

CAPTARIS INC
Form DEF 14A
April 14, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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.

(Name of Registrant as Specified in Its Charter)

(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

Title of each class of securities to which transaction applies:	Aggregate number of securities to which transaction applies:	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:	Proposed maximum aggregate value of transaction:	Total fee paid:
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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:

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

(3) Filing Party:

(4) Date Filed:

**NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS**

To Be Held on May 12, 2005

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Captaris, Inc. will be held at Captaris' principal executive offices located at 10885 NE 4th Street, Bellevue, WA 98004, at 9:00 a.m. local time, on Thursday, May 12, 2005. Only shareholders who owned stock at the close of business on the record date, March 7, 2005, 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 four directors to our Board of Directors to serve for terms as more fully described in the accompanying Proxy Statement;
- (2) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2005; and
- (3) transact any other business properly presented at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSED DIRECTORS DESCRIBED IN THE PROXY STATEMENT AND FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE 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,

Peter Papano
Chief Financial Officer and Secretary

April 14, 2005

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.

CAPTARIS, INC.

PROXY STATEMENT

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' principal executive offices located at 10885 NE 4th Street, Bellevue, WA 98004, at 9:00 a.m. local time, on Thursday, May 12, 2005, 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 14, 2005.

Record Date and Outstanding Shares

Only holders of record of our common stock at the close of business on the record date, March 7, 2005, are entitled to notice of and to vote at the Annual Meeting. On that date, 29,468,793 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

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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 nonvotes 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 of Directors. The proposal relating to the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm (Proposal 2) will be adopted if the number of votes cast in favor of the proposal exceed the number of votes cast against the proposal.

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.

Abstentions and broker nonvotes 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 purposes of voting on such proposals. Broker nonvotes 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 for which instructions are not given with respect to the election of directors and ratification of the appointment of our independent registered public accounting firm.

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

Proxies may be solicited by certain of our directors, officers and regular employees, without additional compensation. Proxies may be solicited by personal interview, mail, electronic mail or telephone. Captaris will bear any costs relating to such 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 of Directors. The Board of Directors is currently composed of eight directors, divided into three classes as follows: two Class I directors, three Class II directors and three 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 II directors expire. Effective April 1, 2005, Mark E. Sierfertson was appointed to the Board of Directors to fill the vacancy created upon the resignation of John Kelley, a Class I director with a term expiring in 2007. The appointment of Mr. Sierfertson was recommended and approved by the Governance Committee, upon the recommendation of David P. Anastasi, our President and Chief Executive Officer.

Washington law and the Bylaws of Captaris provide that the term of a director appointed to fill a vacancy expires at the next annual meeting of shareholders at which directors are elected. Accordingly, four directors divided between the following classes will be elected at the Annual Meeting:

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One Class I director will be elected to serve a two-year term expiring in 2007; and

Three Class II directors will be elected to serve three-year terms expiring in 2008.

If elected, each director will serve until the end of his or her respective term or until his or her 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 7, 2005.

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 of Directors.

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 Director Whose Term Expires in 2007

MARK SIEFERTSON (age 45) was appointed to the Board of Directors on April 1, 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.

Nominees for Election of Class II Directors Whose Terms Expire in 2008

BRUCE L. CROCKETT (age 60) has been a director of Captaris since September 2001 and was elected Chairman 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 Chairman 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 67) 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. 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 also 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. Mr. Lovely is also a director of Enhanced Technology Financial Services Incorporated, a financial services company. Mr. Lovely holds a B.A. degree in mathematics from Washington State University and an M.B.A. degree from Pacific Lutheran University.

PATRICK J. SWANICK (age 47) 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, small business lending, technology, operations and e-commerce. Mr. Swanick was employed by KeyCorp, a bank-based financial services company headquartered in Cleveland, Ohio, from 1992 until his retirement in December 2004. At KeyCorp, he served as Executive Vice President, Consumer Banking, President of KeyBank Retail Banking & Electronic Services, Vice Chairman of Distribution Management, Executive Vice President of Consumer Product Management, and Executive Vice President of Retail Operations. Prior to his employment with KeyCorp, Mr. Swanick was a senior executive with First Fidelity Bancorporation, now Wachovia Corporation. He currently serves on the Boards of Directors of the Bank Administration Institute, a nonprofit

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corporation serving the financial services industry, based in Chicago, Illinois. 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.

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DIRECTORS CONTINUING IN OFFICE

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

Continuing Class III Directors Whose Terms Expire in 2006

DAVID P. ANASTASI (age 48) 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 Boards of Directors of the AeA (formerly known as the American Electronics Association) and the WSA (formerly known as the Washington Software Alliance). 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.

JAMES S. CAMPBELL (age 77) has served as a director of Captaris since 1991. Since 1987, Mr. Campbell has served as President of Management Partners International, a management consulting firm. Mr. Campbell has also served as President of Bookmaster, a plastics manufacturing company since 1995. Prior to 1987, Mr. Campbell served as Chairman, President and Chief Executive Officer of Fortune Systems Corporation, President of Shugart Corp., founder and President of Xerox Computer Services and he was a Corporate Vice President of Xerox Corporation. He holds a B.B.A. degree in business administration from the University of Wisconsin and attended the Graduate School of Business at Wisconsin.

THOMAS M. MURNANE (age 57) 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 publicly traded specialty apparel retailer, Finlay Enterprises, Inc., a publicly traded specialty jewelry retailer, and The Pantry, Inc., a publicly traded convenience store chain. In addition, Mr. Murnane serves as the Chairman of the Governance Committee at Finlay Enterprises, Inc. and The Pantry, Inc. 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.

Continuing Class I Director Whose Term Expires in 2007

ROBERT F. GILB (age 59) has been 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 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 and is a member of the Seattle University Accounting Advisory Board. Mr. Gilb has a B.S. degree in accounting from California State University, Long Beach.

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 President and Chief Executive Officer, are independent under the Nasdaq corporate governance listing standards.

Board Attendance

During 2004, there were eight 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 of Directors 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 regularly scheduled Annual Meeting of Shareholders. All of our directors attended Captaris 2004 Annual Meeting of Shareholders.

Board of Directors Compensation

Cash Compensation

Prior to May 4, 2004, Captaris paid nonemployee directors an annual retainer of \$15,000. In addition, the Chairman of the Board was paid an annual retainer of \$10,000; the Compensation Committee Chairman was paid an annual retainer of \$5,000; the Audit Committee Chairman was paid an annual retainer of \$10,000; and the Governance Committee Chairman was paid an annual retainer of \$5,000. Captaris also paid each nonemployee director an attendance fee of \$1,500 for each in-person Board of Directors meeting attended in person or telephonically and \$1,000 for each telephonic meeting, in addition to reimbursing them for reasonable expenses incurred in connection with attending such meetings. Committee meetings held separately from Board of Directors meetings were compensated at the same rates. In-person committee meetings held on the same day as an in-person Board of Directors meeting were compensated at the rate of \$1,000 for each committee meeting attended in person or telephonically. Committee meetings held on the same day as other committee meetings received full compensation.

Effective May 4, 2004, the Board of Directors of Captaris approved changes to the cash portion of its nonemployee director compensation to remove the per meeting fees and to increase annual retainers. The cash portion of nonemployee director compensation currently consists of the following annual retainers, each of which is paid in quarterly installments:

<u>Position</u>	<u>Amount</u>
Nonemployee Director Annual Retainer	\$ 31,000

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Additional Audit Committee Member Annual Retainer	9,000
Additional Compensation Committee Member Annual Retainer	6,000
Additional Governance Committee Member Annual Retainer	3,000
Additional Chair of Board of Directors Annual Retainer	20,000
Additional Chair of Audit Committee Annual Retainer	14,000
Additional Chair of Compensation Committee Annual Retainer	6,000
Additional Chair of Governance Committee Annual Retainer	6,000

Equity Compensation

All nonemployee directors receive automatic stock option grants pursuant to our Nonemployee Directors Program under the 1989 Restated Stock Option Plan (the "1989 Plan"). Prior to January 18, 2005, the Nonemployee Directors Program provided for an initial automatic grant of an option to purchase 20,000 shares of common stock to each first-time nonemployee director, with the grant date being the date of the first Board of Directors meeting that he or she attended as a member of the Board of Directors. In addition to the initial option grant and provided that the initial option grant was not made within six months prior to the next annual meeting, each nonemployee director automatically received a grant of an option to purchase 8,000 shares of common stock immediately following each annual meeting of shareholders.

On January 18, 2005, the Board of Directors of Captaris approved changes to the Nonemployee Directors Program. Pursuant to the changes approved by the Board of Directors, instead of receiving a fixed number of shares pursuant to initial and annual option grants, nonemployee directors will receive initial and annual option grants to purchase shares of our common stock with a valuation (calculated using the methodology then being used by Captaris to value its stock options for financial statement purposes) of \$35,000 on the date of grant. The annual grant is not available to a nonemployee director who received an initial grant within six months prior to the date of the next annual grant.

Options granted to nonemployee directors under the Nonemployee Directors Program have an exercise price equal to the fair market value of our common stock on the date of grant, vest in full one year after the date of grant and expire ten years from the date of grant or, if earlier, 12 months after the director's termination of service with Captaris, death or total disability. In the event of certain corporate transactions, such as a merger, sale or liquidation of Captaris, each outstanding option will accelerate in full in connection with the event.

Committees of the Board of Directors

Compensation Committee

The Compensation Committee consists of James S. Campbell, Bruce L. Crockett, Robert L. Lovely (Chairman) and, as of February 2, 2005, Patrick J. Swanick. 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' Chief Executive Officer and other executives, employees and directors who are not employees of Captaris, and relating to Captaris' retirement, welfare and other benefit plans. The Compensation Committee is also responsible for performing other related responsibilities set forth in its written charter, which is posted on Captaris' website at <http://www.captaris.com>.

The Compensation Committee held eleven meetings in 2004.

Audit Committee

The Audit Committee currently consists of James S. Campbell, Robert F. Gilb (Chairman) and Thomas M. Murnane. Each member of the Audit Committee is an independent director under SEC rules and Nasdaq listing standards. The Board of Directors has determined that Mr. Gilb meets 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' financial statements and internal controls;

Captaris' compliance with legal and regulatory requirements;

the independent auditor's qualifications and independence; and

the performance of the audit function by the independent auditor.

The Audit Committee has ultimate authority to select, evaluate and, where appropriate, replace the independent auditor, 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 responsibilities set forth in its written charter, which is attached as Appendix A to this Proxy Statement and is posted on Captaris' website at <http://www.captaris.com>.

The Audit Committee held twelve meetings in 2004.

Governance Committee

The Governance Committee currently consists of Thomas M. Murnane (Chairman), Patrick J. Swanick and, as of April 1, 2005, Mark Siefertson. 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 responsibilities set forth in its written charter, which is posted on Captaris' website at <http://www.captaris.com>.

The Governance Committee held six meetings in 2004.

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 of Directors the requisite qualifications, skills and characteristics for Board of Directors nominees and composition and the specific considerations relating to individual director candidates. Upon the Governance Committee's recommendations, the Board of Directors recommends the director nominees to the shareholders for selection.

Potential director candidates are referred to the Chairperson 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 the Governance Committee 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 Chairperson 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 2006 Annual Meeting

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of Shareholders must provide advance written notice of such nomination to the Secretary of Captaris in the manner described below under the Shareholder Proposals section.

The Governance Committee has recommended to the Board of Directors, and the Board of Directors 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 of Directors, as appropriate, will review the following considerations, among others, in their evaluation of candidates for Board of Director nomination: personal and professional ethics, training, experience and ability at making and overseeing policy in business, government and/or educational sectors, commitment to fulfill the duties of the Board of Directors, commitment to understanding Captaris business, commitment to engage 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 of Directors and committee activities is also considered. The Governance Committee periodically reviews with the Board of Directors 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 of Directors, 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 4th 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 of Directors, 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 2006 Annual Meeting of Shareholders should follow the procedures specified below under the Shareholder Proposals section. That section outlines the procedures for submission of shareholder proposals for inclusion in Captaris proxy statement for the 2006 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 2006 Annual Meeting of Shareholders.

Additional Corporate Governance Information

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

Audit Committee, Compensation Committee and Governance Committee Charters.

Code of Conduct applicable to all directors, officers and employees of Captaris (included in the Ethical Business Practices portion of the Captaris Ethics Guidebook).

Code of Ethics for our Chief Executive Officer and senior financial officers (included in the Captaris Ethics Guidebook).

The Captaris Ethics Guidebook is comprised of three sections: Ethical Business Practices, Accounting Practices Complaint Process and Code of Ethics for our Chief Executive Officer and senior financial officers. If we waive any material provision of our Code of Ethics for our Chief Executive Officer and senior financial officers or substantively change the code, 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. Campbell, Crockett, Lovely 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

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The following table summarizes certain information regarding the beneficial ownership of our common stock as of March 7, 2005 for:

our Chief Executive Officer;

each of our other named executive officers in the 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 our 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 7, 2005 are deemed outstanding for computing the percentage ownership of the person holding the options or warrants, but are not deemed outstanding

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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)
Executive Officers and Directors		
David P. Anastasi (3)	911,087	3.00%
James S. Campbell (4)	72,200	*
Bruce L. Crockett (5)	44,000	*
Robert F. Gilb (6)	87,500	*
Robert L. Lovely (7)	136,800	*
Thomas M. Murnane (8)	38,000	*
Peter Papano (9)	95,310	*
Mark Siefertson		*
Matthias M. Scheuing (10)	233,807	*
Patrick J. Swanick (11)	30,000	*
All directors and current executive officers as a group (10 persons) (12)	1,648,704	5.32%
Other Principal Shareholders		
Dimensional Fund Advisors Inc. (13) 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	2,260,359	7.67%
Tiger Technology Management, L.L.C. (14) 101 Park Avenue, 48th Floor New York, NY 10178	1,967,842	6.68%

* Less than 1%

- (1) Unless otherwise indicated, the business address of each of the shareholders named in this table is Captaris, Inc., 10885 NE 4th Street, Bellevue, WA 98004.
- (2) Based on 29,468,793 outstanding shares as of March 7, 2005.
- (3) Includes 891,137 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005. Also includes an aggregate of 12,000 shares held by Mr. Anastasi's three minor children. Each child holds 4,000 shares. Also includes 7,950 shares held by the Anastasi Family Trust, of which Mr. Anastasi serves as trustee.
- (4) Includes 48,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005. Also includes 15,000 shares held by the Campbell Family Trust, of which Mr. Campbell serves as the trustee and 9,200 shares held by Wells Fargo Investments as custodian for the James S. Campbell IRA.
- (5) Consists of 44,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (6) Includes 67,500 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (7) Includes 76,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005. Also includes 3,900 shares held by Mr. Lovely as custodian for the benefit of his two grandchildren.
- (8) Includes 28,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005. Also includes 10,000 shares held by Merrill Lynch as custodian for the Thomas Murnane IRA.
- (9) Consists of 95,310 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (10) Includes 227,807 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (11) Includes 20,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (12) Includes 1,497,754 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of March 7, 2005.
- (13) Information presented is based on a Schedule 13G filed on February 9, 2005 by Dimensional Fund Advisors Inc. (Dimensional). According to the Schedule 13G, Dimensional is an investment advisor registered under Section 203 of the Investment Advisers Act of

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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 that it possesses sole investment and/or voting power over the shares listed in the table above that are owned by these investment companies, trusts and accounts.

- (14) Information presented is based on a Schedule 13G filed on April 26, 2004 by Tiger Technology Performance, L.L.C. (Tiger Performance), Tiger Technology Management, L.L.C. (Tiger Management) and Charles P. Coleman (Coleman). According to the Schedule 13G, Tiger Performance serves as the general partner of two domestic private investment partnerships that own 1,642,718 of the shares listed in the table above, Tiger Management has been retained by Tiger Performance to serve as the management company of the two partnerships and also serves as the investment manager of an offshore investment vehicle that owns 325,124 of the shares listed in the table above, and Coleman is the managing member of both Tiger Management and Tiger Performance. Based on the Schedule 13G, in accordance with the foregoing, (a) Coleman and Tiger Management have shared voting and investment power over the shares owned by the various entities managed by Tiger Management, and (b) Tiger Performance has shared voting and investment power over the shares owned by the partnerships for which it serves as general partner.

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, 2004.

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	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	1,613,926	\$ 5.34	4,419,263(1)(2)
Equity compensation plans not approved by security holders	3,679,129	\$ 5.10	1,302,313(3)
Total	5,293,055		5,721,576

- (1) Represents shares available for grant under the 1989 Plan.
- (2) Pursuant to a program adopted by the Board of Directors under the 1989 Plan, each of our nonemployee directors was eligible to receive the following automatic grants in fiscal year 2004: (a) an initial option grant to purchase 20,000 shares of common stock as of the date of the first Board of Directors meeting that he or she attended as a member of the Board of Directors and (b) an annual option grant to purchase 8,000 shares of common stock immediately following each annual meeting of shareholders. Effective January 18, 2005, instead of receiving a fixed number of shares pursuant to initial and annual option grants, nonemployee directors will receive initial and annual option grants to purchase shares of our common stock with a valuation (calculated using the methodology then being used by Captaris to value its stock options for financial statement purposes) of \$35,000 on the date of grant.
- (3) Represents shares available for grant under the 2000 Non-Officer Employee Stock Compensation Plan (the 2000 Plan) under which, in addition to options, Captaris may grant other awards, including, without limitation, awards of common stock or units denominated in common stock.

Summary of Equity Compensation Plans Not Approved by Shareholders

2000 Plan

The Board of Directors has approved the 2000 Plan. The purpose of the 2000 Plan is to enhance the long-term shareholder value of Captaris by offering opportunities to selected persons who are not officers or directors of Captaris to participate in Captaris' growth and success and to encourage them to remain in the service of Captaris and to acquire and maintain stock ownership in Captaris. The Compensation Committee of the Board of Directors administers the 2000 Plan.

Types of Awards

Awards under the 2000 Plan may be in the form of nonqualified stock options or stock awards, or in some other form as determined by the plan administrator. Awards may be settled through the delivery of shares of common stock, cash payments, the granting of replacement awards or any combination determined by the plan administrator. The plan administrator may permit or require the deferral of any award payment and may also offer to buy out, for payment in cash or common stock, an award previously granted, based on terms and conditions that the plan administrator may establish.

Nonqualified Stock Options. The plan administrator may grant stock options in the form of nonqualified stock options. The exercise price for the shares subject to a stock option and the term of a stock option are determined by the plan administrator. At the time of grant, the plan administrator determines when the stock option will vest and become exercisable and whether the stock option will continue to be exercisable if a participant ceases to be employed by, or provide services to, Captaris.

Stock Awards. The plan administrator may make awards of common stock or awards denominated in units of common stock. Stock awards may be subject to the terms, conditions or restrictions (including continuous service or the achievement of performance goals) as the plan administrator determines.

Eligibility

Those eligible to receive awards under the 2000 Plan include all of Captaris employees who are not officers or directors. Awards may also be made to consultants, agents, advisors and independent contractors who provide services to Captaris. As of March 7, 2005, approximately 400 employees and other persons were eligible to participate in the 2000 Plan.

Shares Subject to the 2000 Plan

Subject to adjustment in the event of stock splits, stock dividends and the like, the maximum aggregate number of shares of common stock that may be issued pursuant to awards under the 2000 Plan is 5,000,000 shares. Any shares that cease to be subject to an award (other than by reason of exercise or payment of the award to the extent it is exercised for or settled in vested and nonforfeitable shares) are again available for issuance in connection with future grants under the 2000 Plan. As of December 31, 2004, there were 1,302,313 shares available for issuance under the 2000 Plan.

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 assets to a majority-owned subsidiary of Captaris) in one transaction or a series of related transactions of all or substantially all of Captaris outstanding securities or assets.

Nonassignability

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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.

Term, Amendment and Termination

The 2000 Plan has no fixed expiration date. The 2000 Plan may be amended only by the Board of Directors, but shareholder approval is required for any amendment that would (a) increase the total number of shares available for issuance under the 2000 Plan, (b) modify the class of persons eligible to receive options, or (c) otherwise require shareholder approval under any applicable law or regulation. The Board of Directors may suspend or terminate the 2000 Plan at any time.

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' equity incentive plans (the "Non-Plan Grant"). This Non-Plan Grant was an inducement to Mr. Anastasi's employment. The Non-Plan Grant is 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 Captaris' 1989 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' 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: (1) cash, (2) personal, bank certified or cashier's check, (3) 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 (4) delivery of a properly executed notice, together with irrevocable instructions to a broker to promptly deliver to Captaris the amount of sale proceeds to pay the exercise price.

Max Anhoury and Lloyd Johnson

On October 22, 1997, Captaris granted each of Max Anhoury and Lloyd Johnson, now former employees of Captaris, a nonqualified stock option outside any of Captaris' equity incentive plans (the "Non-Plan Grants"). The Non-Plan Grants were an inducement to Messrs. Anhoury's and Johnson's employment in connection with the acquisition by Captaris of CommercePath. The Non-Plan Grants are each for the purchase of 240,000 shares of common stock (as adjusted for stock splits) and vested over a three-year period, for 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

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share for each of the Non-Plan Grants is equal to 100% of the fair market value of Captaris common stock on the date of grant. The term of each of the Non-Plan Grants is ten years from the date of grant, unless sooner terminated.

In the event of a change in control (including a merger, consolidation, acquisition of property or stock, separation, reorganization or liquid