

Interleaf

Interleaf, Inc.
Prospect Place
9 Hillside Avenue
Waltham, Massachusetts 02154
(Address of principal executive offices)
Telephone No.: (617)290-0710

Notice of Annual Meeting of Shareholders to be held August 4, 1994

The Annual Meeting of Shareholders (the "Annual Meeting") of Interleaf, Inc. (the "Company") will be held at Bank of Boston, 100 Federal Street, Boston, Massachusetts, on Thursday, August 4, 1994 at 8:30 a.m., local time, to consider and act upon the following matters:

1. To elect two (2) Class I directors to serve for the ensuing three years.
2. To ratify and approve the Company's 1993 Director Stock Option Plan covering 150,000 shares of the Company's common stock, as described in the Proxy Statement.
3. To ratify the selection of Ernst & Young as the Company's independent auditors for the 1995 fiscal year.
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on June 15, 1994 will be entitled to vote at the Special Meeting or any adjournment thereof. The stock transfer books of the Company will remain open.

By Order of the Board of Directors,

John K. Hyvnar, Clerk

Waltham, Massachusetts
June 30, 1994

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

Interleaf, Inc.
Prospect Place
9 Hillside Avenue
Waltham, Massachusetts 02154

Notice of Annual Meeting of Shareholders

August 4, 1994

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Interleaf, Inc. (the "Company") for use at the Annual Meeting of Shareholders to be held on Thursday, August 4, 1994 and at any adjournment of that meeting (the "Annual Meeting"). All proxies will be voted in accordance with the shareholders' instructions, and if no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying Notice of Annual Meeting. Any proxy may be revoked by a shareholder at any time before its exercise by delivery of written revocation, or a subsequently dated proxy to the Clerk of the Company, or by voting in person at the Annual Meeting.

The Board of Directors has fixed June 15, 1994 as the record date for determining shareholders who are entitled to vote at the Annual Meeting. At the close of business on June 15, 1994 there were outstanding and entitled to vote 13,853,374 shares of common stock of the Company, \$.01 par value per share ("Common Stock") and 1,785,715 shares of the Company's Senior Series B Convertible Preferred Stock, \$.10 par value per share ("Preferred Stock"). Except as provided below, at the Annual Meeting each share of the Common Stock is entitled to one vote; each share of the Preferred Stock is entitled to 1.34375 votes, and therefore the total number of votes eligible to be cast at the Annual Meeting is 16,252,929. Only holders of the Preferred Stock are eligible to vote for the election of the Class I director designated below as the "Preferred Class I Director."

The Company's Annual Report for the fiscal year ended March 31, 1994 is being mailed to the shareholders with the accompanying Notice of Annual Meeting and this Proxy Statement on or about June 30, 1994.

Principal Shareholders

The following table sets forth certain information, as of June 15, 1994, with respect to all of the beneficial ownership of the Company's voting shares by (i) each person known by the Company to own beneficially more than five percent (5%) of the outstanding shares of any voting class, (ii) each current director, (iii) each named executive listed under "Executive Compensation," and (iv) all current directors and executive officers of the Company as a group:

Directors, Officers and 5% Shareholders	Common Stock		Preferred Stock		% of Total Voting Capital Stock Outstanding ¹
	No. of Shares Beneficially Owned	% of Class Outstanding	No. of Shares Beneficially Owned	% of Class Outstanding	
Dietche & Field Advisors, Inc. 437 Madison Ave.-33rd Floor New York, NY 10022	743,000 ²	5.36%	-	-	4.57%
Wellington Management Co. 75 State Street Boston, MA 02109	909,450 ³	6.56%	-	-	5.60%
Advent International Corporation 101 Federal Street Boston, MA 02110	- ⁴	-	1,241,242 ⁵	69.5%	10.26%
Compagnie Financiere du Scribe 73, Rue du Faubourg Saint Honore, Paris, France	- ⁶	-	428,572	24.0%	3.54%
Frederick B. Bamber	28,491 ⁷	*	-	-	*
David A. Boucher	446,644 ⁸	3.21%	-	-	2.74%
Andre Harari	5,000 ⁹	*	428,572 ¹⁰	24.0%	3.57%
Clinton P. Harris	11,000 ¹¹	*	- ¹²	-	*
George D. Potter, Jr.	228,662 ¹³	1.65%	-	-	1.41%
Patrick J. Sansonetti	25,900 ¹⁴	*	- ¹²	-	*
Mark K. Rupert	92,187 ¹⁵	*	-	-	*
Peter Cittadini	80,000 ¹⁶	*	-	-	*
Lawrence S. Bohn	43,338 ¹⁷	*	-	-	*
Paul English	12,238 ¹⁸	*	-	-	*
Haviland Wright	15,000 ¹⁹	*	-	-	*
Philip E. London ²⁰	-	-	-	-	-
All current directors and executive officers as a group (13 persons)	1,009,640 ²¹	7.10%	428,572 ²²	24.0%	9.55%

*Less than 1%.

-Indicates zero.

- Determined by using a conversion ratio of 1.34375 for the Preferred Stock.
- All of which Dietche & Field Advisors, Inc. has sole voting power over. The Company has relied on information contained in a Form 13G filed by Dietche & Field Advisors, Inc. on December 22, 1993, in providing this information.
- Of which amount, Wellington Management Co. has shared voting power over 374,450 shares and shared dispositive power over 909,450 shares. The Company had relied on information contained in a Form 13G filed by Wellington Management Co. on February 10, 1994, in providing this information.
- Does not include 11,000 shares of Common Stock listed as beneficially owned by Mr. Clinton P. Harris, and 25,900 shares of Common Stock listed as beneficially owned by Mr. Patrick J. Sansonetti, both of whom serve as Sr. Vice Presidents of Advent International Corporation.
- Represents 1,241,242 shares of Senior Series B Convertible Preferred Stock ("Preferred Stock") held by various limited partnerships of which Advent International Corporation is either the general partner or a general partner in limited partnerships which are the general partners in such various limited partnerships ("Advent"). The Company has relied on information contained in a Schedule 13D, filed on October 18, 1989 by Advent, in providing this information.
- Does not include 5,000 shares of Common Stock listed as beneficially owned by Mr. Andre Harari. Mr. Harari is the controlling shareholder, Chairman of the Board of Directors, and Chief Executive Officer of Compagnie Financiere du Scribe.
- Includes 23,000 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994. If the Company's 1993 Director Stock Option Plan is not approved at the Annual Meeting, the amount beneficially owned by Mr. Bamber shall be reduced by 2,000 shares.
- Includes 70,000 shares held by certain trustees of irrevocable trust established for the benefit of Mr. Boucher's children, and 10,000 shares held by the spouse of Mr. Boucher, as to all of which Mr. Boucher disclaims all beneficial ownership. Also includes 44,800 shares of Common Stock issuable upon exercise of certain options, which options are all currently exercisable.
- Represents shares of Common Stock issuable upon exercise of an option granted under the Company's 1993 Director Stock Option Plan, subject to shareholder approval at the Annual Meeting.
- Represents 428,572 shares of Preferred Stock listed as beneficially owned by Compagnie Financiere du Scribe, a French corporation of which Andre Harari, a director of the Company, is Chairman of the Board of Directors, Chief Executive Officer and controlling shareholder.
- Includes 5,000 shares of Common Stock issuable upon exercise of an option granted under the Company's 1993 Director Stock Option Plan, subject to shareholder approval at the Annual Meeting; and 2,000 shares of Common Stock held by trustees of trusts established for the benefit of Mr. Harris' wife and children, as to all of which shares Mr. Harris disclaims beneficial ownership.

- (12) Does not include 1,241,242 shares of Preferred Stock listed as beneficially owned by Advent International Corporation, a corporation in which he serves as Sr. Vice President.
- (13) Includes 22,000 shares of Common Stock held by trustees of an irrevocable trust established for the benefit of Mr. Potter's children, as to which he disclaims all beneficial ownership, and 5,000 shares of Common Stock issuable upon exercise of an option granted under the Company's 1993 Director Stock Option Plan, subject to shareholder approval at the Annual Meeting.
- (14) Includes 23,000 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994. If the Company's 1993 Director Stock Option Plan is not approved at the Annual Meeting, the amount beneficially owned by Mr. Sansonetti shall be reduced by 2,000 shares.
- (15) Represents 92,187 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994.
- (16) Represents 80,000 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994.
- (17) Includes 31,500 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994.
- (18) Includes 11,750 shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994.
- (19) Represents shares of Common Stock issuable upon exercise of certain options, which options are currently exercisable or become exercisable within a 60-day period after June 15, 1994.
- (20) Mr. London resigned from the Company in December 1993 as its Sr. Vice President of Engineering. Mr. London has no beneficial ownership of Common Stock issuable upon exercise of any options, nor is he a shareholder of record of any of the Company Common Stock.
- (21) Includes 104,000 shares held by the children and spouses of certain directors and officers, and certain trustees of irrevocable trusts established for the benefit of the children of certain directors and officers, as to all of which shares these directors and officers disclaim all beneficial ownership. Includes an aggregate of 356,937 shares issuable upon exercise of options held by six (6) directors and six (6) executive officers, which options are currently exercisable or become exercisable within the 60-day period after June 15, 1994.
- (22) Represents 428,572 shares of Preferred Stock listed as beneficially owned by Compagnie Financiere du Scribe, a French corporation of which Andre Harari, a director of the Company, is Chairman of the Board of Directors, Chief Executive Officer and controlling shareholder. Does not include 1,241,242 shares of Preferred Stock listed as beneficially owned by Advent International Corporation, a corporation in which Patrick J. Sansonetti and Clinton P. Harris serve as Sr. Vice Presidents.

Votes Required

A plurality of votes cast by the holders of the Preferred and Common Stock is required for the election of directors, except that a plurality of the votes cast by the holders of the Preferred Stock is required for the election of the Preferred Class I director. The affirmative vote of the holders of a majority of the shares of Common and Preferred Stock represented and entitled to vote at the Annual Meeting is required for the approval of the Company's 1993 Director Stock Option Plan. The affirmative vote of the holders of a majority of the shares of Common and Preferred Stock represented and voting at the Annual Meeting is required for the ratification of the selection by the Board of Directors of Ernst & Young as the Company's independent accountants for the current fiscal year.

Shares of Common and Preferred Stock represented in person or by proxy at the Annual Meeting (including shares which abstain from or do not vote with respect to one or more of the matters presented at the Annual Meeting) will be tabulated by the inspector of the election. The First National Bank of Boston (the "Bank of Boston") was appointed inspector for the Annual Meeting and will determine whether or not a quorum is present for a particular matter(s). The Bank of Boston will treat abstentions as shares that are present and entitled to vote for purposes of determining the number of shares that are present and entitled to vote with respect to any particular matter, but will not count abstentions as a vote in favor of such matter. Accordingly, an abstention from voting on a matter by a shareholder present in person or represented by proxy at the Annual Meeting with respect to any matter requiring a majority of the shares represented and entitled to vote has the same legal effect as a vote "against" the matter even though the shareholder or interested parties analyzing the results of the voting may interpret such vote differently. If a broker holding stock in "street name" indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to the matter.

1. ELECTION OF DIRECTORS

The Company has a classified Board of Directors presently consisting of two (2) Class I, two (2) Class II, and three (3) Class III directors. At each annual meeting of shareholders, a class of directors is elected for a full term of three years to succeed those directors whose terms are expiring. The Preferred Shareholders, as a separate class, are entitled to elect the director designated herein as the Preferred Class I Director.

At the Annual Meeting, two (2) Class I directors will be elected to hold office until the 1997 annual meeting of shareholders (or Special Meeting in lieu thereof) and until their respective successors are duly elected and qualified. All nominees have indicated their willingness to serve if elected; however, if an individual should be unable to serve, the proxies may be voted for a substitute nominee or nominees designated by management.

The persons named in the enclosed proxy will vote to elect as directors the Class I nominees named below (except that only Preferred shareholders shall be entitled to vote for the Preferred Class I Director), unless authority to vote for any or all of the directors is withheld by marking the proxy to that effect.

The following table sets forth the name and age of each nominee for election as a Class I director (each of whom is currently a director) and each of the Class II and Class III directors, the positions and offices held by him with the Company, his principal occupation and business experience during the past five years, the names of other publicly held companies of which he serves as a director, if any, and the year of the commencement of his term as a director of the Company.

Name, Age, Principal Occupation, Business Experience and Directorships

Nominees for Terms Expiring in 1997

(Class I Directors)

Patrick J. Sansonetti

Age 50; Sr. Vice President of Advent International Corporation, a venture capital company, since December 1987. Director of the Company since 1983. Director of Cognex Corp.

Preferred Class I Director

Clinton P. Harris

Age 47; Sr. Vice President of Advent International Corporation, a venture capital company, since December 1984. Director of the Company since 1990.

Directors Whose Terms Expire in 1996
(Class III Directors)

David A. Boucher
Age 43; General Partner of Applied Technology Partners, L.P., a venture capital limited partnership, since January 1993; Chairman of the Board of Directors of the Company since October 1989; Chief Executive Officer from October 1989 to July 1992; Chief Executive Officer and President from 1981 to October 1989. Director of the Company since 1981. Director of Viewlogic, Inc., and Wang Laboratories, Inc.

Frederick B. Bamber
Age 51; General Partner of Applied Technology Partners, L.P., a venture capital limited partnership, since January 1982. Director of the Company since 1984.

Mark K. Rupert
Age 41; Chief Executive Officer since August 1992, and President and Chief Operating Officer of the Company since January 1991; Sr. Vice President World Wide Sales of the Company from June 1990; prior to that date, from October 1989 to June 1990 Sr. Vice President of Sales of Informix Software, Inc., a developer and marketer of database software; from April 1986 to October 1989 Vice President North American Operations and Client Services of Cullinet Software, Inc., a developer and marketer of software for mainframe computers. Director of the Company since 1991.

Directors Whose Terms Expire in 1995
(Class II Directors)

Andre Harari
Age 51; Chairman of the Board of Directors and Chief Executive Officer of Compagnie Financiere du Scribe, a French venture capital firm, since January 1975. Director of the Company since 1991.

George D. Potter, Jr.
Age 57; President of Quality Systems International, Inc., a developer of quality assurance software October 1993 to present; Independent business consultant September 1991 to October 1993; Sr. Vice President of Sales and Marketing, Gescan International, Inc., a data retrieval software company from January 1990 to September 1991; Sr. Vice President of Sales Operations of the Company from April 1989 to December 1990; Vice President of Marketing of the Company, February 1983 to March 1989. Director of the Company since 1983.

Board and Committee Meetings

The Company has a standing Audit Committee of the Board of Directors, which provides the opportunity for direct contact between the Company's independent auditors and the Board of Directors. The Audit Committee reviews the overall scope and specific plans of the annual audit by the Company's independent auditors and the adequacy of the Company's internal controls, and considers and recommends the selection of the Company's independent auditors. The Audit Committee met five (5) times during fiscal 1994. The current Audit Committee members are Messrs. Bamber (Chairman), Harris, and Potter.

The Company also has a standing Compensation Committee of the Board of Directors, which provides recommendations to the Board of Directors regarding compensation programs of the Company and administers the Company's 1983 and 1993 Stock Option Plans and 1987 Employee Stock Purchase Plan. The Compensation Committee met eight (8) times during fiscal 1994. The current members of the Compensation Committee are Messrs. Bamber, Harari, and Sansonetti (Chairman).

The Company has no nominating committee.

The Board of Directors met five (5) times during fiscal 1994. Each current director attended at least 75% of the aggregate number of the meetings of the Board of Directors and of all committees of the Board of Directors on which he served.

There are no family relationships between or among any directors or officers of the Company. Under the terms of the Certificate of Vote Establishing the Preferred Stock, the holders of the Preferred Stock have the right, as a single class, to elect one director, herein designated the Preferred Class I Director. At the time of such establishment in September, 1989, a current director of the Company, Patrick J. Sansonetti, was so designated. Mr. Sansonetti was elected a Preferred Class I Director for a term of three (3) years at the Special Meeting In Lieu of An Annual Meeting of Shareholders held on August 9, 1991, and is a current nominee for election at the Annual Meeting as a Class I Director. Daniel Harari

and Clinton P. Harris were elected by the Board of Directors as directors of the Company pursuant to arrangements arising out of the Company's private placement of the Preferred Stock in September, 1989. Mr. Harris is a current nominee for election as a Preferred Class I Director. In May, 1991, Daniel Harari resigned as a director of the Company. Subsequently, the Board of Directors elected Mr. Andre Harari a Class II director of the Company, succeeding to the position previously held Daniel Harari. Andre Harari is the brother of Daniel Harari, and is the Chairman of the Board of Directors and Chief Executive Officer of Compagnie Financiere du Scribe. Mr. Andre Harari was elected a Class II Director at the Special Meeting in Lieu of an Annual Meeting of Shareholders held August 21, 1992 by holders of both the Common and Preferred Stock.

Certain Relationships and Related Transactions

In September, 1989, the Company completed the acquisition of Interleaf France, S.A. for approximately \$7 million from Compagnie Financiere du Scribe ("CFS"). In September, 1989, the Company sold 428,572 shares of its Preferred Stock to CFS for approximately \$3 million. Mr. Andre Harari, a director of the Company since May, 1991, is Chairman of the Board of Directors, Chief Executive Officer and controlling shareholder of CFS. In September, 1989, the Company also sold 1,714,285 shares of its Preferred Stock to a group of investors and funds advised and/or controlled by Advent International Corporation ("Advent") for approximately \$12 million. Mr. Sansonetti, a director of the Company at such time, and a current nominee for election as a director, serves as Sr. Vice President of Advent. Mr. Harris, a director of the Company since March, 1990, and a current nominee for election as a director, also serves as Sr. Vice President of Advent. Pursuant to adjustments required by the terms of Certificate of Vote Establishing the Preferred Stock, each share of Preferred Stock may be converted into a 1.34375 shares of Common Stock. In addition to electing the Preferred Class I Director, the holders of the Preferred Stock are entitled to vote the number of shares of Common Stock they would have owned if they had converted their Preferred Stock.

While Mr. David Boucher served as the Company's Chief Executive Officer, the Company and Mr. Boucher entered into an agreement that in the event Mr. Boucher should resign from his employment with the Company, he would be available on an exclusive consulting basis to the Company for a period of 18 months during which time his monthly compensation would equal that of his 1992 compensation of \$30,750 per month. Additionally, in such event, certain outstanding unvested stock options, approximately 30,000 shares, would continue to vest over said 18 month period. In July 1992, Mr. Boucher resigned as Chief Executive Officer and thereafter received compensation as a consultant until January 31, 1994, totalling \$553,500. Mr. Boucher shall have until December 31, 1994 to exercise options covering 42,800 shares at per share exercise price of \$3.13. Mr. Boucher is currently Chairman of the Company's Board of Directors, and since January 1993 a general partner in Applied Technology Partners, L.P. Mr. Frederick Bamber, a Company director, is also a general partner in Applied Technology Partners, L.P.

On June 15, 1993, the Company acquired all of the outstanding stock of Avalanche Development Company ("Avalanche") for a cash purchase price of \$5.5 million. Mr. Haviland Wright was Avalanche's founder and president, and owned approximately 17% of Avalanche's outstanding stock. Mr. Wright received cash consideration of \$942,848 for all of his stock in Avalanche from the Company as part of the acquisition. Immediately after the acquisition, Mr. Wright joined the Company as a Sr. Vice President, a position in which he continues to serve.

Executive Compensation

The following table sets forth the summary of compensation received by the Chief Executive Officer and each of the Company's five other most highly compensated executive officers along with their principal positions, for services rendered with respect to fiscal 1994, 1993, and 1992:

SUMMARY COMPENSATION TABLE				
Name and Principal Position*	Year	Annual Compensation		Long Term Compensation
		Salary ¹ (\$)	Bonus ² (\$)	Awards Securities Underlying Options (#)
Mark K. Rupert, President and Chief Executive Officer	1994	\$250,000	\$49,810	30,000
	1993	\$250,000	\$87,500	25,000
	1992	\$250,000	\$119,000	-
Peter Cittadini, Sr. VP Worldwide Operations	1994	\$150,000	\$73,444	20,000
	1993	\$150,000	\$293,303	-
	1992	\$90,576	\$72,916	100,000
Lawrence S. Bohn, Sr. VP Business Dev.	1994	\$150,000	\$29,250	10,000
	1993	\$141,076	\$45,500	20,000
	1992	\$124,807	\$40,525	-
Haviland Wright, ³ Sr. VP and Chief Scientist	1994	\$131,458	\$8,780	60,000
	1993	-	-	-
	1992	-	-	47,000
Paul English, ⁴ Sr. VP of Engineering	1994	\$109,115	\$25,000	-
	1993	-	-	-
	1992	-	-	-
Philip E. London, ⁵ Sr. VP of Engineering	1994	\$175,000	-	-
	1993	\$175,000	\$61,600	75,000
	1992	-	-	-

* No restricted stock awards have ever been made by the Company to the Chief Executive Officer and the five other most highly compensated executives of the Company listed above.

- Indicates zero.

- (1) Salary includes amounts deferred pursuant to the Interleaf, Inc. 401(k) Savings Plan.
- (2) Amounts shown, except for those relating to Mr. Cittadini, are the awards made under the Company's corporate bonus program, which amounts are earned and accrued during the fiscal years indicated and paid subsequent to the end of each fiscal year. Amounts shown for Mr. Cittadini are comprised of sales commissions based on revenue and a cash bonus for meeting his sales goal, or part thereof, with respect to each fiscal year.
- (3) Mr. Wright joined the Company and was elected a Sr. Vice President in June 1993.
- (4) Mr. English was elected a Vice President in March 1994.
- (5) Mr. London resigned as the Company's Sr. Vice President of Engineering and Chief Technical Officer in December 1993.

The following table sets forth certain information with respect to the grant of incentive and non-qualified stock options for the Chief Executive Officer and each of the Company's five other most highly compensated executive officers in fiscal 1994:

OPTION GRANTS TABLE						
Options Granted in Fiscal Year 1994						
Name	Number of Securities Underlying Options Granted (#) ¹	Percent of Total Options Granted to Employees in Fiscal Year ²	Exercise of Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ³	
					5% (\$)	10% (\$)
Mark K. Rupert	30,000	6.18%	\$9.00	6/1/2003	\$170,100	\$429,300
Peter Cittadini	20,000	4.12%	\$9.00	6/1/2003	\$113,400	\$286,200
Lawrence S. Bohn	10,000	2.06%	\$9.00	6/1/2003	\$56,700	\$143,100
Haviland Wright	60,000	12.36%	\$6.75	8/5/2003	\$255,150	\$643,950
Paul English	7,000	1.44%	\$8.25	4/7/2003	\$36,382	\$91,822
Philip E. London ⁴	-	-	-	-	-	-

-Indicates zero.

- (1) All options granted to the named executive officers provided above are exercisable in four equal annual installments, commencing one year after the date of grant. The Company's 1983 and 1993 Stock Option Plans ("Stock Option Plans") provide that the exercise price of each option must be at least 100% of the fair market value of the Company's Common Stock on the date the option is granted. The exercise price may be paid in cash or in shares of Common Stock, or in a combination of cash and shares. Pursuant to the terms of the Plans, the options held by all employees, including the above-mentioned executives, become exercisable in full upon a "change in control." See, "Severance and Change in Control."
- (2) During the fiscal year ended March 31, 1994, the Company granted options under its Stock Option Plans to its employees to purchase a total of 485,350 shares of Common Stock and cancelled options to purchase 272,843 shares of Common Stock due to employee terminations.
- (3) The dollar amounts under these columns are the result of calculations at the 5% and 10% appreciation rates set by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, in the price of the Common Stock.
- (4) Mr. London resigned as the Company's Sr. Vice President in December 1993, and no options were granted to him in fiscal 1994.

The following table sets forth certain information on option exercises in fiscal 1994 for the Company's Chief Executive Officer and each of the Company's five other most highly compensated executive officers during fiscal 1994 and the value of such executive officers' in-the-money unexercised options as of March 31, 1994:

OPTION EXERCISES AND FISCAL 1994 YEAR-END VALUE TABLE				
Aggregated Option Exercises in 1994 and FY-End Option Values				
Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Unexercised Options at FY1994-End (#)	Value of Unexercised In-the-Money Options at FY1994-End (\$) ¹
			Exercisable/Unexercisable	Exercisable/Unexercisable
Mark K. Rupert	-	-	72,687/42,563	\$227,593/\$100,828
Peter Cittadini	-	-	50,000/70,000	\$75,000/\$75,000
Lawrence S. Bohn	-	-	29,000/28,000	\$58,500/\$28,980
Haviland Wright	-	-	-/60,000	-/-
Paul English	-	-	19,000/57,000	\$18,100/-
Philip E. London ²	-	-	-/-	-/-

-Indicates zero.

- (1) Market value of shares covered by in-the-money options on March 31, 1994, or \$6.75 per share, less the option exercise price. Options are in-the-money if the market value of the shares covered thereby is greater than the option exercise price.
- (2) Mr. London resigned as the Company's Sr. Vice President in December 1993 and currently has no options.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Company's Board of Directors during fiscal 1994 were Andre Harari, Patrick J. Sansonetti and Frederick B. Bamber, none of whom is or has ever been an officer or employee of the Company or any of its subsidiaries. No member of the Compensation Committee is a party to any relationship required to be disclosed under Item 402 or Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission. See "Certain Relationships and Related Transactions," above.

Compensation Committee Report

The Company's executive compensation program is developed and approved by the Compensation Committee. The Committee's philosophy is to reward executives based upon the achievement of corporate and individual performance goals as well as to provide long-term incentives for the achievement of future financial and strategic goals. These corporate goals are based on the Company's revenue growth and corporate net income for the relevant fiscal year. The Company's President and Chief Executive Officer, Mark K. Ruport, may earn up to 50% of his compensation based exclusively upon the achievement of corporate goals. Approximately 25% to 50% of the Company's named executive officers total compensation opportunity is based upon the achievement of corporate and individual performance goals, except for executives whose salaries are highly leveraged based on profitability for a particular business unit. Of the above-named executives, only Peter Cittadini, the Company's Sr. Vice President of Worldwide Operations, has his compensation based on this latter criterion.

The Company's executive compensation program for fiscal 1994 consisted of the following three elements: (1) base salary; (2) incentive compensation in the form of commissions and annual cash bonuses earned under the Company's corporate bonus program; and (3) long-term equity-based incentive compensation in the form of stock options granted pursuant to the Company's 1983 and 1993 Stock Option Plans.

1. Base Salary

Base salaries for the Company's executive officers, including the Company's President, Mark K. Ruport, are determined by taking into account a combination of the following three factors: (a) salaries generally paid for similar positions in comparable software companies, (b) the particular skills of the executive, and (c) the past performance of the executive with the Company. In June 1993, the Compensation Committee, with the assistance of the Company's then Vice President of Human Resources, William Barnes, reviewed executive salary surveys for comparably sized software companies. In addition, the Compensation Committee reviewed the Company's strong operating performance in fiscal 1993 and Mr. Ruport's stewardship of the Company during the year. After the review, it was determined that Mr. Ruport's base salary was at the lower end of the software industry survey, but that in combination with his incentive compensation and stock options, he was fairly compensated. Mr. Ruport agreed with the Compensation Committee's determination.

2. Incentive Compensation

In April 1993, the Compensation Committee established Interleaf's corporate bonus program ("1994 Bonus Program"). Under the 1994 Bonus Program, each named executive, with the exception of Messrs. Cittadini and Ruport, could receive between 25% to 50% of his base salary if certain targeted (i) corporate revenue and (ii) corporate net income goals were achieved ("Goals") in fiscal 1994, along with certain individual performance goals established by Mr. Ruport, with the approval of the Compensation Committee. Under 1994 Bonus Program, however, no bonuses were to be paid to Mr. Ruport, the Company's President and Chief Executive Officer, if the Company achieved less than 70% of these Goals; if the Company achieved 70% of its Goals, 12.5% of his base salary would be paid; and at 90% of Goals, 35% of his base salary would be paid. Finally, if 100% of Goals were achieved, Mr. Ruport would receive a bonus equal to 50% of his base salary. This formula has been in effect for the Company's last three fiscal years.

In September 1993, because of the Company's poor operating performance, the Board of Directors subsequently revised the Company's operating plan for fiscal 1994. Since the Goals were based on the original operating plan, it was highly unlikely that any executive, including Mr. Ruport, would be awarded a bonus. On November 11, 1993, the Compensation Committee met and revised the Corporate 1994 Bonus Program to provide that if the Company's revised operating plan was fully achieved, the total bonus pool would be funded up to 33% of its original amount. The Compensation Committee believed that it was important to incent the Company's executives to achieve the revised operating plan. The Company met its revised operating plan for fiscal 1994 and based on the individual recommendations of the Company's President, Mr. Ruport, the Compensation Committee awarded bonuses to the executives based on this funding level.

Mr. Ruport recommended, however, that he not be granted a bonus. The Compensation Committee, however, in recognition of the revised operating plan being fully achieved, awarded Mr. Ruport a bonus of \$50,000, or 40% of his original maximum bonus opportunity.

3. Long-Term Incentives

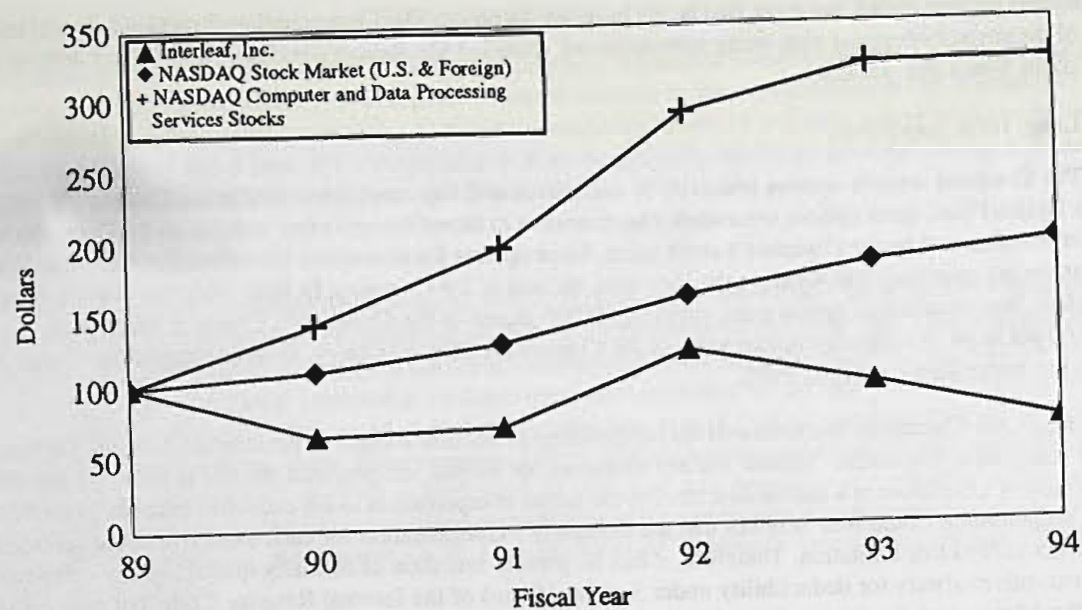
The Company awards options primarily to executives and key employees. Under the Company's 1983 and 1993 Stock Option Plans, stock options are awarded an executive to incent the executive to focus on the Company's long-term success as measured by the Company's stock price. Since options for executives vest annually over a 4 to 5 year period, executives are encouraged to focus on the long-term success of the Company. In June 1993, Mr. Ruport, the Company's President, was awarded an option grant covering 30,000 shares of the Company's Common Stock at an exercise price of \$9.00 per share, the then fair market price of the Company's Common Stock, in recognition of the Company's strong operating performance in fiscal 1993.

Finally, the Committee has reviewed the implications of Section 162(m) of the Internal Revenue Code and the proposed regulations thereunder. Section 162(m) disallows for federal tax purposes the deductibility of compensation to the Company's President or a named executive to the extent compensation to the executive exceeds \$1 million in a year. The Compensation Committee believes that the Company's compensation for each executive in the foreseeable future would not exceed this limitation. Therefore, it has no present intention of formally qualifying any compensation paid to its executive officers for deductibility under Section 162(m) of the Internal Revenue Code, but may consider doing so in the future when the proposed regulations become final if it appears that the limitations are likely to be exceeded.

Compensation Committee: Andre Harari Frederick B. Bamber Patrick J. Sansonetti

Stock Performance Graph

The following graph compares the Company's cumulative shareholder return with that of a broad market index (NASDAQ Stock Market Index for U.S. and Foreign Companies) and a published industry index (NASDAQ Computer and Data Processing Services Stocks). Each of these indexes is calculated assuming that \$100 was invested on March 31, 1989. The lines represent monthly index levels derived from the changes in the daily market capitalization, which are calculated based on daily closing stock prices, quarterly shares outstanding and quarterly dividend reinvestments. The broad market index and industry index are weighted on the basis of market capitalization.



	3/31/89	3/30/90	3/28/91	3/31/92	3/31/93	3/31/94
Interleaf, Inc.	100	64.48	69.74	122.37	98.68	71.05
NASDAQ Stock Market (U.S. & Foreign)	100	109.83	128.58	161.02	183.55	197.02
NASDAQ Computer and Data Processing Services Stocks	100	143.08	195.60	289.23	321.35	323.22

Severance Plan and Change of Control

Executive officers and all other officers of the Company are covered by the Company's Officer Severance Benefit Plan (the "Severance Plan"). Adopted by the Board of Directors effective March 13, 1989, the Severance Plan provides that if any officer, vice president or more senior officer loses his employment with the Company, or has his responsibilities significantly diminished, during a one year period after a "change in control of the Company," such individual will be entitled to receive an amount equal to his then total annual compensation. For purposes of the Severance Plan, a "change in control" occurs if (a) an individual by himself or in affiliation with others shall acquire, directly or indirectly, 25% or more of the the combined voting power of Company's outstanding securities, or causes the replacement of a majority of the incumbent Board of Directors of the Company, (b) the Company is merged or reorganized into or with another entity, resulting in previous shareholders of the Company holding less than 80% of the combined voting power of the outstanding securities of the resulting entity, or (c) the Company is liquidated or substantially all of its assets are sold.

In addition, under the Company's 1983 and 1993 Stock Option Plan, all options held by all employees, including named executive officers, become exercisable in full upon a "change in control."

On April 13, 1994, Richard P. Delio was elected the Company's Sr. Vice President of Finance and Administration and Chief Financial Officer. Pursuant to Mr. Delio's employment agreement, at any time during his first year of employment in the event that Mr. Delio is terminated without cause or resigns due to a diminution of responsibility, he shall receive severance equal to his first year's salary, or approximately \$270,000. In addition, all options granted to him shall continue vesting for an additional year.

Directors' Compensation

Cash Compensation. Non-employee directors of the Company receive \$1,000 for each Board of Directors and Audit Committee meeting attended. In addition, each non-employee director receives a retainer fee of \$6,000 per year, payable in four equal quarterly payments.

Company's 1989 Director Stock Option Plan. On March 20, 1989, the Board of Directors of the Company adopted the 1989 Director Stock Option Plan (the "1989 Director Stock Option Plan"), which was ratified by the shareholders at the Special Meeting in Lieu of An Annual Meeting held in August 1989.

Each then non-employee director of the Company was granted a non-statutory stock option to purchase 12,000 shares of Common Stock on March 20, 1989, the date the 1989 Director Stock Option Plan was adopted by the Board of Directors at a per share exercise price of \$8.38. Each such option is exercisable on a cumulative basis in equal annual installments over a three-year period beginning one year after the date of grant. At the end of the three year period, each such director receives an option grant of 3,000 shares on each succeeding March 20, at the then fair market value on such date in which he will be fully vested at such time. On March 20, 1993, Messrs. Sansonetti and Bamber each received an option to purchase 3,000 shares of Common Stock, at then fair market value of \$8.75 per share. On March 20, 1994, each of such individuals received an option to purchase 3,000 shares at an exercise price of \$7.13 per share, which option will be cancelled if the Company's 1993 Director Stock Option Plan is approved at the Annual Meeting. Both of such individuals will participate in the 1993 Director Stock Option Plan.

Only two of six (6) current non-employee directors, Messrs. Sansonetti and Bamber, participate in the 1989 Director Stock Option Plan. Because of the need to retain existing non-employee Board members, the Board of Directors on September 8, 1993, subject to shareholder ratification, adopted the Company's 1993 Director Stock Option Plan. If the 1993 Director Stock Option Plan is ratified at the Annual Meeting, the 1989 Director Stock Option Plan will terminate. See, "Ratification and Approval of the Company's 1993 Director Stock Option Plan" immediately below.

2. RATIFICATION AND APPROVAL OF THE COMPANY'S 1993 DIRECTOR STOCK OPTION PLAN

On September 8, 1993, the Board of Directors of the Company adopted the 1993 Director Stock Option Plan (the "1993 Director Stock Option Plan") and terminate the 1989 Director Stock Option Plan, subject to shareholder ratification and approval.

Eligibility and Term of Options

Only directors who are neither employees nor officers of the Company are eligible to participate in the 1993 Director Stock Option Plan. Subject to adjustments for mergers, consolidations, sales of assets, reorganizations, recapitalizations, reclassifications, stock dividends, stock splits and other similar distributions, the maximum number of shares of Common Stock of the Company which may be issued and sold under the 1993 Director Stock Option Plan is 150,000 shares. All options granted shall be nonstatutory stock options.

Each current non-employee director of the Company was granted a non-statutory stock option to purchase 5,000 shares of Common Stock on September 8, 1993, the date the 1993 Director Stock Option Plan was adopted by the Board of Directors, subject to approval by the shareholders at the Annual Meeting. If approved, each such option will then be exercisable on or after August 4, 1994.

Messrs. Sansonetti, Bamber, Harari, Potter and Harris, as non-employee directors, received options on the inception of the 1993 Director Stock Option Plan. Each holds an option covering 5,000 shares, with a per share exercise price of \$6.65, the average of the last reported sale price per share of the Company's Common Stock in the NASDAQ National Market System during the period of September 9, 1993 through September 30, 1993, inclusive.

Hereafter, each person who becomes a director of the Company and who is not an employee of the Company, will be granted, as of the first date of his or her election as a director, a non-statutory stock option to purchase 5,000 shares of Common Stock at the then fair market value of the Common Stock. Each such option will be exercisable one year after the grant.

The 1993 Director Stock Option Plan further provides that each non-employee director will be automatically granted, on each April 1, a non-statutory stock option to purchase 5,000 shares of the Common Stock of the Company at the then fair market value of the shares on April 1. Such option will be fully exercisable on or after the following March 31. On April 1, 1994, Messrs Sansonetti, Bamber, Harris, Harari, Boucher, and Potter were each granted an option of 5,000 shares at a per share exercise price of \$6.75, the fair market value on the date of grant.

Except as provided above, the exercise price for all shares subject to options granted under the 1993 Director Stock Option Plan will be the fair market value of the shares on the date of the option grant. Payment of the exercise price

must be in cash. Each option and all rights thereunder granted to directors under the 1993 Director Stock Option Plan will expire 10 years plus 30 days from the date of grant and will be subject to earlier termination as provided in such plan.

Two current non-employee directors, Patrick Sansonetti and Frederick Bamber, the only current participants in the 1989 Director Stock Option Plan, will surrender for cancellation their options granted March 21, 1994 under the 1989 Director Stock Option Plan covering 3,000 shares, at an exercise price of \$8.25 per share, upon shareholder ratification and approval of the 1993 Director Stock Option Plan at the Annual Meeting. Upon such approval, the 1989 Director Stock Option Plan shall terminate.

At June 15, 1994, the last reported sales price of the Company's Common Stock on the NASDAQ National Market System was \$5.75.

Federal Income Tax Consequences

The following is a summary of the federal income tax treatment of non-statutory stock options that may be granted under the 1993 Director Stock Option Plan.

No taxable income is recognized by the director upon the grant of a non-statutory stock option. The director must recognize as ordinary income in the year in which the option is exercised the amount by which the fair market value of the purchased shares on the date of exercise exceeds the option price. The Company will be entitled to a business expense deduction equal to the amount of ordinary income recognized by the director. The Company shall withhold all appropriate federal and state withholding taxes upon option exercise by the director. Any additional gain or loss recognized upon the subsequent disposition of the purchased shares will be a capital gain or loss, and will be a long-term gain or loss if the shares are held for more than one year from the date of exercise.

Board Recommendation

The purpose of the Board of Directors in adopting the 1993 Director Stock Option Plan was to provide an incentive to the non-employee directors of the Company to continue to serve as directors, attract qualified directors in the future, and, by enabling directors to acquire an equity interest in the Company, to increase their incentive to promote the best interests of the Company and increase the Company's value. Accordingly, the Board of Directors believes that the 1993 Director Stock Option Plan is in the best interests of the Company and its shareholders, and recommends that the shareholders ratify and approve the 1993 Director Stock Option Plan.

3. RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

Subject to ratification by the shareholders, the Board of Directors, on the recommendation of the Audit Committee, has selected the firm of Ernst & Young as the Company's independent auditors for the current fiscal year, ending March 31, 1995. Ernst & Young has served as the Company's independent auditors since 1981.

Representatives of Ernst & Young are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from shareholders.

OTHER MATTERS

Management does not know of any other matters which may come before the Annual Meeting. However, if any other matters are properly presented to the meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

This solicitation has been made by the Company. All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and other employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and the Company will reimburse them for their out-of-pocket expenses in this connection.

By-Law Amendments

On April 14, 1994, the Board of Directors of the Company voted unanimously to amend Section 1.2 of the Company's By-Laws to provide that the annual meeting of stockholders of the Company shall be held within six months after

the end of each fiscal year on a date to be determined by the Board of Directors. The By-Laws previously had provided that the annual meeting would be held on a date specified in the By-Laws. The Board took this action in order to give it more flexibility in establishing an appropriate annual meeting date.

The Board of Directors also voted unanimously to amend the By-Laws by deleting Article 7 in its entirety. Article 7 contained certain restrictions on the transfer of Common Stock of the Company which restrictions had, by their own terms, terminated in their entirety upon the completion of the Company's initial public offering of Common Stock in July 1986. In connection with this action, the Board voted to renumber Article 8 as Article 7.

Pursuant to the Massachusetts Business Corporation Law, the Company's Articles of Organization, and the Company's By-Laws, the Board of Directors has the power to amend the By-Laws in these respects. Accordingly, the description of these By-Law amendments is included in this Proxy Statement for the purpose of giving notice of the substance of the amendments, and shareholders of the Company are not being asked to vote upon these By-Law amendments.

Deadline For Submission Of Shareholder Proposals

Proposals of shareholders intended to be presented at the 1995 Annual Meeting of Shareholders must be received by the Company at its principal office in Waltham, Massachusetts, by no later than April 1, 1995 for inclusion in the proxy statement for that meeting.

By Order of the Board of Directors,

John K. Hyvnar, Clerk

June 30, 1994

THE BOARD OF DIRECTORS HOPES THAT SHAREHOLDERS WILL ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE. YOUR PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND WILL BE APPRECIATED. SHAREHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR SHARES PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.