

SCANSOFT INC
Form S-4/A
July 22, 2005

Table of Contents

As filed with the Securities and Exchange Commission on July 22, 2005

Registration No. 333-125496

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

SCANSOFT, INC.

(Exact name of Registrant as specified in its charter)

Delaware

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

3577

*(Primary Standard Industrial
Classification Code Number)*

94-3156479

*(I.R.S. Employer
Identification Number)*

**1 Wayside Road
Burlington, MA 01803
(781) 565-5000**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**James R. Arnold, Jr.
Chief Financial Officer
ScanSoft, Inc.
1 Wayside Road
Burlington, MA 01803
(781) 565-5000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Larry W. Sonsini, Esq.
Katharine A. Martin, Esq.
Robert Sanchez, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300**

**Jo-Anne Sinclair
General Counsel
ScanSoft, Inc.
1 Wayside Road
Burlington, MA 01803
(781) 565-5000**

**Gordon K. Davidson, Esq.
Mark A. Leahy, Esq.
Fenwick & West LLP
801 California Street
Mountain View, California 94041
(650) 988-8500**

Approximate date of commencement of proposed sale to the public: Upon consummation of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a) may determine.

Table of Contents

THE INFORMATION IN THIS JOINT PROXY STATEMENT/ PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. SCANSOFT MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS JOINT PROXY STATEMENT/ PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 22, 2005

, 2005

Dear ScanSoft, Inc. Stockholders:

We will hold a special meeting of our stockholders at the offices of our headquarters, 1 Wayside Road, Burlington, Massachusetts 01803, on _____, _____ at 11:00 a.m. Eastern time.

At the meeting, you will be asked to consider and vote upon the following proposals:

Proposal No. 1 asks you to approve the issuance of shares of ScanSoft common stock to the stockholders of Nuance pursuant to a merger agreement with Nuance Communications, Inc. Upon completion of the merger, holders of Nuance common stock will be entitled to receive (i) 0.77 of a share of ScanSoft common stock and (ii) \$2.20 of cash for each share of Nuance common stock they hold at that time. Based on the shares of Nuance common stock outstanding on May 9, 2005, ScanSoft is expected to issue approximately 28,216,295 shares of ScanSoft common stock and pay an aggregate of approximately \$80,617,988 in cash to Nuance stockholders in the merger. ScanSoft common stock is listed on the NASDAQ National Market under the trading symbol SSFT.

Proposal No. 2 asks you to approve the Stock Purchase Agreement by and among ScanSoft and Warburg Pincus Private Equity VIII, L.P. and certain of its affiliated entities and the issuance of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement. Under the Stock Purchase Agreement, ScanSoft will issue 14,150,943 shares of common stock and warrants to purchase 3,177,570 shares of common stock to Warburg Pincus. The proceeds from the sale of the stock under the Stock Purchase Agreement will be used to finance the cash portion of the merger consideration.

Proposal No. 3 asks you to approve the assumption, in accordance with the merger agreement, of stock options outstanding under the Nuance stock option plans with an exercise price of \$10.00 or less in the manner set forth in the merger agreement. This approval is required pursuant to the Amended and Restated By-Laws of ScanSoft.

You should note that the completion of the merger is conditioned on the approval of Proposal No. 2 relating to the Stock Purchase Agreement and the issuance of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement, and that the completion of the sale of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement is conditioned on the completion of the merger. Accordingly, a vote against Proposal No. 1 is effectively a vote against Proposal No. 2, and a vote against Proposal No. 2 is effectively a vote against Proposal No. 1.

AFTER CAREFUL CONSIDERATION, YOUR BOARD OF DIRECTORS APPROVED THE PROPOSALS REFERRED TO ABOVE AND CONCLUDED THAT THEY ARE IN THE BEST INTERESTS OF SCANSOFT AND ITS STOCKHOLDERS. YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSALS REFERRED TO ABOVE.

In the material accompanying this letter, you will find a notice of special meeting of stockholders, a joint proxy statement/ prospectus relating to the actions to be taken by the ScanSoft stockholders at the ScanSoft special meeting (as well as the actions to be taken by the Nuance stockholders at their special meeting) and a proxy. The joint proxy statement/ prospectus more fully describes the merger agreement and the proposed merger and includes information about Nuance and ScanSoft.

We encourage you to read the joint proxy statement/ prospectus, which includes important information about the merger. IN ADDITION, THE SECTION ENTITLED RISK FACTORS BEGINNING ON PAGE 18 OF THE JOINT PROXY STATEMENT/ PROSPECTUS CONTAINS A DESCRIPTION OF RISKS THAT

YOU SHOULD CONSIDER IN EVALUATING THE MERGER.

It is important that you use this opportunity to take part in the affairs of ScanSoft by voting on the business to come before this meeting. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. YOUR VOTE IS VERY IMPORTANT. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

Sincerely,

Paul A. Ricci

Chairman and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR THE SECURITIES OF SCANSOFT TO BE ISSUED PURSUANT TO THE MERGER, OR DETERMINED IF THIS JOINT PROXY STATEMENT/ PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/ prospectus is dated _____, and is first being mailed to ScanSoft stockholders on or about _____, 2005.

Table of Contents

, 2005

Dear Stockholders of Nuance Communications, Inc.:

We will hold a special meeting of our stockholders at our offices located at 1350 Willow Road, Menlo Park, California 94025, on _____, _____ at 8:00 a.m. Pacific time.

At the special meeting, you will be asked to consider and vote upon the following proposal:

To adopt the merger agreement and approve the merger contemplated thereby. Upon completion of the merger, holders of Nuance common stock will be entitled to receive (i) 0.77 shares of ScanSoft common stock, and (ii) \$2.20 of cash, for each share of Nuance common stock they hold at that time. Nuance common stock is listed on the NASDAQ National Market under the trading symbol NUAN. ScanSoft common stock is listed on the NASDAQ National Market under the trading symbol SSFT.

The foregoing proposal is described in detail in the attached notice of special meeting of stockholders and joint proxy statement/ prospectus.

AFTER CAREFUL CONSIDERATION, YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE PROPOSAL REFERRED TO ABOVE RELATING TO THE ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER WITH SCANSOFT, AND DETERMINED THAT SUCH PROPOSAL IS FAIR TO AND IN THE BEST INTERESTS OF NUANCE AND ITS STOCKHOLDERS. YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

In the material accompanying this letter, you will find a notice of special meeting of stockholders, a joint proxy statement/ prospectus relating to the actions to be taken by Nuance stockholders at the Nuance special meeting (as well as the actions to be taken by the ScanSoft stockholders at their special meeting) and a proxy. The joint proxy statement/ prospectus more fully describes the merger agreement and the proposed merger, and includes information about Nuance and ScanSoft.

We encourage you to read the joint proxy statement/ prospectus, which includes important information about the merger. IN ADDITION, THE SECTION ENTITLED RISK FACTORS , BEGINNING ON PAGE 18 OF THE JOINT PROXY STATEMENT/ PROSPECTUS, CONTAINS A DESCRIPTION OF RISKS THAT YOU SHOULD CONSIDER IN EVALUATING THE MERGER.

It is important that you use this opportunity to take part in the affairs of Nuance by voting on the business to come before this meeting. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. YOUR VOTE IS VERY IMPORTANT. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

Sincerely,

Charles W. Berger
Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR THE SECURITIES OF SCANSOFT TO BE ISSUED PURSUANT TO THE MERGER, OR DETERMINED IF THIS JOINT PROXY STATEMENT/ PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/ prospectus is dated _____, _____, and is first being mailed to Nuance stockholders on or about _____, 2005.

Table of Contents

**SCANSOFT, INC.
1 Wayside Road
Burlington, MA 01803
(781) 565-5000**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD**

Dear ScanSoft, Inc. Stockholders:

A special meeting of stockholders of ScanSoft, Inc. will be held at ScanSoft's headquarters, 1 Wayside Road, Burlington, Massachusetts 01803, on _____, at 11:00 a.m. Eastern time, for the purpose of considering and acting upon the following proposals:

(1) To consider and vote upon a proposal to approve the issuance of shares of ScanSoft common stock in connection with a two step merger pursuant to which (i) in the first step, Nova Acquisition Corporation, a wholly owned subsidiary of ScanSoft, will merge with and into Nuance Communications, Inc., with Nuance surviving as a wholly owned subsidiary of ScanSoft and (ii) in the second step, Nuance will merge with and into Nova Acquisition LLC, a wholly owned subsidiary of ScanSoft, as contemplated by the Agreement and Plan of Merger, dated as of May 9, 2005, among ScanSoft, Nova Acquisition Corporation, Nova Acquisition LLC and Nuance;

(2) To consider and vote upon a proposal to approve the Stock Purchase Agreement, dated as of May 5, 2005, by and among ScanSoft and Warburg Pincus Private Equity VIII, L.P. and certain of its affiliated entities, and the issuance of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement;

(3) To consider and vote upon a proposal to approve the assumption of stock options outstanding under the Nuance stock option plans with an exercise price of \$10.00 or less in the manner set forth in the merger agreement; and

(4) To transact such other business as may properly come before the special meeting or any postponement or adjournment thereof.

You should note that the completion of the merger is conditioned on the approval of Proposal No. 2 relating to the Stock Purchase Agreement and the issuance of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement, and that the completion of the sale of the shares of ScanSoft common stock and warrants to acquire ScanSoft common stock pursuant to the Stock Purchase Agreement is conditioned on the completion of the merger. Accordingly, a vote against Proposal No. 1 is effectively a vote against Proposal No. 2, and a vote against Proposal No. 2 is effectively a vote against Proposal No. 1.

The ScanSoft board of directors has determined that the proposals described above are advisable and in the best interests of ScanSoft and its stockholders, and unanimously recommends that ScanSoft stockholders vote **FOR** each of the proposals. The terms of the proposed merger with Nuance and the related merger agreement, as well as the other proposals described above, are more fully described in the joint proxy statement/ prospectus attached to this notice.

The ScanSoft board of directors has fixed the close of business on _____ as the record date for determination of ScanSoft stockholders entitled to notice of, and to vote at, the ScanSoft special meeting and at any postponements or adjournments thereof. A list of stockholders entitled to vote will be available at 1 Wayside Road, Burlington, Massachusetts 01803 for ten days prior to the ScanSoft special meeting during ordinary business hours.

WE ENCOURAGE YOU TO VOTE ON THESE IMPORTANT MATTERS.

By Order of the Board of Directors

Katharine A. Martin
Secretary

Burlington, Massachusetts

, 2005

YOU ARE CORDIALLY INVITED TO ATTEND THE SCANSOFT SPECIAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE SCANSOFT SPECIAL MEETING, PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE.

Table of Contents

NUANCE COMMUNICATIONS, INC.

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD**

Dear Stockholders of Nuance Communications, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Nuance Communications, Inc., a Delaware corporation, will be held on _____, _____ at 8:00 a.m. Pacific time, at Nuance's offices located at 1350 Willow Road, Menlo Park, California 94025, for the following purpose:

(1) To adopt the Agreement and Plan of Merger, dated as of May 9, 2005, among ScanSoft, Inc., a Delaware corporation, Nova Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of ScanSoft, Nova Acquisition LLC, a Delaware limited liability company and a wholly-owned subsidiary of ScanSoft, and Nuance (the "merger agreement") and approve the merger contemplated thereby. Upon completion of the merger, holders of Nuance common stock will be entitled to receive (i) 0.77 shares of ScanSoft common stock, and (ii) \$2.20 of cash, for each share of Nuance common stock they hold at that time; and

(2) To transact such other business as may properly come before the special meeting or any postponement or adjournment thereof.

The terms of the proposed merger with ScanSoft and the related merger agreement are more fully described in the joint proxy statement/prospectus attached to this notice.

The Nuance board of directors has determined that the proposal described above relating to the adoption of the merger agreement and the approval of the merger is advisable and in the best interests of Nuance and its stockholders and that such proposal is fair to Nuance and to its stockholders, and unanimously recommends that Nuance stockholders vote FOR the proposal to adopt the merger agreement and approve the merger.

The Nuance board of directors has fixed the close of business on _____ as the record date for determination of Nuance stockholders entitled to notice of, and to vote at, the Nuance special meeting and at any postponements or adjournments thereof. A list of stockholders entitled to vote will be available at 1350 Willow Road, Menlo Park, California 94025 for 10 days prior to the Nuance special meeting during ordinary business hours.

WE ENCOURAGE YOU TO VOTE ON THESE IMPORTANT MATTERS.

By Order of the Board of Directors of Nuance

Douglas Clark Neilsson
Vice President, Secretary and General Counsel

Menlo Park, California
, 2005

**YOU ARE CORDIALLY INVITED TO ATTEND THE NUANCE SPECIAL MEETING IN PERSON.
WHETHER OR NOT YOU PLAN TO ATTEND THE NUANCE SPECIAL MEETING, PLEASE SIGN,
DATE AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE.**

Table of Contents

ADDITIONAL INFORMATION

This joint proxy statement/ prospectus incorporates important business and financial information about ScanSoft and Nuance from documents filed with the Securities and Exchange Commission, which we refer to as the SEC, that are not included in or delivered with this joint proxy statement/ prospectus. ScanSoft will provide you with copies of this information, without charge, upon written or oral request to:

SCANSOFT, INC.

1 Wayside Road
Burlington, MA 01803

Attention: Investor Relations

Telephone Number: (781) 565-5000

Nuance will provide you with copies of this information, without charge, upon written or oral request to:

NUANCE COMMUNICATIONS, INC.

1380 Willow Road
Menlo Park, California 94025

Attention: Investor Relations

Telephone Number: (650) 847-0000

ANY REQUEST FOR SUCH INFORMATION FROM EITHER COMPANY MUST BE MADE NOT LATER THAN _____, _____. UPON TIMELY REQUEST, WE WILL MAIL SUCH INFORMATION TO YOU BY FIRST CLASS MAIL BY THE NEXT BUSINESS DAY.

See the section entitled "Where You Can Find More Information" on page 147 of this joint proxy statement/ prospectus for more information about the documents referred to in this joint proxy statement/ prospectus.

You should rely only on the information contained in, or incorporated by reference into, this joint proxy statement/ prospectus in deciding how to vote on the respective ScanSoft and Nuance proposals. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/ prospectus. This joint proxy statement/ prospectus is dated _____. You should not assume that the information contained in, or incorporated by reference into, this joint proxy statement/ prospectus is accurate as of any date other than that date.

This joint proxy statement/ prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/ prospectus regarding ScanSoft, Nova Acquisition Corporation and Nova Acquisition LLC has been provided by ScanSoft and information contained in this joint proxy statement/ prospectus regarding Nuance has been provided by Nuance.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Questions and Answers About the Merger of ScanSoft and Nuance</u>	vi
<u>Summary of the Merger</u>	1
<u>The Companies</u>	1
<u>Structure of the Merger</u>	2
<u>Consideration in the Merger</u>	2
<u>Reorganization for Tax Purposes; Tax Adjustment</u>	2
<u>Treatment of Options</u>	3
<u>Voting Requirements</u>	4
<u>Recommendations of the Boards of Directors Regarding the Merger</u>	4
<u>Opinions of Financial Advisors</u>	4
<u>Financing Transaction</u>	5
<u>Completion and Effectiveness of the Merger</u>	5
<u>Conditions to Completion of the Merger</u>	5
<u>Termination of the Merger Agreement</u>	6
<u>Payment of Termination Fee</u>	7
<u>Prohibition from Soliciting Other Offers</u>	7
<u>Board of Directors Recommendations</u>	7
<u>Voting Agreements</u>	8
<u>Interests of Directors and Executive Officers in the Merger</u>	9
<u>Restrictions on the Ability to Sell ScanSoft Stock</u>	10
<u>Regulatory Approvals</u>	10
<u>Listing of ScanSoft Common Stock</u>	10
<u>Appraisal Rights</u>	10
<u>Recent Developments</u>	11
<u>Summary Consolidated Financial Data of ScanSoft</u>	12
<u>Summary Consolidated Financial Data of Nuance</u>	13
<u>Summary Unaudited Pro Forma Condensed Combined Consolidated Financial Data</u>	14
<u>Comparative Historical and Pro Forma Per Share Data</u>	15
<u>Comparative Per Share Market Price Data</u>	16
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	17
<u>Risk Factors</u>	18
<u>Risks Related to the Merger and the Warburg Pincus Financing</u>	18
<u>Risks Related to ScanSoft and the Combined Company</u>	23
<u>Risks Related to Nuance</u>	31
<u>The Special Meeting of ScanSoft Stockholders</u>	43
<u>General</u>	43
<u>Date, Time and Place</u>	43
<u>Purpose of the ScanSoft Special Meeting</u>	43
<u>Record Date, Shares Entitled to Vote</u>	43
<u>Voting Procedures</u>	44
<u>Vote Required</u>	44
<u>Quorum, Abstentions and Broker Non-Votes</u>	44

Table of Contents

	Page
<u>Shares Owned and Voted by ScanSoft Directors and Executive Officers</u>	45
<u>Revoking Your Proxy</u>	45
<u>Solicitation of Proxies and Expenses</u>	46
<u>Other Matters</u>	46
<u>Recommendation of the ScanSoft Board of Directors</u>	46
<u>The Special Meeting of Nuance Stockholders</u>	47
<u>General</u>	47
<u>Date, Time and Place</u>	47
<u>Purpose of the Nuance Special Meeting</u>	47
<u>Record Date, Shares Entitled to Vote</u>	47
<u>Voting Procedures</u>	47
<u>Quorum, Abstentions and Broker Non-Votes</u>	48
<u>Vote Required</u>	48
<u>Voting Electronically Via the Internet</u>	48
<u>Voting Agreements</u>	49
<u>Revoking Your Proxy</u>	49
<u>Solicitation of Proxies and Expenses</u>	49
<u>Other Matters</u>	50
<u>Recommendation of the Nuance Board of Directors</u>	50
<u>The Merger</u>	51
<u>Background of the Merger</u>	51
<u>Consideration of the Merger by ScanSoft</u>	55
<u>ScanSoft's Reasons for the Merger and Recommendation of the ScanSoft Board of Directors</u>	55
<u>Opinion of ScanSoft Financial Advisor</u>	56
<u>Consideration of the Merger by Nuance</u>	63
<u>Nuance's Reasons for the Merger and Recommendation of the Nuance Board of Directors</u>	63
<u>Opinion of Nuance Financial Advisor</u>	66
<u>Interests of Certain Persons in the Merger and the Warburg Pincus Financing</u>	74
<u>Interests of ScanSoft Directors and Executive Officers in the Merger and the Warburg Pincus Financing</u>	75
<u>Interests of Nuance Directors and Executive Officers in the Merger</u>	75
<u>Board of Directors of ScanSoft Following the Merger</u>	77
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	77
<u>Accounting Treatment of the Merger</u>	80
<u>Regulatory Approvals</u>	80
<u>Listing on the Nasdaq National Market of ScanSoft Shares Issued Pursuant to the Merger</u>	80
<u>Delisting and Deregistration of Nuance Common Stock After the Merger</u>	81
<u>Restrictions on Sales of Shares of ScanSoft Common Stock Received in the Merger</u>	81
<u>Appraisal Rights</u>	81
<u>Agreements Related to the Merger</u>	85
<u>The Merger Agreement</u>	85
<u>Structure of the Merger</u>	85
<u>Effective Time and Timing of Closing</u>	85
<u>Merger Consideration</u>	85

Table of Contents

	Page
<u>Reorganization for Tax Purposes; Tax Adjustment</u>	86
<u>Fractional Shares</u>	86
<u>Exchange of Nuance Stock Certificates for ScanSoft Stock Certificates</u>	86
<u>Appraisal Rights</u>	87
<u>Distributions with Respect to Unexchanged Shares; Adjustments</u>	87
<u>Transfers of Ownership and Lost Stock Certificates</u>	87
<u>Treatment of Nuance Stock Options</u>	87
<u>Treatment of Rights Under the Nuance Stock Purchase Plan</u>	88
<u>Treatment of Unvested Nuance Common Stock</u>	88
<u>Representations and Warranties</u>	89
<u>Covenants of Nuance</u>	90
<u>Covenants of ScanSoft</u>	92
<u>Other Covenants</u>	93
<u>Name Change and Trading Symbol</u>	95
<u>Indemnification and Insurance</u>	95
<u>Employee Benefits</u>	95
<u>Board of Directors of ScanSoft Following the Merger</u>	96
<u>Regulatory Approvals</u>	96
<u>Commercially Reasonable Efforts to Obtain Regulatory Approvals</u>	96
<u>Conditions to Completion of the Merger</u>	96
<u>Alternative Transactions – Nuance</u>	98
<u>Nuance Board of Directors Recommendations</u>	99
<u>Non-Solicitation – ScanSoft</u>	100
<u>ScanSoft Board of Directors Recommendations</u>	101
<u>Definition of Material Adverse Change</u>	101
<u>Termination of the Merger Agreement</u>	102
<u>Payment of Termination Fee</u>	104
<u>Costs and Expenses</u>	105
<u>ScanSoft Voting Agreements</u>	105
<u>Agreement to Vote</u>	105
<u>Transfer Restrictions</u>	106
<u>Termination</u>	106
<u>Nuance Voting Agreements</u>	106
<u>Agreement to Vote</u>	106
<u>Transfer Restrictions</u>	106
<u>Termination</u>	107
<u>Affiliate Agreements</u>	107
<u>Additional Matters Being Submitted to a Vote of ScanSoft Stockholders</u>	108
<u>Proposal Two – Warburg Pincus Financing</u>	108
<u>Financing Terms</u>	108
<u>Timing of Closing</u>	109
<u>Conditions to the Completion of the Warburg Pincus Financing</u>	109
<u>Certain Covenants</u>	110
<u>Representations and Warranties</u>	110

Table of Contents

	Page
<u>Amendments and Waivers</u>	111
<u>Termination</u>	111
<u>The Amended and Restated Stockholders Agreement</u>	111
<u>Vote Required</u>	113
<u>Proposal Three – Option Assumption</u>	113
<u>The Assumption</u>	113
<u>Need for Stockholder Approval</u>	114
<u>Vote Required</u>	114
<u>Selected Financial Data of Scansoft</u>	115
<u>Selected Financial Data of Nuance</u>	117
<u>Selected Unaudited Pro Forma Combined Financial Data</u>	119
<u>Other Information of Nuance</u>	120
<u>Information Regarding Directors of Nuance</u>	120
<u>Class II Directors of Nuance Whose Terms Expire in 2005</u>	120
<u>Class III Directors of Nuance Whose Terms Expire in 2006</u>	121
<u>Class I Directors of Nuance Whose Terms Expire in 2007</u>	121
<u>Nuance Director Independence</u>	122
<u>Nuance Board of Directors Meetings and Attendance at Meetings of Stockholders</u>	122
<u>Nuance Committees and Related Governance Matters</u>	122
<u>Nuance Director Candidates</u>	123
<u>Stockholder Communication with the Board of Directors of Nuance</u>	124
<u>Code of Ethics/ Code of Conduct of Nuance</u>	124
<u>Nuance Director Compensation</u>	124
<u>Nuance Compensation Committee Interlocks and Insider Participation</u>	125
<u>Executive Officers of Nuance</u>	125
<u>Executive Officer Compensation of Nuance</u>	127
<u>Summary Compensation</u>	127
<u>Nuance Stock Option Grants and Exercises</u>	128
<u>Option Grants During Last Fiscal Year</u>	128
<u>Options Granted in Fiscal Year 2005</u>	128
<u>Nuance Aggregate Option Exercises In 2004 and Year-End Option Values</u>	129
<u>Nuance Employment Contracts, Termination of Employment and Change-in-Control Arrangements</u>	129
<u>Employment Agreements of Nuance</u>	129
<u>Change in Control Arrangements of Nuance</u>	130
<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	131
<u>Certain Relationships and Related Transactions</u>	132
<u>Nuance Equity Compensation Plan Information</u>	133
<u>Report of the Compensation Committee of the Board of Directors of Nuance</u>	134
<u>Report of the Audit Committee of the Board of Directors of Nuance</u>	135
<u>Performance Graph</u>	136
<u>Comparison of Rights of Holders of Scansoft Common Stock and Nuance Common Stock</u>	137
<u>Authorized Capital Stock</u>	137
<u>Board of Directors</u>	138

Table of Contents

	Page
<u>Removal of Directors</u>	138
<u>Filling Vacancies on the Board of Directors</u>	138
<u>Stockholder Action by Written Consent</u>	138
<u>Advance Notice Provisions for Stockholder Nominations and Proposals</u>	139
<u>Amendment of Certificate of Incorporation</u>	139
<u>Amendment of Bylaws</u>	140
<u>Indemnification of Officers and Directors</u>	140
<u>Stockholder Rights Plan</u>	141
<u>ScanSoft Rights Plan</u>	141
<u>Nuance Rights Plan</u>	142
<u>Legal Matters</u>	144
<u>Experts</u>	144
<u>Documents Incorporated By Reference</u>	145
<u>Where You Can Find More Information</u>	147
<u>Information on ScanSoft Web Site</u>	148
<u>Information on Nu</u>	