

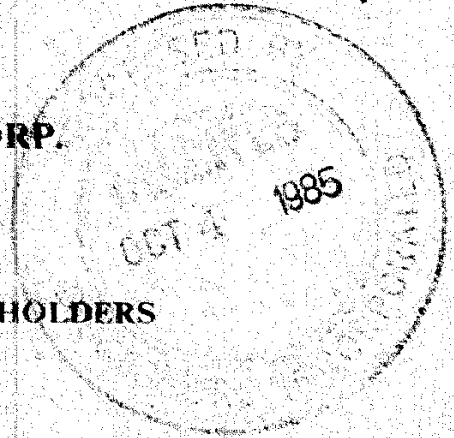
M 733 100

12946

N

MOHAWK DATA SCIENCES CORP.

Seven Century Drive
Parsippany, New Jersey 07054



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held October 30, 1985

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 offices of MDS Qantel, Inc., 4142 Point Eden Way, Hayward, California on Wednesday, October 30, 1985 at 10:00 A.M., Pacific Standard Time, for the following purposes:

1. To elect a Board of Directors consisting of three members;
2. To consider and act upon a proposal to approve a Special Incentive Compensation Program for Matthew E. Tutino, Chairman of the Board, President and Chief Executive Officer of the Company;
3. To consider and act upon a proposal to ratify and adopt the 1985 Stock Incentive Plan, providing for the granting to key employees of the Company and its subsidiaries of shares of restricted stock and options to purchase up to an aggregate of 750,000 shares of the Company's Common Stock;
4. To consider and act upon a proposal to approve the issuance from time to time of up to 1,500,000 shares of Common Stock of the Company to be used to pay certain of the Company's creditors and vendors and to settle certain litigation and other claims with respect to the Company, and the filing of a registration statement under the Securities Act of 1933 with respect to such shares;
5. To consider and act upon a proposal to approve the issuance from time to time of warrants to purchase up to 750,000 shares of Common Stock of the Company to the Company's key consultants and advisers, and the filing of a registration statement under the Securities Act of 1933 with respect to such warrants and the underlying shares of Common Stock; and
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed September 20, 1985 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: September 27, 1985

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 October 30, 1985**

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 October 30, 1985, 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 three management nominees for Directors and for the adoption of the Special Incentive Compensation Program, the 1985 Stock Incentive Plan, and the issuance of shares and warrants as set forth herein. 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, 1985 have previously been mailed to shareholders. This proxy statement and the accompanying proxy are being mailed to shareholders commencing on or about September 27, 1985.

Only holders of issued and outstanding shares of the Company's Common Stock of record at the close of business on September 20, 1985 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 and entitled to vote on such date was 14,923,257.

I. ELECTION OF DIRECTORS

Three Directors are to be elected at the Annual Meeting to hold office until the 1986 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. 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.

<u>Name</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares of Common Stock Owned Beneficially as of August 31, 1985(1)</u>
Thomas K. Christo	Attorney and Consultant	September 1985	20,000(2)
Francis P. Lucier	Retired Chairman of The Black & Decker Manufacturing Company	October 1983	200
Matthew E. Tutino	Chairman of the Board, President and Chief Executive Officer of the Company	March 1985	1,500,000(3)
All Directors and Officers as a Group (8 Persons)			1,540,075(4)

- (1) Mr. Lucier has sole voting and investment power as to all shares indicated. See notes 2 and 3 below regarding Messrs. Christo and Tutino. Other than Mr. Tutino, no present director or officer owns beneficially more than .1% of the outstanding Common Stock of the Company. See note 3 below for a description of Mr. Tutino's ownership of shares of Common Stock of the Company. All present directors and officers as a group, excluding Mr. Tutino, own beneficially less than .1% of the outstanding Common Stock.
- (2) Represents warrants to purchase 20,000 shares of Common Stock at a price of \$10.375 beneficially held by Mr. Christo.
- (3) Such amount includes 1,000,000 shares of Common Stock issuable upon the exercise of stock options granted to Mr. Tutino, pursuant to a Special Incentive Compensation Program previously adopted by the Board of Directors of the Company. Such amount also includes 500,000 restricted shares of Common Stock issued to Mr. Tutino pursuant to such Program, which may be deemed to be beneficially owned by him upon the lapsing of certain restrictions. If such Program is ratified by the shareholders of the Company, Mr. Tutino may be deemed to beneficially own approximately 9.1% of the Company's Common Stock. See page 7 for a description of the Program.
- (4) Includes 19,875 shares of Common Stock which may be acquired by all directors and officers as a group upon the exercise of currently exercisable stock options. Also includes the 1,500,000 shares of Common Stock referred to in note 3 above.

The following sets forth additional information regarding the nominees:

- | | |
|-------------------------|--|
| Thomas K. Christo | Mr. Christo, 37, has been engaged in the private practice of law for the past ten years. He has been retained by the Company as a consultant and for legal services. |
| Francis P. Lucier | Mr. Lucier, 57, served as Chairman of the Board of the Company from October 1984 to September 1985. He was Chairman of the Board of The Black & Decker Manufacturing Company, a manufacturer of power tools, from 1979 until his retirement in January, 1984. He |

served as President of that Company from 1972 to 1979 and was Chief Executive Officer from 1975 until January 1983. He is a Director of Eastmet Corporation, Maryland National Corporation, Micom Systems, Inc., PHH Group, Inc. and SmithKline Beckman Corporation.

Matthew E. Tutino..... Mr. Tutino, 50, joined the Company as President in March 1985 and was elected Chairman of the Board in September 1985. Prior to such time he served as Chairman of the Board, President and Chief Executive Officer of Whiteman Enterprises, Inc., a manufacturer of heavy construction equipment, from 1980 until August 1984 and thereafter served as an independent consultant until joining the Company in March 1985. In August 1980, shortly after he joined Whiteman Enterprises, it filed for protection under the Federal Bankruptcy Act. It was released from bankruptcy proceedings on January 21, 1981. In August 1985, after he left Whiteman Enterprises, it once again filed for protection under such Act. From December 1976 until June 1980 he served as Principal and Vice President of Allen & Company Incorporated, an investment banking firm. For the prior two years he served as Executive Vice President of the Export-Import Bank of the United States pursuant to an appointment by President Ford. Mr. Tutino is a Director of Mikros Systems, Inc. and Walker Telecommunications Corporation.

The Board of Directors has standing Audit and Compensation Committees. Due to the reduced size of the Board of Directors, the entire Board will also function as such 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 the independent accountants and the auditors' reports, reviews the Company's consolidated 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 independent accountants and management of the Company with regard to the adequacy of internal controls. There were four 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.

During the past fiscal year, each non-employee director received \$14,000 per year for serving on the Company's Board of Directors and \$1,500 for serving on any Committee of the Board. Committee Chairmen received an additional \$3,000 for serving in such capacity. Non-employee directors currently receive \$1,000 per year for serving on the Board. The Board held 17 meetings during the past fiscal year. Each incumbent director attended at least 75% of the meetings of the Board and Committees of the Board of which he was a member.

The Board of Directors unanimously recommends a vote FOR the election of the above management 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.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid or accrued by the Company for the fiscal year ended April 30, 1985 to each of its five most highly compensated executive officers and to all executive officers as a group.

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in which Served</u>	<u>Cash Compensation</u>
Francis P. Lucier	Chairman of the Board	\$ 171,667
Ralph H. O'Brien.....	Chairman of the Board and President(1)	154,139(2)
Dallas L. Talley.....	Senior Vice President and President—MDS Qantel(3)	169,167
Vincent L. Tofany	Vice President and President—MDS Dek(4)	158,383
John C. Walters.....	Senior Vice President—Legal and Secretary	134,167
All Executive Officers as a Group (20 Persons).....		1,82,589

- (1) Mr. O'Brien resigned as Chairman and President in October 1984 and resigned as a Director in April 1985. He continues to receive payments under an employment agreement of \$358,000 annually through April 30, 1988.
- (2) Excludes tax reimbursement of \$453,750 paid under the Company's stock option plans. See "Stock Option Plans."
- (3) Mr. Talley resigned in April 1985.
- (4) In March 1985 the Company sold its MDS Dek Division. Mr. Tofany served with MDS Dek until such sale.

In connection with his election as President and Chief Executive Officer, the Company issued 500,000 restricted shares of Common Stock and options to purchase 1,000,000 shares to Mr. Tutino. See "Special Incentive Compensation Program." Mr. Tutino is currently compensated at the rate of \$360,000 per year pursuant to an employment agreement which expires in 1988, and which provides for annual cost-of-living increases.

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 age 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 officer's rights under the insurance policy terminate in the event of a voluntary termination of employment but are vested in the event of termination of employment without cause or a voluntary termination for "good reason" as defined; in the event the officer's rights terminate, the officer has the right to acquire the policy upon payment to the Company of its cash surrender value. 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. Since May 1, 1980, the Company has paid premiums of \$412,980, \$60,351 and \$36,037 on behalf of Messrs. O'Brien, Talley and Walters, respectively, and \$67,668 for all current executive officers as a group. Messrs. Lucier and Tofany are not participants in the program.

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 Pension 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. The Company made no contribution to the Pension Plan during the 1st fiscal year. The amounts set aside by the Company during the last five fiscal years to fund the service costs for the benefit of all participants aggregated \$1,068,861.

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, 1985 applied throughout the service period:

Compensation	Estimated Annual Pension Payable Based on Service of:			
	10 years	20 years	30 years	40 years
\$30,000	\$2,609	\$ 5,217	\$ 7,826	\$10,434
40,000	3,724	7,447	11,171	14,894
50,000	4,974	9,947	14,921	19,894
60,000	6,224	12,447	18,671	24,894
75,000 and above	8,099	16,197	24,296	32,394

As of April 30, 1985, credited years of service in the Pension Plan were as follows: Mr. Lucier—6; Mr. O'Brien—10.1; Mr. Talley—3.4; Mr. Tofany—2.0; and Mr. Walters—14.3. Upon normal retirement Messrs. O'Brien and Walters would be entitled to annual retirement benefits of \$8,180 and \$27,810, respectively. Messrs. Lucier, Talley and Tofany will not be eligible to receive any pension benefits under the Pension Plan based on their respective years of service prior to termination of employment.

Stock Option Plans

The Company's 1979 Stock Option Plan (the "1979 Plan") provides for the granting to key employees of the Company and its subsidiaries at any time prior to May 16, 1989 of options to purchase up to an aggregate of 850,000 shares of Common Stock of the Company. Additional options may no longer be granted under the Company's 1970 Stock Option Plan (the "1970 Plan"), but outstanding options may be exercised until their expiration ten years from the date of grant. The Company's Compensation Committee, which administers the 1970 Plan and 1979 Plan (the "Plans"), may grant options to key employees, including officers, upon such terms and conditions as it sees fit, subject only to the requirement 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 the term of the option shall not be more than ten years. Options are generally exercisable after one year and then only to the extent of 25% per year on a cumulative basis. In addition, in the event of any stock dividend, stock split up, combination, exchange of shares or the like or any recapitalization, merger or consolidation, the aggregate number and class of shares available under the Plans and subject to each outstanding option and the option prices shall be appropriately adjusted by the Compensation Committee, whose determination shall be conclusive. The Compensation Committee, at its option, may permit the payment of the exercise price of an option by delivery of Common Stock of the Company having a market value equal to such exercise price or by a combination of cash and Common Stock.

The following table sets forth, as to certain named persons, and as to all current executive officers as a group, the number of shares and average exercise price of Common Stock covered by options granted by the Company and the net value of shares acquired through the exercise of options since May 1, 1980.

	Francis P. Lucier	Ralph H. O'Brien	Dallas L. Talley	Vincent L. Tofany	John C. Walters	All Executive Officers as a Group
Options Granted:						
Number of shares		100,000	15,000	10,000	8,000	1,021,250
Average option price		\$13.75	\$12.03	\$8.75	\$9.69	\$1.57
Options Exercised:						
Net value realized market value less exercise price		\$1,845,000			\$52,176	\$52,176

Since May 1, 1980, options covering an aggregate of 1,610,200 shares were granted to all employees at an average price of \$5.50 per share. Such amount includes options to purchase 1,000,000 shares issued to Mr. Tutino, subject to shareholder ratification as described below.

Provisions have been included in the options granted under 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. The Company advanced Messrs. O'Brien and Walters \$1,342,848 and \$17,376, respectively, \$17,376 to all current executive officers as a group (Mr. Walters only), and \$1,675,533 to all employees, to cover required withholding taxes in connection with their exercise of stock options since May 1, 1980. Since such date the Company has paid additional compensation of \$1,114,688 and \$39,132 to Messrs. O'Brien and Walters, respectively, \$39,132 to all current executive officers as a group (Mr. Walters only), and \$2,084,350 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 R. Watson Bell, a former director, and Mr. O'Brien aggregating \$50,000 and \$400,000, respectively, in connection with transactions relating to stock options previously exercised by them. Such loans were repaid in 1985.

Other Transactions

Robert J. Amman, a former officer of the Company, received a non-interest bearing, secured loan in the amount of \$162,500 in 1983, which was repaid in 1984.

Long-Term Incentive Plan

In July 1984 the Board of Directors adopted a Long-Term Incentive Plan (the "Plan"), pursuant to which cash bonuses may be earned by key executives. The purpose of the Plan is to further the long-term interests of the Company by offering long-term incentives to those key executives of the Company and its subsidiaries who, by virtue of their defined profit and loss responsibilities, are in a position to make a substantial contribution to the earnings and growth of the Company. The Plan is designed to attract and retain such persons and motivate them to exert their best efforts on behalf of the Company. Participants must be full-time employees of the Company or a subsidiary, and may include executive officers of the Company other than the Chief Executive Officer.

The Plan is administered by the Compensation Committee which may determine from time to time, in its sole discretion, whether awards are to be made and the terms thereof. Awards are made for a performance period of between two and five fiscal years of the Company and are based on performance criteria which include business operating profit or other operating criteria of the division, subsidiary or other business unit of the Company for which the participant has responsibility, or such other criteria as the Committee may establish. The Company has not paid or accrued any cash bonuses pursuant to the Plan. Messrs. Talley and Tofany had been participants in the Plan.

II. SPECIAL INCENTIVE COMPENSATION PROGRAM

One of the purposes of the Annual Meeting is to consider and take action with respect to the ratification and adoption of a Special Incentive Compensation Program (the "Program"), as previously approved by the Board of Directors, providing for the granting of restricted shares of Common Stock, non-qualified stock options and incentive stock options to Matthew F. Tutino. The Company's Board of

Directors approved the Program, subject to ratification by the shareholders, in reaching an agreement with Mr. Tutino to become President and Chief Executive Officer of the Company. The Board considers Mr. Tutino's employment important to the future prospects of the Company and thus believes it necessary to provide him with a significant reward opportunity in order to retain his services and to direct his efforts to increasing shareholder value.

Under the terms of the Program, the Company issued 500,000 restricted shares of Common Stock (the "Restricted Shares") to Mr. Tutino. The Restricted Shares are, until November 17, 1987 or the earlier occurrence of certain events described below (the "Restricted Period"), subject to restrictions on transfer and the possibility of forfeiture in the event of termination of employment. Until the lapsing of such restrictions, Mr. Tutino will not be entitled to vote the Restricted Shares or to receive any dividends which may be declared on the Common Stock, and the Restricted Shares will not be deemed to be outstanding.

During the Restricted Period the Restricted Stock may not be transferred, pledged or otherwise disposed of by Mr. Tutino, and if he ceases to be an employee of the Company by reason of voluntary termination or termination for cause during the Restricted Period, all the Restricted Shares will be forfeited and returned to the Company. However, Mr. Tutino has the right during the Restricted Period to deliver any of the Restricted Shares to the Company in payment for the exercise price of any stock option held by him, in which case an equivalent number of shares received upon such exercise shall be similarly restricted during the Restricted Period. Mr. Tutino will automatically vest in the Restricted Shares in the event of the termination of his employment by the Company for other than cause, or in the event of his death or permanent and total disability. The Company may, in its discretion, accelerate the time at which restrictions will lapse, or may remove any restrictions, whenever it decides that because of changes in the tax laws or other changes in circumstances such action is in the best interest of the Company and equitable to Mr. Tutino.

No taxable income was realized by Mr. Tutino upon receipt of the award of the Restricted Shares. At the time that the restrictions on the Restricted Shares lapse, Mr. Tutino will realize ordinary income equal to the fair market value of the shares at such time. The Company will be entitled, at the same time, to a tax deduction in the same amount. Mr. Tutino's tax basis in such shares will be their fair market value on the date such restrictions lapse. Dividends, if any, paid on the Restricted Shares after the lapse of the restrictions will result in dividend income to Mr. Tutino and no tax deduction can be taken by the Company.

Under the terms of the Program, the Company has also granted Mr. Tutino non-qualified stock options covering 927,273 shares of Common Stock and incentive stock options covering 72,727 shares all exercisable at \$1.375 per share, representing the fair market value thereof on September 20, 1985, the date of grant. Such options will be immediately exercisable upon shareholder approval, and the expiration date is 10 years after the date of grant. The right to exercise such options will survive Mr. Tutino's termination of employment for any reason. Such options contain such other terms and conditions as are applicable to options under the Company's 1985 Stock Incentive Plan, described below. On September 23, 1985, the reported closing sale price per share of the Company's Common Stock on the New York Stock Exchange was \$1.50.

In the event Mr. Tutino resigns from the Company prior to November 17, 1987, he will be obligated to return to the Company any post-tax profits from any sale of option stock which occurred less than six months prior to his resignation.

Reference is made to page 11 for a description of the federal income tax consequences of the issuance and exercise of non-qualified stock options and incentive stock options.

The Board of Directors has approved the Program subject to ratification by the shareholders, and unanimously recommends to the shareholders that they ratify and adopt the Program. 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 the ratification and adoption of the Program. In the event that the Program is not approved by the shareholders of the Company, the Program will not be implemented, and the Restricted Shares and stock options previously granted to Mr. Tutino will be revoked.

III. ~~1985 STOCK INCENTIVE PLAN~~

One of the purposes of the Annual Meeting is to consider and take action with respect to the ratification and adoption of the Company's 1985 Stock Incentive Plan (the "1985 Plan"), as previously adopted by the Board of Directors, providing for the granting of shares of restricted stock and options to purchase up to an aggregate of 750,000 shares of Common Stock to key employees, including officers, of the Company and its subsidiaries. A copy of the 1985 Plan is attached hereto as Exhibit A.

Since its organization, the Company has enabled its key employees to obtain a proprietary interest in the Company by granting them stock options. On the basis of its experience with its previous stock option plans, the Company's management believes that the possession of a proprietary interest in the Company afforded by the receipt of stock options and by the purchase of shares of the Company's Common Stock upon exercise thereof acts as an incentive in stimulating the interest of key employees to promote the success of the Company. The Company considers it important to have the ability to grant options at such time as key employees are hired by the Company or its subsidiaries and to grant additional options to such employees in consideration of their efforts on behalf of the Company and its subsidiaries. The Company believes that the flexibility to grant restricted shares in addition to options acts as a similar incentive. The ability to provide such an incentive becomes particularly important for the Company during its current restructuring process as it attempts to solve the significant operating and cash flow problems which the Company has experienced during the past year.

Under the Company's present 1979 Stock Option Plan (the "1979 Plan"), which as amended covers an aggregate of 850,000 shares, options may be granted at any time prior to May 16, 1989 but not thereafter. At August 31, 1985, an aggregate of 152,820 shares of Common Stock were reserved for issuance upon exercise of outstanding options granted under the 1979 Plan and an aggregate of 657,580 shares were available for future grants.

It is the intention of the Company, if the 1985 Plan is ratified and adopted by the shareholders, not to grant any additional options under the 1979 Plan. Therefore, although 750,000 shares of Common Stock will be reserved for issuance under the 1985 Plan, such reservation will not result in any increase in the aggregate number of shares currently reserved for issuance upon the exercise of stock options to the extent of the shares now available for future grant under the 1979 Plan (657,580 at August 31, 1985). Accordingly, the reservation of shares for issuance upon exercise of stock options would only be increased by 92,420 shares, as of such date. Reference is made to page 6 for information with respect to options previously granted under the 1979 Plan.

The Board of Directors has adopted the 1985 Plan subject to ratification by the shareholders, and unanimously recommends to the shareholders that they ratify and adopt the 1985 Plan. 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 the ratification and adoption of the 1985 Plan. In the event that the 1985 Plan is not adopted by the shareholders of the Company, the Board of Directors of the Company will reconsider such Plan but reserves the right to implement the 1985 Plan. In the event the Board decides not to implement the 1985 Plan, any awards made prior to that time will be canceled.

Description of the 1985 Plan

Options under the 1985 Plan may be granted at any time through May 17, 1995. The Company's Compensation Committee which administers the 1985 Plan may grant options to key employees, including officers, without Board of Directors' approval except in the case of a member of the 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. In the case of each such option awarded, the Committee will determine whether the same will be a "nonqualified stock option" or shall be structured so as to qualify as an "incentive stock option" under the Internal Revenue Code of 1954, as amended. The exercise price may be paid either in cash or, if authorized by the Committee, by delivering shares of Common Stock of the Company having a fair market value equal to the exercise price, or by a combination of payment in cash and Common Stock.

Options will generally be 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 other than death, any option held by him will expire at such time (generally 30 days) after such termination as may be determined by the Committee and provided in the agreement evidencing the option. In the event of the death of an optionee, his option to the extent then exercisable will expire one year after the date of death (unless it expires sooner by its terms). The Committee may accelerate the exercisability of outstanding options, in whole or in part, at any time.

The Committee has the authority to include, on such terms as it may determine to be appropriate, provisions similar to those contained in options issued under the 1979 Plan with respect to the reimbursement of optionees, including employee directors and officers, for income and withholding taxes incurred as a result of the exercise of stock options under the 1985 Plan. However, the Committee presently does not expect to continue to include such provisions for the reimbursement of taxes in options issued under the 1985 Plan. See page 6 for a description of the reimbursement provisions included in the options currently outstanding under the 1979 Plan.

The 1985 Plan contains no provisions restricting the Company from granting additional options under the 1985 Plan to holders of outstanding options thereunder or under the 1979 and 1970 Plans or to holders of any other outstanding options, whether in substitution for such options or otherwise. Non-qualified or incentive stock options granted under the 1985 Plan may be made exercisable at prices lower than the exercise prices of outstanding options. However, an incentive stock option granted under the 1985 Plan may not be exercised by a participant until all outstanding incentive stock options previously granted to such participant under the 1985 Plan have been exercised or expire by lapse of time.

The Committee may award to any participant shares of Common Stock (the "restricted shares") under the 1985 Plan which shall be evidenced by a written agreement containing such terms and conditions as the Committee shall decide. At the time of the award there shall be established a "restricted period" of such length, but not less than two years, as shall be determined by the Committee. The restricted shares may not be sold, assigned, transferred, pledged or otherwise encumbered during the restricted period (but may be used in payment of the exercise price of any stock option held by the participant) and will be retained by the Company. Except for such restriction on transfer and the possibility of forfeiture described below, the holders of restricted shares shall have all the rights of a holder of Common Stock.

At the expiration of the restricted period, the Company shall deliver to the participant the restricted shares. In the event the participant ceases to be an employee with the consent of the Committee, or upon his death, retirement or permanent and total disability, the restrictions will lapse with respect to such number of shares as shall be determined by the Committee, but in no event less than a prorated number of shares based on the time elapsed in the restricted period. In the event the participant ceases to be an employee for any other reason, all restricted shares awarded to him which are still subject to restrictions shall be forfeited.

The 1985 Plan includes anti-dilution provisions which provide for adjustment of the number of shares issuable upon exercise of options thereunder, the purchase price of such options, the lapsing of the restrictions on exercise of such options or on restricted shares or the like, in the event of the declaration of any stock dividend, stock split-up, combination, exchange of shares or the like or any recapitalization, merger or consolidation. In addition, the 1985 Plan contains provisions designed to prevent a participant from being deprived of the value of an award in the event of a public offer to purchase Common Stock in an amount which, together with all shares of Common Stock beneficially owned by the offeror at the time of the offer, would equal 40% or more of the outstanding Common Stock, or in the event of the authorization of certain kinds of mergers or consolidations involving the Company. In any such event, all stock options outstanding under the 1985 Plan will become immediately exercisable, and all restrictions on all restricted shares theretofore awarded under the Plan shall immediately lapse, to the extent necessary to enable participants to obtain the benefits of such offer, merger or consolidation. When options granted under the 1985 Plan terminate or expire without having been exercised in full, or if restricted shares are forfeited, the number of shares represented thereby will again be available for awards thereunder.

The Committee may amend or terminate the 1985 Plan as it deems advisable; provided, however, that any amendment which increases the aggregate number of shares which may be issued upon the exercise of options or as restricted shares or reduces the minimum purchase price per share purchasable under any option granted pursuant to the Plan is subject to approval by the shareholders of the Company within 12 months after its adoption or it shall become void. No amendment or termination of the 1985 Plan may, without the consent of the optionee, adversely affect the rights of such optionee.

The foregoing is a summary of some, but not all, of the provisions of the 1985 Plan, and reference is made to Exhibit A for the full text thereof.

Tax Consequences

In general, upon the award of a non-qualified stock option to a participant under the 1985 Plan, the participant will not realize income and the Company will not be entitled to any deduction with respect thereto. Upon the exercise of a non-qualified stock option for cash, however, the participant will realize

ordinary income (currently taxable at rates up to 50%) measured by the excess of the then fair market value of the shares acquired over the option price therefor. If, however, the participant's sale of the option shares within six months after the date of exercise could subject him to suit under Section 16(b) of the Securities Exchange Act of 1934, as amended, the participant will not recognize income (notwithstanding his exercise of the option) until the earlier of (i) the expiration of the six-month period or (ii) the first day on which sale of the option shares would not subject the participant to suit under Section 16(b). The Company will be entitled to a tax deduction equal to the ordinary income amount at the time the participant realizes income. The participant's tax basis in such shares will be their fair market value on the day the option is exercised. Upon a sale of such shares by the participant, any amount realized in excess of such tax basis will be treated as a capital gain, and any loss sustained will be treated as a capital loss (assuming such shares are held as capital assets). Such gain or loss will be short-term or long-term, depending on whether the participant's holding period for the shares (which begins on the day following exercise of the option) exceeds six months.

Under a ruling published by the Internal Revenue Service, if a participant exercises a non-qualified option with shares of the Company, then the participant will recognize no gain or loss to the extent that the number of shares he acquires upon exercise does not exceed the number of shares he transfers upon exercise. The participant's basis in such shares will equal his basis in the shares he transfers and his holding period for such shares will include the period during which he held the shares he transfers. The fair market value of any additional shares he receives in the exchange (less any cash he pays upon exercise) will be taxable to the participant as ordinary income, and the participant's tax basis in such shares will equal such fair market value. The participant's holding period for such shares will begin on the day following the date of exercise.

A participant will recognize no income or loss upon either the grant or the exercise for cash of an incentive stock option. Exercise of an incentive stock option, however, gives rise to an "item of tax preference" at the time of exercise equal to the difference between the option price and the fair market value of the shares received upon exercise. If the participant does not dispose of the shares for at least two years from the date of grant and at least one year after the date of exercise, any gain he subsequently realizes upon disposition of the shares will be taxable as a long-term capital gain and any loss will be a long-term capital loss. In such event, the Company will not be entitled to any business expense, compensation or other deduction upon either the grant or the exercise of the incentive stock option.

In general, if a participant who has exercised an incentive stock option fails to comply with those holding period requirements with respect to the shares received upon such exercise (a "disqualifying disposition"), the participant will, upon sale or other disposition of such shares, realize ordinary income equal to the excess, if any, of the lesser of (i) the fair market value of the shares on the date of exercise or (ii) the amount he realizes on the disposition, provided the disposition was a sale or exchange upon which a tax loss would be allowable, over the option price. Any gain exceeding such ordinary income amount will be taxable as a capital gain (if the shares acquired upon exercise of the incentive stock option are held as a capital asset). In such case, the Company will be entitled to a deduction in the same amount as the amount of ordinary income received by the participant, and the participant's holding period in the shares he receives upon exercise will begin on the day following the date of exercise.

The ruling discussed above regarding the use of already-owned Company stock to exercise a non-qualified stock option will, if applicable to the exercise of incentive stock options, produce the following

results: The participant will recognize no income, gain or loss upon exercise; to the extent the number of shares he receives does not exceed the number of shares he transfers, his basis and holding period for the new shares will be the same as for the shares he transfers; any additional shares he receives upon exercise will have a basis equal to the amount of cash, if any, he pays upon exercise, and his holding period for such shares will begin on the day following the date of exercise. The Internal Revenue Service has announced, however, that it will not issue rulings or determination letters in this area. In 1982, Congress addressed a specific issue relating to the use of already-owned stock to exercise an incentive stock option. It enacted legislation providing that to the extent a participant used "statutory option stock" — *i.e.*, shares he acquired through the exercise of an incentive stock option, a qualified stock option, an option granted under an employee stock purchase plan or a restricted stock option — to exercise the incentive stock option before the lapse of the holding period requirements applicable to such options, the exercise would be a disqualifying disposition of such shares. The Internal Revenue Service has not yet indicated whether it will withdraw its decision not to rule in light of the legislation, and it is currently uncertain how the issue will be resolved.

No taxable income will be realized by participants from the award of restricted shares. At the time the restrictions lapse, the participant will realize ordinary income equal to the fair market value of such shares at such time.

IV. PROPOSAL TO REGISTER AND ISSUE COMMON STOCK

One of the purposes of the Annual Meeting is to consider and take action with respect to the ratification and adoption of a proposal to issue from time to time up to 1,500,000 shares of Common Stock of the Company to be used to pay certain of the Company's creditors and vendors for various services and materials furnished to the Company or as payment for outstanding debts of the Company, which proposal has been previously adopted by the Board of Directors. Such shares may also be used by the Company from time to time to settle certain litigation and other claims with respect to the Company. In negotiating the payment or settlement of various debts, claims and litigation, the valuation of such shares will generally be computed on the basis of the then current market prices of the Common Stock. If the proposal is ratified and adopted by the shareholders, the Company intends to file a registration statement under the Securities Act of 1933 and the "shelf registration" rules thereunder with respect to such shares or such portion thereof for which an exemption under said Act and rules is not available.

The Company has experienced significant operating and cash flow problems during the past year. Adoption of this proposal would provide the Company with the flexibility to satisfy various liabilities and claims currently outstanding without depleting the limited funds of the Company. The conservation of such funds would be consistent with the Company's current restructuring process, the objective of which is to reduce cash outflow by eliminating excess overhead, to sell various operating divisions and subsidiaries in order to reduce bank debt to more acceptable levels and to strengthen the remaining core business so that it might return to profitability.

The satisfaction of various liabilities and claims through the issuance of shares pursuant to this proposal would be at no cost to the Company, although such issuance may have a dilutive effect on the outstanding shares of Common Stock of the Company. Current shareholders of the Company will have no preemptive rights with respect to the shares of Common Stock issued pursuant to this proposal.

The Board of Directors has adopted this proposal subject to ratification by the shareholders and unanimously recommends to the shareholders that they ratify and adopt such proposal. 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 the ratification and adoption of this proposal. In the event that such proposal is not adopted by the shareholders of the Company, the Board of Directors will reconsider its adoption of this proposal but reserves the right to implement such or similar proposals.

V. PROPOSAL TO REGISTER AND ISSUE WARRANTS

One of the purposes of the Annual Meeting is to consider and take action with respect to the ratification and adoption of a proposal to issue from time to time warrants to purchase up to 750,000 shares of Common Stock of the Company (the "Warrants") to the Company's key outside consultants and advisers, which proposal has been previously adopted by the Board of Directors of the Company.

If this proposal is adopted, the Company's Board of Directors may grant the Warrants to the Company's key outside consultants and advisers in consideration for various services provided to the Company and its subsidiaries. Thomas K. Christo, a key consultant to and a Director of the Company, and Francis P. Lucier, a Director of the Company, will be among the recipients of the Warrants. There is no limit on the number of Warrants which may be granted to any one consultant.

Since the Company has experienced significant operating and cash flow problems during the past year, adoption of this proposal would provide the Company with the flexibility to attract and retain the services of key outside consultants and advisers while reducing the amount of funds necessary to do so. The ability to attract such individuals is important to the success of the restructuring process which the Company is currently undergoing.

The Board of Directors may grant the Warrants upon such terms and conditions as it sees fit, subject only to the requirements that the exercise price may not be less than 85% of 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. The exercise price may be paid either in cash or, if authorized by the Board of Directors, by delivering shares of Common Stock of the Company having a fair market value equal to the exercise price, or by a combination of payment in cash and Common Stock. The issuance of Warrants may have a dilutive effect on the outstanding Common Stock.

The Board of Directors has adopted this proposal subject to ratification by the shareholders and unanimously recommends to the shareholders that they ratify and adopt such proposal. 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 the ratification and adoption of this proposal. In the event that such proposal is not adopted by the shareholders of the Company, the Board of Directors will reconsider its adoption of this proposal but reserves the right to implement such proposal.

PRINCIPAL SHAREHOLDERS OF THE COMPANY

The Company knows of no person who beneficially owns more than 5% of the Company's outstanding Common Stock other than a group of persons represented by Mr. Asher B. Edelman (the "Edelman Group"), who reported in a Form 3 Initial Statement filed by them with the Securities and

Exchange Commission that they beneficially owned as of October 1984 an aggregate of 1,206,200 shares, or approximately 8.1% of the currently outstanding shares. The following table sets forth certain information concerning the Edelman Group, all of which is based on the Form 3 filed by them.

	Sole Voting Power	Shared Voting Power	Sole Dispositive Power	Shared Dispositive Power	Percent of Class
Plaza Securities Company 717 Fifth Avenue New York, N.Y. 10022	0	502,600	0	502,600	3.4
Arbitrage Securities Company 717 Fifth Avenue New York, N.Y. 10022	0	158,400	0	158,400	1.0
Arrow Associates, L.P. 717 Fifth Avenue New York, N.Y. 10022	0	517,600	0	517,600	3.5
Asher B. Edelman (1) 717 Fifth Avenue New York, N.Y. 10022	1,178,600	0	1,178,600	0	7.9
United Stockyards Corporation (2) . 277 Park Avenue New York, N.Y. 10017	27,600	0	27,600	0	0.2

- (1) The Edelman Group has reported that since Mr. Edelman is the controlling general partner of Plaza Securities Company ("Plaza"), the controlling general partner of Asco Partners, which is the sole general partner of Arbitrage Securities Company ("Arbitrage"), and the sole general partner of Arrow Associates, L.P., he may be deemed to be the beneficial owner of the shares of Common Stock owned by those partnerships.
- (2) A group of shareholders consisting of Mr. Edelman, Plaza, Arbitrage and a limited partnership of which Mr. Edelman is the sole general partner controls approximately 28.7% of the outstanding shares of United Stockyards Corporation ("United"), and Mr. Edelman is a member of the Board of Directors of United.

Arbitrage and Plaza, together with another limited partnership of which Mr. Edelman was the sole general partner (collectively the "Partnerships"), were the defendants in an action commenced on February 28, 1983 by the Securities and Exchange Commission (the "Commission") in the United States District Court for the District of Delaware (Civil Action No. 83-113) in which the Commission alleged that the Partnerships failed to amend their Schedule 13D filing with respect to Canal-Randolph Corporation to disclose certain information which was required to be disclosed therein.

Concurrently with the filing of the Commission's complaint, solely for the purpose of settlement and without trial of any issue of fact or law and without admitting or denying the allegations of the Commission, the Partnerships consented to the entry of a final order, dated March 1, 1983, directing that the Partnerships, their general partners, agents, servants and employees, and persons acting in concert or participation with them, not fail promptly to file or cause to be filed with the Commission, or not fail promptly to send or cause to be sent to said corporation and to any national securities exchange on which

said corporation's securities are traded, any statement of information required by Schedule 13D, which is complete and accurate in all respects and contains all of the information required by the Commission's rules and regulations, and any amendments disclosing any material change having occurred in the facts set forth or required to be set forth in any statement of information required by Schedule 13D.

Mr. Edelman was elected as a Director and as Vice Chairman of the Company in October 1984. In March 1985, Mr. Edelman resigned from the Board of Directors of the Company. In April 1985, he also resigned as Vice Chairman of the Company.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has reappointed the firm of Arthur Andersen & Co. as independent auditors for the 1986 fiscal year. Such firm 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, mail, telegram or personal interview. In addition, the Company has retained The First National Bank of Boston to solicit proxies for the Annual Meeting for a fee estimated at \$7,500 plus out-of-pocket expenses. Banks, brokers and 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 to request from those beneficial holders authority to execute and vote their proxies, and will be reimbursed by the Company for expenses incurred in doing so.

Any proposal of a shareholder intended to be presented at the 1986 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than May 27, 1986.

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.

MOHAWK DATA SCIENCES CORP.

JOHN C. WALTERS
Secretary

September 27, 1985

PLEASE SIGN, DATE AND MAIL YOUR PROXY NOW

MOHAWK DATA SCIENCES CORP.

1985 STOCK INCENTIVE PLAN

1. Purpose of the Plan

The Corporation is of the opinion that its interest will be advanced by encouraging and enabling eligible employees (as defined in Paragraph 4 hereof) of the Corporation and its subsidiaries to acquire stock in the Corporation and believes that the granting of restricted shares of Common Stock ("Restricted Shares") and options will stimulate the efforts of such employees, strengthen their desire to remain with the Corporation and its subsidiaries, provide them with a more direct interest in its welfare and assure a closer identification between them and the Corporation. Therefore, the Corporation has adopted this 1985 Stock Incentive Plan (the "Plan") in furtherance of its objectives with respect to such employees.

2. Amount of Stock Subject To The Plan

Subject to the provisions of Section 21 hereof, the total number of shares of Common Stock of the Corporation for which options may be awarded, or which may be issued as Restricted Shares, shall not exceed 750,000 shares. The shares sold under the Plan may be either authorized and unissued shares or issued shares reacquired by the Corporation. In the event that any options granted under the Plan shall terminate, expire or be surrendered to the Corporation (other than pursuant to Section 16) for any reason without having been exercised in full, or if any Restricted Shares awarded under the Plan shall be forfeited or surrendered to the Corporation, the shares represented thereby shall thereafter again be available for other awards under the Plan. However, if an option awarded under this Plan shall be accepted for surrender pursuant to terms and conditions determined by the Committee under Section 16 hereof, any shares covered thereby shall not thereafter be available for other awards under the Plan.

3. Administration

Except as herein otherwise provided, the Plan shall be administered by a Committee composed of at least three Directors who shall be appointed by the Board of Directors. The Committee shall have the sole power to make awards pursuant to the Plan. All awards made shall be evidenced by written instruments (which need not be uniform). Subject to the express provisions and limitations of the Plan, the Committee shall have full and final authority in its discretion to determine the individuals to whom awards shall be made, the times when they shall receive them, the option price of each option, the period during which and terms on and conditions under which each option may be exercised, the number of shares to be subject to each option, the length of the restricted period during which the Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered, and the terms and conditions under which the Restricted Shares are granted.

Subject to the express provisions and limitations of the Plan, the Committee shall also have full and final authority to construe the respective Restricted Shares, options and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions not specified in or incorporated with the Plan to be included in the respective awards (which need not be uniform) and to

make all other determinations necessary or advisable for administering the Plan. Such terms and provisions may include provisions with respect to the reimbursement of income taxes payable by optionees as a result of the exercise of options under present or future tax laws, as well as provisions for making loans to employees (including directors and officers) exercising options to offset the required withholding for tax purposes of amounts deemed to constitute taxable income to such persons.

The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any award in the manner and to the extent appropriate, and it shall be the sole and final judge in such circumstances. All actions or determinations of the Committee shall be by majority vote of its members and the determination of the Committee on the matters referred to in this Paragraph shall be conclusive. The Committee shall report any action taken by it to the meeting of the Board of Directors next following such action.

4. Eligibility

Only key employees of the Corporation and its subsidiaries shall be eligible to receive awards hereunder. No employee or other person shall have any claim or right to receive an award under the Plan. The term "employees," as used herein, shall include officers of the Corporation or of a subsidiary of the Corporation, and shall include directors who are also employees of the Corporation or of a subsidiary of the Corporation. The term "subsidiary," as used herein, shall mean any corporation of which 50% or more of the outstanding voting securities are beneficially owned, directly or indirectly, by the Corporation.

No employee shall have any right to participate in the Plan unless selected by the Committee and then only to the extent determined by the Committee. In selecting the employees who may become participants in the Plan, as well as in determining the amount, type and terms and conditions of each award made under the Plan, the Committee shall weigh such factors as it shall deem relevant to accomplish the purposes of the Plan, and all actions taken and determinations made by the Committee, in its sole discretion, shall be final and binding and not subject to review.

An employee to whom an award has been made under the Plan may receive one or more additional awards if the Committee shall so determine. No employee shall be eligible to receive any stock option or Restricted Shares if, at the time such award is made, such employee owns stock possessing more than ten percent of the total combined voting power of all classes of stock either of the Corporation or of any subsidiary.

5. Award of Restricted Shares

Subject to the provisions of the Plan, the Committee may from time to time, in its sole discretion, contingently award to employees who have been selected to participate in the Plan, Restricted Shares upon the terms and conditions, and subject to the restrictions set forth in Sections 5-8 herein. In connection therewith, the Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, (i) to determine the employees to be awarded Restricted Shares, (ii) to determine the number of Restricted Shares to be awarded to each such employee, (iii) to determine the time or times at which awards of Restricted Shares shall be made, (iv) to determine the Restricted Period (as hereinafter defined) applicable to each award of Restricted Shares, and (v) to prescribe the form or forms of the agreements to be entered into between the Corporation and each employee to whom Restricted Shares are awarded (which agreements shall be consistent with the Plan but need not be identical).

6. Restricted Period

(i) Except as hereinafter expressly provided, no Restricted Shares awarded to an employee may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered by the employee for such period, not to be less than two years from the date of award, as shall be established by the Committee in its sole discretion at the time of such award (the "Restricted Period"). However, the Restricted Shares may be used in payment of the exercise price of any stock option held by the participant. If at any time an employee to whom Restricted Shares have been awarded is no longer employed by the Corporation or any of its subsidiaries for any reason (other than death, permanent and total disability, retirement or a termination of employment with the consent of the Committee), all Restricted Shares theretofore awarded to him and as to which the applicable Restricted Period has not expired shall immediately be forfeited and returned to the Corporation, and all rights of such employee with respect to such Restricted Shares shall terminate, without payment of any consideration by the Corporation.

(ii) In the event that an employee to whom Restricted Shares have been awarded ceases to be an employee of the Corporation or any of its subsidiaries with the consent of the Committee, or upon his death, retirement or permanent and total disability, the restrictions set forth in Section 6(i) shall lapse with respect to such number of shares as shall be determined by the Committee, but in no event less than a prorated number of shares based on the time elapsed in the Restricted Period. Restricted Shares as to which restrictions have not so lapsed shall be forfeited and returned to the Corporation as provided in Section 6(i).

(iii) Notwithstanding the foregoing, the Committee shall have the authority, in its sole discretion, to accelerate the time at which restrictions will lapse or to remove any such restrictions whenever it may determine that, by reason of changes in applicable tax or other laws or any other changes in circumstances arising after the date of award, such action is in the best interests of the Corporation and equitable to the employee or his or her heirs or designated beneficiaries.

7. Legend; Deposit of Certificates

Each certificate issued in respect of Restricted Shares awarded under the Plan shall be registered in the name of the employee and deposited by the employee, together with a stock power endorsed in blank, with the Corporation, and shall bear the following or a similar legend, and any other legend required by law:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Mohawk Data Sciences Corp. 1985 Stock Incentive Plan and an agreement between the registered owner and Mohawk Data Sciences Corp. Copies of such plan and agreement are on file in the offices of the Secretary of Mohawk Data Sciences Corp., Seven Century Drive, Parsippany, New Jersey 07054."

Upon the expiration of the Restricted Period, or the earlier lapse of restrictions pursuant to Section 6(ii) or (iii) hereof, the Corporation shall redeliver to the employee (or to his or her heir, designated beneficiary or legal representative) the certificate and stock power so deposited with it and representing shares as to which such restrictions have expired or lapsed. At the written request of the employee and upon the surrender of certificates representing shares as to which such restrictions have lapsed, the Corporation shall deliver to the employee a new certificate or certificates not bearing the legend required by this paragraph.

8. Rights as a Shareholder

Except for the restrictions set forth herein and subject to the terms and conditions of the agreement between the Corporation and the employee to whom Restricted Shares have been awarded, the employee shall have all the rights of a shareholder with respect to Restricted Shares awarded to him or her, including, without limitation, the right to vote such shares and the right to receive all dividends or other distributions made with respect to such shares.

9. Award of Stock Options

Subject to the provisions of the Plan, the Committee may from time to time, in its sole discretion, award to employees who have been selected to participate in the Plan options to purchase shares of Common Stock of the Corporation. In connection therewith, the Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, (i) to determine the employees to whom options are to be awarded, (ii) in the case of each option awarded, to determine whether the same shall be an incentive stock option pursuant to Section 422A of the Internal Revenue Code of 1954 (the "Code"), as the same may from time to time be amended (an "Incentive Stock Option"), or an option which does not qualify under such Section 422A (a "Non-Qualified Option"), (iii) to determine the number of shares subject to each option, (iv) to determine the time or times at which options will be awarded, (v) to determine the option price of the shares subject to each option, which price shall not be less than the minimum specified in Section 10 hereof, (vi) to determine the time or times when each option becomes exercisable and the duration of the exercise period, and (vii) to prescribe the form or forms of the instruments evidencing any options awarded under the Plan (which forms shall be consistent with the Plan but need not be identical).

10. Option Prices and Payment

The purchase price of Common Stock provided under each option granted pursuant to the Plan shall be set by the Committee and may not be less than 100% of the fair market value on the date of the granting of the option. The exercise price shall be paid in full upon each exercise of an option either in cash or, if authorized by the Compensation Committee, by delivering shares of Common Stock of the Company having a fair market value equal to the exercise price, or by a combination of payment in cash and Common Stock. For purposes of this Plan, the "fair market value" of a share of Common Stock of the Corporation shall be deemed to be the arithmetic mean of the high and low trading prices of such Common Stock. The proceeds of the sale of stock subject to the options are to be added to the general funds of the Corporation and used for its corporate purposes.

11. Period of Options and Certain Limitations On Rights to Exercise

Each option shall expire no later than 10 years from the date of grant; provided, however, that except as provided in Paragraphs 18 and 19 hereof, no holder of an option may exercise his option unless at the time of exercise he has been continuously in the employ of the Corporation or a subsidiary of the Corporation since the grant of his option.

Options may also include provisions (which need not be uniform) designed to prevent violations of the Securities Act of 1933 and the rules and regulations thereunder upon the exercise of an option or the sale or other disposition of the shares of Common Stock purchased on exercise of an option.

No holder of any option or his legal representatives, legatees or distributees, as the case may be, will be or will be deemed to be a holder of any shares covered by the option unless and until he has exercised the option as to such shares, paid for such shares in full and received certificates representing such shares.

12. Non-Transferability of Options

No option granted under the Plan shall be transferable otherwise than by will or by the laws of descent and distribution, and an option may be exercised during the lifetime of the employee to whom it is granted only by him.

13. Limitation on Incentive Stock Options

Subject to the overall limitations of Section 2, the aggregate fair market value (determined as of the time the option is awarded) of the stock for which any employee may be awarded Incentive Stock Options in any calendar year shall not exceed \$100,000 plus any unused limit carried over to such year with respect to such employee. For purposes of the preceding sentence, the unused limit carried over to any year in respect of an employee is the carryover from each of the three preceding calendar years of one-half the excess of \$100,000 over the aggregate fair market value (determined at the time of award) of the Common Stock subject to Incentive Stock Options awarded to such employee during such prior year. The unused limit carried over to any year shall be computed in accordance with Section 422A(c)(4) of the Code and the Income Tax Regulations thereunder.

14. Exercise of Options

(i) Each option awarded under this Plan shall be exercisable on such date or dates and during such period and for such number of shares as shall be determined pursuant to the provisions of the instrument evidencing such option.

(ii) A person electing to exercise an option shall give written notice to the Corporation of such election and of the number of shares such person has elected to purchase, and shall at the time of exercise tender the full purchase price of the shares he has elected to purchase. Until receipt by the Corporation of such full purchase price, he shall possess no rights of a record holder with respect to any of such shares. Upon the exercise of an option at a time when there is not in effect a registration statement under the Securities Act of 1933 relating to the shares issuable upon exercise of the option, the optionee shall provide the Corporation with such representations and warranties as may be required by the Corporation to the effect that the shares to be purchased pursuant to the option are being acquired for investment and not with a view to the distribution thereof. Without limiting the Corporation's obligations with respect to outstanding options, no shares shall be purchased upon the exercise of any option unless all applicable requirements of the Securities and Exchange Commission, and any other regulatory agencies having jurisdiction and of any stock exchanges upon which the shares may be listed have been fully complied with. The Corporation shall use its best efforts to comply with all such regulations and appropriate provision may be made in the instruments evidencing options to provide for suitable adjustments in the event that the Corporation is unable to comply with such regulations.

15. Sequence of Exercise

No Incentive Stock Option awarded under the Plan shall be exercisable by an optionee while there is "outstanding" (within the meaning of Section 422A(c)(7) of the Code) any other Incentive Stock Option which was awarded to the same optionee under the Plan or any other plan at an earlier date to purchase stock in the Corporation or in a corporation which, at the time of awarding of such new Incentive Stock Option, is a parent or subsidiary of the Corporation, or a predecessor corporation of any such corporation.

16. Surrender of Options

The Committee may, under such terms and conditions as it deems appropriate, accept the surrender by an optionee of a right to exercise an option to purchase shares of Common Stock and authorize a payment in consideration therefor of an amount equal to the difference obtained by subtracting the option price from the fair market value on the date of such surrender, such payment (net of any amount withheld pursuant to Section 22 hereof) to be, in the sole discretion of the Committee, in shares of the Common Stock of the Corporation valued at fair market value on the date of such surrender, or in cash, or partly in such shares and partly in cash, provided that the Committee shall have determined that such settlement is consistent with the purposes set forth in Section 1 hereof.

17. Stock Option Agreements

Each option awarded under the Plan shall be evidenced by a stock option agreement (which need not be identical with other stock option agreements) executed on behalf of the Corporation by a member of the Committee or by an officer designated by the Committee and by the optionee which shall set forth the terms and conditions of the option (including, in the case of Incentive Stock Options, such terms as shall be requisite in the judgment of the Committee to provide that those options will be "incentive stock options" within the meaning of Section 422A of the Code) either expressly or by reference to the Plan and which may contain other provisions provided they are neither inconsistent with nor prohibited by the Plan.

18. Termination of Employment

If the employment of an employee to whom an option has been granted terminates for any reason other than by death, his option shall terminate on the date of such cessation of employment; provided, however, that the Committee shall have authority in its discretion to include in any option granted under the Plan a provision whereby such option may be exercised by the holder thereof for a period of up to 30 days after termination of employment for any reason other than by death. Options granted under the Plan shall not be affected by any change of employment so long as the holder continues to be an employee of the Corporation or of a subsidiary of the Corporation. Nothing in the Plan or in any option granted under it shall confer any right to continue in the employ of the Corporation or any of its subsidiaries or interfere in any way with the right of the Corporation and its subsidiaries to terminate any employment at any time.

19. Death Of Holder Of Option

In the event of the death of the holder of an option under the Plan while he is employed by the Corporation or a subsidiary of the Corporation, the option theretofore granted to him may be exercised at any time within a period of 12 months after his death by the person or persons to whom his rights under the option shall pass by will or the laws of descent and distribution, but only during the original option term and only if and to the extent that he was entitled to exercise the option at the date of his death.

20. Designation of Beneficiary

An employee's rights and interests under the Plan may not be assigned or transferred. However, an employee who has received an award under this Plan may, with the consent of the Committee, designate a person or persons to be his or her designated beneficiaries under this Plan. Such designations shall be made upon forms supplied by and delivered to the Corporation and may be revoked in writing. If an employee fails effectively to designate a beneficiary, then his or her estate will be deemed to be the beneficiary.

21. Adjustments Upon Changes In Capitalization: Acceleration in Certain Events

(a) Any instruments evidencing options awarded hereunder, and any agreements entered into between the Corporation and an employee in connection with any award hereunder, may contain such provisions as the Committee may determine for adjustment of the number and classes of shares covered thereby, the purchase price of options, the lapsing of the restrictions on exercise of options or on Restricted Shares or the like, in the event of changes in the outstanding Common Stock of the Corporation by reason of any stock dividend, stock split-up, recapitalization, reorganization, merger, consolidation, combination or exchange of shares or the like, of or by the Corporation. In the absence of any such provision, the Board of Directors of the Corporation, in the event of any such change, may make such adjustments as it may, in its sole discretion, deem equitable. In addition, in the event of any such change the Board of Directors may make such changes as it may deem appropriate in the aggregate number and classes of shares for which options may thereafter be awarded, or which may thereafter be issued as Restricted Shares.

(b) Notwithstanding the foregoing, in the event of any public offer to purchase Common Stock of the Corporation in an amount which, together with the shares of Common Stock beneficially owned by the offeror at the time of the offer will equal 40% or more of the outstanding Common Stock of the Corporation, or in the event of the authorization of any merger or consolidation in which the Corporation is not the survivor or in which holders of Common Stock of the Corporation would become entitled to receive cash or securities of the Corporation (other than Common Stock) or securities of any other person, all stock options theretofore awarded under the Plan shall become immediately exercisable as to all shares of Common Stock covered thereby, and all restrictions on all Restricted Shares theretofore awarded under the Plan shall immediately lapse, in each case from such date, and for such period, as may be necessary to enable the holders thereof to obtain the benefits of such offer, merger or consolidation.

22. Withholding

The Corporation or any subsidiary shall have the right to deduct from all payments made under the Plan any taxes required to be withheld in connection therewith under the applicable laws or regulations of any governmental authority, whether Federal, state or local and whether domestic or foreign, and, in the case of any shares of stock transferred pursuant to the Plan, the person receiving such shares shall be required to pay to the Corporation or such subsidiary the amount of any such taxes which the Corporation or such subsidiary is required to withhold with respect to such stock.

23. Amendment and Termination

Unless the Plan theretofore shall have been terminated as hereinafter provided, the Plan shall terminate on May 17, 1995 and no awards shall be made thereafter. The Committee at any time prior to

that date may terminate the Plan, or make such changes in it and additions or amendments to it as the Committee shall deem advisable; provided, however, that except as provided in Paragraph 21 hereof, any change in or addition or amendment to the Plan which shall

(a) increase the aggregate number of shares of Common Stock of the Corporation which may be issued pursuant to the Plan, or

(b) reduce the minimum purchase price per share of Common Stock purchasable under any option granted pursuant to the Plan.

shall be subject to approval by the shareholders of the Corporation within 12 months after its adoption or the same shall become null and void.

No termination or amendment of the Plan may, without the consent of the holder of any option or Restricted Shares then outstanding, adversely affect the rights of such holder.

24. Effectiveness of the Plan

The Plan shall become effective upon approval thereof by the shareholders of the Corporation and shall remain effective until terminated as provided in Paragraph 23 hereof. In the event that the Plan is not adopted by the shareholders of the Corporation, the Board of Directors of the Company will reconsider such Plan but reserves the right to implement the Plan. In the event the Board decides not to implement the Plan, awards made prior to that time will be cancelled.

Any option or Restricted Shares issued pursuant to the Plan after the adoption by the Committee of any amendment to the Plan which is required by the provisions of Paragraph 23 above to be approved by the shareholders of the Corporation and which could not have been issued but for such amendment shall, if issued before such approval is obtained, be issued subject to the obtaining of such approval, and if such approval is not obtained within 12 months after the adoption of such amendment by the Committee, such option or Restricted Shares shall become null and void.