

August 14, 1987

Dear Shareholder:

On behalf of the Board of Directors, we cordially invite you to the Annual Meeting of Shareholders to be held on Thursday, September 17, 1987 at 10:00 A.M. at the Grand Hyatt Hotel, 109 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 five members will be elected and shareholders will be asked to approve a change in the name of the Company to Qantel Corporation. 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,



ASHER B. EDELMAN  
Chairman



MATTHEW E. TUTINO  
President and Chief  
Executive Officer

Mohawk Data Sciences Corp.  
129 Littleton Road  
Parsippany, New Jersey 07054  
Telephone (201) 299-8240

**MOHAWK DATA SCIENCES CORP.**  
**129 Littleton Road**  
**Parsippany, New Jersey 07054**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held September 17, 1987**

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 Grand Hyatt Hotel, Uris Room, 109 East 42nd Street, New York, New York on Thursday, September 17, 1987 at 10:00 A.M., Eastern Daylight Time, for the following purposes:

1. To elect a Board of Directors consisting of five members;
2. To adopt an Amendment to the Restated Certificate of Incorporation of the Company changing its name to Qantel Corporation; and
3. To transact such other business as may properly come before the meeting or any adjournment.

The Board of Directors has fixed August 7, 1987 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.

By order of the Board of Directors

JOHN C. WALTERS  
*Secretary*

Dated: August 14, 1987

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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.**  
**129 Littleton Road**  
**Parsippany, New Jersey 07054**

**PROXY STATEMENT**  
**FOR**  
**ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held September 17, 1987**

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**GENERAL INFORMATION**

The accompanying proxy is being solicited by the management of Mohawk Data Sciences Corp. (the "Company"), for use at the Company's Annual Meeting of Shareholders to be held on September 17, 1987, and any adjournment thereof.

Shares represented by all properly executed proxies 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 five management nominees for Directors and the Amendment to the Restated Certificate of Incorporation changing the name of the Company to Qantel Corporation. 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, 1987 has previously been mailed to shareholders. This Proxy Statement and the accompanying proxy are being mailed to shareholders commencing on or about August 14, 1987.

Only record holders of the Company's Common Stock at the close of business on August 7, 1987 are entitled to notice of and to vote at the Annual Meeting. Each shareholder is entitled to one vote per share. There were 16,123,689 shares of Common Stock outstanding on the record date.

**ELECTION OF DIRECTORS**

Five Directors are to be elected at the Annual Meeting to hold office until the 1988 Annual Meeting and until their successors are elected and qualify. The persons named in the enclosed form of proxy, unless otherwise directed, intend 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 proxies 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, 1987</u>	<u>Percent of Class</u>
Michael D. Brown.....	Partner, Ohrenstein & Brown, Attorneys	June 1986	38,500(1)	.2
Asher B. Edelman.....	Controlling General Partner, Plaza Securities Company, broker-dealer	October 1984 to March 1985 and since June 1986	2,158,100(1)(2)	13.3
Daniel R. Kail.....	Managing Trustee, Management Assistance Inc. Liquidating Trust	July 1986	37,500(1)	.2
Karl H. Niemuller.....	Executive Vice President of the Company and President of Qantel	—	125,000(3)	.8
Matthew E. Tutino.....	President and Chief Executive Officer of the Company	March 1985	1,500,000(4)	8.8
All Present Directors and Officers as a Group (7 Persons).....			3,859,100(5)	22.2

- (1) Such amount and percent include 37,500 shares issuable upon the exercise of warrants.
- (2) Excludes 8,000 shares owned by members of Mr. Edelman's family, beneficial ownership of which is disclaimed. See "Principal Shareholders of the Company."
- (3) Includes 75,000 shares issuable upon the exercise of currently exercisable stock options.
- (4) Such amount and percent assume the issuance of 1,000,000 shares of Common Stock upon the exercise of stock options and include 500,000 restricted shares of Common Stock issued to Mr. Tutino, which are non-voting during the restricted period. See "Special Incentive Compensation Program."
- (5) Includes, in addition to the shares referred to in Note 4 above, 222,750 shares of Common Stock which may be acquired by all directors and officers as a group upon the exercise of currently exercisable stock options and warrants.

Mr. Brown, 42, 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 and Walker Telecommunications Corporation. He is a member of the Audit and Compensation Committees.

Mr. Edelman, 47, 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; Director and President of Canran Corp., the General Partner of Canal-Randolph Limited Partnership; and Chairman of the Board and Chairman of the Executive Committee of Ponderosa,

Inc. 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.

Mr. Kail, 52, 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 1980 to September 1984. He is a Director of Datapoint Corporation and Intelogic Trace, Inc. He is a member of the Audit and Compensation Committees and Chairman of the Audit Committee.

Mr. Niemuller, 52, was elected President of MDS-Qantel, Inc. ("Qantel"), the Company's principal operating unit, in September 1986. He had been President of Qantel's Canadian subsidiary, which was acquired by Qantel in 1983, for 13 years prior to his election as Vice President of the Company in 1985. He assumed his present positions in September 1986.

Mr. Tutino, 52, 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 bankruptcy, and was released from bankruptcy proceedings in January 1981. In August 1985, after he left Whiteman Enterprises, it again filed for bankruptcy. He is a Director of Walker Telecommunications Corporation. He is a member of the Compensation Committee.

Arbitrage Securities Company, Plaza Securities Company and a limited partnership of which Mr. Edelman was the sole general partner (collectively the "Partnerships"), were defendants in an action commenced in 1983 by the Securities and Exchange Commission (the "Commission") in the United States District Court for the District of Delaware in which the Commission alleged that the Partnerships failed to amend their Schedule 13D filing with respect to Canal-Randolph Corporation. Concurrently with the Commission's filing, and solely for the purpose of settlement, the Partnerships consented to the entry of a final order directing that the Partnerships and their affiliates not fail to file all statements required by the Commission's rules and regulations.

The Board of Directors has standing Audit and Compensation Committees. The Compensation Committee makes recommendations to the Board with respect to executive compensation and administers the Company's stock option plans. The Audit Committee recommends the selection of independent accountants, reviews the scope of audits performed by the independent accountants and the auditors' reports, reviews the Company's consolidated financial statements and the 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. The Board of Directors does not have a nominating committee. There were two meetings of the Audit Committee and one meeting of the Compensation Committee during the past fiscal year. The Board held eight meetings during such year. Each incumbent director attended all of the meetings of the Board and Committees of the Board of which he was a member.

In August 1986 the Company issued each non-employee director warrants to purchase 37,500 shares of Common Stock at an exercise price of \$1.875 per share, in lieu of cash fees for serving on the Company's Board of Directors. During the past fiscal year the Company paid \$280,321 to the law firm of Ohrenstein & Brown, of which Mr. Brown is a member, for services rendered to the Company.

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.

#### AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION

One of the purposes of the Annual Meeting is to adopt an Amendment to the Restated Certificate of Incorporation of the Company changing its name from Mohawk Data Sciences Corp. to Qantel Corporation. Prior to the restructuring of the Company, which was completed in 1986, there was a strong identification with the names "Mohawk" and "MDS". Each of the Company's U.S. and international marketing subsidiaries and divisions promoted these names, and the Company was recognized on a worldwide basis as a manufacturer and marketer of distributed processing and communications systems and equipment.

As a result of its restructuring program, the Company's principal operations consist of its Qantel business computers, which are marketed through a network of independent value added dealers in the United States, wholly-owned subsidiaries in Canada and Australia, and international distributors in approximately 25 countries. With its return to profitability during the past fiscal year, after three successive years of losses and the adverse publicity created by such losses, management believes that a new, positive image for the Company will be promoted by changing its name to Qantel Corporation.

The proposed name change will have no impact on shareholders of the Company. Certificates currently representing shares of Common Stock of the Company will be freely transferable and need not be exchanged or surrendered. The Common Stock will be listed in the New York Stock Exchange Consolidated Trading alphabetically as "Qantel", and its ticker symbol on the Exchange will be "BQC".

The name change requires an Amendment to Article 1 of the Company's Restated Certificate of Incorporation. The Amendment has been approved by the Board of Directors, which unanimously recommends a vote FOR the adoption of such Amendment by the shareholders. The Amendment requires the affirmative vote of a majority of the shares of Common Stock outstanding on the record date.

#### EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid or accrued by the Company for the fiscal year ended April 30, 1987 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>
Tayne H. Elam .....	Senior Vice President—Operations of Qantel	\$ 125,006
Alan H. Friedman .....	Consultant; Chief Financial Officer	127,832
Karl H. Niemuller .....	Executive Vice President and President of Qantel	153,263
Matthew E. Tutino .....	President and Chief Executive Officer(1)	353,632
John C. Walters .....	Senior Vice President, Secretary and General Counsel	254,935
All Executive Officers as a Group ( 6 persons ) .....		1,033,647

(1) Mr. Tutino is currently compensated at the rate of \$385,000 per year pursuant to an employment agreement which expires in August 1988, and which provides for annual cost-of-living increases.

## 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 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 restricted shares of Common Stock under the 1985 Plan. At the time of the award there shall be established a restricted period of at least two years, as determined by the Committee. The restricted shares may not be transferred or pledged during the restricted period and will be retained by the Company. In the event the employee ceases to be an employee with the consent of the Committee, or upon his death, retirement or permanent disability, the restrictions will lapse with respect to such number of shares as determined by the Committee. In the event the employee ceases to be employed for any other reason, all restricted shares 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 warra its granted by the Company during the past fiscal year. No options or warrants were exercised during such year.

	<u>Tayne H. Elam</u>	<u>Alan H. Friedman</u>	<u>Karl H. Niemuller</u>	<u>Matthew E. Tutino</u>	<u>John C. Walters</u>	<u>All Executive Officers as a Group</u>
Number of shares.....	—	20,000	75,000	—	—	95,000
Average exercise price.....	—	\$2.625	\$1.875	—	—	\$2.03

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 1985 the shareholders approved 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.

During the Restricted Period, the Restricted Shares 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, 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 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 approved the issuance of 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. Messrs. Brown, Edelman and Kail were each issued warrants to purchase 37,500 shares of Common Stock during the past fiscal year at a price of \$1.875 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.

## **Indemnification of Directors and Officers**

The Company has renewed an insurance policy with National Union Fire Insurance Company of Pittsburgh, PA. indemnifying directors and officers against claims arising out of their service to the Company. The policy runs for six months from February 17, 1987 at a cost of \$285,000.

## **PRINCIPAL SHAREHOLDERS OF THE COMPANY**

The Company knows of no person who owns more than 5% of the Company's outstanding Common Stock other than Mr. Edelman, who beneficially owned as of July 31, 1987 an aggregate of 2,158,100 shares, or 13.3% of the currently outstanding shares. Such amount includes 661,000 shares owned by Plaza Securities Company ("Plaza"), 315,800 shares owned by United Stockyards Corporation ("United"), 399,600 shares owned by Datapoint Corporation ("Datapoint") and 380,100 shares owned by Intelogic Trace, Inc. ("Intelogic"). Plaza has the sole power to vote and dispose of the shares owned by it, which power is exercisable by Mr. Edelman as controlling general partner thereof. Arbitrage Securities Company ("Arbitrage") is a party to investment management agreements with United, Datapoint and Intelogic, pursuant to which Arbitrage exercises investment discretion over funds of each such entity in such amount as is designated by them. United, Datapoint and Intelogic each holds the sole power to vote and the shared power to dispose of the shares owned by it, which power is exercisable by Mr. Edelman as Vice Chairman, Chairman and Chairman, respectively, thereof. Because of such agreements, Arbitrage holds shared power with United, Datapoint and Intelogic to dispose of the shares owned by each such entity, which power is exercisable by Mr. Edelman as controlling general partner of the sole general partner of Arbitrage. Such amount excludes 8,000 shares owned by members of Mr. Edelman's family, beneficial ownership of which he expressly disclaims.

## **RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Directors has reappointed Arthur Andersen & Co. as its auditors for the 1988 fiscal year. Such firm has served as the Company's auditors since 1972 and had previously audited its former 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 or she so desires and to respond to appropriate questions.

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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 \$5,500, 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 1988 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than April 15, 1988.

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 matter.

August 14, 1987

MOHAWK DATA SCIENCES CORP.

JOHN C. WALTERS  
*Secretary*

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