management Systems Inc.	Eloyalty Corporation

The information used for purposes of analyzing the compensation package for Paul M. Yantus was obtained from the 2006 Radford Executive Survey described above. The Compensation Committee considered this information and the recommendations of management in determining his compensation package and approving his offer letter. Similarly, the information from the 2006 Radford Executive Survey was considered in the determination of Douglas F. Anderson' s new compensation in connection with his promotion.

With respect to long-term equity-based incentive awards, we also consider the amount and value of stock options currently held by the executive officers when determining new grants, although our focus is on compensating executives for their individual performances and their expected future contributions to Captaris.

*Base Salaries*

Individual base salaries are determined through a subjective evaluation of individual performance levels and contributions to our business objectives, as well as objective comparisons to peer data for similar positions in the technology marketplace where we compete. We target base salaries at the median of market levels among the peer companies we review. In 2007, annual base salaries increased from \$350,000 to \$400,000 and from \$241,000 to \$253,050 for each of David P. Anastasi and Peter Papano, respectively. These increases represent a 14.3% increase for David P. Anastasi and a 5% increase for Peter Papano. These salary increases were reflective of each individual executive' s contributions to Captaris. In addition, with respect to David P. Anastasi, the increase was made to bring his salary level closer to the median salary level among the peer companies we review. The annual base salary for Matthias M. Scheuing remained the same in 2007 at \$259,000, in light of his anticipated departure from Captaris.

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Paul M. Yantus was hired in April 2007 and his annual base salary was established at \$230,000. Because Mr. Yantus was hired to be the Executive Vice President of Marketing and Product Development, we used a blend of the Product Development/Engineering Executive and Senior Marketing Executive information from the 2006 Radford Executive Survey described above to establish Mr. Yantus' s base salary. We also considered Mr. Yantus' s industry experience and applicable skills.

**Table of Contents**

Douglas F. Anderson's base salary was increased from \$185,000 to \$193,000 in early 2007 prior to his promotion to Senior Vice President, Global Field Operations. In connection with his promotion in May 2007 and to compensate him for his additional job responsibilities, Mr. Anderson's base salary was increased from \$193,000 to \$220,000, representing an increase of 14%.

*Annual Cash Incentive Compensation***2007 Incentive Plan**

To further align cash incentive awards for our executive leadership team with the creation of shareholder value, our executive officers participated in the 2007 Incentive Plan that also covered other specified senior management of Captaris. The 2007 Incentive Plan provides cash bonuses, payable in 2008, a portion of which is based on the achievement of measurable quarterly and annual goals relating to our 2007 performance and a portion of which is based on the Compensation Committee's discretion. Individual target bonuses were established by the Compensation Committee based on a percentage of the executive's base salary, recognizing the relative size and scope of each executive's responsibility within Captaris and using the median target bonus among the peer companies we review as a guide.

The 2007 Incentive Plan has two components:

an objective component based on company financial performance, which accounts for 70% of the possible cash bonus payout at target; and

a discretionary component based on a subjective analysis of performance against several strategic initiatives, which accounts for 30% of the possible cash bonus payout at target.

The first component of the 2007 Incentive Plan links cash bonus payouts to the achievement of weighted performance goals related to revenue (50%) and operating income (50%). Sixty percent of the funds available under this component are based on the achievement of annual goals and 40% are based on the achievement of equally weighted quarterly goals. We chose goals related to revenue and operating income as the performance goals because we believe these financial measures are the most indicative of shareholder value creation.

Depending on achievement of the annual and quarterly revenue goals, participants were eligible to receive between 0% and 200% of the target bonus amount for each period. Similarly, depending on the achievement of the annual and quarterly operating income goals, participants were eligible to receive between 0% and 250% of the target bonus amount for each period. The chart below shows the threshold, target and maximum goal amounts for revenue and operating income by quarter and annually.

	Full Year	Q1 2007	Q2 2007	Q3 2007	Q4 2007
<b>Revenue:</b>					
Threshold	\$ 92,320,000	\$ 18,890,000	\$ 22,140,000	\$ 23,240,000	\$ 25,490,000
Target	100,000,000	21,450,000	24,700,000	25,800,000	28,050,000
Maximum	107,680,000	24,010,000	27,260,000	28,360,000	30,610,000
<b>Operating Income:</b>					
Threshold	2,980,000	(940,000)	224,000	766,000	2,034,000
Target	6,116,000	(268,000)	1,344,000	1,886,000	3,154,000
Maximum	10,596,000	1,524,000	3,136,000	3,678,000	4,946,000

Actual results for each quarter and the year were compared against the target goals for revenue and operating income to determine the amount to be paid under the 2007 Incentive Plan as follows:

**Achievement Below Target.** If our revenue and operating income results for the annual or a quarterly period were below the target goals, but not below the threshold goals, for the period, the bonus payout for the period would decrease in an approximately linear fashion from the target. If results were below the threshold goals for a period, then there would be no payout for that period.



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***Achievement At Target.*** If our revenue and operating income results for the annual or a quarterly period matched the target goals for the period, the bonus payout for the period would be 100% of the target bonus payable for the period.

***Achievement Above Target.*** If our revenue and operating income results for the annual or a quarterly period exceeded the target goals for the period, the bonus payout for the period would increase in an approximately linear fashion from the target to the maximum bonus payable for the period. There was no additional increase in the bonus payout for any period if results exceeded the maximum goals for the period.

The 2007 Incentive Plan does not call for any discretionary award changes under this objective component absent attainment of the specified performance goals. We do not have a formal policy for recovery or adjustment of awards under this objective component of the 2007 Incentive Plan in the event the performance goals on which payouts are based are restated or otherwise adjusted in a manner that would reduce the size of the payouts. However, if such a situation occurs at a future date, the Compensation Committee reserves the right to re-evaluate the affected payouts and take any actions it deems necessary.

## Table of Contents

The second component of the 2007 Incentive Plan is discretionary, based on a subjective review of the achievement of certain strategic initiatives. These include: (1) customer satisfaction measures, (2) quality, cost and service measures for projects to improve mission critical technology and operational infrastructure, and (3) strategic efforts designed to grow our company through investments, strategic alliances and acquisitions that would have the effect of adding shareholder value. There are no specific targets with respect to these strategic initiatives. The Compensation Committee and the full Board of Directors each received updates and briefings at every regularly scheduled meeting regarding the progress being made on each of the strategic initiatives covered under this component of the 2007 Incentive Plan. Participants in the aggregate were eligible to receive between 0% and 200% of the target bonus at the discretion of the Compensation Committee based on its evaluation of progress against these strategic initiatives. The Compensation Committee based the discretionary portion of the 2007 Incentive Plan on a review of these strategic initiatives because of the significance of the initiatives to the short- and long-term success of Captaris, the company wide scope of the projects, and the complexity and difficulty of executing the initiatives.

Individual target bonuses under the 2007 Incentive Plan for all components in the aggregate were \$200,000, \$160,000, \$101,220, and \$69,000 for each of David P. Anastasi, Matthias M. Scheuing, Peter Papano and Paul M. Yantus, respectively. The target bonus for Douglas F. Anderson was \$40,000 prior to his promotion to Senior Vice President, Global Field Operations, and was increased to \$66,000 in connection with his promotion. As a result of the level of achievement of the revenue and operating income goals, actual payouts under the objective component of the 2007 Incentive Plan were \$44,400, \$22,470, \$15,318, and \$14,652 for each of David P. Anastasi, Peter Papano, Paul M. Yantus and Douglas F. Anderson, respectively. Actual payouts under the discretionary component of the 2007 Incentive Plan were \$75,000, \$37,958, \$25,875, and \$24,750 for each of David P. Anastasi, Peter Papano, Paul M. Yantus and Douglas F. Anderson, respectively, based primarily on strong improvements on multiple corporate infrastructure projects and on the completion of two strategic acquisitions. The total payouts of \$119,400, \$60,428, \$41,193, \$39,402 for each of David P. Anastasi, Peter Papano, Paul M. Yantus and Douglas F. Anderson, respectively, represented approximately 60% of their respective target amounts. Matthias M. Scheuing did not receive a payout under the 2007 Incentive Plan as a result of his departure from Captaris in April 2007, but his severance pay under the Severance Pay Plan included a bonus component, as described in more detail below under Potential Payments Upon Termination or Change-in Control.

### 2007 Sales Commission Plan for Douglas F. Anderson

During 2007, Douglas F. Anderson participated in a commission plan established prior to his promotion, during the time he was responsible for North American field operations. Under this plan, Mr. Anderson was eligible to receive a monthly cash payment based on all revenue recognized from sales of products and services in North America, calculated by multiplying .0867328% by the revenue generated up to the target, multiplying .130099% by the incremental revenue generated between 100%-105% of target, multiplying .1734656% by the incremental revenue generated between 105%-110% of target and multiplying .216832% by the incremental revenue generated in excess of 110% of target. Mr. Anderson's target commission under this plan for 2007 was \$66,000, assuming a revenue target of \$76,100,000 was achieved. There was no threshold and no maximum under this plan. In 2007, the revenue recognized for purposes of this plan was \$65,687,926 and Mr. Anderson received a total of \$56,707 in commissions. Mr. Anderson was also eligible for an additional one-time bonus of \$30,000 in the event he achieved 101% of his 2007 revenue target, with an additional \$6,000 for each 1% of his sales quota achieved in excess of 101%. Mr. Anderson did not earn this additional bonus.

### *Long-Term Equity-Based Incentive Awards*

We grant long-term equity-based incentive awards to our executive officers, historically in the form of stock options but, commencing in 2007, also including restricted stock units. The Compensation Committee establishes a fixed annual pool of equity awards to be used throughout the calendar year for awards to all employees, taking into account the total number of outstanding shares of Captaris common stock and the total number of outstanding and unexercised stock option grants and other equity awards, among other factors. In determining the size of the grants to our executive officers, we consider the amount and value of equity awards currently held by each executive, but focus on the executive's performance during the prior year and the executive's likely continued future contributions to Captaris, as well as the executive's relative position within Captaris. We also consider the value of equity awards granted to executives in similar positions at the peer companies described above as determined through the competitive analysis conducted by our compensation consultant and the 2006 Radford Executive Survey. The Compensation Committee uses the median value of equity awards to executives at peer companies as a guide in making decisions regarding equity-based incentive awards to executive officers.

We generally grant equity awards to executive officers and other key employees at the time of initial employment, at promotion and at discretionary intervals thereafter (usually on an annual basis). In recent years, the annual grants to our executive officers and other key employees have been at a consistent interval, occurring on or around the beginning of the second quarter. Grants occurring at other times have been for new hires, promotions and discretionary merit-based grants. In 2007, we continued this practice but in 2008 we implemented a new system of making equity awards on four pre-established dates over the course of the year during periods that are normally open window periods for insider stock trading. Under the new system, annual grants will be made on the first pre-established date of the calendar year and grants for new hires and promotions or other discretionary grants will be made on the next



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## **Table of Contents**

applicable pre-established date. We established this system based on our determination that the best practice in making equity awards is to establish the dates in advance and to establish these dates during periods that would normally be open windows for insider stock trading.

In 2007, we granted stock options for 150,000 shares, 77,350 shares, 120,000 shares, and 100,000 shares to David P. Anastasi, Peter Papano, Paul M. Yantus and Douglas F. Anderson, respectively, that vest at the rate of 25% on the anniversary of the date of grant and 2.0833% per month thereafter. In 2007, we granted restricted stock units for 100,000 shares to David P. Anastasi that vest in full in a single installment on the fifth anniversary of the grant date. In 2007, we also granted restricted stock units for 10,000 shares to Peter Papano that will vest in four equal annual installments from the date of grant. The Compensation Committee has continued to include restricted stock units as part of the compensation program for executives for 2008. We believe that the ability to provide these other types of awards to executives and directors will give us flexibility in developing equity-based compensation arrangements in the future that are designed to focus individuals on Captaris's long-term performance and to motivate them to work in a way that maximizes shareholder value. In aggregate, the equity grants to Mr. Anastasi, Mr. Papano, Mr. Yantus and Mr. Anderson represented 18.1%, 6.3%, 8.7% and 7.2%, respectively, of all equity awards granted in 2007. Mr. Scheuing was not granted any equity awards in 2007.

The Compensation Committee approves all equity awards granted to executive officers. The Compensation Committee has delegated authority to our Chief Executive Officer and Chief Financial Officer to approve stock option grants and other equity awards of 10,000 shares or less to employees who are not executive officers. Annual grants to executive officers have historically been approved by the Compensation Committee at a live or telephonic meeting. All stock options are granted with exercise prices equal to the fair market value of Captaris common stock on the date of grant. We do not have any program, plan or practice to time stock option grants in coordination with the release of material nonpublic information, nor did we time the release of material nonpublic information for the purpose of affecting the value of executive compensation.

### *Severance and Change in Control*

We provide severance pay provisions and change-in-control agreements for certain executive officers, which are more fully described below under Executive Compensation Potential Payments Upon Termination or Change in-Control. At the time these benefits were established, we conducted a peer analysis to determine what other companies were providing to their executive officers in the form of severance and change-in-control protection and the amount of payments that were customary and reasonable in our industry. Based on our review, we believe that providing severance benefits to certain executive officers is customary for our industry and allows us to remain competitive with other companies. In addition, given the fast-paced industry we are in, providing severance benefits instead of entering into employment agreements with certain executive officers gives us more flexibility to make changes in our executive team if necessary.

We provide double-trigger change-in-control agreements that trigger payment only in the event the executive officer is terminated within a certain period after a change in control. This approach ensures that executives continue to act in the best interests of shareholders even though they are at risk of losing their jobs in connection with the change in control. This strategy is particularly important and worthwhile, given the difficulty for a high-level employee to secure a comparable position at another company quickly, and for Captaris to remain competitive with other companies that routinely offer a similar benefit to their executive officers.

### *Other Compensation*

At their respective hiring dates, our executive officers may also receive personal time off benefits that are not immediately available to other employees. Our executive officers are also eligible to participate in benefit plans and defined contribution plans made available to our other employees, including health, disability and life insurance coverage, and 401(k) matching programs. In addition, all executives are eligible for cash leadership awards, which can be earned if they receive a requisite number of votes from other members of management who are asked to vote on the strongest leaders under several different categories. We also paid for Paul M. Yantus's relocation expenses in connection with his hiring. In 2007, Matthias M. Scheuing was awarded a \$5,000 travel gift certificate, along with a related tax gross-up, in connection with his departure from the Company.

### **Salary and Non-Equity Incentive Plan Compensation in Proportion to Total Compensation**

The proportion of salary and non-equity plan compensation compared to total compensation varies among the executive officers, based on their position and level of responsibility. Executive compensation for higher-level executives is set to align closely with shareholders' and Captaris's long-term shared interests. In 2007, the percentage of salary and non-equity incentive plan compensation as compared to total compensation was 64%, 74%, 55% and 80% for each of David P. Anastasi, Peter Papano, Paul M. Yantus and Douglas F. Anderson, respectively.

### **Determination of Individual Performance Objectives**

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The executive officers' achievement of individual performance objectives is a component that we use when determining base salaries and long-term equity-based incentive awards. Every year, the Compensation Committee establishes the individual performance objectives for our Chief Executive Officer. Furthermore, our Chief Executive Officer, together with the Compensation Committee, establishes the individual performance objectives for the other executive officers. Evaluations of the Chief Executive

## **Table of Contents**

Officers' achievement of individual performance objectives are conducted by the Chair of the Compensation Committee on a quarterly basis with participation and input from the other members of the Board of Directors. Evaluations of the other executive officers' achievements are conducted on a regular basis by the Chief Executive Officer. The Chief Executive Officer reports to the Compensation Committee regularly on the results of the evaluations of the other executive officers.

The 2007 individual performance objectives for David P. Anastasi included growing software license revenue, maintaining and enhancing our market leading products, developing a control conscious corporate culture, executing on infrastructure improvements and assessing opportunities for strategic relationships. The 2007 individual performance objectives for Peter Papano included providing effective financial planning, reporting and analysis to meet regulatory requirements and to facilitate improvements in our financial results, providing an efficient facilities footprint for our operations, and monitoring our liquidity, capital structure and risk management program. The 2007 individual performance objectives for Paul M. Yantus included evaluating the product development and release process and implementing a new program, evaluating and upgrading staffing for key positions, managing transition of outsourcing specific development projects and consolidation of development centers, and identifying strategic acquisition targets. The 2007 individual performance objectives for Douglas F. Anderson included achieving the sales goals for the company, developing key distribution relationship and evaluate and realign territories and quota responsibilities.

## **Role of Executive Officers**

In addition to the Chief Executive Officer's involvement in setting individual performance goals and conducting evaluations of the 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. The Compensation Committee solicits and appreciates input from executive management on compensation related strategies and practices. Additionally, the Compensation Committee utilizes the data and analyses from its independent external compensation consultant and industry surveys to gain a comprehensive view of all related factors affecting its decision making.

## **Executive Officer and Board Stock Ownership Guidelines**

In January 2006, the Board of Directors implemented stock ownership guidelines for its executive officers and independent directors to further align the interests of our executives and board members with those of shareholders. These stock ownership guidelines took effect as of June 8, 2006. The stock ownership target for the Chief Executive Officer is set at a value equal to three times annual base salary. The stock ownership target for all other executive officers is set at a value equal to annual base salary. For independent directors, stock ownership guidelines are set at a value equal to four times their annual cash retainer. Under these guidelines, executive officers and independent directors are encouraged to increase their ownership of Captaris common stock to meet these ownership requirements within five years of becoming an executive officer or director, or within five years of the adoption of the guidelines, whichever is later. Exact ownership calculations will be adjusted from time to time to reflect changes in base salaries, director retainers and/or the price of Captaris common stock. Shares that count toward these ownership guidelines include:

shares of Captaris common stock purchased from us or on the open market;

common stock obtained and held through stock option exercises;

restricted stock and restricted stock units;

deferred stock units; and

stock beneficially owned by a spouse and/or minor children or held in family trusts.

## **Tax Considerations**

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We consider the impact of tax ramifications when making decisions on executive officer compensation. The two primary considerations are Sections 162(m) and 280G of the Internal Revenue Code of 1986, as amended.

Section 162(m) includes potential limitations on the deductibility for federal income tax purposes of compensation in excess of \$1 million paid or accrued with respect to our Chief Executive Officer and any of our three other highest-paid executive officers (other than our Chief Financial Officer). Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. None of our executive officers received cash compensation in excess of \$1 million in 2007. Stock options granted to our executive officers are designed to qualify as performance-based compensation under Section 162(m). The Compensation Committee may determine, however, that one or more awards granted under the 2007 Equity Incentive Plan should not conform to these requirements if, in its judgment, such payments are necessary to achieve our compensation objectives and protect shareholder interests and the benefit of the compensation arrangement for Captaris and the shareholders outweighs the incremental cost to Captaris.

The change-in-control agreements for our executive officers provide that if any portion of any payment under the agreement or otherwise would be considered to be an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code

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**Table of Contents**

of 1986, as amended, then the payments will be reduced to the highest amount that may be paid to the executive without having any portion of any payment treated as an excess parachute payment. However, we may elect, in our sole and absolute discretion, not to apply the reduction if the after-tax value to the executive of the total payments prior to the reduction is greater than the after-tax value to the executive if the total payments are determined taking into account the reduction.

**Changes for 2008 Compensation**

*Annual Cash Incentive Compensation*

In 2008, the Compensation Committee adopted the 2008 Incentive Plan, which is similar to the 2007 Incentive Plan, except for the following primary differences:

Earnings before interest, taxes, depreciation and amortization (EBITDA) replaced operating income under the objective component. The Compensation Committee believes EBITDA more accurately measures Captaris' s underlying performance.

Achievement of the financial goals under the objective component of the 2008 Incentive Plan will be measured by the growth rate increase over the prior year and a minimum EBITDA amount must be achieved in order for the objective component of the 2008 Incentive Plan award to be earned.

There are no quarterly goals under the 2008 Incentive Plan.

*Management Incentive Retention Plan*

In April 2008, the Board of Directors adopted the Management Incentive Retention Plan. Pursuant to this plan, participants (including all of the executive officers) will be eligible to receive a cash incentive bonus from the Company or its successor upon consummation of a change in control, subject to certain conditions. The amount of the incentive bonus payable to each participant will equal 0% to 200% of such participant' s base salary, as determined by the administrator of the plan in its sole discretion. The incentive bonus opportunity for each participant has not yet been determined by the plan administrator. The plan was established to provide an incentive to key management employees and others providing personal services to Captaris to maximize Captaris' s valuation and to provide continuity of management in connection with the period prior to a change in control of Captaris.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with Captaris' s management. Based on the Compensation Committee' s review of, and discussions with management with respect to, the Compensation Discussion and Analysis, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Captaris' s Annual Report on Form 10-K.

Compensation Committee

of the Board of Directors

Patrick J. Swanick, Chair

Robert F. Gilb

Robert L. Lovely

Thomas M. Murnane

**EXECUTIVE COMPENSATION**



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**Summary Compensation Table**

The following table provides information concerning compensation for services rendered to Captaris in all capacities for the year ended December 31, 2007 by our Chief Executive Officer, Chief Financial Officer and our other most highly compensated executive officers whose total compensation exceeded \$100,000 in 2007 (the Named Executive Officers ).

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Non-Equity Incentive Plan	All Other	Total (\$)
					Compensation (\$)	Compensation (\$)	
David P. Anastasi	2007	\$ 387,500	\$ 89,531	\$ 187,011	\$ 119,400(3)	\$ 5,000(4)	\$ 788,442
President and Chief Executive Officer	2006	347,270		89,384(5)	223,200	5,500	665,354(5)
Peter Papano	2007	250,037	10,820	93,421	60,428(3)	5,180(6)	419,886
Chief Financial Officer	2006	235,903		40,811(5)	105,400	3,857	385,971(5)
Paul M. Yantus (7)	2007	172,500		38,556	41,193(3)	133,419(8)	385,668
Executive Vice President Marketing and Product Development							
Douglas F. Anderson (9)	2007	210,856		58,009	96,109(10)	16,645(11)	381,619
Senior Vice President Global Field Operations							
Matthias M. Scheuing (12)	2007	66,742		18,192(13)		519,249(14)	604,183
Former Chief Operating Officer	2006	256,881		41,160(5)	198,400	5,500	501,941(5)

- (1) The amounts reported in this column for each executive represents the dollar amount recognized for financial statement reporting purposes in 2007, determined in accordance with SFAS No. 123(R) ( FAS 123R ), and thus includes amounts from awards granted in, and prior to, 2007. See Note 10 of Notes to Consolidated Financial Statements set forth in our Annual Report on Form 10-K for fiscal year 2007 for the assumptions used in determining the value of such awards.

**Table of Contents**

- (2) The amounts reported in this column for each executive represents the dollar amount recognized for financial statement reporting purposes in 2007, determined in accordance with FAS 123R, and thus includes amounts from awards granted in, and prior to, 2007. See Note 10 of Notes to Consolidated Financial Statements set forth in our Annual Report on Form 10-K for fiscal year 2007 for the assumptions used in determining the value of such awards.
- (3) Amounts represent compensation earned in 2007 and paid in 2008.
- (4) Amount represents \$5,000 of company 401(k) matching contributions.
- (5) The amounts reported in our 2006 Proxy Statement as the dollar amounts recognized for financial statement reporting purposes in 2006 were incorrect. The corrected amounts are shown in the table above, along with the corrected amount of total compensation for 2006.
- (6) Amount represents \$5,000 of company 401(k) matching contributions and \$180 of income tax gross-up.
- (7) Mr. Yantus's employment began on April 2, 2007.
- (8) Amount represents \$118,660 for relocation expenses, \$8,000 in leadership awards, \$5,000 of company 401(k) matching contributions, \$500 of gift certificates and \$1,259 of income tax gross-up.
- (9) Mr. Anderson became an executive officer on May 1, 2007.
- (10) Consists of \$39,402 under the 2007 Incentive Plan earned in 2007 and paid in 2008 and \$56,707 under commission plan earned in 2007 and paid in 2007 and 2008.
- (11) Amount represents \$10,000 in leadership awards, \$5,000 of company 401(k) matching contributions and \$1,645 of income tax gross-up.
- (12) Mr. Scheuing left Captaris, effective April 3, 2007.
- (13) The FAS 123R value of stock options forfeited by Mr. Scheuing during 2007 due to his termination was \$36,572.
- (14) Amount represents \$476,006 in severance, \$37,524 for accrued but unused personal time off, \$5,000 in company 401(k) matching contributions and \$719 of income tax gross-up.

**2007 Grants of Plan-Based Awards Table**

The following table provides information regarding grants of awards under the 2007 Incentive Plan (a cash bonus plan), the 2007 Sales Commission Plan (a cash commission plan under which Mr. Anderson was eligible) and stock options and restricted stock units under the 2006 Equity Incentive Plan to the Named Executive Officers during the fiscal year ended December 31, 2007.

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Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh) (2)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$ (1))	Target (\$)	Maximum (\$)				
David P. Anastasi	03/23/2007	\$ 30,646	\$ 200,000	\$ 435,000		150,000	\$ 5.78	\$ 387,000
	03/23/2007				100,000			578,000
Peter Papano	03/23/2007	15,510	101,220	220,154		77,350	5.78	199,563
	04/05/2007				10,000			58,500
Paul M. Yantus	06/06/2007	10,573	69,000	150,075		120,000	5.12	270,816
Douglas F. Anderson		10,113	66,000	143,550				
	03/23/2007		66,000 (3)			25,000	5.78	64,500
	06/06/2007					75,000	5.12	169,260
Matthias M. Scheuing (4)		24,517	160,000	348,000				

- (1) Represents the amount that would be paid if threshold quarterly revenue and operating income goals were achieved for the corporate performance component of the 2007 Incentive Plan. It does not include any amounts for the annual revenue and operating income goals as achievement of threshold quarterly goals does not result in achievement of annual goals. It also does not include any amount for the discretionary component of the 2007 Incentive Plan. If some quarterly thresholds for the corporate performance component were not achieved, payout would be less. If no quarterly thresholds were achieved for the corporate performance component and there was no payout under the discretionary component, there would be no payout under the 2007 Incentive Plan.

**Table of Contents**

(2) The exercise price of the options is equal to the average of the high and low sales prices of Captaris common stock on the date of grant.

(3) Represents target of \$66,000 under 2007 Sales Commission Plan. There was no threshold or maximum under this plan.

(4) Mr. Scheuing left Captaris, effective April 3, 2007.

*2007 Incentive Plan.* The 2007 Incentive Plan was an annual cash bonus plan in which participants received a cash award based on the achievement of goals relating to Captaris's 2007 performance. The 2007 Incentive Plan is discussed in more detail above under Compensation Discussion and Analysis.

*2006 Equity Incentive Plan.* The options listed in the table above were granted under the 2006 Equity Incentive Plan and vest on a four-year schedule, with 25% of the options becoming exercisable one year after the grant date and an additional 2.0833% becoming exercisable each month thereafter until the options are fully vested four years after the grant date. The options expire ten years from the date of grant, unless cancelled earlier as a result of termination of employment. The treatment of the options in the event of a change in control is described below under Potential Payments Upon Termination or Change-in-Control.

The restricted stock units listed in the table above were granted under the 2006 Equity Incentive Plan. The grant to Mr. Anastasi will vest in full five years from the grant date on March 23, 2012. The grant to Mr. Papano will vest in four equal installments of 25% on the anniversary dates of the grant date. Vesting ceases in the event of termination of employment. The treatment of unvested restricted stock units in the event of a change in control is described below under Potential Payments Upon Termination or Change-in-Control.

*2007 Sales Commission Plan.* During 2007, Mr. Anderson participated in a commission plan established during the time he was responsible for North American field operations. Please refer to the Compensation Discussion and Analysis for a detailed description of this plan.

*Severance.* The severance received by Mr. Scheuing in connection with his termination of employment in 2007 was pursuant to the terms of Captaris's Severance Pay Plan. Please refer to the description of the Severance Pay Plan below under Potential Payments Upon Termination or Change-in-Control.

**Outstanding Equity Awards at 2007 Fiscal Year-End Table**

The following table provides information regarding outstanding stock options held by each Named Executive Officer at 2007 fiscal year end, on December 31, 2007.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(15)
David P. Anastasi	750,000		\$ 5.94	11/15/2010		
	22,840		3.65	01/22/2012		
	50,000	100,000(1)	3.19	05/22/2013		
	60,000		5.52	04/01/2014		
	90,000		5.53	05/03/2014		
	200,000		4.10	04/01/2015		
	75,833(2)	106,167(2)	4.54	04/03/2016		
		5.78	03/23/2017			
				\$ 100,000(5)	\$ 432,000	
Peter Papano	175,000		5.08	09/02/2013		
	55,000		5.52	04/01/2014		
	30,000		5.53	05/03/2014		

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100,000		4.10	04/01/2015
37,917(6)	53,083(6)	4.54	04/03/2015
	77,350(4)(7)	5.78	03/23/2017

**Table of Contents**

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards		Option Exercise Price (\$)	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(15)
Paul M. Yantus		120,000 (4)(9)		5.12	06/06/2017	10,000(8)	43,200
Douglas F. Anderson	7,292 (10)	10,417 (10)		3.73	08/31/2015		
	12,500 (11)	17,500 (11)		4.54	04/03/2016		
	1,458 (12)	3,542 (12)		5.91	10/25/2016		
		25,000 (4)(13)		5.78	03/23/2017		
		75,000 (4)(14)		5.12	06/06/2017		
Matthias M. Scheuing	150,000			4.86	04/03/2008		
	60,000			5.52	04/03/2008		
	15,000			5.53	04/03/2008		
	100,000			4.10	04/03/2008		
	22,750			4.54	04/03/2008		

- (1) Option will vest in full on 5/23/2009, subject to earlier vesting based on Captaris common stock price performance relative to that of the Nasdaq Composite Index. 50,000 shares subject to the option vested on 1/10/2007 and an additional 50,000 shares subject to the option vested on 1/10/2008, with the remaining unvested portion of the option to vest on 5/23/2009.
- (2) Option grant with respect to 182,000 shares on 4/3/2006 vested at the rate of 25% on 4/3/2007 and will continue to vest at the rate of 2.0833% per month thereafter until 4/3/2010.
- (3) Option grant with respect 150,000 shares on 3/23/2007 will vest at the rate of 25% on 3/23/2008 and 2.0833% per month thereafter until 3/23/2011.
- (4) Options granted in 2007 are also disclosed in the 2007 Grants of Plan-Based Awards Table, including the grant date fair value of these options.
- (5) Restricted stock units will vest on March 23, 2012.
- (6) Option grant with respect to 91,000 shares on 4/3/2006 vested at the rate of 25% on 4/3/2007 and will continue to vest at the rate of 2.0833% per month thereafter until 4/3/2010
- (7) Option grant with respect to 77,350 shares on 3/23/2007 will vest at the rate of 25% on 3/23/2008 and 2.0833% per month thereafter until 3/23/2011.
- (8) Restricted stock units will vest in four equal annual installments on each of 4/5/2008, 4/5/2009, 4/5/2010 and 4/5/2011.
- (9) Option grant with respect to 120,000 shares on 6/6/2007 will vest at the rate of 25% on 6/6/2008 and 2.0833% per month thereafter ending on 6/6/2011.

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- (10) Option grant with respect to 25,000 shares on 8/31/2005 vested at the rate of 25% on 8/31/2006 and 2.0833% per month thereafter until 8/31/2009.
- (11) Option grant with respect to 30,000 shares on 4/3/2006 vested at the rate of 25% on 4/3/2007 and will continue to vest at the rate of 2.0833% per month thereafter until 4/3/2010.
- (12) Option grant with respect to 5,000 shares on 10/25/2006 vested at the rate of 25% on 10/25/2007 and will continue to vest at the rate of 2.0833% per month thereafter until 10/25/2010.
- (13) Option grant with respect to 25,000 shares on 3/23/2007 will vest at the rate of 25% on 3/23/2008 and 2.0833% per month thereafter until 3/23/2011.
- (14) Option grant with respect to 75,000 shares on 6/6/2007 will vest at the rate of 25% on 6/6/2008 and 2.0833% per month thereafter until 6/6/2011.
- (15) Based on the closing price of Captaris common stock on 12/31/2007, which was \$4.32.

### 2007 Option Exercises Table

The following table provides information regarding stock option exercises by the Named Executive Officers during the fiscal year ended December 31, 2007.

	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
David P. Anastasi		
Peter Papano		
Paul M. Yantus		
Douglas F. Anderson		
Matthias M. Scheuing	225,000	\$ 402,536 (1)

- (1) Value realized is equal to the difference between the fair market value of the underlying stock on the date of exercise and the exercise price. The fair market value of the underlying stock is based on the closing price of Captaris common stock on the exercise date and may differ from the actual sales price.

## **Table of Contents**

### **Potential Payments Upon Termination or Change-in-Control**

#### **Change in-Control Agreements and Severance Pay Plan**

In March of 2005, we entered into change-in-control agreements with David P. Anastasi, Peter Papano and Matthias M. Scheuing and adopted a Severance Pay Plan under which the same executives are participants. In light of Mr. Scheuing's departure from Captaris on April 3, 2007, his change-in-control agreement is no longer in effect, but he was entitled to and did receive severance benefits under the Severance Pay Plan.

In March of 2008 we entered into change-in-control agreements with Paul M. Yantus and Douglas F. Anderson with substantially the same terms and conditions as the change-in-control agreement with Mr. Papano.

#### *Change-in-Control Agreements*

Pursuant to the terms of their respective agreements, for a defined period following a change in control of Captaris, referred to as the Post-Change-in-Control Period, each executive will continue to be employed in an executive position reasonably commensurate with the most significant position held by the executive during the 90-day period immediately preceding the date of the change in control. The Post-Change-in-Control Period is 18 months for Mr. Anastasi and 12 months for Mr. Papano, Mr. Yantus and Mr. Anderson. During the Post-Change-in-Control Period, the executives will be entitled to continued compensation and benefits at levels comparable to pre-change-in-control levels and reimbursement for all reasonable employment expenses.

#### *Change-in-Control Benefits*

If at any time during the Post-Change-in-Control Period Captaris terminates the executive's employment without cause, or the executive terminates his employment with good reason, the executive will be entitled to the following benefits:

any accrued but unpaid salary;

a pro rata portion of the executive's annual bonus for the year;

with respect to Mr. Anderson, a pro rata portion of his monthly commission payable for the calendar month in which termination occurs;

any compensation previously deferred by the executive (together with any accrued interest or earnings);

any accrued but unpaid vacation pay;

reimbursement of COBRA expenses for the executive and his family for a period of 18 months for Mr. Anastasi and a period of 12 months for Mr. Papano, Mr. Yantus and Mr. Anderson, or until such time as the executive officer obtains new health insurance coverage, whichever occurs first;

base salary continuation for a period of 18 months for Mr. Anastasi and a period of 12 months for Mr. Papano, Mr. Yantus and Mr. Anderson;



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one and one-half times the target annual bonus payable for the fiscal year in which the termination occurs for Mr. Anastasi and one times the target annual bonus payable for the fiscal year in which the termination occurs for Mr. Papano, Mr. Yantus and Mr. Anderson; and

with respect to Mr. Anderson, commission payments continue for a period equal to 12 months payable in monthly installments at the end of each month, in an amount equal to 1/12th of the executive's commission target for the year in which termination occurs.

In addition, the executives will be entitled to immediate vesting of all equity awards granted by Captaris that are outstanding as of the date of the change in control and an extension of the post-termination exercise period of all stock options so that such stock options will be exercisable for a period of one year from the date of termination.

If any payments paid or payable under an executive's change-in-control agreement or otherwise are characterized as excess parachute payments within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, then the payments will be reduced to the highest amount that may be paid to the executive without having any portion of any payment treated as an excess parachute payment. Captaris may elect, in its sole and absolute discretion, not to apply this reduction if the after-tax value to the executive of the total payments prior to the reduction is greater than the after-tax value to the executive of the total payments after taking into account the reduction.

## **Table of Contents**

### *Definition of Change in Control*

Under the change-in-control agreements, **change in control** means any of the following:

subject to specified exceptions, consummation of an acquisition by any entity of beneficial ownership of 40% or more of either (1) the then outstanding shares of our common stock or (2) the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors;

a change in the composition of the Board of Directors during any two-year period such that the individuals who, as of the beginning of such two-year period, constituted the incumbent Board cease for any reason to constitute at least a majority of the Board, other than changes approved by at least two-thirds of the incumbent Board;

consummation of a merger or consolidation of Captaris with or into any other company or other entity, excluding, in each case, specified transactions with companies that are related to Captaris;

consummation of a statutory share exchange pursuant to which our outstanding shares are acquired or a sale in one transaction, or a series of transactions undertaken with a common purpose, of at least 50% of our outstanding voting securities, excluding, in each case, specified transactions with companies that are related to Captaris; or

consummation of a sale, lease, exchange or other transfer in one transaction, or a series of related transactions undertaken with a common purpose, of all or substantially all of our assets, excluding, in each case, specified transactions with companies that are related to Captaris.

### *Definition of Cause*

Under the change-in-control agreements, **cause** means the occurrence of one or more of the following events:

the executive's willful material misconduct or dishonesty in the performance of, or the willful failure to perform, any material duty under the change-in-control agreement;

the executive's willful injury of Captaris or breach of fiduciary duty to Captaris involving personal profit;

conviction of the executive for violation of a state or federal criminal law involving the commission of a crime against Captaris or any felony;

habitual or repeated misuse by the executive of alcohol or controlled substances that materially impairs the executive's ability to perform his duties under the change-in-control agreement;

any material and willful violation by the executive of any provisions of the change-in-control agreement; or

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any past or present act of the executive involving moral turpitude adversely affecting the business, goodwill or reputation of Captaris, or materially and adversely affecting the executive's ability to effectively represent Captaris with the public.

### *Definition of Good Reason*

Under the change-in-control agreements, "good reason" means the occurrence of any of the following events, without the consent of the executive:

a demotion or other material reduction in the nature or status of the executive's responsibilities as contemplated in the change-in-control agreement, excluding an isolated and inadvertent action not taken in bad faith and which is remedied by Captaris promptly after receipt of notice thereof given by the executive; provided that a change in the person or office to which the executive reports, without a corresponding reduction in duties, status and responsibilities, resulting primarily from organizational changes incident to a merger or acquisition, will not constitute "good reason";

any failure by Captaris to pay compensation required in the change-in-control agreement, other than an isolated and inadvertent failure not occurring in bad faith and which is remedied by Captaris promptly after receipt of notice thereof given by the executive;

Captaris's requiring the executive to be based at any office or location that is more than 50 miles from the office or location where the executive was based on the date of the change in control; or

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## **Table of Contents**

Captaris's failure to require any successor to all or substantially all the business and/or assets of Captaris to assume expressly and agree to perform the change-in-control agreement in the same manner and to the same extent that Captaris would be required to perform it if no such succession had taken place.

### *Severance Pay Plan*

David P. Anastasi and Peter Papano are covered by our Severance Pay Plan. Matthias M. Scheuing was covered by our Severance Pay Plan at the time of his departure from Captaris. Pursuant to the Severance Pay Plan, the executives will receive (and Mr. Scheuing did receive) severance pay in the event their employment is terminated by Captaris without cause or by themselves for good reason.

### *Severance Benefits*

The severance pay consists of two primary components:

(1) Continuation of base salary for a period of 12 months (provided that any amount not paid by March 15 of the year following termination will be paid in a lump sum on that date); and

(2) A lump-sum payment (payable on the date the executive becomes entitled to severance pay under the Severance Pay Plan) equal to the sum of (a) a proportionate share of the executive's target annual bonus payable for the fiscal year in which the executive's employment terminates (based on the number of days worked by the executive during such year) and (b) the executive's target annual bonus payable for the fiscal year in which the executive's employment terminates.

The Severance Pay Plan also provides for payment of COBRA expenses for a period of 12 months following termination of employment or until such time as the executive obtains new health insurance, whichever occurs first. In addition, Captaris will use commercially reasonable efforts to continue the executive's coverage under Captaris's life, short-term and long-term disability insurance plans for 12 months following termination of employment or until such time as the executive obtains new life, short-term or long-term disability insurance coverage (as applicable), whichever occurs first. If Captaris is unable to continue the executive's life, short-term and long-term disability insurance coverage, or it chooses not to do so, then it will make a lump-sum payment (payable on the date the executive becomes entitled to severance pay under the Severance Pay Plan) to the executive in an amount equal to 18 months of the monthly premium for coverage under Captaris's life, short-term and long-term disability insurance plans.

Severance pay will only be paid under the Severance Pay Plan if the executive's employment terminates prior to a change in control of Captaris covered by any change-in-control agreement between the executive and Captaris and if the executive executes (and does not revoke) a release of claims satisfactory to Captaris.

### *Definition of Cause*

Under the Severance Pay Plan, *cause* means any of the following:

the executive's willful misconduct or dishonesty in the performance of, or the willful failure to perform, any of the executive's material duties or obligations to Captaris;

the executive's willful injury of Captaris or breach of fiduciary duty to Captaris involving personal profit;

conviction of the executive for violation of a state or federal criminal law involving the commission of a crime against Captaris or any felony;

habitual or repeated misuse by the executive officer of alcohol or controlled substances that materially impairs the executive's ability to perform any of his duties or obligations to Captaris;

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any material or willful violation by the executive of any provisions of the employment agreement or employee intellectual property agreement (if any) between the executive and Captaris; or