



**MOHAWK DATA SCIENCES**

August 5, 1986

Dear Shareholder:

On behalf of the Board of Directors, we cordially invite you to the Annual Meeting of Shareholders to be held on Thursday, August 28, 1986, at 10:00 A.M. at the New York Helmsley Hotel, 212 East 42nd Street, New York, New York. We look forward to greeting personally as many of our shareholders as will be able to attend.

At the meeting, a Board of Directors consisting of four members will be elected. Information regarding each nominee for Director is detailed in the attached Proxy Statement. In addition to voting, we will present a report on the Company's activities and respond to your questions during the meeting.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'Asher B. Edelman'.

ASHER B. EDELMAN  
Chairman

A handwritten signature in black ink, appearing to read 'Matthew E. Tutino'.

MATTHEW E. TUTINO  
President and Chief Executive Officer

Corporate Headquarters  
Seven Century Drive  
Passippany, New Jersey 07054  
Telephone (201) 540-9080

**MOHAWK DATA SCIENCES CORP.**  
Seven Century Drive  
Parsippany, New Jersey 07054

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
To Be Held August 28, 1986

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 New York Helmsley Hotel, Murray Hill Room, Third Floor, 212 East 42nd Street, New York, New York on Thursday, August 28, 1986 at 10:00 A.M., Eastern Daylight Time, for the following purposes:

1. To elect a Board of Directors consisting of four members; and
2. To transact such other business as may properly come before the meeting or any adjournment.

The Board of Directors has fixed July 29, 1986 as the record date for the meeting, and only shareholders of record at the close of business on such date shall be entitled to vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

John C. Walters  
Secretary

Dated: August 5, 1986

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

**MOHAWK DATA SCIENCES CORP.**

Seven Century Drive  
Parsippany, New Jersey 07054

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF SHAREHOLDERS**

To Be Held August 28, 1986

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**GENERAL INFORMATION**

The accompanying proxy is being solicited by and on behalf of the management of Mohawk Data Sciences Corp. (the "Company"), for use at the Company's Annual Meeting of Shareholders to be held on August 28, 1986, 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 four management nominees for Directors. 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.

The Company's Annual Report to Shareholders for its fiscal year ended April 30, 1986 is being mailed to shareholders with this Proxy Statement. This Proxy Statement and the accompanying proxy are being mailed to shareholders commencing on or about August 5, 1986.

Only holders of issued and outstanding shares of the Company's Common Stock of record at the close of business on July 29, 1986 are entitled to notice of and to vote at the meeting. Each such holder is entitled to one vote per share. The number of shares of Common Stock outstanding on such date was 15,103,689.

**ELECTION OF DIRECTORS**

Four Directors are to be elected at the Annual Meeting to hold office until the 1987 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 July 31, 1986</u>	<u>Percent of Class</u>
Michael D. Brown .....	Partner, Ohrenstein & Brown, Attorneys	June 1986	1,000	—
Asher B. Edelman.....	Controlling General Partner, Plaza Securities Company, broker-dealer	October 1984 to March 1985 and since June 1986	1,340,900(1)	8.9
Daniel R. Kail.....	Managing Trustee, Management Assistance Inc. Liquidating Trust	July 1986	-0-	—
Matthew E. Tutino .....	President and Chief Executive Officer of the Company	March 1985	1,500,000(2)	9.0
All Present Directors and Officers as a Group (7 Persons) .....			2,853,425(3)	17.2

(1) Excludes 58,800 shares owned by Datapoint Corporation and 8,000 shares owned by members of Mr. Edelman's family, beneficial ownership of which he expressly disclaims. See "Principal Shareholders of the Company."

(2) Such amount and percent assume the issuance of 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 approved by shareholders at the 1985 Annual Meeting. Such amount also includes 500,000 restricted shares of Common Stock issued to Mr. Tutino pursuant to such Program, which are non-voting during the period of the restriction and which may be deemed to be beneficially owned by him upon lapsing of certain restrictions. None of such shares are presently deemed to be outstanding.

(3) Includes, in addition to the shares referred to in note 2 above, 11,500 shares of Common Stock which may be acquired by all directors and officers as a group upon the exercise of currently exercisable stock options.

The following sets forth additional information regarding the nominees:

Michael D. Brown..... Mr. Brown, 41, has been a member of the law firm of Ohrenstein & Brown for more than the past five years. He is a Director of First Central Financial Corporation. He is a member of the Audit and Compensation Committees and Chairman of the Audit Committee.

Asher B. Edelman..... Mr. Edelman, 46, has been General Partner of Plaza Securities Company, a broker-dealer, since July 1979. He was General Partner of Arbitrage Securities Company, a broker-dealer, from 1977 to June 1984 and General Partner of Asco Partners, the sole general partner of Arbitrage Securities Company, since July 1984.

He is Director, Chairman of the Board and Chairman of the Executive Committee of Intelogic Trace, Inc.; Director, Chairman of the Board and Chairman of the Executive Committee of Datapoint Corporation; Director, Vice Chairman of the Board and Chairman of the Executive Committee of United Stockyards Corporation; and Director and President of Canran Corp., the General Partner of Canal-Randolph Limited Partnership. He previously served as Director of the Company from October 1984 until March 1985 and as Vice Chairman from October 1984 until April 1985. He is a member of the Audit and Compensation Committees and Chairman of the Compensation Committee.

Daniel R. Kail..... Mr. Kail, 51, has been Managing Trustee of Management Assistance Inc. Liquidating Trust since January 1986. He previously served as Executive Vice President and Chief Operating Officer of Management Assistance Inc. from October 1984 to January 1986, and as Vice President, Corporate Planning and Development, of such corporation from February 1980 to September 1984. He is a Director of Datapoint Corporation and Intelogic Trace, Inc.

Matthew E. Tutino..... Mr. Tutino, 51, joined the Company in March 1985, was elected Chairman in September 1985 and assumed his present positions in June 1986. He previously served as Chairman of the Board, President and Chief Executive Officer of Whiteman Enterprises, a manufacturer of heavy construction equipment, from 1980 until August 1984 and thereafter served as an independent consultant until joining the Company. In August 1980, shortly after he joined Whiteman Enterprises, it filed for protection under the Federal Bankruptcy Act. It was released from bankruptcy proceedings in January 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. Mr. Tutino is a Director of Walker Telecommunications Corporation.

Arbitrage Securities Company and Plaza Securities Company, 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 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.

The Board of Directors has standing Audit and Compensation Committees. The Compensation Committee makes recommendations to the Board with respect to executive compensation for the Company and its subsidiaries and administers the Company's stock option plans. The Audit Committee recommends the selection of independent certified public accountants and reviews the scope of audits performed by 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 two meetings of the Compensation Committee and two meetings of the Audit Committee during the past fiscal year. The Board of Directors does not have a nominating committee.

Each non-employee director received \$1,000 per year during the past fiscal year for serving on the Company's Board of Directors. The Board held 15 meetings during such 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, 1986 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( 1 )	\$ 96,250
Karl H. Niemuller.....	Executive Vice President and Senior Vice President of Qantel	160,000
Joseph M. O'Dowd .....	Senior Vice President and Chief Financial Officer( 2 )	105,000
Matthew E. Tutino.....	Chairman of the Board and President( 3 )	350,423
John C. Walters.....	Senior Vice President and Secretary	137,500
All Executive Officers as a Group ( 8 Persons ).....		1,120,923

( 1 ) Mr. Lucier served as Chairman until September 1985. He resigned as a Director in June 1986.

( 2 ) Mr. O'Dowd resigned in June 1986.

( 3 ) Mr. Tutino is currently compensated at the rate of \$370,000 per year pursuant to an employment agreement which expires in August 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 previous Pension Plan. The program was discontinued in 1985, and the Company is presently assessing whether, and to what extent, it has any obligations thereunder. Under the program, such officers obtained 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 were generally calculated at two and one-half times such person's annual base salary. Alternatively, at normal retirement age the officer could 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 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, he has the right to acquire the policy upon payment to the Company of its cash surrender value. The program was 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.

### **Stock Option Plans**

The Company's 1985 Stock Incentive Plan (the "1985 Plan") provides for the granting to key employees of the Company and its subsidiaries at any time through May 17, 1995 of shares of restricted stock and options to purchase up to an aggregate of 750,000 shares of the Common Stock. Additional options may no longer be granted under the Company's 1979 Stock Option Plan (the "1979 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 1985 Plan and the 1979 Plan (the "Plans"), may grant incentive stock options or non-qualified options to key employees, including officers, upon such terms and conditions as it sees fit, provided that the exercise price is not less than the fair market value of the Common Stock at the date of grant and the term of the option is not more than ten years. Options are generally exercisable after one year and then to the extent of 25% per year on a cumulative basis. The Committee may accelerate the exercisability of outstanding options at any time. The Committee, at its option, may permit the payment of the exercise price of an option by delivery of Common Stock having a market value equal to such exercise price or by a combination of cash and Common Stock.

The Committee may award employees shares of Common Stock ("restricted shares") under the 1985 Plan evidenced by a written agreement containing such terms 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 determined by the Committee. The restricted shares may not be transferred, pledged or otherwise encumbered during the restricted period (but may be used in payment of the exercise price of any stock option) 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 the rights of a holder of Common Stock.

At the expiration of the restricted period, the Company shall deliver the restricted shares. In the event the employee 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 employee ceases to be an employee for any other reason, all restricted shares awarded to him which are still subject to restriction are forfeited.

The following table sets forth, as to certain named persons, and as to all executive officers as a group, the number of shares and average exercise price of Common Stock covered by options and warrants granted by the Company during the past fiscal year. No options or warrants were exercised during such year.

	<u>Francis P. Lucier</u>	<u>Karl H. Niemuller</u>	<u>Joseph M. O'Dowd</u>	<u>Matthew E. Tutino</u>	<u>John C. Walters</u>	<u>All Executive Officers as a Group</u>
Number of shares.....	150,000	75,000	10,000	1,000,000	10,000	1,245,000
Average exercise price.....	\$1.50	\$1.75	\$1.75	\$1.375	\$1.75	\$1.42

Provisions have been included in 1979 Plan options to reimburse optionees for taxes resulting from the exercise of options. Accordingly, if such exercise results in income upon which the Company is required to withhold taxes, the Company will advance the required withholding, evidenced by a non-interest bearing note payable the earlier of termination of employment or the March 15 subsequent to the year of exercise. In addition, the Company will pay as additional taxable compensation on such March 15, if the optionee is still employed on such date, an amount which, with certain limitations, equals the difference between the federal income taxes payable on account of such exercise and the taxes which would have been payable without such exercise, and will similarly advance the required withholding on such payment. The Company will also reimburse the employee on the second March 15 following the year of exercise for taxes paid on the initial reimbursement, subject to the same restrictions and requirements set forth above.

The Committee has the authority to include tax reimbursement provisions in 1985 Plan options similar to those contained in 1979 Plan options. However, the Committee presently does not expect to do so.

The 1985 Plan does not restrict the Company from granting additional options to holders of outstanding options thereunder 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 until all outstanding incentive stock options previously granted to such holder have been exercised or expire by lapse of time.

### **Special Incentive Compensation Program**

In November 1985 the shareholders of the Company ratified and adopted a Special Incentive Compensation Program providing for the granting of restricted shares of Common Stock and stock options to Mr. Tutino. 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 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. Mr. Tutino will automatically vest in the Restricted Shares in the event of termination of 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 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.

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 the date of grant. The Company has been advised that the incentive stock options may not be entitled to treatment as such, in which event such options will be considered non-qualified options. Such options are exercisable in full until September 20, 1995, will survive Mr. Tutino's termination of employment for any reason and contain terms and conditions as are applicable to options under the 1985 Plan.

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 the sale of option stock which occurred less than six months prior to his resignation.

### **Warrants**

In 1985 the shareholders of the Company ratified and approved a proposal to issue from time to time warrants to purchase up to 750,000 shares of Common Stock (the "Warrants") to the Company's key outside consultants and advisors, including non-employee directors, which may be granted by the Board of Directors in consideration for various services provided or to be provided to the Company and its subsidiaries. Thomas K. Christo and Francis P. Lucier, former directors of the Company, were issued warrants to purchase 200,000 and 150,000 shares of Common Stock, respectively, during the past fiscal year at a price of \$1.50 per share, representing the fair market value on the date of grant. There is no limit on the number of Warrants which may be granted to any one person. The Board 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 ten years.

### **Compensation of Directors**

During the past fiscal year, each non-employee director received \$1,000 for serving on the Board of Directors. During such year the Company paid \$234,500 to Thomas K. Christo, a former director who resigned in June 1986, for legal and consulting services rendered to the Company and Qantel.

## 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 represented by Mr. Edelman (the "Edelman Group"), who reported in a Schedule 13D filed by them with the Securities and Exchange Commission that they beneficially owned as of June 6, 1986 an aggregate of 1,399,700 shares, or 9.3% of the currently outstanding shares. The following table sets forth information concerning the Edelman Group, based on said Schedule 13D.

<u>Name and Address of Beneficial Owner</u>	<u>Sole Voting Power</u>	<u>Shared Voting Power</u>	<u>Sole Dispositive Power</u>	<u>Shared Dispositive Power</u>	<u>Percent of Class</u>
Plaza Securities Company ..... 717 Fifth Avenue New York, NY 10022	—0—	661,000	—0—	661,000	4.4
Arrow Associates, L.P. .... 717 Fifth Avenue New York, NY 10022	—0—	354,100	—0—	354,100	2.4
Asher B. Edelman(1) ..... 717 Fifth Avenue New York, NY 10022	1,025,100	—0—	1,025,100	—0—	6.8
United Stockyards Corporation(2)(4) ..... 277 Park Avenue New York, NY 10017	315,800	—0—	—0—	315,800	2.1
Datapoint Corporation(3)(4) ..... 8199 Datapoint Drive San Antonio, TX 78229	58,800	—0—	—0—	58,800	0.4
Arbitrage Securities Company ..... 717 Fifth Avenue New York, NY 10022	—0—	—0—	—0—	374,600	2.5

(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 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. By reason of the provisions of Rule 13d-3 under the Securities Exchange Act of 1934, he also may be deemed to own beneficially the shares owned by United Stockyards Corporation ("United") and Datapoint Corporation ("Datapoint") as discussed below.

(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, of which Mr. Edelman is a member of the Board of Directors.

(3) Mr. Edelman is Chairman of the Board of Datapoint.

(4) By reason of investment management agreements between Arbitrage and each of United and Datapoint, Arbitrage may be deemed to own beneficially the shares owned by United and Datapoint.

## **RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Directors has not yet selected auditors for its 1987 fiscal year since it is in the process of reviewing different proposals. Arthur Andersen & Co., which served as independent auditors for the 1986 fiscal year, 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 Hill & Knowlton, Inc. to solicit proxies for the Annual Meeting for a fee estimated at \$5,000 plus out-of-pocket expenses. Banks, brokers and other custodians, nominees and fiduciaries will be requested to forward proxy material to the beneficial owners and to secure their voting instructions.

Any proposal of a shareholder intended to be presented at the 1987 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than April 6, 1987.

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

August 5, 1986

**MOHAWK DATA SCIENCES CORP.**

John C. Walters  
Secretary

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