

# SECURITIES AND EXCHANGE COMMISSION

## FORM DEF 14A

Definitive proxy statements

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### FILER

#### **SCHERER R P CORP /DE/**

CIK: **855106** | IRS No.: **133523163** | State of Incorporation: **DE** | Fiscal Year End: **0331**  
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SIC: **2834** Pharmaceutical preparations

Business Address  
2075 W BIG BEAVER RD  
TROY MI 48084  
3136490900

## SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Filed by the Registrant /X/  
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))
- /X/ Definitive Proxy Statement
- / / Definitive Additional Materials
- / / Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

R.P. SCHERER CORPORATION  
(Name of Registrant as specified in its charter)

N/A

(Name of person(s) filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- /X/ \$125 per Exchange Act Rules 0-11(c) (1) (ii), 14a-6(i) (1), or 14a-6(i) (2)  
of Schedule 14A.
- / / \$500 per each party to the controversy pursuant to Exchange Act Rule  
14a-6(i) (3).
- / / Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and  
0-11.
- 1) Title of each class of securities to which transaction applies:
  - 2) Aggregate number of securities to which transaction applies:
  - 3) Per unit price or other underlying value of transaction  
computed pursuant to Exchange Act Rule 0-11 (Set forth the  
amount on which the filing fee is calculated and state how it  
was determined):
  - 4) Proposed maximum aggregate value of transaction:
  - 5) Total fee paid:
- / / 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:

R.P. SCHERER CORPORATION  
2075 West Big Beaver Road  
P.O. Box 7060  
Troy, MI 48007-7060

July 28, 1995

Dear Shareholder:

Your Board of Directors joins me in extending to you a cordial invitation to attend the 1995 Annual Meeting of Stockholders which will be held on September 12, 1995 at The Townsend Hotel, 100 Townsend Avenue, Birmingham, Michigan. Please note that this year's meeting will start promptly at 1:00 p.m. local time.

We sincerely hope you will be able to attend and participate in the meeting. We will report on the Company's continued progress, including the status of our Advanced Therapeutic Products Group, and respond to questions you may have about the Company's business. In addition, we will vote on the matters included in the enclosed proxy statement.

Whether or not you plan to attend, it is important that your shares be represented and voted at the meeting and, therefore, we urge you to complete, sign, date and return the enclosed proxy card in the envelope provided for this purpose.

Sincerely yours,

/s/ John P. Cashman

-----  
John P. Cashman  
Chairman of the Board

3

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TO ASSURE YOUR REPRESENTATION AT THE MEETING,  
PLEASE DATE AND SIGN THE ENCLOSED PROXY AND  
RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

---

R.P. SCHERER CORPORATION  
2075 WEST BIG BEAVER ROAD  
P.O. BOX 7060  
TROY, MICHIGAN 48007-7060  
(810) 649-0900

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

September 12, 1995

The Annual Meeting of Stockholders of R.P. Scherer Corporation will be held on September 12, 1995 at The Townsend Hotel, 100 Townsend Avenue, Birmingham, Michigan, beginning at 1:00 p.m. local time for the following purposes:

1. To elect directors of the Company to serve until the next Annual Meeting and until their respective successors shall be elected and shall qualify;
2. To ratify the appointment of Arthur Andersen LLP as independent auditors of the Company for the fiscal year ending March 31, 1996;
3. To ratify an amendment to the 1992 Stock Option Plan for key members of management of the Company; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on July 14, 1995 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

Whether or not you plan to be present at the meeting in person, please fill in, date and sign the enclosed proxy and return it promptly in the self-addressed envelope. It does not require postage if mailed in the United States.

By Order of the Board of Directors,

Nicole S. Williams  
Corporate Secretary

July 28, 1995

4

R.P. SCHERER CORPORATION  
2075 WEST BIG BEAVER ROAD  
P. O. BOX 7060  
TROY, MICHIGAN 48007-7060

(810) 649-0900

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors of R.P. Scherer Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held on September 12, 1995 at The Townsend Hotel, 100 Townsend Avenue, Birmingham, Michigan, beginning at 1:00 p.m. local time. It is expected that this Proxy Statement and the accompanying proxy will be mailed commencing August 7, 1995 to each stockholder entitled to vote.

Proxies delivered pursuant to this solicitation are revocable at the option of the persons executing the same, prior to their exercise, by attendance and voting at the Annual Meeting or by written notice delivered to the Corporate Secretary of the Company prior to the meeting. Unless previously revoked, all proxies representing shares entitled to vote which are delivered pursuant to this solicitation will be voted at the meeting by the named attorneys-in-fact and agents, to the extent authorized, in accordance with the directions contained therein. If no such directions are given, the shares represented by such proxies will be voted in favor of the election of directors, the ratification of the appointment of auditors, the ratification of an amendment to the 1992 Stock Option Plan, and in accordance with the discretion of the named attorneys-in-fact and agents on any other matters that may properly come before the meeting.

On July 14, 1995, the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting, the Company had outstanding 23,328,570 shares of common stock (the "Common Stock"), and there were no outstanding shares of any other class of stock. Each holder of the Common Stock is entitled to one vote for each share of such stock held by him. A majority of the outstanding shares, whether present in person or by proxy, is required to constitute a quorum to transact business at the meeting.

5

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table sets forth information as of June 30, 1995, regarding the beneficial ownership of Common Stock of the Company by principal holders, by each director of the Company beneficially owning Common Stock and by all officers and directors of the Company as a group.

<TABLE>  
<CAPTION>

	NAME AND ADDRESS -----	NUMBER OF COMMON SHARES -----	PERCENT -----
<S>		<C>	<C>
	Janus Capital Corporation (1) 100 Fillmore Street, Suite 300 Denver, Colorado 80206	3,099,090	13.3%
	Provident Investment Counsel(2) 300 North Lake Avenue, Suite 1001 Pasadena, CA 91101	1,754,700	7.5%
	The Equitable Companies (3) 787 Seventh Avenue New York, NY 10019	1,332,900	5.7%
	John P. Cashman	618,651	2.6%
	Aleksandar Erdeljan	689,651	2.9%
	Nicole S. Williams	34,306	-
	Thomas J. Stuart	17,843	-
	Louis Lasagna	12,000	-
	Robert H. Rock	12,000	-
	R.P. Scherer Corporation(4) 2075 West Big Beaver Road Troy, Michigan 48084		
	All officers and directors as a group(4)	1,384,451	5.6%

</TABLE>

(1) As reported in Amendment No. 1 to Schedule 13G filed with the Securities and Exchange Commission (the "SEC") by Janus Capital Corporation ("Janus"), Janus, Janus Venture Fund ("JVF"), and Thomas H. Bailey ("Bailey" - shareholder of Janus, who, through stock ownership thereof, is deemed to exercise control over Janus), exercised as of December 31, 1994, voting and dispositive power with respect to 3,099,090 shares, 1,431,900 shares, and 3,099,090 shares, respectively. Janus and Bailey have advised that with

respect to such shares, other investment companies registered with the SEC (including JVF) have the right to receive any dividends from, or the proceeds from the sale of, these securities, and that Janus and Bailey disclaim beneficial interest in such shares.

- (2) As reported in Amendment No. 2 to Schedule 13G filed with the SEC by Provident Investment Counsel ("Provident"), Provident and Robert M. Kommerstad ("Kommerstad" - shareholder of Provident, who, through stock ownership thereof, is deemed to exercise control over Provident), exercised as of December 31, 1994, voting and dispositive power with respect to 1,331,750 shares, and dispositive power only with respect to 422,950 shares.
- (3) As reported in Amendment No. 1 to Schedule 13G filed with the SEC, these shares are owned jointly on behalf of AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, Alpha Assurances I.A.R.D. Mutuelle, Alpha Assurances Vie Mutuelle, and Uni Europe Assurance Mutuelle, as a group, as well as AXA (cumulatively, "Mutuelles AXA"), The Equitable Companies Incorporated ("Equitable"), and Alliance Capital Management L.P. ("Alliance"). The Mutuelles AXA exercised as of December 31, 1994, voting and dispositive power over 150,000 shares, and Alliance exercised voting power over 868,700 shares and dispositive power over 1,182,900 shares as of that date.
- (4) Each of the named individuals has (or will have upon the exercise of options exercisable within sixty days) voting and investment power with respect to all shares shown as beneficially owned by such person. The shareholdings listed include shares subject to options granted pursuant to the Company's stock plans exercisable within sixty days held as of June 30, 1995, as follows: Mr. Cashman - 572,509 shares; Mr. Erdeljan - 572,509 shares; Ms. Williams - 34,306 shares; Mr. Stuart - 17,743 shares; Mr. Lasagna - 12,000 shares; and Mr. Rock - 12,000 shares.

2

6

DIRECTORS

Set forth below are the name, age and employment history, including all positions held concurrently or successively in the past five years, of each of the Company's directors.

<TABLE>  
<CAPTION>

NAME	AGE	PRESENT PRINCIPAL OCCUPATION OF EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
----	---	-----
<S>	<C>	<C>
John P. Cashman	54	Chairman of the Company since August 1991 and Director of the Company since June 1990. Chairman and Director of R.P. Scherer International Corporation from 1989 to February 1995. Chairman and President of Cashman Group Inc. since 1986. Chairman of Pharmaphil Group, Inc. from January 1987 to June 1989. President of Manville International and Mining Group and Senior Vice President and Officer of Manville Corporation from 1984 to 1986.
Aleksandar Erdeljan	45	President of the Company since August 1991 and Director of the Company since June 1990. President and Director of R.P. Scherer International Corporation from 1989 to February 1995. President of Pharmaphil Group, Inc. from January 1987 to June 1989. Director of Corporate Development of the Company from June 1985 to January 1987.
Lori G. Koffman	36	Director of the Company since September 1989, and of R.P. Scherer International from September 1989 through February 1995. Assistant Secretary of the Company since December 1989. Director, CIBC Wood Gundy Capital since April 1995. Senior Vice President, Lehman Brothers Inc. ("Lehman") from 1990 to December 1994. Vice President, Lehman from 1987 to 1990.
Frederick Frank	63	Director of the Company since June 1990, and of R.P. Scherer International Corporation from August 1988 through February 1995. Senior Managing Director of Lehman. Also a director of Applied Bioscience International, Inc. and Physicians Computer Network.
James A. Stern	44	Director of the Company since June 1990, and of R.P. Scherer International Corporation from June 1990 through February 1995. Chairman of The Cypress Group, a private merchant bank, since April 1994. Managing Director of Lehman and head of its Merchant Banking Group from 1989 to 1994. Also a director of Noel Group, Inc., K & F Industries Inc., Lear Seating Corporation, American Marketing Industries Holdings Inc. and Infinity Broadcasting Corporation.
Louis Lasagna, M.D	71	Director of the Company since September 1991, and of R.P. Scherer International Corporation from June 1992 through February 1995. Dean for Scientific Affairs, Tufts University School of Medicine, since 1995. Dean, Sackler School of Graduate

Biomedical Sciences, Tufts University; Professor of Psychiatry and Professor of Pharmacology, Tufts University, in each case since 1984. Independent consultant since 1965. Director of Tufts University Center for the Study of Drug Development since 1975. Chairman of the Board of the United States branch of Astra Pharmaceutical Products, Inc. Member of the Board of Trustees of International Life Sciences Institute/Nutrition Foundation since 1980 and Chairman since 1991. Director of the Foundation for Nutritional Advancement since 1980.

Robert H. Rock

44

Director of the Company since September 1991, and of R.P. Scherer International Corporation from June 1992 through February 1995. Chairman of Metroweek Corporation since December 1988. President of MLR Enterprises since October 1987. Chairman and Chief Executive Officer of the Hay Group from October 1986 to October 1987. Also a director of Hunt Manufacturing Company and the Wistar Institute.

</TABLE>

3

7

<TABLE>  
<CAPTION>

NAME	AGE	PRESENT PRINCIPAL OCCUPATION OF EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
----	---	-----
<S> John E. Avery	<C> 66	<C> Director of the Company since January 1995. Chairman of the Americas Society and Council of the Americas since 1993, and Director since 1991. Assistant to the Chairman of Johnson & Johnson from 1992 to 1993. Company Group Chairman, Johnson & Johnson, from 1979 to 1992. Also a director of the Argentine-American Chamber of Commerce. Member of the Dean's Council at the Yale University School of Medicine, the Advisory Board of the Yale School of Organization and Management, the Board of Governors of the Foreign Policy Association, and the Council on Foreign Relations.

</TABLE>

#### BOARD MEETINGS AND COMMITTEES

The Board of Directors met four times during the Company's fiscal year ended March 31, 1995. No member of the Board attended fewer than 75% of the aggregate number of meetings of the Board and the committees on which he or she served during the period. The Board of Directors has three standing committees: an Audit Committee, an Executive Committee and a Compensation Committee.

The Audit Committee consists of Directors John E. Avery (Chairman), Louis Lasagna, James A. Stern and Robert H. Rock. The principal functions of the Audit Committee are to (i) review the scope and services of the Company's independent auditors, (ii) review the Company's internal control policies and procedures, (iii) make recommendations to the full Board concerning the selection of auditors and the scope of their audit services, (iv) annually review the Company's audited financial statements and the qualifications and fees of the independent auditors of the Company, and (v) perform such other functions from time to time as requested by the full Board. The Audit Committee met three times during the 1995 fiscal year.

The Executive Committee consists of Directors John P. Cashman, Aleksandar Erdeljan, and James A. Stern (Chairman). The Committee exercises all of the powers of the Board of Directors, except as limited by Delaware Law or by the Company's By-Laws, in the management of the business and the affairs of the Company during intervals between meetings of the Board of Directors. The Executive Committee did not meet during the 1995 fiscal year.

The Compensation Committee consists of Directors Frederick Frank, Robert H. Rock (Chairman) and James A. Stern. The Compensation Committee, subject to final approval of the full Board, reviews and approves salaries and other benefits of officers and employees and administers the Incentive Compensation Plan, the 1992 Stock Option Plan and the Company's other compensation plans for officers and key employees. The Compensation Committee met five times during the 1995 fiscal year.

#### COMPENSATION OF OUTSIDE DIRECTORS

Directors who are not officers or employees of the Company or any of its subsidiaries ("Outside Directors") are currently paid an annual retainer of \$18,000 and \$1,000 for each Board meeting attended, and an additional annual retainer of \$3,000 for serving as chairman of any committee of the Board of Directors. In addition, pursuant to separate option agreements, each Outside Director is initially granted options to purchase 12,000 shares of Common Stock at a price which reflects the market value at the time of grant; such options become exercisable three years from the date of grant, and expire seven years after the date of vesting.

4

## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's Compensation Committee (the "Committee") is comprised of three non-employee directors: Robert H. Rock, James A. Stern and Frederick Frank. The Committee makes recommendations to the Board of Directors concerning the remuneration plans for senior management. In addition, the Committee exercises administrative powers with respect to the Company's remuneration plans, including incentive compensation, stock option and retirement benefit plans. During fiscal 1995, the Board of Directors has neither rejected nor modified any recommendation made by the Committee.

## Compensation Philosophy

Compensation for executive officers of the Company is designed to:

1. Reinforce the attainment of annual performance goals while also encouraging a long-term perspective toward sustained profitable growth by providing for a substantial portion of executive officers' total compensation to be based upon the increase in economic value of the Company.
2. Align the interests of executive officers with those of the shareholders through programs that provide a portion of annual compensation in options to purchase Common Stock of the Company, thus allowing for the accumulation of an equity interest in the Company and linking compensation with increased stock value.
3. Enable the Company to attract and retain capable management by providing a competitive total compensation opportunity.

## Compensation Vehicles

The primary components of executive compensation are an annual salary, an incentive compensation plan for certain executives, and a stock option plan.

## Annual Salary

Executives officers are provided with an annual salary which is intended to fall within the median to 75th percentile of base compensation for equivalent positions with industrial employers with revenues in a range comparable to those of the Company. Annual salaries for all executives are monitored and compensation guidelines are adjusted annually as of June 1st on the basis of comparison to compensation surveys, changes in responsibilities of the executive and other information. If compensation levels are deemed appropriate, then an increase reflecting the current annual inflation rate is made. The increase to adjust for inflation as of June 1, 1995 was 3.8%.

5

9

## Incentive Compensation Plan

The R.P. Scherer Corporation Management Incentive Compensation Plan ("Incentive Compensation Plan"), which was ratified by the shareholders in fiscal 1993, has as its purpose to provide certain management employees other than the Chairman and President an annual incentive specifically related to increases in economic value of the Company.

Under the Incentive Compensation Plan, incentive compensation is directly linked to return generated through the employment of capital. This return, which is defined as "Economic Value Added" ("EVA"), is measured individually for each of the Company's major business divisions, as well as for the Company on a consolidated basis. EVA equals the operating profit generated less taxes and the cost of capital (based upon net operating assets) employed to generate such profit. The Incentive Compensation Plan rewards executives for increases in EVA and penalizes such executives for any decreases in EVA.

For fiscal 1995, the EVA award, based on the EVA objectives as approved by the Board of Directors, was designed to provide an incentive award equivalent to 40% of salary for the participants in the Incentive Compensation Plan. Actual improvement in EVA for fiscal 1995 resulted in a consolidated EVA award of 71.2% as compared with the target award of 40% of salary. A portion of this award must be used to purchase stock options, as described below, and the remainder is paid as a cash bonus. This increased award resulted from a consolidated EVA increase of \$11 million, which was approximately \$6 million higher than the EVA increase which would have provided a 40% award. The average cash bonus earned under the Incentive Compensation Plan in fiscal 1995 by executive officers (other than the co-CEO's) which appear in the summary compensation table was 39% of total cash compensation as

compared with 35% in fiscal 1994. This situation reflects continued improvement in financial results and satisfies the Committee's desire that a significant portion of total cash compensation be tied to the financial performance of the Company.

In addition to the EVA-based award, the Committee may, at the recommendation of the Chairman and President, grant to each participant a discretionary cash award, which is a function of their performance against qualitative objectives.

#### 1992 Stock Option Plan

The Stock Option Plan of R.P. Scherer Corporation and Subsidiaries ("1992 Stock Option Plan"), which was ratified by the shareholders in fiscal 1993, is designed to provide executives stock options as an additional incentive to maximize shareholder value through improved Company financial performance. Under the 1992 Stock Option Plan, 25% of the EVA award earned by participants through the Incentive Compensation Plan is applied each year to purchase options for shares of Common Stock at a cost per share option as determined under the provisions of the 1992 Stock Option Plan. Options purchased in any given year are not a function of prior holdings. The exercise price of such purchased option is the beginning of year average stock price net of the purchase cost, increased by a 10% annual rate compounded over five years. Hence, the market value of the Company's Common Stock must increase at a correspondingly higher rate before such options become in-the-money.

For each purchased share option, the participants in the 1992 Stock Option Plan receive a granted option to purchase an additional share of Common Stock which is exercisable at an average stock price for the beginning of the year. Options may be exercised in whole or in part, but may only be exercised for an equal number of shares issuable upon the exercise of purchased options and granted options. The granted options provide an added incentive for participants to achieve results which enhance shareholder value.

6

10

#### CEO Compensation

The compensation structure for Messrs. Cashman and Erdeljan (who are co-chief executive officers) was established prior to the initial public offering of Common Stock in October 1991. Messrs. Cashman's and Erdeljan's total compensation levels have been dependent upon the economic value of the Company; an increase or a decrease in the economic value of the Company is reflected in an increase or decrease in Messrs. Cashman's and Erdeljan's total compensation. In conjunction with such performance goals, the Committee has reviewed the total compensation of Messrs. Cashman and Erdeljan in relation to the compensation levels of chief executive officers of both the "peer group companies" set forth below under Performance Graph and other industrial companies with revenues comparable to those of the Company to ensure their total compensation is within the range of total compensation paid to these other chief executive officers. The increase of 7% reflected in cash compensation for fiscal 1995 reflects the continuing improvement in economic value achieved by the Company.

For the Chairman and President, a portion of the increase in annual salary for the coming year related to the improvement in the current year's consolidated economic value is to be used to purchase stock options as established by the Committee. Of the increase in salary for fiscal 1995, the Committee has required that a substantial portion of that increase be used to purchase stock options, as reflected in the table Option Grants for Fiscal Year 1995. This determination is based on the Committee's desire to increase as much as possible the executive's long-term investment in the Company, while maintaining the annual cash compensation in line with that of chief executives of peers and other similar-sized companies.

#### Performance Graph

The graph set forth below compares the cumulative total shareholder return on the Company's Common Stock for the period commencing October 11, 1991 (the date of the initial public offering of the Common Stock) with the Standard and Poor's 500 Index and peer group companies.

The following self-selected group of peer companies represents companies against whom the Company competes and against whose performance the Company is often compared by financial analysts: Alza Corporation, IVAX Corporation, Forest Laboratories, Inc., Elan Corporation, plc, and The West Company (the "Peer Group"). The Peer Group data has been weighted according to the respective company's stock market capitalization.



Since the initial public offering in October 1991, the market value of the Company's Common Stock has nearly tripled through the end of fiscal 1995, outperforming both the S&P 500 Index and the Company's Peer Group. For fiscal 1995, total market return on the Company's common stock was 37%, while chief executive cash compensation increased 7%. The Committee believes that the Company's compensation policies are providing appropriate increases in CEO compensation as evidenced by the increased returns being realized by the Company's shareholders.

7

11

COMPARISON OF 42 MONTH CUMULATIVE TOTAL RETURN  
Among R.P. Scherer Corporation, The S&P 500 Index and a Peer Group

<TABLE> <CAPTION>	10/91	12/91	3/92	6/92	9/92	12/92	3/93
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
R.P. Scherer Corporation	\$100	\$168	\$153	\$130	\$166	\$211	\$149
Peer Group	\$100	\$144	\$125	\$119	\$116	\$133	\$108
S&P 500	\$100	\$110	\$107	\$109	\$113	\$118	\$124

  

<CAPTION>	6/93	9/93	12/93	3/94	6/94	9/94	12/94	3/95
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
R.P. Scherer Corporation	\$155	\$182	\$207	\$201	\$181	\$228	\$249	\$275
Peer Group	\$103	\$ 98	\$120	\$102	\$ 93	\$ 99	\$ 93	\$105
S&P 500	\$124	\$127	\$130	\$125	\$126	\$132	\$132	\$145

</TABLE>

Note: Represents \$100 invested on October 11, 1991 in the Company's and its Peer Group's common stock and on September 30, 1991 in the Standard & Poor's Index. Total return assumes reinvestment of dividends.

THE COMPENSATION COMMITTEE

Frederick Frank  
Robert H. Rock  
James A. Stern

8

12

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 1995

The following table sets forth information concerning all cash compensation paid by the Company for services rendered in all capacities during the three most recent fiscal years ended March 31, to each of its five most highly compensated corporate executive officers. For fiscal 1995, such information reflects the effects of the amendment to the 1992 Stock Option Plan, as described in Matters to be Voted Upon - Ratification of Second Amendment to the 1992 Stock Option Plan.

<TABLE> <CAPTION>	Fiscal Year	Annual Compensation			Long Term Compensation			All Other Compensation
		Salary	Bonus	Other	Restricted Stock	Securities Underlying Options	Payouts	
			(1)	(2)	(2)		LTIP	(2, 3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
John P. Cashman Chairman and Co-Chief Executive Officer	1995 1994 1993	\$625,697 582,584 505,625	-- -- --	-- -- --	-- -- --	77,702 82,458 71,162	-- -- --	\$ 9,951 9,736 10,123
Aleksandar Erdeljan President and Co-Chief Executive Officer	1995 1994 1993	625,697 582,584 505,625	-- -- --	-- -- --	-- -- --	77,702 82,458 71,162	-- -- --	-- -- --
Nicole S. Williams	1995	212,487	\$135,437	--	--	36,562	--	--

Executive Vice President,	1994	205,667	109,397	21,390	--
Finance, Chief Financial	1993	195,833	94,250	18,066	--
Officer, Treasurer, Secretary					
Thomas J. Stuart	1995	125,625	81,152	21,908	--
Vice President and	1994	113,125	60,174	11,766	--
Controller	1993	108,333	51,840	9,936	--
Dennis R. McGregor (4)	1995	101,833	64,795	17,492	--
Assistant Treasurer and	1994	64,423	35,267	6,896	--
Director of Tax Operations	1993	N/A	N/A	N/A	N/A

</TABLE>

- (1) Messrs. Cashman and Erdeljan are not participants in the Company's bonus program.
- (2) The Company does not have restricted stock award plans, long term incentive plans ("LTIPs") or stock appreciation rights ("SARs"). Other annual compensation is below the level where disclosure would be required.
- (3) Represents contributions on behalf of Mr. Cashman to a defined contribution retirement plan. See Executive Compensation Pursuant to Plans - Employment Agreements. Such contributions are in lieu of Mr. Cashman's participation in the Company's defined benefit pension plan.
- (4) Mr. McGregor began employment with the Company in August, 1993.

9

13

#### OPTION GRANTS FOR FISCAL YEAR 1995

The following table provides information on option grants for the Company's common stock in fiscal year 1995 to the named executive officers. Such information reflects the effects of the amendment to the 1992 Stock Option Plan, as described in Matters to be Voted Upon - Ratification of Second Amendment to the 1992 Stock Option Plan.

<TABLE>  
<CAPTION>

Name	Individual Grants			Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term	
	Securities Underlying Options Granted (#)	% of Total Option Grants for the Year	Exercise or Base Price (\$/Share)		5% (\$)	10% (\$)
<S>	<C>	<C>	(1) <C>	<C>	(2) <C>	(2) <C>
John P. Cashman:						
Purchased Portion	38,851	8.02%	\$ 57.05	June 16, 2002	\$ 332,176	\$1,313,552
Granted Portion	38,851	8.02%	37.51	June 16, 2002	1,091,325	2,072,701
Aleksandar Erdeljan:						
Purchased Portion	38,851	8.02%	57.05	June 16, 2002	332,176	1,313,552
Granted Portion	38,851	8.02%	37.51	June 16, 2002	1,091,325	2,072,701
Nicole S. Williams:						
Purchased Portion	18,281	3.77%	57.05	June 16, 2002	156,303	618,081
Granted Portion	18,281	3.77%	37.51	June 16, 2002	513,513	975,291
Thomas J. Stuart:						
Purchased Portion	10,954	2.26%	57.05	June 16, 2002	93,657	370,355
Granted Portion	10,954	2.26%	37.51	June 16, 2002	307,698	584,396
Dennis R. McGregor:						
Purchased Portion	8,746	1.81%	57.05	June 16, 2002	74,778	295,702
Granted Portion	8,746	1.81%	37.51	June 16, 2002	245,675	466,599

</TABLE>

- (1) The purchased option cost is set at a price in accordance with the 1992 Stock Option Plan, as amended. The purchased option exercise price is set at a beginning average market price per share, net of the purchase cost, increased by a 10% annual rate compounded over five years.

The granted option exercise price is set at the beginning average market price per share. See Executive Compensation Pursuant to Plans - Stock Option Plans.

Purchased and granted options both vest three years from the date of grant. Options may only be exercised for an equal number of purchased portion shares and granted portion shares.

- (2) Based upon market value of \$46.63 per share at date of grant.

10

14

OPTION EXERCISES IN FISCAL YEAR 1995 AND  
FISCAL YEAR END OPTION VALUE

The following table provides information on option exercises in fiscal year 1995 by the named executive officers and the value of such officers' options at March 31, 1995. Such information includes the effects of the amendment to the 1992 Stock Option Plan, as described in Matters to be Voted Upon - Ratification of Second Amendment to the 1992 Stock Option Plan.

<TABLE>  
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable (#)	Not Exercisable (#)	Exercisable (\$)	Not Exercisable (\$)
<S>	<C>	<C>	(1)	<C>	(2)	(2)
John P. Cashman	N/A	N/A	572,509	231,322	\$24,356,297	\$ 2,772,446
Aleksandar Erdeljan	N/A	N/A	572,509	231,322	24,356,297	2,772,446
Nicole S. Williams	N/A	N/A	34,306	76,018	1,050,376	761,325
Thomas J. Stuart	N/A	N/A	17,743	43,610	525,274	424,091
Dennis R. McGregor	N/A	N/A	--	24,388	--	164,977

</TABLE>

- (1) A significant portion of the options now exercisable for Messrs. Cashman and Erdeljan were granted in connection with their interests in the leveraged buy-out of the Company in June, 1989.
- (2) Based upon market value of \$50.25 per share at March 31, 1995.

EXECUTIVE COMPENSATION PURSUANT TO PLANS

The Company maintains certain compensation plans, programs and arrangements for the Company's executive officers and key employees. Set forth below is a brief description of each such plan, program or arrangement under which compensation or other benefits were paid to named executive officers during fiscal 1995 or are proposed to be paid in the future. In addition, set forth below is a brief description of termination of employment and change of control arrangements.

Employment Agreements

In June 1994, the Company entered into employment agreements with Mr. Cashman, Mr. Erdeljan and Ms. Williams. The agreements each provide for an initial term of employment of one year, automatically renewable thereafter for successive one year periods, unless terminated by either party to the agreement. The annual salary for both Mr. Cashman and Mr. Erdeljan under the agreements was established at \$632,286 as of June 1, 1994, and the annual salary of Ms. Williams at \$213,625. The Compensation Committee may adjust the salary of Mr. Cashman, Mr. Erdeljan or Ms. Williams for subsequent years.

Mr. Cashman, Mr. Erdeljan, and Ms. Williams are entitled to participate in stock option plans which have been adopted by the Company (as described below) and in retirement and welfare benefit plans that are in effect or which may be adopted by the Company. In addition, Ms. Williams is eligible to participate in the Incentive Compensation Plan

described below. Mr. Cashman made an election to waive irrevocably his participation in the R.P. Scherer Corporation Employees' Retirement Income Plan (the "Retirement Income Plan" described below). In lieu of participation in the Retirement Income Plan, the Company contributes annually an amount to a defined contribution retirement plan on behalf of Mr. Cashman, as set forth in the Summary Compensation Table for Fiscal Year 1995 above.

11

15

Pursuant to each of these employment agreements, if the Company terminates the employment of Mr. Cashman, Mr. Erdeljan or Ms. Williams without cause or if Mr. Cashman, Mr. Erdeljan or Ms. Williams terminate for good reason (as set forth in each employment agreement) or if the Company properly notifies Mr. Cashman, Mr. Erdeljan or Ms. Williams of its intention to terminate their employment agreement on the termination date of the term of employment then in effect, the Company must pay the employee a monthly amount for twenty-four consecutive months after termination equal to one-twelfth of the employee's annual average salary for the prior twenty-four months, and also provide welfare plan benefits for twenty-four months in accordance with plan terms. The agreements further provide that in the event of physical or mental disability of Mr. Cashman, Mr. Erdeljan or Ms. Williams (as set forth in each employment agreement), the Company may terminate their employment and shall be obligated for similar benefits; however, such amount will be reduced by any amount received by Mr. Cashman, Mr. Erdeljan, or Ms. Williams, as the case may be, in respect of his or her disability from any employee benefit or disability plans maintained by the Company.

Pursuant to their respective contracts, Mr. Cashman, Mr. Erdeljan and Ms. Williams have agreed to keep confidential all proprietary information relating to the Company's business obtained in the course of employment, and have agreed not to compete with the Company for a period of two years after termination of their respective employment.

#### Retirement Plans

##### Retirement Income Plan

The Retirement Income Plan, a noncontributory qualified pension plan, provides for a defined benefit based on years of service and the employee's highest consecutive five-year average annual compensation. The Retirement Income Plan covers essentially all United States employees of the Company not represented by a collective bargaining agent for which a pension plan has been the subject of good faith bargaining and who meet certain eligibility requirements.

Contributions to the Retirement Income Plan are made by the Company based upon the Participants' annual salaries, plus all other forms of cash compensation (including overtime, bonuses and commissions), and certain actuarial assumptions with regard to funding. During fiscal 1995, the Company accrued aggregate contributions for the Retirement Income Plan in an amount approximating 4.1% of such total compensation.

##### Supplemental Plan

In 1994, the limits on the amount of annual compensation that can legally be taken into account for purposes of determining pension benefits under the Retirement Income Plan were significantly reduced (originally \$150,000, now adjusted for inflation to \$153,250 but rounded to \$150,000, as opposed to \$235,840 which was in effect for 1993) will impact the pensions of key management employees. In order to provide retirement benefits for key management employees based on annual compensation limits in effect prior to 1994, increased thereafter for cost of living, in 1994 the Company adopted the Supplemental Benefit Plan for Key Employees of R.P. Scherer Corporation (the "Supplemental Plan"), a nonqualified benefit plan. The Supplemental Plan provides benefits to key management employees only as designated by the Compensation Committee. Benefits under the Supplemental Plan will be provided pursuant to the same terms as the Retirement Income Plan, provided that the limit on compensation taken into account to determine benefits under the Supplemental Plan will be set at a base of approximately \$242,000 in fiscal 1994, thereafter adjusted by a percentage based on cost of living increases, not to exceed 4% annually (the 1995 limit is \$247,536). A key management employee's Supplemental Plan benefits will not be subject to Internal Revenue Code limits on annual additions applicable to qualified plans, but are offset by benefits payable to that employee under the Retirement Income Plan.

12

## Benefits Payable under the Plans

The following table shows annual pension benefits payable on a straight life annuity basis, in various remuneration and years of service classifications, to employees under the Retirement Income Plan and the Supplemental Plan (jointly, the "Plans"), assuming retirement at age 65 in calendar 1995. Benefit amounts are not subject to reduction for Social Security payments. Benefit amounts may be offset by payments made under a prior plan of the Company or a plan sponsored by a foreign subsidiary or affiliate.

<TABLE>  
<CAPTION>

## Annual Benefit for Years of Service Indicated

Highest Consecutive Five Year Average Annual Compensation	Ten Years	Twenty Years	Thirty Years	Forty Years
<S>	<C>	<C>	<C>	<C>
\$125,000	\$17,400	\$34,800	\$ 52,200	\$ 67,150
150,000	21,150	42,300	63,450	81,525
175,000	24,800	49,800	74,700	95,900
200,000	28,650	57,300	85,950	110,275
225,000	32,400	64,800	97,200	124,650
250,000 (1)	33,952	67,905	101,857	130,600
300,000 (1)	33,952	67,905	101,857	130,600
350,000 (1)	33,952	67,905	101,857	130,600
400,000 (1)	33,952	67,905	101,857	130,600
450,000 (1)	33,952	67,905	101,857	130,600
500,000 (1)	33,952	67,905	101,857	130,600

</TABLE>

- (1) The Retirement Income Plan as been amended effective January 1, 1994, as required by law, to limit compensation that may be taken into account by such plan after 1993 to \$150,000 annually, as will be adjusted for cost-of-living increases. Accordingly, the Supplemental Plan provides additional benefits based on annual compensation limits in effect prior to the reduction of includible compensation to \$150,000, but as increased for cost of living (\$247,536 for calendar 1995).

Credited service in the Plans for those individuals listed in Summary Compensation Table for Fiscal Year 1995 who are active participants is as follows: Mr. Erdeljan, 13.7 years (including years credited for service from 1978 to 1987 and from 1989 to the present); Ms. Williams, 2.9 years; Mr. Stuart, 4.7 years; and Mr. McGregor, 1.4 years. Mr. Cashman has elected not to participate in the Retirement Income Plan. For purposes of the Plans, the final average compensation of such individuals as of January 1, 1995 was approximately as follows: Mr. Erdeljan, \$228,731; Ms. Williams, \$232,122; Mr. Stuart, \$138,269, and Mr. McGregor, \$132,445.

## 401(k) Plan

Eligible employees may also participate in a tax-qualified cash or deferred profit sharing plan known as the R.P. Scherer Corporation Savings Plan (the "401(k) Plan"). Under the 401(k) Plan, employees who have met eligibility standards may elect to reduce their annual compensation by up to 15%, to a maximum of \$9,240 for the 1995 calendar year, and have the amount of the reduction contributed to the 401(k) Plan. The Company also contributes to the 401(k) Plan on behalf of each participant an additional amount equal to 50% of each participant's pretax contributions, but not to exceed the lesser of 3% of the participant's compensation or \$500. All contributions are fully vested.

## Incentive Compensation Plan

The purpose of the Incentive Compensation Plan is to provide certain key employees of the Company an incentive to promote the maximization of shareholder value over the long term.

The Incentive Compensation Plan is administered by the Committee in conjunction with the full Board of Directors. Under the Incentive Compensation Plan, incentive compensation is directly linked to return generated through the employment of capital. This return, or EVA (as previously defined), is measured individually for each of the Company's major business divisions (each a "Unit") and equals the operating

generated by each Unit less taxes and the cost of capital employed to generate such profit. The Incentive Compensation Plan rewards designated management employees in each Unit for increases in EVA and penalizes such employees for any decreases in EVA by deducting amounts from an employee's Bonus Bank, as described below.

Management employees who are designated as participants ("Participants") by the Chairman and President of the Company and approved by the Committee are eligible to participate in the Incentive Compensation Plan. Currently approximately 18 employees are Participants in the Incentive Compensation Plan. The Participant(s) of each Unit are eligible to receive an EVA-based award (the "EVA Award") based on the performance of their Unit. The EVA Award each year for a Unit is comprised of two elements: the "Base Award" and the "Improvement Award." The Base Award is equal to a pre-determined percentage of the aggregate annual salary of a Unit's Participants and is earned for an applicable year if the prior year's EVA level for the Unit is achieved. The Improvement Award is based on a percentage of the increase or decrease in EVA from the prior year's EVA. Improvement Awards which exceed a pre-determined percentage of a Participant's base salary are deferred and credited to the Participant's account ("Bonus Bank"). These amounts are subject to loss if subsequent performance deteriorates. One-third of the balance in a Participant's Bonus Bank (if it is positive) is paid out each succeeding year in which a Participant earns a new bonus under the Incentive Compensation Plan. The relationship between EVA achievement and percentages of salary awarded as EVA Award is determined by the Committee.

The Incentive Compensation Plan provides that 25% (or such other percentage set by the Compensation Committee) of the EVA Award for each current year, subject to certain limits, is used to purchase stock options under the Company's 1992 Stock Option Plan (as described below). Once options have been purchased from such portion of a year's EVA Award, and to the extent that options remain available for purchase under the Stock Option Plan, then up to 25% of additional amounts distributed from the Bonus Bank, if any, will be used to purchase such options.

The Board of Directors may amend, suspend or terminate the Incentive Compensation Plan upon the recommendation of the Committee and, as required, with stockholder approval, provided that no such change in the Incentive Compensation Plan will be effective to eliminate or diminish the distribution of any award that has been allocated to a Participant's Bonus Bank prior to the date of such change.

#### Discretionary Awards

In addition to the EVA Award under the Incentive Compensation Plan, the Committee may, at the recommendation of the Chairman and President, grant to key members of management a discretionary award, generally up to 10% of salary, which is a function of their performance against a pre-determined set of primarily qualitative objectives. The discretionary award is paid in cash following the year in which it is earned.

#### Stock Option Plans

##### 1992 Stock Option Plan

The purpose of the 1992 Stock Option Plan is to aid the Company in retaining and attracting capable management employees and to provide an inducement to such employees to promote the best interests of the Company by enabling and encouraging them to acquire stock ownership in the Company.

The 1992 Stock Option Plan is administered by the Committee, which has the authority to grant options and set the terms and conditions of each grant. The 1992 Stock Option Plan authorizes a total of 1,800,000 shares of Common Stock to be issued upon exercise of options granted thereunder. Under the terms of the 1992 Stock Option Plan any management employee of the Company who is eligible to receive a bonus under the Incentive Compensation Plan or such other management employee designated by the

Committee is eligible to receive options under the 1992 Stock Option Plan. Currently, there are 23 participants in the 1992 Stock Option Plan ("Optionee"). The Committee also has the authority to ensure that the 1992 Stock Option Plan complies with foreign law and practices.

Each option grant under the 1992 Stock Option Plan represents the right to purchase a number of shares of Common Stock of the Company and consists of two portions: a purchased portion and a granted portion. The purchased portion for a participating management employee is determined by applying 25% (or such other percentage set by the Committee) of such employee's bonus under the Company's Incentive Compensation Plan (or such other compensation designated by the Committee to be applied to purchase options), to purchase stock options at a cost per share option as determined under the provisions of the Plan. The designated stock price equals the average market value per share of the Common Stock over a two month period which includes the first month of the fiscal year in which the option is granted and the last month of the preceding fiscal year (the "Average Stock Price"). The exercise price for the purchased portion is fixed on the grant date and equals the Average Stock Price, net of the purchase cost, increased at a 10% annual rate compounded over five years. The granted portion represents the right to purchase an additional number of shares equal to the number of shares which make up the purchased portion and is exercisable at the Average Stock Price. Options may be exercised in whole or in part, but may only be exercised for an equal number of purchased portion shares and granted portion shares.

Options become exercisable on the third anniversary of the date of their grant, provided that the Committee may accelerate the time at which any option may be exercised. Each option granted under the 1992 Stock Option Plan will expire on the day following the seventh anniversary of the date when granted, unless such option shall have expired earlier under the provisions of the Plan or the Committee shall have extended the time in which such options may be exercisable.

The Board of Directors may amend or terminate the 1992 Stock Option Plan, but may not (i) without the consent of the Optionees, alter or impair any rights or obligations under any option theretofore granted, or (ii) make any alternation in the 1992 Stock Option Plan that would cause the 1992 Stock Option Plan to fail to comply with any requirement of applicable law or regulation, if such revision or amendment were not approved by the stockholders of the Company, unless and until stockholder approval of such revision or amendment is obtained.

The number of share options granted under the 1992 Stock Option Plan in fiscal 1995, and the purchased portion cost and exercise price of such options are pending shareholder ratification of the amendment to the 1992 Stock Option Plan. See Matters to be Voted Upon - Ratification of Second Amendment to the 1992 Stock Option Plan. Under such amendment, options to purchase a total of 484,454 shares are to be granted under the 1992 Stock Option Plan for fiscal 1995. For such fiscal 1995 grants, the purchased portion, costing \$2.08 each, is exercisable at \$57.05 per share, and the granted portion is exercisable at \$37.51 per share. For persons named in the Summary Compensation Table for Fiscal Year 1995 and all executive officers as a group, the following options were granted under the 1992 Stock Option Plan (as amended), all for fiscal 1995: John P. Cashman, 77,702 shares; Aleksandar Erdeljan, 77,702 shares; Nicole S. Williams, 36,562 shares; Thomas J. Stuart, 21,908 shares; Dennis R. McGregor, 17,492 shares; and all executive officers as a group, 231,366 shares. A total of 253,088 share options were granted to other non-executive officer employees for fiscal 1995. No compensation expense was recorded by the Company in connection with the 1992 Stock Option Plan for fiscal 1995. A total of 271,846 options for common stock remain available for future grant under the 1992 Stock Option Plan.

As of July 24, 1995, the last sale price of the Common Stock on the New York Stock Exchange was \$44.50 per share.

#### 1990 Stock Option Plans

The Company implemented three Stock Option Plans in November 1990: the 1990 Nonqualified Stock Option Plan, the 1990 Nonqualified Performance Stock Option Plan A, and the 1990 Nonqualified

Performance Stock Option Plan B (collectively, the "1990 Stock Option Plans") A total of 1,239,612 options for shares of Common Stock were authorized for issuance to key management personnel under the 1990 Stock Option Plans. As a group, all current executive officers hold

998,186 options under the 1990 Stock Option Plans.

The 1990 Stock Option Plans are administered by the Committee. Each option granted under the 1990 Stock Option Plans will expire no later than the day following the 10th anniversary of the date granted, unless such option shall have expired earlier under the provisions of the 1990 Stock Option Plans. Options granted under the 1990 Stock Option Plans, as amended, may be transferred by an Optionee to a grantor trust under certain conditions, if the transfer is approved by the Compensation Committee. The Board of Directors may alter or amend the 1990 Plans or alter or amend any and all Option Agreements thereunder; provided, that no such action may alter the provisions of any outstanding Stock Option Agreement to the detriment of an Optionee without the Optionee's consent.

During fiscal 1995, an additional 16,575 options were granted to other employees of the Company, and 5,257 options were exercised, leaving 1,084,983 options outstanding at year-end. All options granted under the 1990 Stock Option Plans have an exercise price of \$5.49 per share. No commitments exist to exercise any options granted under the 1990 Stock Option Plans and the Company has no present plans to grant the remaining Options authorized for the 1990 Stock Options Plans. Approximately \$0.3 million of compensation expense was recorded for the 1990 Stock Option Plans in fiscal 1995.

As of July 24, 1995, the last sale price of the Common Stock on the New York Stock Exchange was \$44.50 per share.

#### Federal Income Tax Consequences of the 1992 and 1990 Stock Option Plans

The following discussion is a general summary of the material U.S. federal income tax consequences to U.S. participants in the Company's stock option plans. The discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), regulations thereunder, rulings and decisions now in effect, all of which are subject to change. The summary does not discuss all aspects of federal income taxation that may be relevant to a particular participant in light of such participant's personal investment circumstances.

The grant of an option generally will not result in taxable income to the Optionee at the time of grant. In general, upon the exercise of options by the payment of cash, the Optionee will recognize ordinary income (and the Company will be entitled to a deduction if certain withholding requirements are met, subject to deductible limits on executive compensation under Section 162(M) of the Internal Revenue Code, where applicable) in an amount equal to the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price.

Any subsequent disposition of the shares acquired pursuant to an option will result in gain or loss to the Optionee in an amount equal to the difference between the sale price and the Optionee's basis in the Common Stock at the date of exercise. An Optionee's basis for the Common Stock for purposes of determining his gain or loss on subsequent disposition of the shares generally will be the fair market value of the Common Stock on the date of exercise of the Option.

Pursuant to the terms of the 1992 and 1990 Stock Option Plans, the time at which options may be exercised due to a merger, consolidation or other reorganization of the Company with or into another entity may be accelerated. Under certain circumstances, such acceleration may result in an excess parachute payment and the imposition of an excise tax payable by the Optionee and the loss of a deduction to the Company under Section 280(G) of the Internal Revenue Code with respect to any amounts which are deemed to be excess parachute payments.

#### MATTERS TO BE VOTED UPON

##### ELECTION OF DIRECTORS

There are currently eight members of the Board of Directors whose names and background information are described above under Directors. All of the current members of the Board of Directors are nominated to be re-elected to hold office until the next Annual Meeting of Stockholders and until their successors have been elected and have qualified. The persons named in the accompanying proxy will vote all shares for which they have received proxies for the election of the nominees unless contrary instructions are given. In the event that any nominee should become unavailable, shares will be voted for such other person or persons as may be nominated by management. Management has no reason to believe that nominees will be unable to serve. Directors are elected by



plurality vote.

#### RATIFICATION OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed Arthur Andersen LLP to audit the accounts of the Company for the fiscal year ending March 31, 1996, subject to the ratification of such appointment by the affirmative vote of holders of a majority of the outstanding shares entitled to vote at the Annual Meeting. Representatives of Arthur Andersen LLP are expected to be present at the Annual Meeting and will be afforded an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ARTHUR ANDERSEN LLP AS THE COMPANY'S AUDITORS FOR THE FISCAL YEAR ENDING MARCH 31, 1996. THE VOTE REQUIRED FOR SUCH RATIFICATION IS A FAVORABLE VOTE OF THE HOLDERS OF A MAJORITY OF ALL OUTSTANDING SHARES PRESENT IN PERSON OR BY PROXY AND ENTITLED TO BE VOTED AT THE ANNUAL MEETING.

#### RATIFICATION OF SECOND AMENDMENT TO THE 1992 STOCK OPTION PLAN

At the Annual Meeting of Stockholders, the stockholders will be asked to ratify a second amendment to the 1992 Stock Option Plan (the "Option Amendment") relating to the method of determining the cost of options purchased under the 1992 Stock Option Plan. The Option Amendment is generally expected to have the effect of reducing the purchase cost for purchased portion options, thereby both increasing the number of options a participant is required to purchase and increasing the exercise price of such purchased options. Following the recommendation of the Compensation Committee, the disinterested members of the Board of Directors have unanimously approved the Option Amendment. Adoption of the Option Amendment is subject to stockholder ratification.

The principal features of the Option Amendment are summarized below. For additional information with respect to the 1992 Stock Option Plan, see Executive Compensation Pursuant to Plans - Stock Option Plans. The Option Amendment is set forth as Exhibit A to this Proxy Statement. The following summary of the material features of the Option Amendment does not purport to be complete, and is qualified in its entirety by reference to Exhibit A and the 1992 Stock Option Plan.

#### Summary Description of the Option Amendment

The 1992 Stock Option Plan provides that each participant must purchase a number of stock options determined by dividing 25% (or such other percentage set by the Compensation Committee) of such participant's annual bonus under the Company's Incentive Compensation Plan (or such other compensation designated by the Compensation Committee) by a predetermined purchase cost for each option. (An additional equal number of options for shares of common stock known as the granted portion options, are also granted to participants.)

17

21

Prior to the Option Amendment, the purchase cost was equal to 10% of an average market value per share of the Company's Common Stock at the beginning of the applicable fiscal year. As a result of the significant appreciation in the market value of the Company's Common Stock over the past several years, the purchase cost increased to levels which had the effect of substantially reducing the number of options which a participant had to purchase. The Compensation Committee determined that a change in the method of computing the purchase cost was appropriate in order to preserve the original purposes of the 1992 Stock Option Plan. One of the primary purposes is to provide an inducement to key management employees to promote the best interests of the Company through the opportunity to acquire meaningful stock ownership.

The Option Amendment will change the method of determining the purchase cost as a means of increasing the number of options a participant is required to purchase. Under the provisions of the Option Amendment, the purchase cost per option (or "Applicable Amount" as therein defined) will be equal to either (i) \$1.80 (10% of the price per share of Common Stock at the time of the Company's initial public offering in fiscal year 1992), increased by an inflationary factor of 5% compounded annually beginning with fiscal year 1993, or (ii) such other value as may be determined by the Compensation Committee. The exercise price for purchased options is equal to an average market value per share of the Company's Common Stock at the beginning of the applicable fiscal year, net of the purchase cost, increased at a 10% annual rate compounded over five years. The provisions of the Option Amendment would only apply to options granted for fiscal year 1995 and subsequent years.

For fiscal year 1995, the purchase cost would be reduced under the Option Amendment, and will result in the exercise price for purchased options being correspondingly higher for fiscal 1995 option grants. Management anticipates that the Option Amendment will have the effect of increasing both the quantity and exercise price of options purchased for future fiscal years as well.

The following compares the purchased cost, number of options to be purchased and exercise price for each purchased option before and after reflecting the provisions of the Option Amendment for fiscal year 1995 grants.

<TABLE>  
<CAPTION>

	Before Option Amendment	After Option Amendment
	-----	-----
<S>	<C>	<C>
Purchase Cost per Option	\$3.75	\$2.08
Total Number of Purchased Options	134,321	242,227
Exercise Price for Purchased Options	\$54.37	\$57.05

</TABLE>

As provided for under the 1992 Stock Option Plan, for each option purchased a participant receives one granted option. The Option Amendment, however, in no way affects the exercise price for the granted portion of options received through the 1992 Stock Option Plan.

See Option Grants for Fiscal Year 1995 and Stock Option Plans - 1992 Stock Option Plan herein for the quantity of options to be granted to the executive officers and other employees under the 1992 Stock Option Plan, as amended.

THE BOARD OF DIRECTORS, EXCLUDING INTERESTED DIRECTORS, RECOMMENDS A VOTE FOR THE 1992 OPTION AMENDMENT. THE VOTE REQUIRED FOR APPROVAL OF THE OPTION AMENDMENT IS A FAVORABLE VOTE OF THE HOLDERS OF A MAJORITY OF ALL OUTSTANDING SHARES PRESENT IN PERSON OR BY PROXY AND ENTITLED TO VOTE AT THE ANNUAL MEETING.

18

22

#### OTHER MATTERS

The Company does not know of any business other than that described above to be presented for action to the stockholders at the meeting, but it is intended that the proxies will be exercised upon any other matters and proposals that may legally come before the meeting and any adjournments thereof in accordance with the discretion of the persons named therein as attorneys-in-fact and agents unless contrary instructions are received.

The cost of this solicitation will be borne by the Company. Proxies may be solicited by personal interview, telephone and telegraph, as well as by use of the mails. Banks, brokerage houses and other custodians, nominees or fiduciaries will be requested to forward soliciting material to their principals and to obtain authorization for the execution of proxies, and will be reimbursed for their reasonable out-of-pocket expenses incurred in that connection. Employees of the Company participating in the solicitation of proxies will not receive any additional remuneration.

The Annual Report of the Company for the fiscal year ending March 31, 1995, including certified financial statements, has been furnished to all persons who were stockholders of record of the Company on the record date for the Annual Meeting.

A list of stockholders entitled to vote at the Annual Meeting will be open to examination by any stockholder during business hours, for any purpose germane to the meeting, from August 29, 1995 through September 12, 1995 at the World Headquarters of R.P. Scherer Corporation, 2075 West Big Beaver Road, Troy, Michigan 48084.

#### PROPOSALS OF SECURITY HOLDERS

A proposal by a security holder intended to be presented at the Company's next annual meeting of stockholders and to be included in the proxy statement therefor must be received at the Company's principal executive offices at 2075 West Big Beaver Road, Troy, Michigan 48084, to the attention of the Corporate Secretary, no later than April 24, 1996.

AVAILABILITY OF FORM 10-K

THE COMPANY WILL PROVIDE TO ANY STOCKHOLDER, WITHOUT CHARGE, UPON WRITTEN REQUEST OF SUCH STOCKHOLDER, A COPY OF THE ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED MARCH 31, 1995, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH REQUESTS SHOULD BE ADDRESSED TO: NICOLE S. WILLIAMS, CORPORATE SECRETARY, R.P. SCHERER CORPORATION, 2075 WEST BIG BEAVER ROAD, P.O. BOX 7060, TROY, MICHIGAN 48007-7060.

PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED REPLY ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

19

23

EXHIBIT A

SECOND AMENDMENT TO STOCK OPTION PLAN OF R.P. SCHERER CORPORATION AND SUBSIDIARIES

(AS AMENDED JULY 1994)

1. Amendment to Preamble. The second sentence of the last paragraph of the preamble of the Stock Option Plan of R.P. Scherer Corporation and Subsidiaries ("Plan") is amended to read in its entirety, effective June 6, 1995, as follows:

The purchase portion of a particular option for an applicable management employee will be determined by applying 25% (or such other fraction set by the Compensation Committee) of such management employee's Bonus or Designated Compensation (as hereinafter defined) to purchase, at a predetermined price, the right to acquire shares of the Company's common stock upon payment of the appropriate exercise price.

2. Amendment to Article 1. Article 1, Section 1.2 of the Plan is amended to read in its entirety, effective for option grants for Fiscal Year 1995 and subsequent periods, as follows:

"Applicable Amount" means, (i) the value equating to \$1.80 increased by a factor of 5%, compounded annually beginning with the Fiscal Year 1993, or (ii) such other value as may be determined from time to time by the Committee (as hereinafter defined).

3. Amendment to Article 3. Article 3, Section 3.3(a)(i), is amended to read in its entirety, effective June 6, 1995, as follows:

(A) 25% (or such other fixed percentage as the Committee may determine will be applicable with respect to any particular selected management Employee) of the Bonus or the Designated Compensation paid to each selected management Employee, divided by (b) the Applicable Amount (the "Purchased Portion Shares"); plus

IN WITNESS WHEREOF, R.P. Scherer Corporation has adopted this Amendment this \_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_.

ATTEST: R.P. SCHERER CORPORATION  
By: \_\_\_\_\_  
Secretary Its: \_\_\_\_\_

20

24

R.P. SCHERER CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

P

SEPTEMBER 12, 1995

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Revoking any prior appointment, the undersigned hereby appoints J. CASHMAN, A. ERDELJAN and N. WILLIAMS and each of them, attorneys-in-fact and agents with power of substitution, to vote as Proxy for the undersigned as herein stated, at the Annual Meeting of Stockholders of R.P. Scherer Corporation to be held at The Townsend Hotel, 100 Townsend Avenue, Birmingham, Michigan on September 12, 1995, beginning at 1 P.M. local time, and at any adjournment thereof, with respect to the number of shares of common stock of R.P. Scherer Corporation the undersigned would be entitled to vote if personally

present.

<TABLE>

<S>  
Election of Directors, Nominees:  
John E. Avery, John P. Cashman, Aleksandar Erdeljan,  
Frederick Frank, Lori G. Koffman, Louis Lasagna, Robert H.  
Rock, James A. Stern

<C>  
(change of address)

(If you have written in the above  
space, please mark the  
corresponding box on the reverse  
side of this card.)

</TABLE>

YOU ARE ENCOURAGED TO SPECIFY YOUR CHOICES BY MARKING THE  
APPROPRIATE BOXES, SEE REVERSE SIDE, BUT YOU NEED NOT MARK ANY BOXES  
IF YOU WISH TO VOTE IN ACCORDANCE WITH THE BOARD OF DIRECTORS'  
RECOMMENDATIONS. THE PROXIES CANNOT VOTE YOUR SHARES UNLESS YOU SIGN  
AND RETURN THIS CARD.

SEE REVERSE  
SIDE

25

<TABLE>

<S> <C>

/X/ PLEASE MARK YOUR SHARES IN YOUR NAME  
VOTES AS IN THIS  
EXAMPLE.

	FOR	WITHHELD		FOR	AGAINST	ABSTAIN
1. Election of (see reverse) Directors	/ /	/ /	2. Ratification of the appointment of auditors for Fiscal 1996	/ /	/ /	/ /
For, except vote withheld from the following nominee(s): _____			3. Ratification of Second Amendment to the 1992 Stock Option Plan	/ /	/ /	/ /

4. In accordance with their discretion on any other matters which may properly come before the meeting.	FOR / /	AGAINST / /	ABSTAIN / /
---	------------	----------------	----------------

Change  
of / /  
Address

The undersigned acknowledges receipt  
of the Notice of Annual Meeting of Stockholders  
and the Proxy Statement dated July 28, 1995.

Attend  
Meeting / /

When shares are held by joint tenants, both should  
sign. When signing as attorney, executor,  
administrator, trustee or guardian, please give full  
title as such. If a corporation, please  
sign in full corporate name by President or other  
authorized officer. If a partnership, please sign in  
partnership name by an authorized person.

SIGNATURE (S) \_\_\_\_\_ DATE \_\_\_\_\_

PLEASE MARK, SIGN, DATE AND  
RETURN THIS PROXY CARD PROMPTLY  
USING THE ENCLOSED ENVELOPE.

SIGNATURE (S) \_\_\_\_\_ DATE \_\_\_\_\_

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing  
as attorney, executor, administrator, trustee or guardian, please give full title as such.

</TABLE>

26

EXHIBIT INDEX  
-----

EXHIBIT NUMBER -----	DESCRIPTION -----
99	Supplemental information - Stock Option Plan of R.P. Scherer Corporation and Subsidiaries, amended, July, 1995.

STOCK OPTION PLAN  
OF  
R.P. SCHERER CORPORATION AND SUBSIDIARIES

AMENDED JULY, 1995

R.P. Scherer Corporation, a Delaware corporation, hereby adopts this Stock Option Plan of R.P. Scherer Corporation (the "Company") and Subsidiaries (the "Plan"). The purposes of the Plan are as follows:

(1) To further the growth, development and financial success of the Company by providing additional incentives to certain of its management employees who have been or will be given responsibility for the management or administration of the Company's business affairs by assisting them to become owners of capital stock of the Company and thus to benefit directly from its growth, development and financial success.

(2) To enable the Company to obtain and retain the services of the type of professional, technical and managerial employees considered essential to the long range success of the Company by providing and offering them an opportunity to become owners of capital stock of the Company under options.

Each option granted to a management employee under the Plan represents the right to purchase a number of shares of common stock of the Company and each such option will consist of two portions: a purchase portion and a granted portion. The purchase portion of a particular option for an applicable management employee will be determined by applying 25% (or such other fraction set by the Compensation Committee) of such management employee's Bonus (as hereinafter defined) to purchase, at a predetermined price, the right to acquire shares of the Company's common stock upon payment of the appropriate exercise price. The exercise price for each share which is part of the purchase portion of an option will be fixed on the date of grant and equal the amount determined by increasing the remainder of such designated stock price by 10% per year for five years. The granted portion of such option will be the right to purchase an additional number of shares equal to the number of shares which make up the purchase portion of such option at an exercise price per share equal to the designated stock price. Options may be exercised in whole or in part, but may only be exercised for an equal number of purchase portion shares and granted portion shares.

ARTICLE 1  
DEFINITIONS

Section 1.1 General

Whenever the following terms are used in the Plan they shall have the meaning specified below unless the context clearly indicates to the contrary.

Section 1.2 - "Applicable Amount" means, (i) the value equating to \$1.80 increased by a factor of 5%, compounded annually beginning with Fiscal Year 1993 or (ii) such other value as may be determined from time to time by the Committee (as hereinafter defined).

Section 1.3 - "Applicable Fiscal Year" means the Fiscal Year for which an Option is being granted.

Section 1.4 - "Average Fair Market Value" means with respect to any share of stock, the average of the Fair Market Value of a share of such stock on each of the trading days during the period from March 1 of the Fiscal Year preceding the Applicable Fiscal Year to April 30 of the Applicable Fiscal Year. If such stock is not listed or quoted, the Average Fair Market Value will be established by the Committee and will be binding upon all Optionees, the Company and all other interested persons. The Average Fair Market Value may be more or less than the book value of such stock.

Section 1.5 - "Board" means the Board of Directors of the Company.

Section 1.6 - "Bonus" means the Economic Value Added Bonus granted under the Bonus Plan, as from time to time amended, to any selected management Employee.

2

Section 1.7 - "Bonus Plan" means the R.P. Scherer Corporation Management Incentive Compensation Plan (Based upon Economic Value Added), as from time to time amended.

Section 1.8 - "Cause" means (i) any act or acts of an Optionee constituting a felony (or its equivalent) under the laws of the United States, any state thereof or any foreign jurisdiction; (ii) any material breach by an Optionee of any employment agreement with the Company or any of its Subsidiaries or the policies of the Company or any of its Subsidiaries or the willful and persistent failure or refusal of an Optionee (after written notice to such Optionee) to perform his duties of employment or comply with any lawful directives of the Board or of the Board of Directors of the Subsidiary of the Company which employs the Optionee; (iii) a course of conduct amounting to gross, willful misconduct or dishonesty; or (iv) any misappropriation of material property of the Company or any of its Subsidiaries by an Optionee or any misappropriation of a corporate or business opportunity of the Company or any of its Subsidiaries by an Optionee.

Section 1.9 - "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.10 - "Committee" means the Compensation Committee of the Board, appointed as provided in Section 6.1.

Section 1.11 - "Common Stock" means the Common Stock, par value \$.01 per share, of the Company.

Section 1.12 - "Company" means R.P. Scherer Corporation.

Section 1.13 - "Date of Grant" means the date upon which the Committee approves

the options to be granted for the Applicable Fiscal Year which will be within six weeks of the end of the Applicable Fiscal Year.

Section 1.14 - "Discounted Initial Value" is the excess of (i) \$18.00 for Fiscal Year 1992 or the Average Fair Market Value of a share of Common Stock for each fiscal year thereafter, over (ii) the corresponding Applicable Amount.

Section 1.15 - "Employee" means any employee of the Company, or of any corporation which is then a Subsidiary of the Company, whether such employee is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan.

Section 1.16 - "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Section 1.17 - "Fair Market Value" means the last sales price for a share of stock on a particular day on the principal exchange on which such stock may at the time be listed or, if there shall have been no sales on such exchange on any such trading day, the average of the closing bid and asked prices on such exchange on such trading day or if there is no such bid and asked price on such trading day on the next preceding date when such bid and asked price occurred or, if such stock shall not be so listed, the average of the closing sales prices as reported by NASDAQ at the end of each trading day in the over-the-counter market, or if such stock is not so listed or quoted, the price will be established by the Committee and will be binding upon all Optionees, the Company and all other interested persons. The Fair Market Value may be more or less than the book value of such stock.

Section 1.18 - "Fiscal Year" means the fiscal year of the Company which runs from April 1 through March 31.

Section 1.19 - "Good Reason" shall mean:

(i) any material reduction by the Company of such Participant's duties, responsibilities or titles,

(ii) any involuntary removal of such Participant from any position previously held (except in connection with a promotion or a termination for Cause, death or disability, or the voluntary termination by the Participant other than for Good Reason), or

(iii) such other reasons (including non-employment related reasons) as may be approved by the Committee, in its sole discretion, from time to time.

Section 1.20 - "Granted Portion Exercise Price" has the meaning given in Section 4.1(b).

3

Section 1.21 - "Granted Portion Shares" has the meaning given in Section 3.3(a)(i).

Section 1.22 - "Option" means any option granted under the Plan to purchase Common Stock. An Option will entitle the holder to purchase a multiple number

of shares of Common Stock determined in accordance with Section 3.3. Each Option will be partially exercisable in accordance with Section 5.2. Options include only options which are not intended to be "incentive stock options" under Section 422 of the Code.

Section 1.23 - "Optionee" means an Employee to whom an Option is granted under the Plan.

Section 1.24 - "Permanent Incapacitating Disability" means the inability of an Employee to perform the principal duties of his job at the Company due to physical or mental condition, as determined by a physician, for a period of at least one year.

Section 1.25 - "Permitted Transferee" means (i) the guardian, executors, administrators, testamentary trustee, legatees or beneficiaries of an Optionee or of any Permitted Transferee, or (ii) a transferee pursuant to a qualified domestic relations order as defined by the Code, provided that such transfer is made expressly subject to the Plan and that the transferee agrees in writing to be bound by the terms and conditions hereof as if such transferee were the Optionee.

Section 1.26 - "Plan" means this Stock Option Plan of R.P. Scherer Corporation and its Subsidiaries, as from time to time amended.

Section 1.27 - "Purchased Portion Exercise Price" has the meaning give in Section 4.1(a).

Section 1.28 - "Purchased Portion Shares" has the meaning given in Section 3.3(a) (ii).

Section 1.29 - "Secretary" means the Secretary or any Assistant Secretary of the Company.

Section 1.30 - "Securities Act" means the Securities Act of 1933, as amended.

Section 1.31 - "Subsidiary" means, as to the Company, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by the Company. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

Section 1.32 - "Termination of Employment" means the time when the employee-employer relationship between the Optionee and the Company and its Subsidiaries is terminated for any reason whatsoever. The Committee, in its absolute discretion, will determine the effect of all other matters and questions relating to Termination of Employment, including, but not by way of limitation, all questions of whether particular leaves of absence constitute Terminations of Employment and the question of whether any reemployment by the Company is simultaneous with termination. Notwithstanding any other provision of the Plan, the Company or any of its Subsidiaries have an absolute and



unrestricted right to terminate any Employee's employment at any time for any reason whatsoever with or without cause.

Section 1.33 - "Total Available Shares" means the total number of shares of Common Stock set forth in Section 2.1 issuable upon the exercise of Options less the aggregate number of shares of Common Stock issued, or reserved for issuance, upon the exercise of Options granted hereunder prior to the date of such determination.

Section 1.34 - Pronouns: The masculine pronoun includes the feminine and neuter and the singular includes the plural, where the context so indicates.

4

## ARTICLE 2 SHARES SUBJECT TO PLAN

### Section 2.1 - Shares Subject to Plan

The shares of stock subject to Options shall be shares of Common Stock. The maximum aggregate number of shares of Common Stock which may be issued upon exercise of Options granted under the Plan is 1,800,000. If the outstanding shares of Common Stock subject to Options are, from time to time, changed into or exchanged for a different number of shares of Common Stock, by reason of a reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares, or otherwise, the maximum aggregate number of shares of Common Stock which may be issued upon exercise of Options granted under the Plan will be increased or decreased in proportion to the change in Common Stock.

### Section 2.2 - Unexercised Options

If any Option expires or is cancelled without having been fully exercised, the number of shares subject to such Option but as to which such Option was not exercised prior to its expiration or cancellation may again be optioned hereunder, subject to the limitations of Section 2.1.

## ARTICLE 3 GRANTING OF OPTIONS

### Section 3.1 - Eligibility

Any management Employee of the Company or of any Subsidiary who is (a) eligible to receive a Bonus or (b) such other management Employee designated by the Committee to receive an Option under the Plan, will be eligible to be granted an Option under the Plan.

### Section 3.2 - Granting of Options

The Committee, within six weeks after the close of each Fiscal Year, will (i) determine the number of shares of Common Stock subject to each

Option to be granted to selected management Employee in accordance with Section 3.3; (ii) determine the terms and conditions of each Option, consistent with the Plan; and (iii) establish such conditions to the exercise of each Option as it may deem necessary, including but not limited to requiring Optionees to enter into agreements regarding transferability and other restrictions with respect to shares issuable upon exercise of any Options.

### Section 3.3 - Determination of Number of Shares Subject to Each Option

(a) Upon the determination of the dollar amount of the Bonus awarded each selected management Employee or the dollar amount such other compensation designated by the Committee to be used to purchase an Option under the Plan ("Designated Compensation"), the number of shares of Common Stock to be subject to each Option will equal:

(i) (A) 25% (or such other fixed percentage as the Committee may determine will be applicable with respect to any particular selected management Employee) of the Bonus or the Designated Compensation paid to each selected management Employee, divided by (B) the Applicable Amount (the "Purchased Portion Shares"); plus

(ii) an additional number of shares of Common Stock equal to the number resulting from the calculation in clause (i) (the "Granted Portion Shares").

5

(b) Notwithstanding Section 3.3(a), if, as of any Date of Grant, the aggregate number of shares of Common Stock issuable upon the exercise of all Options to be purchased by or granted to management Employees as of such date pursuant to Section 3.2 exceeds the Total Available Shares, then the number of shares subject to any Option to be issued as of such Date of Grant (a "Current Option") will be reduced. In such case, the number of shares subject to any Current Option will equal (i) (A) the number of shares of Common Stock subject to such Current Option determined in accordance with Section 3.3(a), divided by (B) the aggregate number of shares of Common Stock subject to all Current Options determined in accordance with Section 3.3(a) multiplied by (ii) the Total Available Shares.

## ARTICLE 4 TERMS OF OPTIONS

### Section 4.1 - Exercise Price

(a) With respect to the Purchased Portion Shares, the Purchased Portion Exercise Price is (i) the Discounted Initial Value multiplied by 1.61051 (which represents five 10% increases in the Discounted Initial Value on a compounded basis).

(b) With respect to the Granted Portion Shares, the Granted Portion Exercise Price is (i) the Average Fair Market Value of a share of Common Stock for the Applicable Fiscal Year.

## Section 4.2 - Commencement of Exercisability

(a) Subject to the provisions of Sections 4.2(b), 4.3 and 7.2, each Option shall become exercisable three years after it is granted; provided, however, that by a resolution adopted after an Option is granted the Committee may, on such terms and conditions as it may determine to be appropriate and subject to Section 7.2, accelerate the time at which any Option may be exercised.

(b) Upon the death of an Optionee or a Permanent Incapacitating Disability suffered by an Optionee while in the employ of the Company, any unexercisable Options held by such Optionee or by such Optionee's Permitted Transferees will immediately become exercisable.

## Section 4.3 - Expiration of Options

(a) Subject to the provisions of Sections 4.3(c) and 7.2, each Option shall expire seven years and one day from the date it was granted; provided, however, subject to the provisions of Section 4.3(c), that by resolution adopted after an Option is granted the Committee may, on such terms and conditions as it may determine to be appropriate and subject to Sections 4.2(b), 4.3(c) and 7.2, extend the time in which such Option may be exercised.

(b) Upon the involuntary termination for Cause, or the voluntary termination without Good Reason before retirement (which for purposes of the Plan shall be determined at or over the age of 55 or at any earlier date approved by the Committee), of a Optionee's employment with the Company or any of its Subsidiaries, all outstanding unexercisable Options held by such Optionee or such Optionee's Permitted Transferees will immediately expire.

(c) Upon the involuntary termination without Cause, or the voluntary termination with Good Reason before retirement (which for purposes of the Plan shall be determined at or over the age of 55 or at any earlier date approved by the Committee), of an Optionee's employment with the Company or any of its subsidiaries, a pro rata portion of the outstanding unexercisable Options held by such Optionee or such Optionee's Permitted Transferees shall become immediately exercisable as determined by the formula set forth below, while the remaining portion of such outstanding unexercisable Options will immediately expire. For each outstanding Option held, the number of shares immediately exercisable pursuant to that Option will equal (i) the number of shares of Common Stock subject to such Option, multiplied by (ii) the quotient of (A) the number of full years such Option had been held, divided by (B) three (provided, that such quotient shall be greater than one (the "Quotient")). In addition, the Company will pay to such Optionee an amount in cash equal to the amount paid by or on behalf of such Optionee to purchase each outstanding Option multiplied by (ii) (A) one, minus (B) the Quotient. However, as provided in Section 4.2 (a), the Committee may expressly choose to depart from the default rule

6

expressed in Section 4.3(c) herein in order to adopt other rules concerning the expiration and/or acceleration of such outstanding unexercisable Options.

Example

An Optionee voluntarily terminates with Good Reason effective July 18, 1995. The Optionee held a total of 7,600 Options at such date, consisting of the following:

<TABLE>  
<CAPTION>

Fiscal Year Grant*	Purchased Portion			Granted
	Shares	Cost/Sh.	Paid	Portion Shares
<S>	<C>	<C>	<C>	<C>
1992	1,000	\$1.80	\$1,800	1,000
1993	900	2.74	2,466	900
1994	1,500	3.00	4,500	1,500
1995	400	3.50	1,400	400
	-----		-----	-----
	3,800		\$10,166	3,800
	=====		=====	=====

</TABLE>

\*Assume all grants were made in the month of June, immediately following each fiscal year end.

The Optionee would be entitled to exercise the following upon the July 18, 1995 date of termination:

<TABLE>  
<CAPTION>

Fiscal Year Grant	% Vested	Shares	
		Purchased	Granted
<S>	<C>	<C>	<C>
1992	100%	1,000	1,000
1993	66 2/3	600	600
1994	33 1/3	500	500
1995	0	--	--
		-----	-----
		2,100	2,100
		=====	=====

</TABLE>

All remaining shares (Purchased and Granted) would immediately expire upon termination. No options would be granted for fiscal 1996 as the termination took place in the first fiscal quarter.

The Optionee would be repaid the following sums for Purchased Portion shares which would become unexercisable and expire:

<TABLE>  
<CAPTION>

Fiscal Year Grant	% Repaid	Shares	Cost/Sh.	Amount Repaid
<S>	<C>	<C>	<C>	<C>

1992	0 %	--	\$1.80	\$ --
1993	33 1/3	300	2.74	822
1994	66 2/3	1,000	3.00	3,000
1995	100	400	3.50	1,400
				-----
				\$5,222
				=====

</TABLE>

(d) No Option may be exercised to any extent by anyone after, and every Option will expire no later than, the expiration of seven years from the date the Option was granted.

#### Section 4.4 - No Right to Continue in Employment or Office

Nothing in the Plan (i) will confer upon any Optionee who is an Employee any right to continue in the employ of the Company or any of its Subsidiaries or (ii) will interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to terminate the employment of any Optionee at any time for any reason whatsoever, with or without good cause.

7

#### Section 4.5 - Adjustments in Outstanding Options

Subject to Section 4.6, if the outstanding shares of Common Stock subject to Options are, from time to time, changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company or of another corporation, by reason of a reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares, or otherwise, the number of shares of Common Stock subject to all outstanding Options, or portions thereof then unexercised, will be increased or decreased in proportion to the change in Common Stock and the Committee will make any other appropriate and equitable adjustment in the kind of shares, the exercise price or other consideration as to which all outstanding Options, or portions thereof then unexercised, will be exercisable. Any such adjustment made by the Committee will be final and binding upon all Optionees, the Company and all other interested persons.

#### Section 4.6 - Merger, Consolidation, Exchange, Acquisition, Liquidation or Dissolution

(a) All outstanding Options issued under the Plan will immediately become exercisable as to all shares of Common Stock covered thereby in the event that (i) the Company merges with or into, or consolidates with, another entity; (ii) the Company sells, exchanges or otherwise disposes of all or substantially all of the assets of the Company; (iii) 50% or more of the Company's then outstanding shares of voting stock is acquired by another corporation, person or entity; (iv) the Company liquidates or dissolves; or (v) the Company recapitalizes or enters into any similar transaction, and as a result of which the Common Stock either (A) is no longer a voting equity security of the Company or (B) is no longer listed on a national securities exchange or authorized for quotation on an inter-dealer quotation system of a national

securities association. In connection with any such transaction the Committee may, but shall not be required to, provide that all outstanding Options shall automatically be converted into the right to receive from the Company or its successor, not later than 30 days after the transaction, cash in an amount equal to the number of shares of Common Stock covered by the Options immediately prior to the transaction times (i) the fair market value of the consideration receivable by the holder of one share of Common stock immediately following transaction less (ii) the exercise price per share of Common stock covered by the Option immediately prior to the transaction. In addition, the Committee may, in its sole discretion, provide that the Options will terminate 30 days following the consummation of a transaction described above. For purposes of this paragraph (a), the term "Company" shall not include any Subsidiary.

(b) Upon the occurrence of any event described in paragraph (a) and if an Optionee does not elect to exercise his or her Options in connection with such event as therein provided and the Committee does not provide for the termination of such Options, then following consummation of such event, such Optionee, upon exercise of his or her Options, will only be entitled to receive the kind and amount of stock, securities or assets that such Optionee would have received had such Optionee exercised his or her Options immediately prior to such transaction.

(c) The Company shall promptly notify each holder of an Option of any event which shall cause the acceleration of all outstanding Options and of any conversion of Options into the right to receive cash or the termination of Options each as described in paragraph (a).

#### Section 4.7 - Expiration of Options Upon Certain Breaches

Notwithstanding any other provision of the Plan or any other agreement, if an Optionee breaches any non-competition agreement with the Company or any of its Subsidiaries or breaches any agreement or duty imposed by law with respect to the pre-termination or post-termination conduct of such Optionee (including, without limitation, any confidentiality agreement), then all outstanding unexercisable Options held by such Optionee or such Optionee's Permitted Transferees will immediately expire.

8

### ARTICLE 5 EXERCISE OF OPTIONS

#### Section 5.1 - Persons Eligible to Exercise

During the lifetime of the Optionee, only he or a Permitted Transferee may exercise an Option granted to him, or any portion thereof. After the death of the Optionee, any exercisable portion of an Option may, prior to the time when such Option portion becomes unexercisable under Section 4.3 or Section 4.6, be exercised by a Permitted Transferee.

#### Section 5.2 - Partial Exercise

At any time and from time to time following the date on which an Option becomes exercisable under Section 4.2 and prior to the time when any exercisable Option or exercisable portion thereof expires or becomes unexercisable under Section 4.3 or Section 4.6, such Option or portion thereof may be exercised, subject to Section 5.3, in whole or in part; provided, however, that the Company will not be required to issue fractional shares. Each Option granted to an Optionee in any Fiscal Year may only be exercised for an even number of shares of Common Stock representing an equal number of Shares subject to the Purchased Portion Exercise Price as shares subject to the Granted Portion Exercise Price; provided further that the Company is only required to issue the lesser of (i) 100 shares of Common Stock, and (ii) the total number of shares of Common Stock subject to any one Option.

#### Section 5.3 - Manner of Exercise

An exercisable Option, or any exercisable portion thereof, may be exercised such that one share of Common Stock subject to the Purchased Portion Exercise Price is purchased for each Share of Common Stock subject to the Granted Portion Exercise Price that is purchased. Such Option or portion thereof is exercisable solely by delivering to the Secretary or his office all of the following prior to the time when such Option or such portion becomes unexercisable under Section 4.3 or Section 4.6:

(i) notice in writing signed by the Optionee or other person then entitled to exercise such Option or portion thereof, stating that such Option or portion thereof is exercised;

(ii) full payment of the Purchased Portion Exercise Price and the Granted Portion Exercise Price (in cash, by check or by the presentation of shares of Common Stock valued at the Fair Market Value of such shares of Common Stock on the trading day immediately preceding the date such Option is exercised) for the shares with respect to which such Option or portion thereof is thereby exercised, together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company with respect to such shares;

(iii) such representations and documents as the Committee reasonably deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act, and any other federal, state or foreign securities laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance, including, without limitation, placing legends on share certificates and issuing stop-transfer orders to transfer agents and registrars; and

(iv) in the event that the Option or portion thereof shall be exercised pursuant to Section 5.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option or portion thereof.

#### Section 5.4 - Rights as Stockholders

The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

ARTICLE 6  
ADMINISTRATION

Section 6.1 - Compensation Committee

The Committee shall consist of at least two directors of the Company. It shall be appointed by and shall serve at the pleasure of the Board. To the extent required to avoid liability under Section 16 of the Exchange Act, no person shall be eligible to serve on the Committee unless he is then a "disinterested person" as such term is used in Rule 16b-3(c)(2)(i) of the rules of the Securities and Exchange Commission under the Exchange Act, as such rule or its equivalent is then in effect. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee shall be filled by the Board.

Section 6.2 - Duties and Powers of Committee

It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Options and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such interpretations and rules shall be consistent with the basic purpose of the Plan to grant Options. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan provided that the Board will not exercise any rights and duties of the Committee if such action would cause the Plan or any grant thereunder to fail to comply with the exemption provided in Rule 16b-3 (or any comparable rule then in effect) under Section 16 of the Exchange Act.

Section 6.3 - Majority Rule

The Committee will act by a majority of its members in office and the Committee may act either by vote at a telephonic or other meeting or by a memorandum or other written instrument signed by a majority of the Committee.

Section 6.4 - Professional Assistance; Good Faith Actions; Indemnification

The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons, and all expenses and liabilities the Committee incurs in connection therewith or otherwise in connection with the administration of the Plan will be borne by the Company. The Committee, the Company and the officers and Directors of the Company will be entitled to rely upon the advice, opinions or valuations of any such persons so employed. All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon all Optionees, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Committee will be fully protected and indemnified by the Company with respect to any such action, determination or interpretation.



ARTICLE 7  
MISCELLANEOUS PROVISIONS

Section 7.1 - Options Not Transferable

No Option or interest or right therein will be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law or by judgement, levy, attachment, garnishment or any other legal or equitable proceeding (including bankruptcy), and any attempted disposition thereof will be null and void and of no effect; provided, however, that nothing in this Section 7.1 will prevent transfers to Permitted Transferees.

9

10

Section 7.2 - Amendment, Suspension or Termination of the Plan

The Board may amend or terminate the Plan, but may not (i) without the consent of the Optionees, alter or impair any rights or obligations under any Option theretofore granted, or (ii) make any alteration in the Plan that would cause the Plan to fail to comply with (A) Section 16 of the Exchange Act (or Rule 16b-3 of the rules of the Securities and Exchange Commission under the Exchange Act), or (B) any other requirement of applicable law or regulation, if such revision or amendment were not approved by the holders of the Common Stock of the Company, unless and until the approval of the holders of such Common Stock is obtained.

Section 7.3 - Effect of Plan Upon Other Option and Compensation Plans

Nothing in the Plan will be construed to limit the right of the Company or any of its Subsidiaries (i) to establish any other forms of incentives or compensation for employees of the Company or any of its Subsidiaries or (ii) to grant or assume options otherwise than under the Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

Section 7.4 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

Section 7.5 - Foreign Employees

Notwithstanding anything to the contrary in Articles III, IV and V (other than Section 4.3(d) and Section 5.1), the Committee may grant options to eligible

Employees who are not United States citizens or residents on such terms and conditions as may, in the judgement of the Committee, be necessary or desirable to foster the purposes of the Plan. In furtherance of the purposes of the Plan, the Committee may adopt such modifications to the terms of Options and such procedures and guidelines, and may cause the Company to take such other actions, as may be necessary or advisable to comply with foreign laws and practices.

#### Section 7.6 - Certain Powers of the Committee

Notwithstanding anything to the contrary, the Committee may on such terms and conditions as it may determine to be appropriate and subject to Section 7.2, waive certain provisions of this Plan from time to time as it sees fit, provided however that under no circumstances may Section 4.3(b) or 4.3(d) be waived.