



MORSE SHOE, INC. 555 Turnpike Street, Canton, MA 02021, 617 828-9300, Telex 92 4469, Cable Address "Morseshoe"

Executive Offices

April 24, 1987

DEAR STOCKHOLDER:

You are cordially invited to attend the 1987 Annual Meeting of Stockholders of Morse Shoe, Inc. to be held on May 20, 1987 at the office of the Company, 555 Turnpike Street, Canton, Massachusetts commencing at 11:00 A.M.

At the meeting, stockholders will elect three Directors each to serve for a three-year term ending in 1990. Additionally, stockholders are being asked to approve the selection of Peat Marwick Main & Co. as independent auditors for the current fiscal year.

It is important that your shares are represented at the meeting. Accordingly, please sign, date and mail the enclosed proxy card in the envelope provided for your convenience.

On behalf of the Board of Directors, thank you for your continued support.

Sincerely,

Manuel Rosenberg

MANUEL ROSENBERG
Chairman, President and
Chief Executive Officer

FOR INFORMATION ONLY. NO PROXY ENCLOSED

A



Morse Shoe, Inc.

555 TURNPIKE STREET, CANTON, MASSACHUSETTS 02021

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 20, 1987

*To the Stockholders of
MORSE SHOE, INC.*

Notice is hereby given that the Annual Meeting of Stockholders of Morse Shoe, Inc. (the "Company") will be held at the office of the Company, 555 Turnpike Street, Canton, Massachusetts, on Wednesday, May 20, 1987, at 11:00 A.M., for the following purposes:

1. To elect three members of the Board of Directors to serve until the 1990 Annual Meeting of Stockholders and until their successors are elected.
2. To approve the selection of Peat Marwick Main & Co. as independent auditors for the current fiscal year.
3. To consider and act upon any matters incidental to the foregoing purposes, and any other matters which may properly come before the meeting or any reconvened sessions thereof.

Stockholders of record at the close of business on April 22, 1987 will be entitled to notice of and to vote at the meeting or any reconvened sessions thereof.

By Order of the Board of Directors,

KENNETH C. CUMMINS
Secretary

Canton, Massachusetts
April 24, 1987

IMPORTANT

IT IS IMPORTANT THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. ACCORDINGLY, YOU ARE URGED TO PLEASE SIGN, DATE AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

B

Morse Shoe, Inc.
555 Turnpike Street
Canton, Massachusetts 02021

Mailing Date: April 24, 1987

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

May 20, 1987

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Morse Shoe, Inc. (the "Company") of proxies to be used at the Annual Meeting of Stockholders to be held May 20, 1987 and at any reconvened sessions thereof, for the purposes set forth in the accompanying notice.

Stockholders of record at the close of business on April 22, 1987 are entitled to notice of and to vote at the meeting and any reconvened sessions thereof. As of the close of business on April 22, 1987, the Company had outstanding 5,484,221 shares of Common Stock, \$1 par value, the only class of equity securities outstanding. Each share of Common Stock is entitled to one vote upon each of the matters to be presented at the meeting.

Unless otherwise directed by the stockholder, or in the absence of a specification with respect to any matter to be acted upon, shares represented by duly executed proxies will be voted FOR the election of the nominees for Directors named below; FOR the approval of the selection of Peat Marwick Main & Co. as independent auditors; and in the discretion of the persons named as proxies on any other matter which may properly come before the meeting or any reconvened sessions thereof. Proxies may be revoked at any time before they are exercised.

The Company's Annual Report to Stockholders for 1986 has previously been mailed, or is being mailed with this Proxy Statement, to each stockholder entitled to vote at the meeting.

PRINCIPAL OWNERS OF VOTING STOCK

The following table sets forth, as of April 1, 1987, the beneficial ownership (as defined in the rules of the Securities and Exchange Commission) of persons known to the Company to be such owner of more than five (5) percent of the outstanding Common Stock of the Company.

<u>Name and Address</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
Shufro, Rose & Ehrman 63 Wall Street New York, NY 10005	1,441,280(1)	26.28
Alfred L. Morse 555 Turnpike Street Canton, MA 02021	611,552(2)	11.15

<u>Name and Address</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
Plaza Securities Company, United Stockyards Corporation, Datapoint Corporation, Intelogic Trace, Inc., Arbitrage Securities Company, Canal-Randolph Limited Partnership, Asher B. Edelman, Howard R. Alper & Co., AAA Jetstar, Inc., Aile Blanche, Inc., Lief D. Rosenblatt, Gabriel Nechamkin, Corey M. Horowitz, Emanuel Pearlman, Gerald N. Agranoff, Irving Garfinkel and Barry S. Rosenstein	458,300(3)	8.40
<i>c/o Asher B. Edelman</i> <i>717 Fifth Avenue</i> <i>New York, NY 10022</i>		
Delafield Asset Management, Inc.	431,900(4)	7.88
63 Wall Street New York, NY 10005		

(1) As reported in a filing pursuant to Section 13 of the Securities Exchange Act of 1934, dated January 13, 1987, filed by said firm with the Securities and Exchange Commission, which report reflects sole dispositive power as to all such shares and sole voting power as to 106,640 such shares.

(2) Includes 10,400 shares owned by Mr. Morse's wife, as to which Mr. Morse disclaims beneficial ownership.

(3) As reported in a filing pursuant to Section 13 of the Securities Exchange Act of 1934, dated March 24, 1987, filed by said group with the Securities and Exchange Commission, which report reflects sole dispositive power and sole voting power by the group as to all such shares.

(4) As reported in a filing pursuant to Section 13 of the Securities Exchange Act of 1934, dated February 9, 1987, filed by said firm with the Securities and Exchange Commission, which report reflects sole dispositive power as to 422,300 such shares, shared dispositive power as to 9,600 such shares, sole voting power as to 328,300 such shares, and shared voting power as to 15,000 such shares.

NOMINEES FOR ELECTION AS DIRECTORS

The Board of Directors is divided into three classes having staggered terms of three years each. The By-laws of the Company provide that a Board of not less than three nor more than fifteen Directors shall be fixed from time to time by the Board of Directors. The total number of Directors comprising the Board of Directors is currently fixed at nine. Of this number, three members have terms expiring at the 1987 Annual Meeting of Stockholders and are nominees for election at this meeting, three members have terms expiring at the 1988 Annual Meeting of Stockholders and three members have terms expiring at the 1989 Annual Meeting of Stockholders.

Each Director elected at the 1987 Annual Meeting of Stockholders will hold office until the 1990 Annual Meeting of Stockholders, and until his successor is elected and qualified or until he sooner dies, resigns, is removed or becomes disqualified. Each of the three Directors named below as a nominee

was elected to his present term by the stockholders at the Annual Meeting of Stockholders held May 16, 1984.

It is the intention of the persons named in the proxy to vote for the election of the three nominees named below. In the event any one or more of such nominees should become unavailable for election, it is the intention of the persons named in the proxy to vote for the election of a substitute or substitutes proposed by the Board of Directors or, if no substitute or substitutes is proposed, for the remaining nominees. To the Company's knowledge all nominees are and will be available to serve.

The nominees for a term ending at the 1990 Annual Meeting of Stockholders are as follows:

	<u>First Year Elected</u>
JESSE HILL, JR., 60, a member of the Audit and Compensation/Stock Option Committees, is President, Chief Executive Officer and Chairman of the Executive Committee of Atlanta Life Insurance Co. of Atlanta, Georgia, in which positions he has served since prior to 1962. He is a Director of Delta Airlines, Inc., National Service Industries, Inc., Trust Company of Georgia and Knight-Ridder Newspapers, Inc. He is Chairman of the Board of Directors of the Martin Luther King Center for Non-violent Social Change.	1979
THOMAS J. GALLIGAN III, 42, joined the Company in August of 1984 and was elected a Director, a member of the Finance Committee, Senior Vice President, Chief Financial Officer and Treasurer of the Company on August 15, 1984. Prior to his employment by the Company, he was Vice President, Finance and Chief Financial Officer of PepsiCo International (1983 to 1984), and Director of Corporate Accounting, Assistant Corporate Controller and Vice President, Finance of the Pepsi-Cola Bottling Group of PepsiCo Inc. (1976 to 1983).	1984
JEROME ZIMMERMAN, 65, Chairman of the Finance Committee and a member of the Compensation/Stock Option Committee, since 1983 has been the President, Chief Executive Officer and a Director of Zarco, Inc., a privately held company engaged in various investments and currently operating businesses involved in the manufacture of plastic products. From prior to 1982 until 1984, he was President of Apollo Forest Products, Inc. of Atlanta, a privately held company, which was engaged in the forest products business and in various investments.	1975

The members of the Board of Directors having terms of office which do not expire at the 1987 Annual Meeting of Stockholders are as follows:

Continuing Directors Having Terms of Office Expiring at the 1988 Annual Meeting of Stockholders

DONALD C. CARROLL, 56, Chairman of the Audit Committee and a member of the Compensation/Stock Option and Finance Committees, is Chairman and Chief Executive Officer of Schuelco, Inc., a privately held company engaged in computer training and services. He was Professor of Management at the Wharton School of the University of Pennsylvania from 1972 until 1985 where he served as Dean from 1972 until July, 1983. He was Chairman of TMI Systems Corp. from 1969 through 1982, President of AGT Computer Products, Inc. from July through November, 1983, Chairman of Immunicon Corp. from 1984 through 1985, and Chairman and Chief Executive Officer of CGW Data Services, Inc. from 1984 through 1986. He is a Director of MacAndrews and Forbes Holdings, Inc., Monsanto Company, NRUC Corp., Revlon Group, Inc., SEI Corp., and Vestaur Securities, Inc. 1974

ROBERT T. SAKOWITZ, 48, a member of the Audit and Compensation/Stock Option Committees, is the Chairman, President and Chief Executive Officer (having held the latter two positions since prior to 1982) and a Director of Sakowitz, Inc., specialty stores of Houston, Texas. Sakowitz, Inc. filed for reorganization under Chapter 11 of the federal bankruptcy laws on August 1, 1985. Mr. Sakowitz is a Director of Continental Airlines, was a Director (1983 to 1985) and Chairman (1985) of the Houston branch of the Federal Reserve Bank of Dallas, and was a Director of the City of Houston Industrial Development Corporation (1982 to 1985). He is a Director of the National Retail Merchants Association and a member of its Executive and International Committees. He is a Director of Societe Viticole Europeenne, S.A. 1974

PETER V. TISHMAN, 55, a member of the Compensation/Stock Option and Finance Committees, since prior to 1982 has been President of New York City based Peter Tishman Real Estate Co., a developer, owner and operator of real estate properties. 1971

Continuing Directors Having Terms of Office Expiring at the 1989 Annual Meeting of Stockholders

ALFRED L. MORSE, 84, founder and retired Chief Executive Officer of the Company, is honorary Chairman of the Board of Directors and a consultant to the Company. He is a member of the Compensation/Stock Option Committee. He served as Chairman of the Board of Directors from 1970 to 1979. 1961

MANUEL ROSENBERG, 56, joined the Company and was elected a Director, Chairman of the Board of Directors and Chief Executive Officer in July, 1982 and was elected President effective December 31, 1982. Prior to his employment by the Company, he was President and a Director of Garfinckel, Brooks Brothers, Miller & Rhoads, Inc., a department and specialty store chain, and its successor after that company was acquired by Allied Stores Corporation in 1981. 1982

ERNEST J. SARGEANT, 68, Chairman of the Compensation/Stock Option Committee and a member of the Finance Committee, has been a partner in the Boston law firm of Ropes & Gray since prior to 1982. 1970

On April 1, 1987, Mr. Donald C. Carroll was elected to the class of Directors with a term of office expiring at the 1988 Annual Meeting of Stockholders. Immediately prior to his election, Mr. Carroll resigned from the class of Directors with a term of office expiring at the 1987 Annual Meeting of Stockholders. His election to the class of Directors with a term of office expiring at the 1988 Annual Meeting of Stockholders equalizes the number of Directors in each class, as contemplated by the Company's By-laws.

For many years the law firm of Ropes & Gray, of which Mr. Ernest J. Sargeant is a partner, has from time to time performed legal services for the Company.

Under the regulations of the Securities and Exchange Commission, Mr. Alfred L. Morse may be deemed a control person of the Company. Mr. Jerome Zimmerman is the son-in-law of Mr. Alfred L. Morse.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Board of Directors presently consists of nine members. Two of the Directors are salaried employees of the Company and one is a former Chief Executive Officer who receives compensation as a consultant to the Company. None of the three receives additional compensation for his service as a Director.

During 1986, those members of the Board of Directors who were not salaried employees or consultants to the Company were paid an annual fee of \$10,000 plus an additional fee of \$500 for attendance at each meeting of the Board of Directors and any committee of the Board of Directors, together with their expenses in connection with their attendance.

The standing committees of the Board of Directors are the Audit, Compensation/Stock Option and Finance Committees. The Company does not have a nominating committee.

The Audit Committee recommends the selection and engagement of the Company's independent auditors and reviews with them the scope and status of the audit, non-audit services to be performed, the fees for services by the firm, and the results of the audit when completed. The Committee also reviews and discusses with management and the Board of Directors accounting policies, internal controls and procedures for preparation of financial statements. The present members of the Committee are Messrs. Donald C. Carroll (Chairman), Jesse Hill, Jr. and Robert T. Sakowitz. During 1986, the Audit Committee held four meetings.

The Compensation/Stock Option Committee reviews and makes recommendations to the Board of Directors on matters of salaries, bonuses, other forms of compensation and retirement benefits (including contractual arrangements) for officers of the Company at the level of Vice President and above, and for certain senior officers of subsidiaries. The Committee administers the Company's 1975 Stock Option Plan (under which no future options may be granted), the Company's 1982 Incentive Stock Option Plan, including the granting of options under such plan, and the Company's 1986 Restricted Stock Plan, including the granting of awards to purchase shares of the Company's Common Stock under such plan. The Committee consists of Directors who are not eligible to participate in the plans. The present members of the Committee are Messrs. Ernest J. Sargeant (Chairman), Donald C. Carroll, Jesse Hill, Jr., Alfred L. Morse, Robert T. Sakowitz, Peter V. Tishman and Jerome Zimmerman. During 1986, the Committee held four meetings.

The Finance Committee reviews and makes recommendations to the Board of Directors and Company management concerning important financial matters. The Committee reviews the Com-

pany's long-range financial plans, its long and short-term financing needs, specific financing proposals and ongoing programs to finance capital needs. The present members of the Committee are Messrs. Jerome Zimmerman (Chairman), Donald C. Carroll, Thomas J. Galligan III, Ernest J. Sargeant and Peter V. Tishman. The Committee held two meetings during 1986.

During 1986, the Board of Directors held six meetings.

During 1986, Mr. Morse and Mr. Sakowitz attended less than 75% of the aggregate number of meetings of the Board of Directors and committees of which each was a member.

EQUITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of April 1, 1987, the beneficial ownership (as defined in the rules of the Securities and Exchange Commission) of the Company's Common Stock by each Director and all Directors and officers of the Company as a group, from information provided by such persons.

<u>Name of Person or Group</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Donald C. Carroll	1,657	.030
Thomas J. Galligan III	3,382(1)	.062
Jesse Hill, Jr.	200	.004
Alfred L. Morse	611,552(2)	11.15
Manuel Rosenberg	43,209(1)(3)	.788
Robert T. Sakowitz	2,000	.036
Ernest J. Sargeant	None	—
Peter V. Tishman	10,095(2)	.184
Jerome Zimmerman	19,000(4)	.346
All Directors and Officers as a Group	728,987(1)(2)(3)(4)	13.29

(1) Includes for Messrs. Manuel Rosenberg and Thomas J. Galligan III 18,209 and 2,882 shares, respectively, and for all Directors and officers as a group 41,849 shares, which the person or persons have the right to acquire within sixty days after April 1, 1987, under options previously granted pursuant to the Company's stock option plans.

(2) Includes for Mr. Alfred L. Morse 10,400 shares, for Mr. Peter V. Tishman 5,862 shares, and for all Directors and officers as a group 16,262 shares, held by or for the benefit of family members. As to these shares the person or persons named or included in the group share voting or investment power but disclaim beneficial ownership.

(3) Includes for Mr. Manuel Rosenberg 9,000 shares which are subject to repurchase under certain circumstances. See the section entitled "Executive Compensation" for further information.

(4) Does not include 18,949 shares owned by Mr. Zimmerman's wife, as to which he disclaims voting and investment power and beneficial ownership.

EXECUTIVE COMPENSATION

Cash Compensation

Set forth below is information as to the cash compensation paid or accrued by the Company for the 1986 fiscal year to or for the benefit of (1) each of the five highest paid executive officers of the Company whose cash compensation exceeds \$60,000, and (2) executive officers as a group.

(A) <u>Name of Individual or Number of Persons in Group</u>	(B) <u>Capacities in which Served</u>	(C) <u>Cash Compensation</u>
Manuel Rosenberg	President and Chief Executive Officer	\$ 433,425
Thomas J. Galligan III	Senior Vice President, Chief Financial Officer and Treasurer	\$ 275,422
Charles F. Messina	Vice President, Personnel and Employee Relations	\$ 178,208 (1)
Kenneth C. Cummins	Vice President, Secretary and General Counsel	\$ 155,193
Richard L. Bowen	Vice President, Operations and Administration	\$ 140,000 (2)
All Executive Officers as a Group (6 individuals)		\$1,305,019

(1) Does not include \$27,771 received by Mr. Messina in 1986 pursuant to the terms of his employment arrangement to cover the state and federal income tax liabilities payable by him with respect to his receipt of reimbursement for certain relocation expenses in 1985.

(2) Does not include a commencement bonus of \$7,500 paid in 1986 and \$45,531 received by Mr. Bowen in 1986 as reimbursement of certain relocation expenses in accordance with the terms of his employment arrangement.

Mr. Manuel Rosenberg is employed under an agreement which provides for his full-time employment as Chief Executive Officer until December 31, 1989, at an annual base salary of \$275,000, subject to adjustment equal to the percentage increase in the annual gross national product of the United States for the prior calendar year over the next preceding calendar year. The agreement provides for incentive compensation for each year in an amount equal to the same percentage of annual base salary as the percentage increase, adjusted for inflation, in the Company's pre-tax return on stockholders' equity for such year over 14.03 percent. The amount of incentive compensation cannot exceed 100 percent of annual base salary.

During 1984, the Company sold Mr. Rosenberg 25,000 shares of the Company's Common Stock, at a purchase price of \$1.00 per share. On the date of the purchase, the closing price of the Company's Common Stock on the New York Stock Exchange was \$18.88 per share. Of such shares, 9,000 remain subject to the Company's right of repurchase (at \$1.00 per share) in the event Mr. Rosenberg or the Company terminates his employment prior to December 31, 1989 for reasons other than (i) death or disability, or (ii) termination (other than by the Company for cause) within one year after a change in control of the Company. However, the Company's repurchase right lapses at a rate of 3,000 shares on December 31st of each year.

In connection with the purchase of such stock by Mr. Rosenberg, the Company during 1984 made two interest-free loans to Mr. Rosenberg aggregating \$245,781 in order to cover his federal and state income tax liabilities with respect to such purchase. Such loans are payable on December 31, 1989 or earlier upon termination of Mr. Rosenberg's employment for reasons other than (i) death or disability, or (ii) termination (other than by the Company for cause) within one year after a change in control of the Company. However, if Mr. Rosenberg continues in the employ of the Company until December 31, 1989, the Company is obligated to cancel \$147,469 of such indebtedness, and in the event of the earlier termination of Mr. Rosenberg's employment due to death or disability, the Company is obligated to cancel both of the loans and, in either case, to pay Mr. Rosenberg (or his legal representatives in the event of death) an amount sufficient to cover any state or federal income tax liabilities arising from the cancellation of such indebtedness.

The provisions of Mr. Rosenberg's agreement relating to termination of his employment following a change in control of the Company were amended on December 24, 1986. As so amended, the agreement provides that if within one year after a change in control (as defined in the agreement) of the Company Mr. Rosenberg resigns his positions with the Company or his employment is terminated by the Company other than for cause (as defined in the agreement), the Company's right of repurchase with respect to the shares of the Company's Common Stock referred to in the second preceding paragraph shall lapse, and the Company shall be obligated (i) to pay Mr. Rosenberg in a lump sum an amount equal to 300 percent of his then annual base salary, (ii) to cancel and discharge the entire indebtedness referred to in the next preceding paragraph, (iii) to pay Mr. Rosenberg an amount sufficient to cover any state or federal income tax liabilities arising from the cancellation of such indebtedness, (iv) to continue in effect for a period of up to two years any life insurance, medical insurance and disability plans and programs in which he was then participating, and (v) in the event Mr. Rosenberg's employment is so terminated by the Company, to pay Mr. Rosenberg in a lump sum the remaining unpaid portion of his then annual base salary for the period from the date of termination through the earlier to occur of the expiration of Mr. Rosenberg's employment agreement or the first anniversary of such change in control. Mr. Rosenberg's agreement sets forth certain procedures for determining whether such payments and benefits shall be subject to reduction in connection with the limitation set forth in Section 280G of the Internal Revenue Code on the Company's ability to deduct such payments and benefits for federal income tax purposes.

The agreement provides for separation pay to Mr. Rosenberg, in lieu of payment pursuant to any Company separation compensation policy, if his employment is continued until December 31, 1989 but not thereafter, in an amount equal to 150 percent of his 1989 annual base salary, payable in eighteen equal monthly installments, provided, however, that no such separation payment shall be paid to Mr. Rosenberg if he receives any payments pursuant to the provisions described in the next preceding paragraph.

Pursuant to Mr. Rosenberg's agreement, the Company granted to Mr. Rosenberg, in 1986, options under its 1982 Incentive Stock Option Plan covering the number of shares having an aggregate fair market value of \$100,000 at the time of such grant.

Mr. Rosenberg's agreement contains non-competition provisions and retirement benefits as described under the heading "Pension and Retirement Benefits" beginning on page 9.

Pursuant to his employment arrangement with the Company, Mr. Galligan received a salary at an annual rate of \$195,000 through April, 1986.

Pursuant to his employment arrangement with the Company, Mr. Bowen received a guaranteed bonus of \$25,000 with respect to 1986, half of which was paid in 1985 and the remaining portion of

which was paid in 1987. Under such arrangement, he received a salary at the annual rate of \$120,000 through October, 1986, and is to receive a salary at the annual rate of \$130,000 plus a guaranteed bonus of \$5,000 during the twelve months following October, 1986. Pursuant to such arrangement, Mr. Bowen also received in 1986 a commencement bonus of \$7,500.

The Company agreed to reimburse Mr. Bowen for moving and transportation expenses in connection with his relocation from Colorado to the Boston area. Pursuant to such arrangement, the Company also agreed to reimburse Mr. Bowen for certain costs in connection with the sale of his Colorado residence and agreed to pay him an amount sufficient to cover any state or federal income tax liabilities arising from his receipt of such reimbursement as well as any reimbursement in connection with his relocation.

During 1986, the Company made an interest-free loan of \$100,000 to Mr. Bowen to assist in his purchase of a residence in the Boston area, and such loan is still outstanding.

Pursuant to his employment arrangement with the Company, Mr. Messina received a salary at an annual rate of \$120,000 through April, 1986 and is to receive a salary at an annual rate of \$132,500 during the twelve months following April, 1986.

Pension and Retirement Benefits

Under the Company's Pension Plan (the "Pension Plan"), which is a qualified, non-contributory, defined benefit plan (funded by a group annuity contract with an insurance company) covering employees (including officers), annual benefits are paid upon retirement. Retirement benefits are based on (a) an employee's total annual cash compensation (as shown in Column C of the table on page 7), including bonuses, averaged over the highest consecutive five years of cash compensation during the years after age 55 (or the last three years of cash compensation if retirement occurs prior to age 60), and (b) length of service. Upon normal retirement at age 65, the plan will provide a retirement benefit equal to 50 percent of compensation (determined as above) reduced by 50 percent of the employee's primary Social Security benefit at retirement. The foregoing benefit is reduced on a pro rata basis for service of less than 25 years and further reduced by any benefit from a union pension plan. The normal retirement benefit is in the form of a life annuity with five years certain for unmarried participants and in the form of a qualified joint and survivor annuity for married employees. Employees with 10 years of service may elect early retirement beginning at age 55, with an appropriate reduction of the pension. Service after age 65, or in excess of 25 years, results in no additional accrual of benefits, except for an actuarial increase after age 65.

Certain officers of the Company have supplementary retirement agreements with the Company which provide for annual lifetime retirement benefits, with a minimum period of fifteen years subsequent to termination of employment (but not earlier than age 60, except in the case of death or disability), equal to 50 percent (which percentage is reduced pursuant to an age formula for termination of employment prior to age 65) of the average total cash compensation, including bonuses, paid or accrued for the three consecutive years of highest total cash compensation during the ten years ending upon termination of employment. The amounts payable by the Company are to be reduced by (a) the annual normal benefit under the Company's Pension Plan (described above) and (b) the amount of primary Social Security retirement benefits as of the date of retirement. The agreements also contain provisions relating to non-competition and payment of benefits following death.

Mr. Rosenberg has a supplementary retirement agreement, substantially in the form of the supplementary retirement agreements described above between the Company and certain of its officers, which provides for annual retirement benefits, before the required reductions, in an amount

equal to 5 percent of his average highest total compensation (as defined) for any consecutive three year period during any period not exceeding ten years of employment ending upon the termination of his employment multiplied by the number of years of his employment by the Company.

As of December 31, 1986, the estimated credited years of service under the Pension Plan for Messrs. Rosenberg, Galligan, Bowen, Cummins and Messina were 5, 2, 1, 13, and 2, respectively.

The following table illustrates the estimated annual normal benefits payable to employees upon normal retirement under the Pension Plan and supplementary retirement agreements (if any). The benefit amounts shown in the table below are subject to certain offsets, including an offset of 50 percent of the employee's estimated primary Social Security benefit with respect to benefits payable pursuant to the Pension Plan and 100 percent of the employee's estimated primary Social Security benefit with respect to benefits payable under supplementary retirement agreements.

<u>Average of Highest Consecutive Five Years of Compensation</u>	<u>Estimated Annual Retirement Benefits for Years of Service Indicated</u>		
	<u>15 Years</u>	<u>20 Years</u>	<u>25 or More Years</u>
\$ 100,000	\$ 30,000	\$ 40,000	\$ 50,000
\$ 200,000	\$ 60,000	\$ 80,000	\$100,000
\$ 300,000	\$ 90,000	\$120,000	\$150,000
\$ 400,000	\$120,000	\$160,000	\$200,000
\$ 500,000	\$150,000	\$200,000	\$250,000
\$ 600,000	\$180,000	\$240,000	\$300,000
\$ 700,000	\$210,000	\$280,000	\$350,000
\$ 800,000	\$240,000	\$320,000	\$400,000
\$ 900,000	\$270,000	\$360,000	\$450,000
\$1,000,000	\$300,000	\$400,000	\$500,000

(1) Amounts payable under the Company's Pension Plan may not exceed the maximum ERISA annual benefit limitation for qualified pension plans. The Tax Equity and Fiscal Responsibility Act of 1982 reduced this limitation to \$90,000.

(2) Since the calculation of benefits payable under the supplementary retirement agreements referred to above is based on the average of the three consecutive years of highest total compensation, the amount of compensation against which benefits are measured under such agreements can be expected to be as high or higher than the amount of compensation applicable under the Pension Plan. In addition, since years of service are not a limiting factor under the supplementary retirement agreements, retirement benefits payable to executive officers having supplementary retirement agreements can be expected to equal the amounts shown under the heading "25 or More Years" in the table.

(3) The amounts payable to Mr. Rosenberg upon normal retirement approximate 130 percent of the amounts shown under the heading "25 or More Years" in the table (as may be increased as described in footnote 2).

Stock Options

The Company's 1982 Incentive Stock Option Plan (the "Stock Option Plan") provides for the granting of options, including incentive stock options, to purchase shares of Common Stock, to officers and other key management employees of the Company and its subsidiaries, whether or not also Directors. The Stock Option Plan provides that up to 300,000 shares of Common Stock may be issued and sold by the Company pursuant to the exercise of options.

The Stock Option Plan is administered by the Compensation/Stock Option Committee of the Board of Directors (the members of which are not eligible to receive options while serving on the Committee), which selects participants and determines the amounts of the grants under the Stock Option Plan. The Committee considers an employee's performance and contributions to the Company's business goals in determining option grants. Other considerations relating to the granting of options include the need to attract new executives and to motivate and retain quality management employees.

The option price may not be less than the fair market value of the Common Stock at the time of the grant, and the term of the option may not exceed ten years. Each option is exercisable at such time or times as the Committee prescribes at the time the option is granted. In the case of an option not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the option may be exercised. Pursuant to an amendment to the Stock Option Plan approved by the Board of Directors on December 17, 1986, all options will become fully exercisable upon a change in control (as defined in the Stock Option Plan) of the Company.

The following table shows for certain executive officers and all executive officers as a group (a) the number of shares covered by stock options granted during 1986 and the average per share exercise price, and (b) the number of shares acquired through the exercise of options during 1986 and the amount realized (i.e., market value at the date of exercise minus exercise price) upon such exercise.

	<u>Options Granted</u>		<u>Options Exercised</u>	
	<u>Number of Shares</u>	<u>Average Option Price Per Share</u>	<u>Number of Shares</u>	<u>Amount Realized</u>
Manuel Rosenberg	4,081	\$24.50	0	0
Thomas J. Galligan III	0	0	0	0
Richard L. Bowen	0	0	0	0
Kenneth C. Cummins	0	0	0	0
Charles F. Messina	0	0	0	0
All Executive Officers as a Group	4,081	\$24.50	1,000	\$11,995

Restricted Stock

The Company's 1986 Restricted Stock Plan (the "Restricted Stock Plan") provides for awards to certain officers and other key executives of the Company and its subsidiaries of the right to purchase shares of Common Stock of the Company.

The Restricted Stock Plan is administered by the Compensation/Stock Option Committee of the Board of Directors (the members of which are not eligible to receive awards while serving on the Committee) which selects participants and determines the number of shares of Common Stock to be awarded under the Restricted Stock Plan. The Committee considers an executive's performance and contributions to the Company's business goals in determining awards. Other considerations relating to the granting of awards include the need to attract new executives and to motivate and retain quality management employees.

Each award gives the participant the right to purchase a specified number of shares of Common Stock ("Shares") at a price of \$1.00 per Share. Until a Share becomes vested, such Share is non-transferable and must be sold back to the Company for \$1.00 within 30 days after the participant ceases

to be employed by the Company or a subsidiary for any reason. Twenty percent of the Shares purchased by a participant will cease to be subject to the requirement that they be sold back to the Company for \$1.00, and will thereupon become "vested", on each of the first five anniversaries of the original purchase date. In the event that a participant becomes disabled or dies, those Shares which would have vested on the anniversary of the purchase date next following such event will become vested as of the date of such event and the participant's remaining non-vested Shares must be sold back to the Company as described above. In addition, if a participant's employment with the Company or a subsidiary terminates for any reason within two years after a change in control of the Company, all Shares of such participant will vest as of the date of termination of employment.

Under the Restricted Stock Plan, each participant is entitled to receive an interest-free loan from the Company to enable the participant to pay his or her federal and state income taxes in connection with the receipt of an award. If the participant is employed by the Company or a subsidiary on the fifth anniversary of the purchase date of the Shares, the Company will forgive the entire amount of the loan. Except as described below, the loan of a participant whose employment terminates prior to such fifth anniversary will become due and payable 30 days after the termination of employment (except that a portion of the loan will be forgiven for a participant who is discharged without cause). If a participant becomes disabled or dies prior to such fifth anniversary, or if a participant's employment terminates for any reason within two years following a change in control of the Company, the Company will forgive the entire amount of the participant's loan.

The aggregate number of Shares which may be issued under the Restricted Stock Plan will not exceed 175,000. However, non-vested Shares which are repurchased by the Company from participants for \$1.00 may be resold under the Restricted Stock Plan.

No awards under the Restricted Stock Plan were made to any executive officers during 1986.

Group Life Insurance

The Company provides group life insurance benefits to all executive officers of the Company, and certain other officers of the Company and subsidiaries, equal to four times base salary. Other employees of the Company are provided life insurance benefits equal to multiples of base salary, depending upon their position with the Company.

Employment Separation Compensation Policy

The Company has an employment separation compensation policy for senior executives (hereinafter referred to as the "Policy"). Pursuant to the Policy, corporate Vice Presidents and above who are separated from the employ of the Company, other than for cause or retirement, are to receive one month's salary for each year of service up to a maximum of one year's base compensation for Vice Presidents, and one and one-half year's base compensation for Senior Vice Presidents and above.

Certain senior executives of the Company, including Mr. Cummins, Mr. Galligan and Mr. Messina, have severance agreements with the Company which, as amended on December 24, 1986, provide that if within two years after a change in control (as defined in the agreements) of the Company the executive's employment is terminated by the Company other than for cause (as defined in the agreements) or the executive resigns from the Company for one or more specified reasons, the Company shall provide certain payments and benefits to the executive in lieu of the payments provided under the Policy. In the case of Mr. Cummins, Mr. Galligan and Mr. Messina, the Company is obligated to pay the executive in a lump sum an amount equal to 300 percent of his annual base compensation (as defined in the agreements), and to continue in effect for a period of up to two years

any life insurance, medical insurance and disability plans and programs in which he was then participating. The severance agreements set forth certain procedures for determining whether such payments and benefits shall be subject to reduction in connection with the limitation set forth in Section 280G of the Internal Revenue Code on the Company's ability to deduct such payments and benefits for federal income tax purposes. In the case of the other senior executives with whom the Company has severance agreements, including Mr. Bowen, the Company is obligated to pay in a lump sum an amount equal to the greater of (i) the executive's annual base compensation (as defined in the agreements) or (ii) one month's base compensation for each year of service (not to exceed 150 percent of the executive's annual base compensation).

As noted above, Mr. Rosenberg's agreement provides for separation compensation in lieu of any payment pursuant to the Policy.

Indemnification Agreements

The Company has an indemnification agreement ("Indemnification Agreement") with each of its Directors and Messrs. Cummins, Messina and Schwartz.

The Indemnification Agreement provides that the Company will pay certain expenses incurred by the Director or officer in connection with any threatened, pending or completed action, suit, arbitration or proceeding, whether civil, criminal, administrative or investigative, and specifically including actions by or in the name of the Company ("derivative suits"), where the individual's involvement is by reason of the fact that he is or was a Director or officer. Such amounts include attorneys' fees and other expenses customarily incurred in connection with legal proceedings and, in the case of proceedings other than derivative suits, judgments, penalties, fines and amounts paid in settlement. Under the Indemnification Agreement, the Director or officer will not receive indemnification if the Director or officer is found not to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal proceeding, the Director or officer is found to have had reasonable cause to believe his conduct was unlawful.

The Indemnification Agreement provides a number of procedures, presumptions and remedies used in the determination of the right of the Director or officer to indemnification. These procedures, presumptions and remedies are substantially identical to those set forth in an amendment to the Company's By-laws which was approved by the Board of Directors on December 17, 1986.

Other Compensation

Other compensation, including non-cash benefits, received by executive officers in 1986 was less than the minimum amount required to be reported pursuant to the rules of the Securities and Exchange Commission.

APPROVAL OF INDEPENDENT AUDITORS

The Board of Directors has selected the firm of Peat Marwick Main & Co. as independent auditors for the current fiscal year, upon the recommendation of its Audit Committee, and proposes that the stockholders approve this selection. Peat Marwick Main & Co. served as the Company's independent auditor for fiscal 1986. Representatives of that firm are expected to be present at the Annual Meeting of Stockholders at which they will have the opportunity to make a statement if they so desire, and be available to respond to appropriate questions.

PROPOSALS OF STOCKHOLDERS

Proposals of stockholders intended to be presented at the next Annual Meeting of Stockholders must be received by the Secretary, Morse Shoe, Inc., 555 Turnpike Street, Canton, Massachusetts 02021, not later than December 26, 1987 to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting.

GENERAL

As of the date of this Proxy Statement, the management knows of no business which will be presented to the meeting which is not referred to in the accompanying notice. However, as to other business, if any, which may properly come before the meeting or any reconvened sessions thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment.

The Company will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of stock. In addition to the use of the mails, proxies may be solicited by personal interview, by telephone or by telegraph. The Company has retained D. F. King & Co., Inc. to assist in the solicitation of proxies and anticipates that the fees it will incur for this service will not exceed \$6,000, plus reimbursement of expenses.

By Order of the Board of Directors,

KENNETH C. CUMMINS
Secretary