**MDS**

**MOHAWK DATA SCIENCES**

Ralph H. O'Brien
Chairman and President

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August 22, 1983

DEAR SHAREHOLDER:

On behalf of the Board of Directors and Management, I cordially invite you to the Annual Meeting of Shareholders to be held on Friday, September 30, 1983, at the Morris Museum of Arts and Sciences, Normandy Heights Road, Morristown, New Jersey, at 10:00 A.M. We look forward to greeting personally as many of our shareholders as will be able to attend the meeting at which the business and operations of the Company will be reviewed.

The formal Notice and Proxy Statement are attached to this letter. This material contains information concerning the business to be conducted at the meeting which includes the election of Directors and the ratification of amendments to the Company's Stock Option Plans.

We hope you will join us at the meeting, but if you are unable to do so, please take a moment to sign, date and return your proxy in the enclosed envelope since it is important that your shares be represented at the meeting. Your cooperation in mailing your proxy promptly will be greatly appreciated.

Very truly yours,

Ralph H. O'Brien

RALPH H. O'BRIEN
*Chairman of the Board and President*

Executive Headquarters
Seven Century Drive
Parsippany, New Jersey 07054

# MOHAWK DATA SCIENCES CORP.

**Seven Century Drive**
**Parsippany, New Jersey 07054**

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**To Be Held September 30, 1983**

To All Shareholders of
MOHAWK DATA SCIENCES CORP.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of MOHAWK DATA SCIENCES CORP. (the "Company") will be held at the Morris Museum of Arts and Sciences, Normandy Heights Road, Morristown, New Jersey on Friday, September 30, 1983 at 10:00 A.M., Eastern Daylight Time, for the following purposes:

1. To elect a Board of Directors consisting of nine members,

2. To consider and take action with respect to the ratification of amendments to the Company's 1970 and 1979 Stock Option Plans, permitting the exercise of options under the Plans by delivering shares of the Company's Common Stock held by the optionee; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed August 12, 1983 as the record date for the meeting, and only shareholders of record at the close of business on such date shall be entitled to vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

JOHN C. WALTERS
*Secretary*

Dated: August 22, 1983

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**YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU EXPECT TO BE PERSONALLY PRESENT, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

# MOHAWK DATA SCIENCES CORP.

Seven Century Drive

Parsippany, New Jersey 07054

# PROXY STATEMENT
# FOR
# ANNUAL MEETING OF SHAREHOLDERS

**To Be Held September 30, 1983**

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## GENERAL INFORMATION

The accompanying proxy is being solicited by and on behalf of the management of Mohawk Data Sciences Corp. (the "Company"), for use at the Company's Annual Meeting of Shareholders to be held on September 30, 1983, and any adjournment thereof.

The shares represented by all properly executed proxies received in time for the meeting will be voted in accordance with the instructions specified in the proxy. If no directions are given, the proxy will be voted in favor of the nine management nominees for Directors and for the amendments to the 1970 and 1979 Stock Option Plans. Giving a proxy does not preclude the right to vote in person, and a proxy may be revoked by notice to the Company in writing or in open meeting, but such revocation shall not affect any vote previously taken.

Copies of the Company's Annual Report to Shareholders for its fiscal year ended April 30, 1983 have previously been mailed to shareholders. This proxy statement and the accompanying proxy are being mailed to shareholders commencing on or about August 22, 1983.

Only holders of issued and outstanding shares of the Company's Common Stock of record at the close of business on August 12, 1983 are entitled to notice of and to vote at the meeting. Each such holder is entitled to one vote per share. The number of shares of Common Stock outstanding on August 12, 1983 was 14,507,027.

As of August 12, 1983, no person to the Company's knowledge owned beneficially more than 5% of the Company's outstanding Common Stock.

## ELECTION OF DIRECTORS

Nine Directors are to be elected at the Annual Meeting to hold office until the 1984 Annual Meeting and until their successors are elected and qualify. It is the intention of the persons named in the enclosed form of proxy, unless otherwise directed by shareholders executing proxies, to vote all proxies received by them for the election of the nominees named below. Each nominee is now a Director of the Company and is standing for re-election. Management has no reason to believe that any nominee is not available or will not serve if elected; but in the event that any nominee should become unavailable for election for any presently unforeseen reason, the persons named in the form of proxy will have the right to use their discretion to vote for a substitute or to vote for the remaining nominees and leave a vacancy on the Board of Directors.

The following information concerning the nominees for election to the Board of Directors has been furnished to the Company by such persons.

| Name | Principal Occupation | Director Since | Number (Percent) of Shares of Common Stock Owned Beneficially as of June 30, 1983* | |
|---|---|---|---|---|
| Douglas K. Baker ......... | President and Chief Executive Officer of New World Computer Company Inc., manufacturer of computer disk peripheral equipment | 1981 | 34,090 | ( .2%) |
| R. Watson Bell ........... | Executive Vice President and Chief Financial Officer of the Company | 1975 | 31,100 | ( .2%) |
| Arthur F. Flaherty ........ | Partner, Rich, May, Bilodeau & Flaherty, Attorneys | 1976 | 200 | |
| James W. Hart ........... | Chairman and President, Schick, Incorporated, distributor of electric shavers, parts and accessories | 1975 | 200 | |
| L. Donald Horne .......... | Chairman and Chief Executive Officer of The Mennen Company, worldwide distributor of health and beauty products | 1978 | 500 | |
| William J. Mann .......... | Executive Vice President of the Company | 1982 | 25,486 | ( .2%) |
| William E. McKenna ...... | General Partner, McKenna Equities and McKenna Investment Company, private investment companies | 1975 | 500 | |
| Ralph H. O'Brien ......... | Chairman and President of the Company | 1975 | 350,000 | (2.4%) |
| George R. West ........... | Chairman and Chief Executive Officer of Allendale Mutual Insurance Company | 1980 | 500 | |
| All Directors and Officers as a Group (23 Persons) .... | | | 561,320 | (3.9%) |

* Such amounts include 34,090, 9,000, 9,000, 160,000 and 276,578 shares which may be acquired by Messrs. Baker, Bell, Mann and O'Brien, and by all directors and officers as a group, upon the exercise of outstanding stock options. Figures in parentheses indicate percentage of the outstanding Common Stock owned; where no figure appears, the amount held represents less than one-tenth of 1%. Each person listed above has sole voting and investment power as to all shares indicated.

The following sets forth additional information regarding the nominees:

| | |
|---|---|
| Douglas K. Baker ....... | Mr. Baker, 49, was President and Chief Executive Officer of Qantel Corporation for seven years prior to its merger with the Company in 1980 and continued to serve as President of the MDS Qantel Division until May 1982 before assuming his present position. |
| R. Watson Bell ......... | Mr. Bell, 55, joined the Company as Senior Vice President in 1975 and assumed his present position in 1980. For the prior five years he had served as Vice President, Treasurer and Chief Financial Officer of Lenox, Incorporated, a diversified manufacturer of consumer products. |
| Arthur F. Flaherty ...... | Mr. Flaherty has been a member of the law firm of Rich, May, Bilodeau & Flaherty for more than the past five years. Such firm has been retained from time to time by the Company for legal services. Mr. Flaherty, 51, is a member of the Audit Committee. |
| James W. Hart ......... | Mr. Hart has been Chairman of the Board, President and Chief Executive Officer of Schick, Incorporated since 1975. Mr. Hart, 50, is Chairman of the Compensation Committee. |
| L. Donald Horne........ | Mr. Horne has been with The Mennen Company since 1972, served as President since 1977 and assumed his present positions in 1981. He is a Director of The Mennen Company and American National Bank, a subsidiary of Horizon Bancorp. Mr. Horne, 50, is a member of the Audit and Compensation Committees. |
| William J. Mann........ | Mr. Mann, 52, joined the Company as Vice President—Operations in 1975, was elected Senior Vice President in 1976 and assumed his present position in 1980. Prior to joining the Company, he served as Senior Vice President of General Automation, Inc., a computer manufacturer, for two years, prior to which he had been Vice President—Manufacturing of the Business Machines Division of The Singer Corporation, a diversified corporation, for three years. |
| William E. McKenna .... | Mr. McKenna has been a general partner of McKenna Equities and McKenna Investment Company, private investment companies, since 1977. He also served as Chairman of the Board of Sambo's Restaurants, Inc., a family restaurant chain, from 1979 to 1981 and as Chairman of the Board of Vencap, Inc., employment services, from 1977 to 1979. He is a Director of Calprop Corporation, Drexler Technology Corporation, L.D. Brinkman Corporation, Midlantic Banks, Inc., Midlantic National Bank, Tiger International, Inc. and Williams Electronics, Inc. Mr. McKenna, 64, is Chairman of the Audit Committee. |

Ralph H. O'Brien ....... Mr. O'Brien, 54, has been Chairman of the Board, Chief Executive Officer and President of the Company since 1975. Prior to such time he had been employed by Litton Industries, Inc., a diversified manufacturer, for 21 years, last serving as Executive Vice President. Mr. O'Brien is a Director of Midlantic National Bank, The Mennen Company and C. R. Bard, Inc.

George R. West ........ Mr. West joined Allendale Mutual Insurance Company as President and Chief Executive Officer in 1979 and assumed his present position in 1982. Previously he served as Senior Vice President—Administration of Arkwright-Boston Manufacturers Mutual Insurance Company since 1968. He is a Director of The Eastern Company and The First National Bank of Boston. Mr. West, 63, is a member of the Compensation Committee.

The Board of Directors has standing Audit and Compensation Committees. The Compensation Committee makes recommendations to the Board with respect to executive compensation for the Company and its subsidiaries and administers the Company's stock option plans. The Audit Committee recommends the selection of independent certified public accountants and reviews the scope of audits performed by them and their reports; reviews the Company's financial statements and any changes in accounting policy; reviews the Company's implementation of its policy of complying with all laws and regulations; and consults with the accountants and management of the Company with regard to the adequacy of internal controls. There were seven meetings of the Compensation Committee and three meetings of the Audit Committee during the past fiscal year. The Board of Directors does not have a nominating committee.

Each non-employee director receives $13,000 per year for serving on the Company's Board of Directors and $1,250 for serving on any Committee of the Board. Committee Chairmen receive an additional $2,500 for serving in such capacity. The Board held seven meetings during the past fiscal year. Each director, other than Mr. Baker, attended at least 75% of the meetings of the Board and Committees of the Board of which he was a member.

The Company and its finance subsidiary, MDS Credit Corp., are parties to credit agreements with bank syndicates providing for loans up to $42,000,000 and $22,250,000, respectively. The First National Bank of Boston, of which Mr. West is a director, acts as agent under each agreement, and Midlantic National Bank, of which Messrs. McKenna and O'Brien are directors, is a member of each syndicate.

The Board of Directors unanimously recommends a vote FOR the election of the above nominees as directors for the ensuing year. A majority of the outstanding shares of Common Stock must be represented in person or by proxy at the Annual Meeting to constitute a quorum, and a plurality of the votes cast is required for the election of directors.

## REMUNERATION AND OTHER TRANSACTIONS WITH MANAGEMENT AND OTHERS

The following table sets forth the remuneration paid or accrued by the Company for the fiscal year ended April 30, 1983 to each of its five most highly compensated officers and to all directors and officers as a group.

| Name of individual or number of persons in group | Capacities in which served | Cash and cash-equivalent forms of remuneration: Salaries, directors' fees, commissions, bonuses(1) | Cash and cash-equivalent forms of remuneration: Securities or property, insurance benefits or reimbursement, personal benefits(2) | Aggregate of contingent forms of remuneration(3) |
|---|---|---|---|---|
| Peter S. Anderson ....... | Senior Vice President and President—MDS Systems(4) | $ 141,775 | $ 17,203 | $23,940 |
| R. Watson Bell .......... | Executive Vice President and Chief Financial Officer | 152,000 | 30,379 | 13,687 |
| William J. Mann ........ | Executive Vice President | 150,000 | 88,435 | 17,297 |
| Ralph H. O'Brien ....... | Chairman of the Board and President(5) | 385,000 | 174,815 | 15,821 |
| Dallas L. Talley ......... | Senior Vice President and President—MDS Qantel | 121,019 | 17,159 | 13,198 |
| All Officers and Directors as a Group (27 Persons) | | 2,221,013 | 496,305 | |

(1) Includes amounts payable under the Company's Key Executive Bonus Plan, providing for bonuses of up to 50% of base salary based on certain operating results of the Company.

(2) Includes remuneration paid under the Company's stock option plans and premiums paid by the Company under its Executive Insurance Plan.

(3) Represents estimated annual pension benefits upon retirement under the Company's Pension Plan, assuming that such individuals retire at normal retirement age, that the benefits under the Pension Plan are not altered prior to retirement and that the named individuals continue to receive pensionable compensation in excess of $75,000. The Plan provides for protection of vesting rights in the event an individual's employment is interrupted for less than a year and bridging those rights under certain circumstances for longer breaks in service. Such amounts do not include benefits under the Executive Insurance Plan. No amounts are included with respect to the Company's contribution to its Pension Plan, since such contributions cannot be readily calculated for the designated persons.

(4) Mr. Anderson resigned in February 1983.

(5) Mr. O'Brien is compensated under an employment contract which expires in 1988 under which he presently receives a base salary of $310,000 and an annual performance bonus of up to $400,000.

## Executive Insurance Plan

In 1976 the Company established an insurance program for executive officers, supplementing the coverage available under the Company's group insurance plan and the benefits under its Pension Plan. Under the program, such officers obtain individual life insurance policies under which the Company pays the premiums and participates in the receipt of the policy proceeds. Death benefits for the participants are calculated at two and one-half times such person's annual base salary (other than Mr. O'Brien, whose benefit is calculated on the basis of annual compensation of $400,000). Alternatively, at normal retirement the officer may assign the policy to the Company and receive ten annual payments from the Company in an amount ranging from approximately 40% to 60% of his annual base salary at such time, with the Company retaining the death benefit. The employee's rights under the insurance policy generally terminate in the event of a termination of employment; however, in such event, the officer has the right to acquire the policy upon payment to the Company of its cash surrender value. Pursuant to his employment contract, Mr. O'Brien's right to have the premiums paid by the Company vests on a pro rata basis over a ten year period through 1988. Since May 1, 1978 the Company paid premiums of $18,090, $95,834, $65,322, $297,258 and $25,738 on behalf of Messrs. Anderson, Bell, Mann, O'Brien and Talley and $930,291 for all present officers and directors as a group. The program is designed so that, if the assumptions made as to mortality experience, policy dividends and other factors are realized, the Company will recover the major portion of its payments thereunder.

## Pension Plan

Under the Company's Pension Plan for Employees, pension benefits are provided for full-time employees of the Company and its domestic subsidiaries. The Pension Plan is non-contributory, offset by federal social security payments, funded on an actuarial basis, and pays benefits based on service and rate of compensation. Pensionable remuneration under the Pension Plan currently consists of base salary plus 50% of bonus, commission and overtime, up to a maximum of $75,000. The Company was not required to make a contribution to its Pension Plan during the past fiscal year. The amounts set aside by the Company during the last five years to fund the service costs for the benefit of all participants aggregated $2,451,800.

The following table illustrates the estimated annual benefits payable upon retirement at age 65 under the Pension Plan to employees in various compensation and years of service classifications, assuming the social security benefit in effect at April 30, 1983 applied throughout the service period:

| | Estimated Annual Pension Payable Based on Service of: | | | |
|---|---|---|---|---|
| Compensation | 10 years | 20 years | 30 years | 40 years |
| $30,000 | $2,704 | $ 5,274 | $ 7,753 | $10,314 |
| $40,000 | 3,920 | 7,648 | 11,224 | 14,882 |
| $50,000 | 5,170 | 10,148 | 14,974 | 19,882 |
| $60,000 | 6,420 | 12,648 | 18,724 | 24,882 |
| $75,000 and above | 8,295 | 16,398 | 24,349 | 32,382 |

As of April 30, 1983, credited years of service in the Pension Plan are as follows: Mr. Anderson—4.8; Mr. Bell—7.7; Mr. Mann—7.9; Mr. O'Brien—8.1; and Mr. Talley—1.4.

**Stock Option Plans**

The following table sets forth, as to certain named directors and officers of the Company, and as to all directors and officers as a group, (i) the number of shares and average exercise price of Common Stock covered by options granted by the Company from May 1, 1978 to April 30, 1983, (ii) the net value (market value less exercise price) of shares acquired during that period through the exercise of options, (iii) sales by such persons who exercised options during such period, (iv) the number of shares covered by outstanding options at April 30, 1983, and (v) the potential (unrealized) value of such options at such date.

| | Peter S. Anderson | R. Watson Bell | William J. Mann | Ralph H. O'Brien | Dallas L. Talley | All Directors and Officers as a Group |
|---|---|---|---|---|---|---|
| Options Granted: | | | | | | |
| Number of shares | 22,500 | 16,000 | 16,000 | — | 26,363 | 209,363 |
| Average option price | $ 12.19 | $ 11.41 | $ 11.41 | — | $ 11.77 | $ 12.36 |
| Options Exercised: | | | | | | |
| Net value realized—market value less exercise price | $ 89,677 | $256,375 | $291,858 | $1,584,062 | — | $2,859,449 |
| Shares Sold | — | 2,000 | — | — | — | 29,144 |
| Outstanding Options: | | | | | | |
| Number of shares | — | 16,000 | 16,000 | 60,000 | 26,363 | 262,703 |
| Potential (unrealized) value—market value less exercise price* | — | $ 67,500 | $ 67,500 | $ 836,250 | $101,554 | $1,457,368 |

* Of such value, the following percentages thereof relate to exercisable options: Mr. Bell—56%, Mr. Mann—56%, Mr. O'Brien—100%, Mr. Talley—76%, and all directors and officers as a group—86%.

From May 1, 1978 through April 30, 1983 options covering an aggregate of 581,521 shares were granted to employees under the Company's option plans at an average price of $13.35 per share.

Provisions have been included in the options granted under the Company's 1970 and 1979 Stock Option Plans (the "Plans") to reimburse optionees for income and withholding taxes incurred as a result of the exercise of options thereunder. Accordingly, if the exercise of an option results in the employee's receiving income upon which the Company is required to withhold taxes, the Company will advance such person (including employee directors and officers) an amount equal to the required withholding, which advance is evidenced by a non-interest bearing note payable the earlier of termination of employment or the March 15 subsequent to the calendar year of exercise. In addition, the Company will pay as additional taxable compensation on March 15 of the year following the year of exercise, if the optionee is still employed on such date, an amount which, with certain limitations, is equal to the difference between (a) the federal and other income taxes payable by the employee for the taxable year in which income is realized on account of such exercise and (b) the taxes which would have been payable if such exercise had not taken place, provided that in computing such difference any gain in excess of $30.00 per share is excluded, and will similarly advance the required withholding on such payment. The Company will also pay an additional amount on the second March 15 following the calendar year of exercise to reimburse the employee for the taxes payable on the initial reimbursement, subject to the same restrictions and requirements set forth above. Since both the amounts required to be included in income by the employee and the amounts paid by the Company as additional compensation are deductible by the Company for tax purposes, the Company may receive a tax benefit greater than the amounts paid by it to the employee. Pursuant to the provisions of the Plans, the Company advanced Mr. O'Brien $316,137, to cover required withholding taxes in connection with his exercise of a stock option during the past fiscal year. Since May 1, 1978 the Company paid additional compensation of $17,062, $159,985, $220,376 and $570,781, respectively, to Messrs. Anderson, Bell, Mann and O'Brien, $1,302,429 to all officers and directors as a group, and $1,641,766 to all employees, to offset the income taxes payable under stock options exercised by them.

MDS Capital Corporation, a subsidiary of the Company, made non-interest bearing loans to Messrs. Bell and O'Brien aggregating $50,000 and $400,000, respectively, in connection with transactions relating to stock options previously exercised by them. Mr. Bell's loan is payable January 15, 1984 and Mr. O'Brien's loan is payable upon the earlier of April 30, 1988 or the sale by him of shares of Common Stock of the Company received upon exercise of such stock options.

**MDS Qantel Stock Options**

Prior to its merger into the Company in 1980, Qantel Corporation had granted options under its Employee Non-Qualified Stock Option Plan, which was terminated upon the merger, and had granted additional non-qualified options outside of such plan. These options were assumed by the Company in accordance with the merger exchange ratio. In 1982 the Company made an election to treat the MDS Qantel options as "incentive stock options", to the extent permitted by the Economic Recovery Tax Act of 1981 ("ERTA"). Otherwise, the terms of these options, which remain unaffected by such plan's termination, are generally similar to options granted under the Plans.

In connection with his purchase of stock of Qantel Corporation prior to its merger into the Company, Mr. Baker received a loan bearing interest at 7%, with principal and accrued interest of $80,614 at April 1, 1983, and a non-interest bearing loan in the amount of $100,000, payable in 1986. The 7% Note has been cancelled for consideration which included the cancellation of an option for 20,000 shares of the Company's Common Stock.

**Savings Plan**

The MDS Savings Plan was introduced in 1977 as a combined savings and retirement plan for employees. Under the Plan, employees may authorize payroll deductions covering a portion of their wages. The Company allocates to the account of each participant on a monthly basis shares of its Common Stock equal in value to 40% of the employee's basic contributions under the Plan. The Common Stock normally vests to the extent of 50% after participation in the plan for three years and 100% after five years, except that in each case contributions made within 12 months remain unvested. No allocation of Common Stock is made on behalf of persons who participate in the Executive Insurance Plan. Since May 1, 1978 a total of 1,037 shares were allocated under the Plan to all present officers as a group, and 91,904 shares were similarly allocated to all employees.

## RATIFICATION OF AMENDMENTS TO STOCK OPTION PLANS

One of the purposes of the Annual Meeting is to consider and ratify amendments to the 1970 and 1979 Stock Option Plans (the "Plans"), providing that the Compensation Committee, at its option, may permit payment of the exercise price of a stock option by delivering Common Stock of the Company having a market value equal to such exercise price or by a combination of cash and Common Stock.

The amendments permitting the exercise of options by delivering shares of Common Stock were adopted by the Compensation Committee in January 1981. They were adopted pursuant to shareholder-approved provisions authorizing the Compensation Committee to amend the Plans in certain cases without further shareholder approval. They were also adopted in reliance on a Securities and Exchange Commission ("SEC") release to the effect that shareholder approval of amendments of this sort was not necessary in order for these transactions to qualify for an exemption from Section 16(b) of the Securities Exchange Act of 1934 relating to "short-swing" profits from transactions in the Company's shares. However, a recent federal court opinion challenges the SEC's interpretation, and in order to clarify the situation and remove any doubt which may be raised by such opinion, the Company is seeking shareholder ratification of these amendments.

Although the amendments enable optionees to exercise their options without a significant cash payment, they do not result in any increase in the compensation an option provides since the shares surrendered must have a market value equal to the option price. The following example is illustrative: Assume that an option covering 100 shares at an exercise price of $10 is exercised at a time when the market value is $15. If the option is exercised for cash, the optionee pays $1,000 and receives shares worth $1,500, for a gain of $500. If the option is exercised by using shares, the optionee surrenders shares valued at $1,000 and receives shares worth $1,500, also for a gain of $500.

Under the Plans options may be exercised with shares in immediately successive transactions using option shares from one exercise to pay the option price on the next exercise until the options are fully exercised. In this way, optionees are able to exercise their options in full. The Company presently restricts the use of the share exercise feature to one such transaction in any six month period. However, such policy may be modified by the Compensation Committee in the future.

Options covering 51,110 shares have been exercised in this manner, including options covering 2,125, 3,000 and 20,000 shares by Messrs. Anderson, Bell and Mann and 36,575 shares by all officers and directors as a group. See "Stock Option Plans" for additional information with respect to outstanding stock options.

Since its organization, the Company has enabled its key employees to obtain a proprietary interest in the Company by granting them stock options. The Board of Directors believes that the possession of a proprietary interest in the Company afforded by the receipt of stock options and shares of Common Stock upon exercise thereof acts as an incentive in stimulating the interest of key employees to promote the success of the Company. The flexibility of using cash or Common Stock to exercise stock options facilitates the employee's ability to obtain such proprietary interest and, therefore, promotes the intended purpose of the Plans.

The Board of Directors unanimously recommends to the shareholders that they ratify such amendments. The affirmative vote of the holders of a majority of the total number of shares of Common Stock outstanding on the record date is required for ratification

**Description of the Plans**

Options under the 1979 Plan may be granted at any time through May 15, 1989. Additional options may no longer be granted under the 1970 Plan, but outstanding options may be exercised until their expiration 10 years from the date of grant. The Company's Compensation Committee which administers the Plans may grant options under the 1979 Plan to key employees, including officers, without Board of Directors' approval except in the case of a member of the Compensation Committee, upon such terms and conditions as it sees fit, subject only to the requirements that the exercise price may not be less than the fair market value of the Company's Common Stock at the date of grant and that the expiration date shall not be more than 10 years after the date of grant.

Options are generally exercisable beginning one year after the date of grant and then only to the extent of 25% per year on a cumulative basis. There is no limit on the number of optioned shares which may be granted to any one employee. Options are not transferable (other than by will or by the laws of descent and distribution), and if an optionee ceases to be employed by the Company or any of its subsidiaries for any reason, any option held by him will terminate immediately, unless the Committee has granted an option which may be exercised within 30 days after any such termination. In the event of his death, his option to the extent then exercisable will expire one year after the date of death (unless it expires sooner by its terms). The Compensation Committee may accelerate the exercisability of outstanding options, in whole or in part, at any time. In addition, options become fully exercisable in the event a change of ownership or a merger or consolidation of the Company occurs and within 18 months the optionee's employment is terminated without cause.

The Plans contain no provisions restricting the Company from granting additional options to holders of outstanding options thereunder, whether in substitution for such options or otherwise. Such additional options may be made exercisable at prices lower than the exercise prices of such outstanding options. Options under the Plans include anti-dilution provisions which become effective in the event of a stock dividend, split or the like or any recapitalization, merger or consolidation. When options granted under the 1979 Plan terminate or expire without having been exercised in full, further options covering the shares not purchased may be granted.

The Committee may amend or terminate the Plans as it deems advisable; provided, however, that any amendment which increases the aggregate number of shares covered thereby or reduces the minimum purchase price is subject to approval by the shareholders of the Company within 12 months after its adoption or it shall become void. However, no amendment or termination of the Plans may, without the consent of the optionee, adversely affect the rights of such optionee.

Options granted under the Plans are not intended to qualify as "incentive stock options" which were created by ERTA, and the Company presently expects to continue to include provisions for the reimbursement of optionees, including employee directors and officers, for income and withholding taxes resulting from the exercise of stock options under the Plans. However, there is no requirement to do so, and the Committee has the authority to modify, amend or eliminate such tax reimbursement provisions, which are described on pages 7 and 8.

Under the present Internal Revenue Code and regulations there are no tax consequences to the employee or the Company upon the grant of an option pursuant to the Plans. However, except as noted below, upon the exercise of such an option the difference between the option price and the fair market value of the Common Stock at the date of exercise is taxable to the employee as ordinary income and deductible by the Company. The shares of Common Stock so acquired will constitute a capital asset in the hands of the employee and his tax basis for such shares will be the fair market value thereof on the date of exercise. If shares so acquired are later sold or exchanged, then the difference between the sales price and the fair market value of such shares on the date of exercise of the option is taxable as long-term or short-term capital gain or loss depending upon whether the shares have been held for more than one year after such date.

As stated above, generally income is realized upon exercise of an option under the Plans. However, the employee will not recognize ordinary income at the time of such exercise if a sale of such shares at a profit would subject such employee to potential liability under Section 16(b) of the Securities Exchange Act of 1934. In that case the employee will not be taxed until the date when such potential liability lapses. However, an employee may elect (not later than 30 days after acquiring such shares) to include in income currently the difference between the fair market value of such shares at the time of exercise and the option price, notwithstanding the fact that a sale of such shares at a profit would subject such employee to potential liability under Section 16(b). If such election is made, no additional taxable income will be recognized at the time the restriction lapses. The Company will be entitled to a tax deduction at the time and to the extent income is realized by such employee.

Based upon a published ruling of the Internal Revenue Service, an employee who pays the option price upon exercise of an option under the Plans, in whole or in part, by delivering shares of the Company's Common Stock already owned by him will recognize no gain or loss for Federal income tax purposes on the shares surrendered, but otherwise will be taxed according to the rules described above. With respect to shares acquired upon exercise which are equal in number to the shares surrendered, the basis of such shares received will be equal to the basis of the shares surrendered, and the holding period of such shares received will include the holding period of the shares surrendered. The basis of additional shares received upon exercise will be equal to the fair market value of such shares on the date of exercise, and the holding period for such additional shares will commence on the date the option is exercised.

## RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, at the recommendation of its Audit Committee, has reappointed the firm of Arthur Andersen & Co. as independent auditors for the 1984 fiscal year. Arthur Andersen & Co. has served as the Company's auditors since 1972 and had previously audited its European operations since 1968. A representative of Arthur Andersen & Co. is expected to be present at the Annual Meeting, with the opportunity to make a statement if he so desires and to respond to appropriate questions.

## MISCELLANEOUS

The cost of soliciting proxies relating to the Annual Meeting will be paid by the Company. Directors, officers and employees of the Company may, without additional compensation, solicit proxies from shareholders, which solicitation may be made by telephone, telegram or personal interview. In addition, the Company has retained The First National Bank of Boston, its Transfer Agent, to solicit proxies for the Annual Meeting for a fee estimated at $8,000. Brokerage houses, other custodians, nominees and fiduciaries will be requested to forward soliciting material to the beneficial owners of stock held of record by such persons and will be reimbursed by the Company for expenses incurred in doing so.

Any proposal of a shareholder intended to be presented at the 1984 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than May 23, 1984.

As of the date of this Proxy Statement the management of the Company does not know of any other matter that will come before the Annual Meeting. In the event that any other matter properly comes before the Annual Meeting, the persons named in the enclosed form of proxy intend to vote all proxies in accordance with their best judgment on such matters.

August 22, 1983

MOHAWK DATA SCIENCES CORP.

JOHN C. WALTERS
*Secretary*

**PLEASE SIGN, DATE AND MAIL YOUR PROXY NOW**