



Chairman of the Board
and President

January 26, 1984

Dear MAI Shareholder:

I am pleased to invite you to attend the 1984 Annual Meeting of Shareholders, which will be held at 11:30 A.M. on Wednesday, March 14, at the Doral Inn, 541 Lexington Avenue, in New York City.

Three matters will be considered and decided upon at this year's meeting. The most important of these is the election of four directors whose terms expire this year. The two other issues are the selection of independent auditors and amendments to our stock option plans.

Your management strongly believes your best interests will be served by re-electing those four directors who are your Company's nominees. Each has a thorough knowledge and understanding of MAI's business and operations; each participated in the strategic planning that has positioned MAI for growth and development over the long term; and each is committed to enhancing the value of your investment in our Company.

MAI's business is strong and our prospects are extremely bright. As a result of the investments we have made, we are seeing broad customer acceptance of our new products and services.

We urge you to protect your investment by voting **FOR** the re-election of the incumbent directors who know your Company and who will serve the best interests of all our shareholders.

Whether or not you plan to attend the meeting, we ask you to complete, date and sign the white proxy card and mail it in the self-addressed envelope at your earliest convenience. Also, for the reasons set forth in the attached Proxy Statement, we urge you to vote **FOR** the proposed independent auditors and the amendments to the stock option plans.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond P. Kurshan". The signature is fluid and cursive.

Raymond P. Kurshan



NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

March 14, 1984

To the Shareholders of
MANAGEMENT ASSISTANCE INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Management Assistance Inc. (the "Company") will be held at the Doral Inn, 541 Lexington Avenue, New York, New York, on Wednesday, March 14, 1984, at 11:30 o'clock in the morning, for the following purposes:

(1) To elect four directors, constituting the Class B Directors, to serve until the Annual Meeting of Shareholders in 1987 and until their successors have been duly elected and shall qualify;

(2) To approve the appointment of Peat, Marwick, Mitchell & Co. as independent auditors of the Company for the fiscal year ending September 30, 1984;

(3) To consider and act upon the proposal to adopt an amendment to the Stock Option Plan of 1979 to increase by 350,000 the number of shares of Common Stock subject thereto; to ratify the amendment, effective as of November 10, 1980, to each of the Stock Option Plans of 1975, 1976 and 1979 permitting the use of shares of Common Stock to exercise options granted pursuant thereto; and to ratify the prior exercises of options using shares of Common Stock, all as described in the Proxy Statement; and

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

Every shareholder of record at the close of business on Tuesday, January 24, 1984, is entitled to cast, in person or by proxy, one vote for each share of Common Stock held by such shareholder.

By Order of the Board of Directors

Robert W. Berend,
Secretary

Dated: January 26, 1984

YOUR PROXY IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. PLEASE FILL IN, DATE, SIGN AND MAIL THE ENCLOSED WHITE PROXY CARD TODAY IN THE ACCOMPANYING SELF-ADDRESSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Management Assistance Inc. (the "Company"), a New York corporation having its principal office at 560 Lexington Avenue, New York, New York 10022, for use at the Annual Meeting of Shareholders to be held on Wednesday, March 14, 1984, or at any adjournment or adjournments thereof. Only shareholders of record at the close of business on Tuesday, January 21, 1984 (the "Record Date"), are entitled to vote at the meeting. Proxy material is being mailed on January 27, 1984 to the Company's shareholders of record.

The Company and its subsidiaries are collectively referred to herein as "MAI".

VOTING SECURITIES

The voting securities at the meeting will consist of 7,149,423 shares of Common Stock, \$40 par value (the "Common Stock"). Each shareholder of record is entitled to cast, in person or by proxy, one vote for each share of Common Stock held by such shareholder at the close of business on the Record Date.

Shareholders who execute proxies retain the right to revoke them by notifying the Company at any time before they are voted. Unless so revoked, the shares represented by proxies will be voted at the meeting. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein.

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based on information filed with the Securities and Exchange Commission (the "SEC"), Plaza Securities Company, Arbitrage Securities Company and Minor Associates, L.P. (the "Partnerships"), of which Asher B. Edelman, 717 Fifth Avenue, New York, New York 10022, is either the sole or controlling general partner, Raymond French, 277 Park Avenue, New York, New York 10017, and Clark B. Mandigo, 217 North Water Street, Wichita, Kansas 67201, beneficially owned, as of January 12, 1984, in the aggregate 533,000 shares of Common Stock, or approximately 7.5% of the class. Based on information furnished to the Company, as of the Record Date, the Oppenheimer Special Fund, Inc., 2 Broadway, New York, New York 10004, beneficially owned 709,000 shares of Common Stock, or approximately 9.8% of the class, and General Dynamics Corporation, Pierre Laclède Center, St. Louis, Missouri 63105, beneficially owned 380,000 shares of Common Stock, or approximately 5.3% of the class. The foregoing are the only persons known to the Company to be beneficial owners as of the Record Date of more than 5% of the outstanding shares of the Common Stock.

The following table sets forth information as of the Record Date with respect to the shares of Common Stock beneficially owned by the Company's directors (including their associates) and all

directors and officers of the Company as a group. None of such persons owns any of the Company's 7½% Convertible Subordinated Debentures due 1957.

<u>Name and Business Address</u>	<u>Amount Beneficially Owned(1)</u>	<u>Percent of Class</u>
Robert W. Berend Management Assistance Inc. 560 Lexington Avenue New York, New York 10022	60,396(2)	0.8%
Marshall P. Bissell 13 Robert Drive Chatham, New Jersey 07928	500(3)	nil
Robert L. Brucek Business Development Associates 10805 Pecan Park Road Austin, Texas 78750	100(4)	nil
John W. Culligan American Home Products Corporation 655 Third Avenue New York, New York 10017	100(5)	nil
James G. Hellmuth Bankers Trust New York Corporation 250 Park Avenue New York, New York 10017	0	0
Stephen J. Keane Basic Four Information Systems Division 14101 Myford Road Tustin, California 92650	63,268(6)	0.9%
Raymond P. Kurshan Management Assistance Inc. 560 Lexington Avenue New York, New York 10022	115,269(7)	1.6%
John E. McConaughy, Jr. Peabody International Corporation 4 Landmark Square Stamford, Connecticut 06901	0	0
Gerald Rosenberg Condec Corporation Boston Post Road Old Greenwich, Connecticut 06870	800	nil
Aaron Wildavsky Survey Research Center University of California 2538 Channing Way Berkeley, California 94720	100	nil
All directors and officers as a group	423,297(8)	6%

(1) The figures in the table represent record and beneficial ownership, which includes sole voting and investment power, except as otherwise indicated in the notes to the table and except for 8,734

shares owned by Mr. Kurshan's wife, 500 shares owned jointly by Mr. Rosenberg and his wife, 300 shares owned by Mr. Rosenberg's wife as custodian for their children and 500 shares owned by another officer's wife. Each such director and officer disclaims beneficial ownership in the shares owned by his wife or for his children.

(2) Includes 22,800 shares which are held in escrow pursuant to the Key Employees Restricted Stock Plan (the "1974 Restricted Stock Plan") and the Restricted Stock Plan of 1978 (the "1978 Restricted Stock Plan"). See ELECTION OF DIRECTORS and PROPOSED AMENDMENTS TO STOCK OPTION PLANS for a description of such Plans, the Stock Option Plan of 1975 (the "1975 Option Plan"), the Stock Option Plan of 1976 (the "1976 Option Plan") and the Stock Option Plan of 1979 (the "1979 Option Plan"). (The 1974 Restricted Stock Plan and the 1978 Restricted Stock Plan are collectively referred to herein as the "Restricted Stock Plans". The 1975 Option Plan, the 1976 Option Plan and the 1979 Option Plan are collectively referred to herein as the "Option Plans".) On June 6, 1983, Mr. Berend purchased, subject to rescission (see PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Exercise by Use of Stock — Amendments and Ratification), 8,500 shares of Common Stock by exercising an option under the 1976 Option Plan and delivering 4,478 shares of Common Stock owned by him.

(3) Includes 150 shares of Common Stock purchased by Mr. Bissell on March 16, 1982.

(4) Mr. Brueck purchased all of said shares on January 17, 1984.

(5) Mr. Culligan purchased all of said shares on January 16, 1984.

(6) Includes 27,118 shares which are held in escrow pursuant to the Restricted Stock Plans and includes 6,500 shares which Mr. Keane has the right to acquire upon the exercise of an option granted under the 1976 Option Plan which is currently exercisable or will be exercisable within 60 days after the Record Date. On May 6, 1983, Mr. Keane purchased, subject to rescission (see PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Exercise by Use of Stock — Amendments and Ratification), 6,500 shares of Common Stock by exercising an option under the 1976 Option Plan and delivering 3,150 shares of Common Stock owned by him.

(7) Includes 48,500 shares which are held in escrow pursuant to the 1978 Restricted Stock Plan. On April 5, 6 and 7, 1982, Mr. Kurshan sold, respectively, 6,200, 2,900 and 900 shares of Common Stock. On May 23, 1983, Mr. Kurshan purchased, subject to rescission (see PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Exercise by Use of Stock — Amendments and Ratification), 18,750 shares of Common Stock by exercising an option under the 1976 Option Plan and delivering 10,170 shares of Common Stock owned by him.

(8) Includes, in addition to the shares referred to in notes (2), (6) and (7), 90,225 shares owned by officers of the Company (other than Messrs. Berend, Keane and Kurshan) which are held in escrow pursuant to the Restricted Stock Plans and includes 6,100 shares which these other officers have the right to acquire upon the exercise of options granted under the Option Plans which are currently exercisable or will be exercisable within 60 days after the Record Date. The directors, other than Messrs. Berend, Keane and Kurshan, do not own any shares allocated under the Restricted Stock Plans, nor do they hold any options to purchase shares of Common Stock, and they are not currently eligible to be allocated shares under the Restricted Stock Plans or to be granted options.

ELECTION OF DIRECTORS

Four directors will be elected at the meeting, constituting the Class B Directors, to serve until the Annual Meeting of Shareholders in 1987 and until their respective successors have been elected and shall qualify. A plurality of the shares of Common Stock voting in person or by proxy at the Annual Meeting will be required to elect the directors.

Proxies received in response to this solicitation will be voted for the election of Messrs. Berend, Bissell, McConnaughy and Wildavsky as Class B Directors unless otherwise specified in the proxy. If any nominee should be unable or declines to serve, it is intended that the proxies will be voted only for the balance of those named and such other person as the Board of Directors may designate as a substitute for such nominee, but the Board of Directors knows of no reason to anticipate that this will occur. There are no arrangements or understandings between any director and any other person pursuant to which the director was selected.

The election of four directors at the meeting, none of whom is a person nominated by the Board of Directors, is one of the events which constitute a Change in Control (as respectively defined) under the Directors' Pension Plan, Mr. Kurshan's employment agreement with the Company, the Supplementary Pension Plan, the Restricted Stock Plans, the Option Plans, the Cash Compensation Plan, the Incentive Award Plan and the Special Severance Plan, with the consequences herein described.

The following tables indicate the nominees of the Board of Directors of the Company for election as Class B Directors, the Class A Directors continuing in office and the Class C Directors continuing in office:

Class B Directors

NOMINEES



Robert W. Berend



Marshall P. Bissell



John E.
McConnaughy, Jr.



Aaron Wildavsky

**Class B Directors
(Term Expires 1987)**

ROBERT W. BEREND

MARSHALL P. BISSELL

JOHN E. MCCONNAUGHY, JR.

AARON WILDAVSKY

Principal Occupation

Age

Year
Became
Director

Senior Vice President, General Counsel and Secretary of the Company.

Retired — President and a director until 1980 of New York Life Insurance Company

Chairman of the Board, Chief Executive Officer and a director of Peabody International Corporation, a manufacturer of environmental control products, and Chairman of the Board, Chief Executive Officer and a director of GEO International Corporation, a company in the oil field service and quality assurance industries

Also serves as a director of First Bancorp., Inc. (New Haven, Connecticut), Transact International Inc. and Mego Corp.

Professor of Political Science, University of California at Berkeley

Also serves as a director of DWG Corp.

52

1971

69

1980

54

1979

53

1976

Class A Directors

CONTINUING IN OFFICE



John W. Culligan



Stephen J. Keane



Gerald Rosenberg

Class A Directors
(Term Expires 1986)

JOHN W. CULLIGAN

Chairman of the Board, Chief Executive Officer and a director of American Home Products Corporation, a manufacturer of prescription drugs, packaged medicines, food products, household products and housewares

Age

67

Year
Became
Director

1982

STEPHEN J. KEANE

Vice President of the Company and President of its Basic Four Information Systems Division

54

1980

GERALD ROSENBERG

President and a director of Condec Corporation, a manufacturer of flow control devices, industrial machinery and government products

55

1977

Class C Directors

CONTINUING IN OFFICE



Robert L. Brueck



James G. Hellmuth



Raymond
P. Kurshan

Class C Directors
(Term-Expires 1985)

ROBERT L. BRUECK

General Partner, Business Development Partners, a venture capital and management service company

Principal Occupation

Age

48

Year
Became
Director

1981

<u>Class C Directors</u> <u>(Term Expires 1955)</u>	<u>Principal Occupation</u>	<u>Age</u>	<u>Year</u> <u>Became</u> <u>Director</u>
JAMES G. HELLMUTH	Vice President, Bankers Trust New York Corporation	60	1972
RAYMOND P. KURSHAN	Chairman of the Board and President of the Company (also its Chief Executive and Operating Officer) Also serves as a director of LBKL Capital Opportunity Fund, an investment company under the Investment Company Act of 1940	60	1961

Each of the directors, other than Mr. Brueck, has been engaged in his principal occupation set forth above for more than the past five years.

Mr. Brueck has been a general partner of Business Development Partners since its formation in February 1981. For approximately ten years prior to August 1979, Mr. Brueck was the President of MRI Systems Corporation, a developer and marketer of software products for data base management systems. From August 1979 to February 1981, he acted as a business consultant.

There are no family relationships among any of the directors or executive officers of the Company.

The Board of Directors has standing Executive, Audit and Compensation Committees; it does not have a standing Nominating Committee.

Messrs. Berend, Hellmuth and Kurshan serve as members of the Executive Committee, with Mr. Kurshan serving as Chairman. The Executive Committee acts on matters which require action between regularly scheduled meetings of the Board of Directors. During the fiscal year ended September 30, 1983, the Executive Committee held one meeting and acted pursuant to written consent in lieu of meeting on two occasions.

Messrs. Bissell, Brueck, Rosenberg and Wildavsky serve as members of the Audit Committee, with Mr. Bissell serving as Chairman. The Audit Committee recommends annually to the shareholders the independent certified public accountants to be retained by the Company and reviews the scope and procedures to be followed in the conduct of audits by both the independent certified public accountants and internal auditors of the Company, various reports and recommendations with respect to internal controls and any significant changes in accounting practices. The Audit Committee held three meetings during the fiscal year ended September 30, 1983.

Messrs. Culligan, Hellmuth, McConaughy and Wildavsky serve as members of the Compensation Committee, with Mr. Hellmuth serving as Chairman. The Compensation Committee approves the remuneration of key officers and managers of MAI, reviews and recommends to the Board of Directors changes in the Company's stock benefit plans and administers the Restricted Stock Plans, the Option Plans, the Cash Compensation Plan, the Special Severance Plan, the Supplementary Pension Plan and the Directors' Pension Plan. The Compensation Committee held three meetings during the fiscal year ended September 30, 1983 and acted pursuant to written consent in lieu of meeting on four occasions.

During the fiscal year ended September 30, 1983, there were nine meetings of the Board of Directors. All of the directors attended all of the meetings of the Board and the Committees of the Board on which they serve, with the exception of two directors who each missed two meetings and two directors who each missed one meeting.

In addition to the standing Committees, Messrs. Culligan, Kurshan and Rosenberg (who also serves as Chairman) and an executive officer of the Company serve on the Investment Committee, which per-

forms certain functions with respect to administration of the Retirement Benefit Plan and the Employee Savings Plan (the "ESP").

Each director who is not an employee of MAI receives a monthly fee of \$833, receives \$500 for each meeting of the Board of Directors or of a Committee designated by the Board of Directors which he attends and receives an additional \$200 for each meeting of a Committee which he chairs. Directors received or deferred aggregate directors' fees during the fiscal year ended September 30, 1983 ranging between \$15,000 and \$17,100.

Each director may elect to have his director's fees deferred until the earlier of January 1 of the year in which he retires as a director or the first day of the month following his death. Such deferred fees will then be paid in 60 equal monthly installments.

Under the Directors' Pension Plan, participants receive an annual retirement benefit of \$10,000 (or such greater amount as the Board may hereafter determine). To be eligible, the participant must be at least 65 when he retires from the Board, must have served as a director for at least six years, must not have been a salaried employee of MAI during the six years prior to his retirement and must not be eligible for a benefit under the Retirement Benefit Plan. Certain of the eligibility requirements are waived in the event of a Change in Control (as defined).

Mr. Hellmuth is a Vice President of Bankers Trust New York Corporation and of its subsidiary Bankers Trust Company. During the fiscal year ended September 30, 1983, the Company had in effect two Credit Agreements, each with a consortium of banks in which Bankers Trust Company was a major participant bank. Bankers Trust Company is also the trustee under the Retirement Benefit Plan and the ESP.

Compensation

The following table sets forth the cash compensation paid for services rendered in all capacities to MAI during its fiscal year ended September 30, 1983 (1) of each of the five most highly compensated executive officers of the Company whose cash compensation exceeded \$60,000 in such fiscal year and (2) of all executive officers of the Company as a group.

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in which Served</u>	<u>Cash Compensation(1)</u>
Raymond P. Kurshan(2)	Chairman of the Board and President	\$ 278,000
Joseph S. Barsa	Vice President and President of the Company's subsidiary MAI International Corporation	148,000
Robert W. Berend	Senior Vice President, General Counsel and Secretary	175,000
Stephen J. Keane	Vice President and President of the Company's Basic Four Information Systems Division	217,768(3)
Ronald A. Wallace	Vice President and President of the Company's Sorbus Service Division	200,752
All executive officers as a group (15 persons)		1,952,612

(1) The above compensation includes bonuses aggregating \$87,752 to Mr. Wallace which were accrued for fiscal 1983 pursuant to the Cash Compensation Plan and which will be paid during the fiscal year ending September 30, 1984, these being the sole bonuses accrued for fiscal 1983 for

executive officers of the Company, whether pursuant to the Cash Compensation Plan or otherwise. The above compensation does not reflect cash bonuses paid in fiscal 1983, all of which were accrued for the fiscal year ended September 30, 1982, because they were reported in the proxy statement dated January 7, 1983 relating to the 1983 Annual Meeting of Stockholders.

The above compensation excludes benefits received attributable to prior years' unused vacation. In order to encourage domestic employees (including officers) to take vacations, MAI instituted a policy in fiscal 1982 pursuant to which employees by December 31, 1985 may not have accrued more than an aggregate of 20 days' unused vacation. Certain employees (including officers) may elect to have up to 50% of any prior years' unused days paid to him or her in cash and/or deferred until termination of employment. In fiscal 1983, pursuant to this policy and their elections, Messrs. Kurshan and Barsa were paid \$35,285 and \$3,415, respectively, for 33 and 6 unused vacation days and Messrs. Berend and Keane deferred payment as to 22 and 17 days, respectively. In addition, three other executive officers of the Company received an aggregate of \$19,651 for 60 unused vacation days.

(2) Mr. Kurshan is employed under an employment agreement with the Company which expires September 30, 1988. The agreement provides for his employment as chief executive officer of the Company at a current annual base salary of at least \$295,000. Mr. Kurshan is also entitled to participate in all benefit, incentive, pension and other compensation programs available to employees of the Company. The agreement also provides for benefits in the event of Mr. Kurshan's death or incapacity. The agreement permits Mr. Kurshan to terminate the agreement in the event of a change in control (as defined) or in the event he is replaced as chief executive officer without his consent. In the event he so elects, he will be paid 75% of his salary for the balance of the term or, in the event of a change in control, he may receive the benefit under the Special Severance Plan. Upon the expiration of the employment period, Mr. Kurshan will be employed, at his option, as a consultant to the Company for a three-year period, at an annual salary of at least one-half his salary in the last year of the employment period.

(3) Includes \$34,768 paid with respect to Mr. Keane's relocation from Pennsylvania to California.

Under the group life and medical insurance policies applicable to all employees in the United States, greater coverage is provided for officers of MAI.

Retirement Plans

The Retirement Benefit Plan covers full time employees (including employees who are directors and officers) of the Company and its subsidiaries operating in the United States and Puerto Rico. Employees of MAI in foreign countries receive retirement benefits under the applicable foreign law or a retirement plan adopted by the applicable subsidiary. An employee is eligible to become a participant under the Retirement Benefit Plan when he or she has reached age twenty-five and has completed one year of employment. Under the Retirement Benefit Plan, the annual retirement benefit (straight-life annuity) payable on the participant's normal retirement at age 65 (subject to certain minimum and maximum amounts) is equal to 1% of his or her average annual cash compensation during the final ten years of his or her employment minus 1½% of his or her annual Social Security benefit, multiplied by the participant's total number of years of benefit service. For a participant to receive any benefit under the Retirement Benefit Plan, he or she must have at least ten years of credited service. The Retirement Benefit Plan is non-contributory and all funds are deposited with an independent trustee and are invested in accordance with an investment policy recommended by the Investment Committee.

The following table sets forth the estimated annual benefits under the Retirement Benefit Plan payable upon normal retirement, in various compensation and years-of-service classifications, assuming that the Social Security maximum limit does not change from its present level of \$37,700:

Average Final 10-Year Compensation	Annual Pension Benefits for Years of Service Indicated, Payable as a Life Annuity			
	10 years	20 years	30 years	40 years
\$150,000	\$ 13,724	\$ 27,448	\$ 41,171	\$ 54,895
200,000 and higher	18,724	37,448	56,171	74,895

The years of credited service under the Retirement Benefit Plan for each of the individuals named in the Compensation table are as follows:

	Years of Credited Service
Raymond P. Kurshan	22
Joseph S. Barsa	19
Robert W. Berend	9
Stephen J. Keane	6
Ronald A. Wallace	16

The Supplementary Pension Plan provides retirement income for a limited group of management employees (including the five executive officers named above and two other executive officers of the Company) designated by the Compensation Committee. Under the Supplementary Pension Plan, each participant who retires with 10 or more years of service is entitled to receive an annual retirement benefit which, when combined with his benefit under the Retirement Benefit Plan and his Social Security benefit, will equal 50% of his average annual cash compensation during the final five years of the participant's employment. The Supplementary Pension Plan also provides certain death and early retirement benefits. In the event of a Change in Control (as defined), the ten-year service requirement is waived and a participant may elect early retirement without actuarial reduction of his benefit.

The following table sets forth the estimated annual benefits under the Supplementary Pension Plan payable upon normal retirement at age 65, in various compensation classifications, including the benefit under the Retirement Benefit Plan and the Social Security benefit:

Average Final 5-Year Compensation	Annual Pension Benefit, Payable as a Life Annuity
\$100,000	\$ 50,000
200,000	100,000
300,000	150,000

Restricted Stock Plans

Shares of Common Stock may be allocated under the Restricted Stock Plans to key employees of MAI (including employees who are directors and officers of the Company) at the discretion of the Compensation Committee. Shares allocated under the Restricted Stock Plans are registered in the name of the employee and deposited in escrow. Until released from escrow, such shares may not be sold, assigned, transferred or otherwise disposed of, nor may they be pledged or hypothecated; however, the registered holder of shares held in escrow has the right to vote, and to receive dividends and other distributions on such shares.

Shares allocated under the Restricted Stock Plans are generally released at the rate of 20% on each of the first five anniversary dates of the initial allocation. The Compensation Committee has in certain allocations provided for different release schedules and has conditioned release of some shares

on attainment of earnings growth goals. At its option and in its sole discretion, the Compensation Committee may continue to provide for different release schedules which are more or less favorable to the employee, and may waive the restrictions in whole or in part.

The following table summarizes certain information with respect to the Restricted Stock Plans as of the Record Date:

	<u>Shares Subject to Plan</u>	<u>Shares Allocated and Released from Escrow</u>	<u>Shares Allocated and Held in Escrow</u>	<u>Shares Available for Allocation</u>
1974 Plan	150,000	144,795	1,580	3,321
1978 Plan	700,000	254,825	301,569	143,606

In the event that an employee to whom shares have been allocated under either Restricted Stock Plan leaves the employ of MAI for any reason (other than death, disability or normal retirement), shares not yet released from escrow are generally transferred to the Company and become available for reallocation under that Restricted Stock Plan. The restrictions on release from escrow lapse upon death, disability or retirement of an employee to whom shares have been allocated, or upon a change in control (as defined).

The Restricted Stock Plans are administered by the Compensation Committee. In accordance with the terms of the Restricted Stock Plans, the Compensation Committee selects the recipients of allocations from among the employees of MAI, determines the number of shares to be allocated to each such employee and the time or times when such allocations are to be made, interprets the Restricted Stock Plans and prescribes rules for their administration. In making any determination as to which employees will receive allocations and the number of shares to be allocated, the Compensation Committee considers, among other factors, the duties of the respective employees and their present and potential contributions to the success of MAI. The allocation of shares is made from authorized but unissued shares or from treasury shares, as determined by the Board.

During the fiscal year ended September 30, 1983, the sole allocations of shares of Common Stock under the Restricted Stock Plans to executive officers of the Company were 5,000 shares to Mr. Wallace and 4,200 shares to two other executive officers.

The following table sets forth, as to each executive officer of the Company named in the Compensation table and as to all current executive officers of the Company as a group, (1) the number of shares of Common Stock allocated under the Restricted Stock Plans during the period from October 1, 1978 to the Record Date; (2) the number of shares of Common Stock released from escrow during such period and (3) the number of shares of Common Stock so allocated which remain in escrow as of the Record Date. No current director, other than Messrs. Kurshan, Berend and Keane, ever received, or is eligible to receive, an allocation of shares of Common Stock under the Restricted Stock Plans.

<u>Common Stock</u>	<u>Raymond P. Kurshan</u>	<u>Joseph S. Barsa</u>	<u>Robert W. Berend</u>	<u>Stephen J. Keane</u>	<u>Ronald A. Wallace</u>	<u>All current executive officers of the Company as a group</u>
Number of shares allocated from October 1, 1978 to the Record Date(1)	79,500	38,592	30,600	47,218	23,500	285,579
Number of shares released from escrow from October 1, 1978 to the Record Date	54,750	19,750	19,450	23,850	8,100	156,347
Number of shares in escrow as of the Record Date	48,500	20,592	22,800	27,118	16,400	182,559

(1) The totals have been adjusted to reflect a reduction in 1982 in shares of Common Stock for Messrs. Kurshan (7,500), Barsa (2,500), Berend (1,500) and Keane (2,500) and another executive officer of the Company (1,125) when the performance test for release of their shares from escrow was changed.

During the period October 1, 1978 to the Record Date, all other current officers of the Company as a group received allocations aggregating 4,896 shares of Common Stock under the Restricted Stock Plans and 3,590 shares were released to them from escrow. As of the Record Date, 3,206 shares of Common Stock were held in escrow for them under the Restricted Stock Plans.

During the period October 1, 1978 to the Record Date, all employees of MAI as a group received allocations aggregating 669,750 shares of Common Stock under the Restricted Stock Plans; 259,782 shares were released to them from escrow; and \$6,660 shares had been retransferred by them to the Company. As of the Record Date, 283,995 shares of Common Stock were held in escrow for them under the Restricted Stock Plans.

Stock Option Plans

For information relating to stock options, including data as to those granted and exercised by the executive officers of the Company named in the Compensation table and by all executive officers of the Company as a group, see PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Outstanding Options.

Cash Compensation Plan

Those key management executives of MAI who are selected by the Compensation Committee are eligible to participate in the Cash Compensation Plan. Under the Cash Compensation Plan, a participant may earn incentive compensation depending on achievement of the projected revenue and profit margin percentage (or combinations thereof) of the operations supervised by the participant and/or MAI. In addition, the Compensation Committee may allocate a portion of a participant's bonus to the achievement of specified individual goals, of which the most common are the collection of accounts receivable or the turnover of inventory. At the beginning of each fiscal year, the Compensation Committee determines (i) a participant's normal incentive award (the "normal bonus"), with no maximum or minimum limitation being set by the Cash Compensation Plan,

and (ii) the weighted multiples of the normal bonus to which a participant will be entitled at varying degrees of achievement of financial goals. The Compensation Committee also determines the standards by which performance of individual goals is to be measured. At the end of each fiscal year, the percent achievement of the specified goals, and the resulting amount of the participant's cash bonus, is determined. No incentive compensation is payable in the case of financial goals if less than 75% of the participant's goals are achieved and the Compensation Committee may, in its discretion, disallow or reduce bonuses for achievement of individual goals if at least 75% of financial goals are not attained. The Compensation Committee may authorize payment of a discretionary bonus to a participant even if he or she has not met his or her financial and/or individual goals.

The Cash Compensation Plan also provides for a performance unit feature. Strategic goals are set each year for a three-year cycle for MAI and/or the operations supervised by the participant, and the participant is awarded performance units. The strategic goals include, for MAI, earnings per share and return on equity and, for operating units, unit operating profit, revenue and market share. The number of performance units awarded is based on the participant's normal bonus, salary level and the projected market value of the Common Stock. Performance units are released only upon the attainment of the strategic goals at the end of the second and third year of each cycle. The cash value of a performance unit at the time of release is based upon the actual fair market value of the Common Stock (subject to minimum and maximum levels).

A participant in the Cash Compensation Plan may, prior to the beginning of a fiscal year, elect that all or a portion of his or her award under the Cash Compensation Plan be deferred. In the event of any such deferral, interest is credited thereon. Upon termination of employment following a Change in Control (as defined), a participant will receive a pro rata portion of his or her incentive award and performance award for the year of termination calculated on the basis that he or she would have achieved 100% of the applicable goals.

The following table sets forth, as to each executive officer of the Company named in the Compensation Table as to all current executive officers of the Company as a group participating in the Cash Compensation Plan and as to all employees of MAI as a group participating in the Cash Compensation Plan, the amounts of incentive compensation paid under the Cash Compensation Plan from October 1, 1978 to the Record Date. No other current officer or current director of the Company, other than Messrs. Kurshan, Berend and Keane, has participated in the Cash Compensation Plan.

<u>Name of Person or Group</u>	<u>Amounts Paid Under the Cash Compensation Plan</u>
Raymond P. Kurshan	\$ 38,625
Joseph S. Barsa	61,753
Robert W. Berend	43,778
Stephen J. Keane	371,150
Ronald A. Wallace	176,107
All current executive officers of the Company as a group participating in the Cash Compensation Plan	790,551
All employees of MAI as a group participating in the Cash Compensation Plan	955,670

Incentive Award Plan

On December 7, 1978, the Board of Directors adopted the Incentive Award Plan. Effective October 1, 1981, future participation under the Incentive Award Plan was terminated by the Board of Directors. Under this Plan, officers and key employees of MAI were eligible to be paid bonuses of between 10% and 35% of their basic compensation if MAI achieved certain performance levels. Bonuses were paid under the Incentive Award Plan only with respect to fiscal years for which MAI's return on average shareholder's equity was at least 15% and was in the top quartile of specified companies in the data processing industry. No amounts were awarded under the Incentive Award Plan except with respect to the fiscal year ended September 30, 1979. One half of each bonus awarded with respect to such fiscal year was paid, while the remainder was deferred. In the event of a Change in Control (as defined), the remainder becomes payable to a participant after termination of his employment.

The following table sets forth, as to each executive officer of the Company named in the Compensation table (except for Mr. Wallace who received no award), as to all current executive officers of the Company as a group who participated in the Incentive Award Plan and as to all employees of MAI as a group who participated in the Incentive Award Plan, the amounts awarded under the Incentive Award Plan from December 7, 1978 to September 30, 1981. No other current officer or current director of the Company, other than Messrs. Kurshan, Berend and Keane, has participated in the Incentive Award Plan.

<u>Name of Person or Group</u>	<u>Amounts Awarded Under the Incentive Award Plan</u>
Raymond P. Kurshan	\$26,482
Joseph S. Barsa	12,840
Robert W. Berend	18,458
Stephen J. Keane	12,037
All current executive officers as a group participating in the Incentive Award Plan	84,744
All employees as a group participating in the Incentive Award Plan	177,898

Employee Savings Plan

The ESP is available to all full time employees (including employees who are directors and officers) of the Company and its subsidiaries operating in the United States and Puerto Rico who have at least one year of service.

A participant may authorize his or her employer to withhold from 1% to 6% of his or her cash compensation, exclusive of any bonus authorized by the Compensation Committee (the "Basic Contribution"). A participant may also authorize his or her employer to withhold an additional 1% to 6% (9%, effective March 1, 1984, under a recent amendment adopted by the Board of Directors) of such compensation (the "Supplemental Contribution"). Both the Basic Contribution and the Supplemental Contribution are paid over to an independent trustee and are invested in fixed income investments currently guaranteed by an insurance company. A participant may at any time modify or suspend his or her payroll withholding authorization. Under another recent amendment adopted by the

Board of Directors, participants will be permitted, effective March 1, 1984, to make Basic Contributions and Supplemental Contributions to the ESP in pre-tax dollars, as well as in post-tax dollars as is currently provided, in the manner permitted by Section 401(k) of the Internal Revenue Code (the "Code").

MAI contributes monthly an amount equal to 25% of a participant's Basic Contribution. No MAI contributions are made with respect to Supplemental Contributions. MAI contributions may be made in cash or, to the extent the Company shall determine, in shares of Common Stock. MAI's cash contributions are required to be invested in shares of Common Stock purchased by the trustee either in the open market or from the Company.

A participant is always fully vested in the amounts arising from his or her own contributions. A participant's interest in the amounts arising out of MAI contributions vests, commencing at the end of the second year, at the rate of 20% a year, so that he or she is 100% vested after six years of participation. In addition, a participant's interest in MAI contributions fully vests at age 65 or on termination of employment by reason of death or permanent disability. Upon termination of his or her employment, the amount of a participant's benefit is paid in cash or in shares of Common Stock. Any unvested interest of such participant is forfeited and is used to reduce future MAI contributions to the ESP.

The following table sets forth, as to each executive officer of the Company named in the Compensation table, as to all current executive officers of the Company as a group participating in the ESP, as to all other current officers of the Company as a group participating in the ESP and as to all employees of MAI as a group participating in the ESP, (1) the total of the Basic Contributions (after giving effect to permitted withdrawals) from October 1, 1978 to the Record Date and (2) the total of MAI's contributions during such period. No current director of the Company, other than Messrs. Kurshan, Berend and Keane, has participated, or was eligible to participate, in the ESP.

<u>Name of Person or Group</u>	<u>Employee's Basic Contributions</u>	<u>MAI's Contributions</u>
Raymond P. Kurshan	\$ 76,993	\$ 19,248
Joseph S. Barsa	0	1,518
Robert W. Berend	52,707	13,177
Stephen J. Keane	41,947	10,487
Ronald A. Wallace	31,204	7,801
All current executive officers of the Company as a group participating in the ESP	339,531	91,793
All other current officers of the Company as a group participating in the ESP	58,013	14,503
All employees of MAI as a group participating in the ESP	4,265,322	1,392,058
Special Severance Plan		

The Special Severance Plan provides benefits to those officers of the Company and other key employees of MAI designated by the Compensation Committee. A participant must enter into an agreement with MAI to remain in its service for at least two years from the date of the agreement, or be a

party to a written employment agreement for a term extending at least two years from the time he or she becomes a participant, or give such comparable commitment as is applicable if the participant is employed outside the United States. Upon the voluntary termination of employment or the involuntary termination for a reason other than death or discharge for cause by a participant within two years after a Change in Control (as defined), the participant receives a lump sum payment which shall not exceed an amount equal to the total cash compensation paid to or accrued for him or her during the two-year period preceding the date of termination or, if he or she is a party to a written employment agreement and so elects, an amount equal to the product of 85% of the cash compensation paid during the year prior to termination and the number of years comprising the unexpired term of the agreement. All participants remain eligible for medical and certain other insurance benefits for a period of up to two years after termination of employment.

Each of the executive officers of the Company is currently eligible to receive a benefit under the Special Severance Plan equivalent to two years' cash compensation in the event of a Change in Control.

Insurance for Indemnification of Directors and Officers

The Company has in effect, with Buffalo Reinsurance Company under an agreement dated October 16, 1981, insurance covering all of its directors and officers and certain other employees of MAI against certain liabilities and reimbursing the Company for obligations which it incurs as a result of its indemnification of such directors, officers and employees. Such insurance has been obtained in accordance with the provisions of Section 727 of the Business Corporation Law of the State of New York. The annual premium is \$22,278, of which \$2,228 is applicable to coverage of directors, officers and other employees and \$20,050 to coverage for reimbursement of the Company for its indemnification of directors, officers and other employees.

APPROVAL OF AUDITORS

The Audit Committee of the Board of Directors has appointed Peat, Marwick, Mitchell & Co. to audit the consolidated financial statements of the Company for the fiscal year ending September 30, 1984. The Business Corporation Law of the State of New York does not require the approval of the selection of independent auditors by the Company's shareholders; however, in view of the importance of the financial statements to shareholders, the Board of Directors deems it desirable that shareholders pass upon the selection of auditors. In the event that shareholders disapprove of the selection, the Audit Committee will consider the selection of other auditors. The Board of Directors recommends that shareholders vote in favor of this proposal in view of the familiarity of Peat, Marwick, Mitchell & Co. with MAI's financial and other affairs as auditors for the Company since 1960.

A representative of Peat, Marwick, Mitchell & Co. will be present at the meeting. The Company has been informed that the representative does not intend to make any statement to the shareholders at the meeting, but will be available to respond to appropriate questions from shareholders.

Vote Required

The affirmative vote of the holders of a majority of the shares of Common Stock voting in person or by proxy at the Annual Meeting will be required to approve the proposal to ratify the appointment of independent auditors. Proxies received in response to this solicitation will be voted in favor of the approval of Peat, Marwick, Mitchell & Co. as the Company's independent auditors unless otherwise specified in the proxy.

PROPOSED AMENDMENTS TO STOCK OPTION PLANS

Description of Stock Option Plans

The Company has in effect the 1975 Option Plan, the 1976 Option Plan and the 1979 Option Plan, all of which were approved by the shareholders. The following table summarizes certain information with respect to the Option Plans as of the Record Date:

	Shares Subject to Plan	Options Exercised	Options Outstanding	Options Available for Grant
1975 Plan	175,000	147,237	25,678	2,085
1976 Plan	225,000	157,292	66,364	1,344
1979 Plan	400,000	11,208	361,392(1)	24,400

(1) Excludes options to purchase 61,120 shares which are contingent. See PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Amendment to Add Additional Shares.

The Option Plans provide that all grantees shall be officers or other key employees of MAI. No options granted under the Plans are transferable or assignable otherwise than by will or the laws of descent and distribution and, during the optionee's lifetime, are exercisable only by him or her. If an optionee's employment is terminated by reason of retirement in accordance with MAI's retirement policies, on account of disability (as determined by the Compensation Committee), or because of such employee's death, rights under the option may be exercised by the optionee (or the employee's estate) within three months (one year in the event of death) after such termination of employment as to all shares then subject to the option. Should the optionee's employment be terminated for any other reason, unexercised rights under the option terminate upon such termination of employment, except that the optionee has until the end of the thirtieth day following the cessation of employment to exercise any unexercised option where MAI has terminated the employment of such optionee for reasons other than cause (attributable to the acts or omissions of such optionee), but only to the extent such option was exercisable on the date the optionee left the employ of MAI. If there is a change in control (as defined), an optionee has the right to exercise his or her option, in whole or in part on the effective date of such transaction, as to the total number of shares subject thereto.

Each option which has been granted becomes exercisable, on a cumulative basis at the rate of 25% per year, beginning one year from the date of grant and expires seven years from the date of grant. There is no monetary consideration for the granting of any options. The option price of each option granted under the Option Plans is intended to be not less than 100% of the fair market value of the Common Stock at the date of grant of such option. If any option under the Option Plans terminates unexercised, new options may be granted as to the shares previously subject to such terminated option.

The Option Plans are administered by the Compensation Committee. The Compensation Committee determines the officers or key employees who will receive options under the Option Plans, the number of shares subject to options granted to them, the number of shares for which an option may be exercised in each period (which, unless changed by the Compensation Committee, will be 25% of the shares initially subject to option, cumulatively exercisable on each anniversary of the date of grant) and other terms of such options. In addition, no option may be exercised more than seven years from the date of grant. An option granted under the Option Plans to an employee whose compensation is subject to the Code may, if the Compensation Committee determines and he or she so elects, be an incentive stock option within the meaning of Section 422A of the Code.

Federal Tax Consequences

The discussion of Federal tax consequences which follows is based upon an analysis by Messrs. Rosenman Colin Freund Lewis & Cohen, counsel to the Company, of the current provisions of the Code and the regulations promulgated thereunder.

1. *Incentive Stock Options.*

If an optionee exercises an incentive stock option and does not dispose of the shares until more than one year after the issuance of the shares to him or her, then,

(a) no income will be realized by the optionee upon either the grant of the incentive stock option or upon his or her purchase of the shares at the time of the exercise of such option;

(b) when the shares are sold by the optionee, any amount realized in excess of the option price will be treated as a long-term capital gain and any loss will be treated as a long-term capital loss, and a portion of any long-term capital gain will constitute an item of tax preference, subject to the alternative minimum tax; and

(c) the difference between the option price and the fair market value of the shares at the time of exercise of such option will constitute an item of tax preference, subject to the alternative minimum tax, for the year in which the option is exercised.

On the other hand, if the shares acquired upon exercise of an incentive stock option are disposed of within one year of issuance (a disqualifying disposition),

(i) the difference between the option price and the fair market value of the shares at the time of exercise of such option will be reportable by the optionee as ordinary income in the year of disposition, except that the amount so includible may not exceed the difference between the amount realized on the disposition of the shares and the adjusted basis (generally cost) of the shares, and

(ii) the amount, if any, by which the amount realized upon disposition exceeds the fair market value of the shares on the date of exercise will be taxed as a short-term capital gain.

To the extent that an optionee exercises an incentive stock option and does not make a disqualifying disposition, the Company will not be entitled to a deduction for Federal income tax purposes at any time in respect of shares so acquired and disposed of. However, if a disqualifying disposition is made, the Company will be entitled to a deduction equal to the amount required to be reported by the optionee as ordinary income.

If an optionee makes the required payment of the option exercise price by delivery of shares of Common Stock previously acquired through the exercise of a qualified stock option (which was not converted into an incentive stock option) or an incentive stock option, and the transferred stock has not been held by the optionee for a period of three years from the date of exercise, in the case of such a qualified stock option, or one year from the date of exercise, in the case of an incentive stock option, such transfer will be considered a disqualifying disposition of the transferred shares and the tax results described above will be applicable.

2. *Non-incentive stock options.*

No income will be recognized by an optionee upon the grant of an option which is not an incentive stock option.

Upon the exercise of a non-incentive stock option, the optionee will recognize ordinary income equal to the excess of the fair market value of the shares being acquired at the time the option is exercised over the exercise price of such option. This excess will also constitute wages subject to the withholding of income tax and the Company will be required to make whatever arrangements are necessary to insure that the amount of the tax required to be withheld is available for payment in money. An optionee's basis for the shares acquired upon the exercise of a non-incentive stock option will be equal to the fair market value of such shares on the date of exercise.

If an optionee makes the required payment of the option exercise price by delivery of shares of Common Stock, he will not recognize any gain as a result of such delivery, but the amount of gain, if any, which is not so recognized, will be excluded from his basis in the new shares.

The gain or loss upon the subsequent disposition of the shares acquired upon the exercise of a non-incentive stock option will be the difference between the basis for such shares and the amount realized upon the sale thereof, and will be long-term capital gain or loss if the shares were held by the optionee for more than twelve months prior to the sale.

At the time an optionee exercises a non-incentive stock option, the Company will be entitled to a deduction in an amount equal to the amount required to be reported by such optionee as ordinary income.

In the event a non-incentive stock option is exercised by a director or officer who is subject to the so-called "short-swing" profits provisions of Section 16(b) of the Securities Exchange Act of 1934 (the "1934 Act"), such shares will be treated as being subject to a substantial risk of forfeiture within the meaning of Section 83(a) of the Code for the six-month period during which Section 16(b) applies. Thus, the employee will include in income and the Company may deduct at the time the restriction lapses, rather than at the time the option was exercised, the difference between the fair market value of the shares at the time of lapse and the exercise price of the shares, and the employee's holding period will begin at that time. However, the employee may elect, under the provisions of Section 83(b) of the Code, within thirty days after the exercise of the option, to treat the shares acquired upon such exercise as not being subject to a substantial risk of forfeiture, in which event the tax effects are as set forth in the preceding paragraphs.

Outstanding Options

The following table sets forth, as to each executive officer of the Company named in the Compensation table and as to all executive officers of the Company as a group, (1) the options granted during the fiscal year ended September 30, 1983, all of which options being exercisable at \$10.94 per share, both those which were outright grants and those which were contingent upon approval of the proposed amendment to increase by 350,000 the number of shares of Common Stock subject to the 1979 Option Plan, and (2) the net value of shares (market value less any exercise price)

or cash realized in such fiscal year through the exercise of options. No current director of the Company, other than Messrs. Kurshan, Berend and Keane, received, or was eligible to receive, an option during such fiscal year.

Person or Group	Shares Subject to Options Granted		Net Value of Shares For Options Exercised(1)
	Outright	Contingent	
Raymond P. Kurshan	15,000	10,000	\$126,562
Joseph S. Barsa	12,000	8,000	9,657
Robert W. Berend	6,000	4,000	61,094
Stephen J. Keane	12,000	8,000	47,531
Ronald A. Wallace	6,000	4,000	0
All executive officers of the Company as a group	78,000	51,940	293,460

(1) Certain of these exercises were through the use of shares of Common Stock and are subject to rescission. See PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Exercise by Use of Stock for information as to these exercises.

The following table sets forth, as to each executive officer of the Company named in the Compensation table and as to all current executive officers of the Company as a group, (1) the number of options granted under the Stock Option Plans during the period from October 1, 1978 to the Record Date, (2) the average exercise price per share of said options, (3) the net value of shares (market value less any exercise price) or cash realized during the period from October 1, 1978 to the Record Date upon the exercise of such options granted during such period or prior thereto and (4) the number of shares of Common Stock sold during the period from October 1, 1978 to the Record Date. No current director of the Company, other than Messrs. Kurshan, Berend and Keane, received, or was eligible to receive, an option during the period from October 1, 1978 to the Record Date.

Common Stock	Raymond P. Kurshan	Joseph S. Barsa	Robert W. Berend	Stephen J. Keane	Ronald A. Wallace	All current executive officers as a group
Granted October 1, 1978 to the Record Date:						
Number of options(1)	25,000	20,000	10,000	20,000	10,000	129,980
Average per share exercise price	\$ 10.94	\$ 10.94	\$ 10.94	\$ 10.94	\$ 10.94	\$ 11.00
Exercised October 1, 1978 to the Record Date:						
Net value realized in shares (market value less any exercise price) or cash	\$178,907	\$36,053	\$56,213	\$129,281	\$37,793	\$625,651
Sales October 1, 1978 to the Record Date:						
Number of shares(2)	22,500	12,700	0	3,050	2,000	47,210

(1) Includes contingently granted options described above and on page 20.

(2) Excludes shares transferred to the Company in payment for options exercised. See PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Exercise by Use of Stock — Amendments and Ratification for information as to these exercises.

During the period from October 1, 1978 to the Record Date, all other current officers of the Company as a group were granted options to purchase 9,560 shares at an average per share exercise price

of \$14.67. No options have been exercised by such officers and no options granted to them have expired in accordance with their terms.

During the period from October 1, 1975 to the Record Date, all employees of MAI as a group were granted options to purchase 700,170 shares at an average per share option price of \$16.83, of which options to purchase 11,508 shares have been exercised and options to purchase 153,510 shares have expired in accordance with their terms.

On the Record Date, the closing price of the Common Stock of the Company on the New York Stock Exchange - Composite Transactions (as reported by The Wall Street Journal) was \$22.625 per share.

Amendment to Add Additional Shares

On November 16, 1983, the Board of Directors adopted, subject to shareholder approval, an amendment to the 1979 Option Plan increasing by 350,000 shares the number of shares with respect to which options to purchase may be granted under the 1979 Option Plan. The 1979 Option Plan had been adopted by the Board of Directors on December 7, 1978 and it was approved by the shareholders at the 1979 Annual Meeting. Under the 1979 Option Plan, options to purchase 200,000 shares of Common Stock were initially available for grant. On December 10, 1980, the Board of Directors adopted an amendment to the 1979 Option Plan increasing by 200,000 shares the number of shares with respect to which options to purchase may be granted under the 1979 Option Plan, and this amendment was approved by the shareholders at the 1981 Annual Meeting. As of the Record Date, options to purchase only 24,400 shares of Common Stock still remained available for grant under the 1979 Option Plan and 3,429 shares still remained available under the 1975 and the 1976 Option Plans. In addition, options granted under the 1979 Option Plan by the Compensation Committee on September 21, 1983 as to an aggregate of 61,120 shares of Common Stock were made contingent upon approval of the proposed amendment to add 350,000 shares. The first table under PROPOSED AMENDMENTS TO STOCK OPTION PLANS — Outstanding Options sets forth the contingent options granted to each of the executive officers of the Company named in the Compensation table and all executive officers as a group.

The Board of Directors believes that options to purchase an additional 350,000 shares of Common Stock should be made available for grant under the 1979 Option Plan. The Board continues to believe that the 1979 Option Plan is a viable method whereby employees of MAI, who are largely responsible for the management of the business and who are presently making and are expected to make contributions to the future of MAI, may be offered incentives in addition to those of current compensation and may be stimulated by personal involvement in the future of MAI to continue in its service.

Exercise by Use of Stock — Amendments and Ratification

The purchase price to be paid to the Company upon exercise of options under the Option Plans may be made either in cash or, at the discretion of the Compensation Committee, by delivering shares of the Common Stock of the Company already owned by the optionee, or by a combination of cash and shares of the Common Stock. Section 9(c) of the Option Plans provides as follows:

"9. Exercise of Option and Payment for Shares

• • •

"(c) The Committee may, in its discretion, allow an Optionee to pay for the shares of Common Stock to be acquired upon the exercise of an Option by delivering to the Corporation shares of the Common Stock owned by such Optionee. In such event, such shares shall be valued at an amount equal to the fair market value thereof on the date of such delivery."

Two developments preceded the Board of Directors' approval on December 10, 1980 of amendments to the Option Plans adding Section 9(c). First, the Internal Revenue Service ruled that if an existing stock option plan were amended to permit payment of an option in either cash or stock, optionees would not realize taxable gain on the shares delivered as payment of the option price under the plan. Second, the SEC amended its Rule 16b-3 to provide that the delivery of stock as payment for the exercise of a stock option would not, under certain circumstances, be a prohibited purchase and sale under Section 16(b) of the 1934 Act. Section 16(b) provides that any profit realized from the purchase and sale or sale and purchase of any class of equity security registered under the 1934 Act within any period of less than six months ("short-swing profit") by an officer, director or ten percent beneficial owner is recoverable by the issuer of such equity security. SEC Rule 16b-3 provides an exemption from the short-swing profit recovery provisions of Section 16(b) for certain transactions occurring under stock option and other employee benefit plans that meet the conditions of that Rule.

In the August 1980 SEC Release adopting the amendment to Rule 16b-3 described above, the SEC stated that amending a stock option plan to provide for the acceptance of stock in payment for the exercise of a stock option did not require shareholder approval under its Rule 16b-3. In reliance on the August 1980 SEC Release and a provision in the Option Plans that permits the Board of Directors to amend the Option Plans without shareholder approval, the Company did not submit the amendments adopting Section 9(c) to the shareholders for their approval.

On February 9, 1983, in *Colema Realty Corp. v. R. D. Bihow, et al*, the United States District Court for the District of Connecticut disagreed with the SEC's interpretation that shareholder approval was not required under SEC Rule 16b-3 for an amendment to the stock option plan of United Technologies Corp. providing for the acceptance of stock in payment for the exercise of stock options. In *Colema*, the District Court concluded that such an amendment did require shareholder approval under SEC Rule 16b-3 because it allowed the executives in that case "to pyramid their shares" and "materially" increased their benefits within the meaning of SEC Rule 16b-3.

On May 11, 1983, a SEC release, in response to the *Colema* decision, provided that, for an exemption from liability pursuant to SEC Rule 16b-3 to be claimed thereafter, shareholder approval of provisions like Section 9(c) must be obtained. Recognizing that many public companies relied on the prior SEC position (as did the Company), the SEC provided that, if shareholder approval were now retroactively obtained, with respect to the amendment authorizing the procedure and its ratification of the options previously exercised, and those employees who had previously used already owned shares of stock to exercise stock options agreed to rescind in the event such shareholder approval was not obtained, the exemption from short-swing profit liability under Section 16(b) of the 1934 Act would be applicable to these previously exercised options.

Between January 15, 1982 and September 29, 1983, eight officers and two other employees of MAI exercised options for an aggregate of 45,895 shares of Common Stock at an average exercise price of \$7.68 per share by surrendering an aggregate of 25,072 shares of Common Stock. All of such persons (except an officer who left the Company in fiscal 1982) have executed rescission agreements with the Company contingent on shareholder approval. The following table sets forth, as to each of the executive officers of the Company named in the Compensation table (except for Mr. Wallace who made no such exercise) and as to all executive officers of the Company as a group, options exercised through surrender of shares of Common Stock:

<u>Person or Group</u>	<u>Shares Received Upon Exercise of Option</u>	<u>Shares Surrendered Upon Exercise of Option</u>
Raymond P. Kurshan	18,750	10,170
Joseph S. Barsa	1,000	425
Robert W. Berend	8,500	4,478
Stephen J. Keane	6,500	3,150
All executive officers of the Company as a group	41,625	21,316

Although none of the foregoing exercises involved successive, simultaneous exercises like those involved in *Colema*, if the shareholders ratify this proposal, they will be approving the possibility of this type of exercise in MAI in the future.

The Board of Directors is recommending the ratification by the shareholders of the amendments to the Option Plans adding Section 9(c) and of the prior exercises pursuant thereto because it continues to believe that exercises using shares of Common Stock are in the Company's best interest. First, such procedure benefits option holders by permitting them to pay for the exercise of options with shares of Common Stock instead of cash. If option holders already own shares of Common Stock, they do not need to use their personal cash reserves, or borrow and incur interest expense, to exercise their options. The Board of Directors continues to believe that making it easier for option holders to exercise their options will encourage the option holders to remain with MAI and will stimulate the maximum efforts of those employees on whom the success and future growth of MAI depends. Second, acceptance by the Company of shares of Common Stock in payment for the exercise of options reduces the number of shares of Common Stock outstanding, which may benefit the Company's shareholders. Third, the procedure has had and will have no material economic cost to the Company.

Vote Required

The affirmative vote of the holders of a majority of the shares of Common Stock voting in person or by proxy at the Annual Meeting will be required to approve the proposal to increase the number of shares of Common Stock available for options under the 1979 Option Plan, to ratify the amendments to the Option Plans adding Section 9(c) and to ratify options previously exercised by surrender of shares of Common Stock. Proxies received in response to this solicitation will be voted in favor of this proposal unless otherwise specified in the proxy.

Recommendation

The Board of Directors recommends that the shareholders vote in favor of the proposal to authorize an increase in shares of Common Stock under the 1979 Option Plan, to ratify the amendments permitting the use of shares of Common Stock to exercise options under the Option Plans and to ratify prior exercises of options using shares of Common Stock.

Method and Cost of Solicitation

Proxies will be solicited by mail, telephone, telegraph and in person. The expenses in connection with the solicitation of proxies, including the cost of preparing, assembling and mailing this Proxy Statement and the related material, will be borne by the Company. The Company will also pay brokers and other custodians, nominees and fiduciaries their reasonable expenses for sending proxy materials to principals and obtaining their proxies. The Company has retained The Carter Organization Inc., 116 John Street, New York, New York 10038, and Georgeson & Co. Inc., Wall Street Plaza, New York, New York 10005, to assist with the solicitation of proxies from the Company's shareholders, for which services The Carter Organization will receive a fee of \$125,000 and Georgeson & Co. will receive a fee of \$50,000, together with out-of-pocket expenses. Approximately 60 employees of each of The Carter Organization and Georgeson & Co., the 10 directors of MAI and up to 15 officers and other regular employees of MAI, who will receive no additional compensation therefor, will be involved in the solicitation of proxies. The Company may in addition engage the services of one or both of its investment bankers (Lehman Brothers Kuhn Loeb Inc. and Merrill Lynch Pierce Fenner & Smith Inc.) in connection with the solicitation of proxies from the Company's shareholders, at a cost to the Company which is not presently determinable. The Company estimates that its expenses in connection with this solicitation (including the fees and expenses referred to above, but excluding employees' salaries) will be at least \$800,000, of which \$140,000 has been incurred to date. The foregoing estimate is premised upon the continued intention of Asher B. Edelman and his affiliates to contest the election of the Company's directors nominated by the Board of Directors and litigation which may be incidental thereto.

Annual Report to Shareholders

Copies of the 1983 Annual Report to Shareholders previously were, or are being simultaneously, sent to shareholders.

Shareholder Proposals

Any proposal of a shareholder intended to be presented at the 1985 Annual Meeting must be received by the Company by September 7, 1984 to be eligible for inclusion in the Company's proxy statement and form of proxy relating to such Annual Meeting.

Other Business

As of the date of this Proxy Statement, the Company knows of no matters, other than those described above, intended to be presented at the meeting. If any other business should properly come before the meeting, the accompanying form of proxy will be voted in accordance with the judgment of the persons named therein, and discretionary authority to do so is included in the form of proxy.

MANAGEMENT ASSISTANCE INC.

ROBERT W. BEREND
Secretary

Dated: New York, New York
January 26, 1984