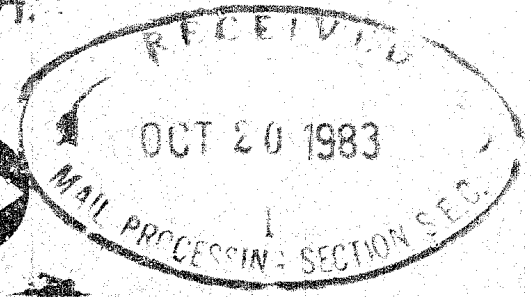


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DATAPOINT CORPORATION

October 17, 1983

Dear Stockholder:

You are cordially invited to attend the 1983 Annual Meeting of Stockholders. The meeting will be held on Thursday, November 17, 1983, at the St. Anthony Inter-Continental Hotel, 300 E. Travis, San Antonio, Texas, at 11:00 A.M., local time.

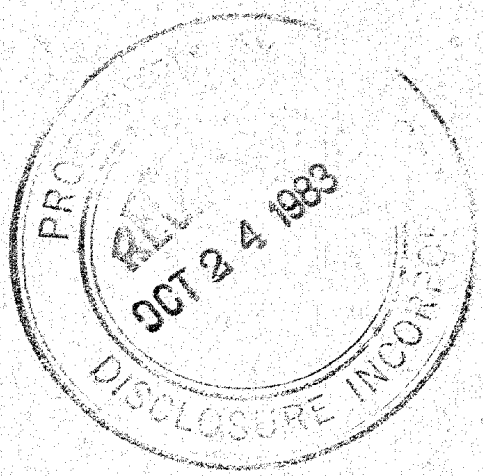
The notice of the meeting and the Proxy Statement on the following pages cover the formal business of the meeting, which includes the election of directors. To familiarize you with the nominees for director, the Proxy Statement contains biographical sketches and photographs of each nominee.

In addition to the election of directors and the designation of auditors, we are submitting for your approval a proposed 1983 Stock Option Plan, a copy of which is attached as an exhibit to the Proxy Statement. This Plan will supplement and eventually replace prior stock option plans approved by stockholders in 1974 and 1977 and will permit the Company to continue to grant stock options to key personnel. We are of the opinion that the Company's program of granting stock options under plans previously approved by stockholders has been beneficial and that there is a continuing need for such programs. Accordingly, we recommend stockholder approval of this proposal.

We hope you will be able to attend the Annual Meeting. In any event, in order that we may be assured of a quorum, please sign the accompanying proxy and return it promptly in the envelope enclosed for your use. Your vote is important.

Sincerely,

H. E. O'Kelley
*Chairman of the Board
and Chief Executive Officer*



DATAPOINT CORPORATION

7900 CALLAGHAN ROAD
SAN ANTONIO, TEXAS 78229

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD NOVEMBER 17, 1983

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders of Datapoint Corporation (the "Company") will be held on Thursday, November 17, 1983, at the St. Anthony Inter-Continental Hotel, 300 E. Travis, San Antonio, Texas, at 11:00 A.M., local time, for the purpose of considering and acting upon the following:

1. Election of 10 directors of the Company;
2. Ratification of the appointment of Peat, Marwick, Mitchell & Co., independent Certified Public Accountants, as the Company's auditors for the fiscal year ending July 31, 1984;
3. Approval of the proposed 1983 Stock Option Plan, which is substantially identical to the Company's amended and restated 1977 Stock Option Plan approved by the stockholders of the Company, covering 600,000 shares of the Common Stock of the Company, the text of which is set forth as Exhibit A to the accompanying Proxy Statement; and
4. Transaction of such other business as properly may come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on September 23, 1983, are entitled to notice of and to vote at the meeting or any adjournment thereof. Whether or not you plan to be present at the meeting in person, please fill in, date and sign the enclosed proxy and return it promptly to the Company in the return envelope enclosed for your use.

You are cordially invited to attend.

By Order of the Board of Directors

HELAINÉ B. HARTHCOCK
Secretary

October 17, 1983

DATAPPOINT CORPORATION

7900 CALLAGHAN ROAD
SAN ANTONIO, TEXAS 78229

PROXY STATEMENT ANNUAL MEETING OF STOCKHOLDERS

ELECTION OF DIRECTORS

At the Annual Meeting 10 directors, constituting the entire Board of Directors of Datapoint Corporation (the "Company"), are to be elected to hold office until the next annual meeting and until their respective successors are elected and qualified. The nominees for election as directors are as follows:



GENE K. BEARE, former Executive Vice President and a former director of General Dynamics Corporation, St. Louis, Missouri, and former Chairman of the Board and a former director of Asbestos Corporation Limited, Montreal, Canada.

Mr. Beare is a member of the Board of Directors of American Maize-Products Company, Emerson Electric Company and Westvaco Corporation. He joined General Dynamics Corporation in 1972 and served as Executive Vice President until 1977. Prior to joining General Dynamics Corporation, Mr. Beare was Executive Vice President, Manufacturing and a director of General Telephone and Electronics Corporation from 1969 to 1972. From 1961 to 1969, he was President and a director of Sylvania Electric Products, Inc. (now GTE Sylvania, Inc.). Prior to 1961, Mr. Beare was President and a director of General Telephone and Electronics International, Incorporated (now GTE International, Incorporated). He is a former President of the National Electrical Manufacturers Association and has served as a Trustee of the National Security Industrial Association. Mr. Beare received a Bachelor's degree in Mechanical Engineering from Washington University and a Master's degree in Business Administration from the Harvard Graduate School of Business Administration. He became a director of Datapoint Corporation in 1977.

Chairman of Management Compensation and Stock Option Plan Committee and member of Audit and Executive Committees

Beneficially Owns 12,700 shares

Age: 68



EVELYN BEREZIN, President of the Greenhouse Management Corporation, founder and former President of Redactron Corporation, now part of Burroughs Corporation.

Ms. Berezin is a member of the Boards of Directors of CIGNA Corporation, Koppers Company, Inc. and Genetic Systems Corporation. She is President of Greenhouse Management Corporation and General Manager of The Greenhouse Investment Fund. Ms. Berezin organized Redactron Corporation in 1969, serving as its President until the spring of 1978, when it was acquired by Burroughs Corporation.

Ms. Berezin serves as a director of the Long Island Association and the American Woman's Economic Development Foundation. Ms. Berezin received a Bachelor's degree from New York University.

Beneficially Owns 500 shares

Age: 58



HARRY G. BOWLES, former Senior Vice President, Chief Financial Officer and director, Burroughs Corporation; Business Consultant.

Mr. Bowles is a member of the Board of Directors of Sanders Associates, Inc., a manufacturer of electronic equipment and systems. Mr. Bowles began his career with Burroughs Corporation as a salesman in 1929 and thereafter progressed through several field office assignments. He became Manager of General Accounting and then moved to the Burroughs Business Forms and Supplies Division as Controller and, eventually, Plant Manager. In 1959, Mr. Bowles was named Corporate Controller for Burroughs Corporation and, in 1960, Chief Financial Officer. He was elected to the Burroughs Board of

Directors in 1963. Mr. Bowles retired from Burroughs Corporation in 1971 but continued as a director until 1975. He has since pursued independent business consulting. Mr. Bowles holds a Bachelor of Business Administration degree from the Detroit Institute of Technology. He became a director of Datapoint Corporation in 1976.

Chairman of Audit Committee and member of Finance, Management Compensation and Stock Option Plan and Retirement Income Plan Committees

Beneficially Owns 15,800 shares

Age: 77



EDWARD P. GISTARO, President and Chief Operating Officer, Datapoint Corporation.

Mr. Gistaro joined Datapoint Corporation as Vice President, Marketing in 1973. He was elected Senior Vice President, Marketing in 1975 and was elected to the Board of Directors in 1976. He was named General Manager of the Domestic Marketing Division in 1977 and elected Executive Vice President, Corporate Development in January 1980, and Executive Vice President, Finance and Corporate Development in November 1981. He was elected President and Chief Operating Officer in March 1982. During 1972 and 1973, he was Director of Marketing for Computer Operations, Radiation Systems Division, Harris-Intertype Corporation (now Harris Corporation). From 1962 to 1972, Mr. Gistaro held various marketing positions with Computer Control Company (a computer manufacturer, now a division of Honeywell, Inc.) and with Honeywell Information Systems, Inc. In 1971, he was named Director of Product Marketing for Subsystems, involving Honeywell's communications, peripherals, data entry, terminals and mini-computer product lines. From 1960 to 1962, Mr. Gistaro was a Design Engineer for RCA Communications, Inc. He is a University of Notre Dame graduate in Electrical Engineering and attended the Graduate School of Industrial Engineering, Brooklyn Polytechnic Institute.

Beneficially Owns 76,350 shares

Age: 48



WILLIAM G. KARNES, retired Chairman of the Board and Chief Executive Officer of Beatrice Foods Co.

Mr. Karnes serves as a director of International Harvester Company, Chicago Milwaukee Corporation, the Midwest Stock Exchange, Tone Brothers Spice Company, and Lou Ana Foods Company. Mr. Karnes began his career with Beatrice Foods Co., a leading diversified food manufacturer, in 1936 as a clerk in the Law Department. In 1943, he was elected Vice President. In 1948, he was elected Executive Vice President and in 1952, President and Chief Executive Officer. He retired from Beatrice Foods in 1976. Since 1976 he has been a Trustee of Knox College and a member of the Board of

Governors of the Midwest Stock Exchange. He is an Honorary Trustee of Northwestern Memorial Hospital (Chicago) and a Trustee Emeritus of the National Jewish Hospital (Denver). Mr. Karnes is a graduate of the University of Illinois with a Bachelor of Science degree and received a Juris Doctor degree from Northwestern University School of Law. He became a director of Datapoint Corporation in 1977.

Chairman of Finance Committee and member of Audit, Nominating and Retirement Income Plan Committees

Beneficially Owns 15,400 shares

Age: 72



THOMAS J. KLUTZNICK, Managing Partner, Miller-Klutznick-Davis-Gray Company, real estate developers.

Mr. Klutznick became Managing Partner of Miller-Klutznick-Davis-Gray Company on March 1, 1982. Prior to that date, Mr. Klutznick held various senior executive posts with Urban Investment and Development Company, a national real estate investment and development firm, serving most recently as Chairman of the Board and Chief Executive Officer. Mr. Klutznick is a Trustee of Oberlin College, serves on the Board of Directors of the Graduate School of Fine Arts of the University of Pennsylvania, Board of Trustees of Rush-Presbyterian-St. Luke's Medical Center (Chicago), Board of

Trustees of the National Jewish Hospital (Denver), and Board of Managers of the YMCA of Metropolitan Chicago. He is also active in trade and professional associations, including the Urban Land Institute. Mr. Klutznick is a graduate of Oberlin College with a Bachelor of Arts degree in Economics. He became a director of Datapoint Corporation in 1976.

Member of Finance, Management Compensation and Stock Option Plan and Nominating Committees

Beneficially Owns 20,000 shares

Age: 44



DR. GEORGE KOZMETSKY, Executive Associate for Economic Affairs, The University of Texas System Board of Regents and Director, Institute for Constructive Capitalism at The University of Texas at Austin.

Dr. Kozmetsky is a member of the Boards of Directors of Amdahl Corporation, Heizer Corporation, Teledyne, Inc., MCO Holdings, Inc. (formerly McCulloch Oil Corporation), MCO Resources, Inc., La Quinta Motor Inns, Inc., Wraether Corporation, and Simplicity Patterns, Inc. and is a trustee of Federated Development Company. He has served as a consultant to the National Aeronautics and Space Administration and the U.S. Air Force and as a member of the Presidential Advisory Committee on the National Data Center. Dr. Kozmetsky joined The University of Texas as Dean in 1966 and served in that capacity through August 30, 1982. He became Director of the Institute for Constructive Capitalism in 1977. Between 1949 and 1952, he taught at the University of Washington, the Harvard Graduate School of Business Administration and the Carnegie Institute of Technology. Dr. Kozmetsky joined Hughes Aircraft Company in 1952. Joining Litton Industries in 1954, he became Vice President of the Electronic Equipment Division. In 1960, he co-founded Teledyne, Inc. and served as its Executive Vice President until 1966. Dr. Kozmetsky is a graduate of the University of Washington and received Master of Business Administration and Doctor of Commercial Science degrees from Harvard University. He became a director of Datapoint Corporation in 1973.

Chairman of Retirement Income Plan Committee and member of Management Compensation and Stock Option Plan Committee

Beneficially Owns 20,000 shares

Age: 66



DR. WILLIAM C. LEONE, President, MCO Holdings, Inc.

Dr. Leone is a member of the Board of Directors of MCO Holdings, Inc., Sand Associates, Inc., MCO Resources, Inc. and Simplicity Patterns, Inc. Dr. Leone joined Hughes Aircraft in 1953 as an engineer in the Advanced Electronics Laboratory and advanced to Division Manager, Industrial Systems Division. In 1959, he founded Remex Electronics for Rheem Manufacturing Company and, following the sale of Remex to Ex-Cell-O Corporation, Dr. Leone remained with Ex-Cell-O until 1968 in activities involving numerical controls for machine tools. He rejoined Rheem Manufacturing Company in 1968 as Group Vice President and advanced to Executive Vice President. Between 1972 and 1975, Dr. Leone served as President of Rheem Manufacturing Company and was in charge of all manufacturing divisions of City Investing Company, which acquired Rheem; these operations included City Investing International, World Color Press and Hayes International, in addition to Rheem. Dr. Leone became a member of the Board of Directors of Farah Manufacturing Company in 1973. During 1976 and 1977, he was President of Farah. He was a business consultant from 1977 to 1979. In 1979, he was elected acting Vice Chairman of the Board of McCulloch Oil Corporation (now MCO Holdings, Inc.) and in 1980, was named President of MCO Holdings, Inc. Dr. Leone is a graduate of Carnegie Institute of Technology and was a member of its faculty from 1946 to 1953. He became a director of Datapoint Corporation in 1976.

Chairman of Nominating Committee and member of Executive and Management Compensation and Stock Option Plan Committees

Beneficially Owns 20,000 shares

Age: 59



HAROLD E. O'KELLEY, Chairman of the Board and Chief Executive Officer, Datapoint Corporation.

Mr. O'Kelley was elected President and Chief Executive Officer at the time he joined Datapoint Corporation in 1973 and served in those capacities through March 1982 until Mr. Gistaro's election as President. He was elected a director in April 1973 and Chairman of the Board in 1974. Before joining Datapoint Corporation he was a Group Vice President of Harris-Intertype Corporation (now Harris Corporation) with worldwide responsibilities for all Harris composition and broadcast equipment. He began his engineering and professional management business career in 1957 when he joined Radiation, Inc. (merged with Harris in 1967) as a Project Engineer. He became Vice President, Operations at Radiation in 1963. In 1964, he became Vice President and General Manager of Radiation Systems Division and in 1969 was named by Harris-Intertype Corporation as Vice President, Programs of the Harris Electronics Group. Prior to this business affiliation, he taught Electrical Engineering at Auburn University. Mr. O'Kelley became a member of the Board of Directors of Teknekron Infoswitch Corporation in connection with the transfer to that company of the business of the Company's Communications Management Products Division in June 1983. The two companies participate in a limited business relationship as a result of the Definitive Agreement governing that transaction. He is also a member of the Board of Directors of Plateau Resources, Inc. Mr. O'Kelley is a past Chairman of the Computer and Communications Industry Association, a Senior Member of the Institute of Electrical and Electronics Engineers, and a member of the Board of Directors of the National Association of Manufacturers. Active in civic affairs, he is a member of the Board of Directors as well as a Trustee of Southwest Research Institute, and holds numerous other cultural and educational directorships and advisory posts. Mr. O'Kelley holds a Bachelor of Electrical Engineering degree from Auburn University and also a Master of Science degree in Engineering from the University of Florida.

Chairman of Executive Committee and *Ex Officio* member of Nominating Committee
Beneficially Owns 157,600 shares

Age: 58



VICTOR D. POOR, Executive Vice President, Datapoint Technology Center, Datapoint Corporation.

Mr. Poor joined the Company in 1969 as Engineering Technical Director. He was elected Vice President, Engineering in 1970, Vice President, Research and Development in 1974, and Senior Vice President, Research and Development in 1975. He was elected to the position of Executive Vice President, Research and Development in January 1980. That position was renamed Executive Vice President, Datapoint Technology Center in September, 1983. Mr. Poor was elected a director of the Company in March, 1980. In 1959, Mr. Poor co-founded Frederick Electronics Corporation (which was subsequently acquired in 1967 by Pacific Plantronics, Inc.) and served as Frederick's Vice President for Engineering. He directed all product development. His products included equipment for both test and operation of digital, facsimile, radio and telex communications. Prior to founding Frederick Electronics, Mr. Poor was employed as an engineer by the Raytheon Missile Division of the Raytheon Corporation and by

Stromberg-Carlson Corporation. He is a member of the Board of Directors of Thoratec Laboratories Corporation and a member of the Institute of Electrical and Electronics Engineers and the Association for Computing Machinery.

Beneficially Owns 27,400 shares

Age: 50

No director or nominee beneficially owns in excess of 1% of the Common Stock of the Company. The share data set forth above and elsewhere in this Proxy Statement has been adjusted to give effect to stock splits in the nature of 100% stock dividends paid by the Company on April 11, 1980 and February 6, 1981. The information shown above as to shares of Common Stock of the Company owned by the nominees is current as of July 31, 1983, and includes shares which may be deemed to be beneficially owned by such nominees by reason of stock options currently exercisable or which may become exercisable within 60 days of that date. The number of shares deemed to be beneficially owned by reason of such options are as follows: Mr. Bowles, 10,000; Mr. Gistaro, 23,950; Mr. Klutznick, 6,000; Dr. Kozmetsky, 20,000; Dr. Leone, 10,000; Mr. O'Kelley, 33,000; and Mr. Poor, 22,000. As of July 31, 1983, officers and directors of the Company as a group (43 persons) owned beneficially 599,165 shares (approximately 3%) of the Company's Common Stock, including 310,720 shares which may be deemed to be beneficially owned by reason of stock options then currently exercisable or which may become exercisable within 60 days after July 31, 1983. The information set forth above excludes 1,020 shares held by a trustee for the benefit of Mr. Klutznick's minor children. Mr. Klutznick denies beneficial ownership of such shares. As of July 31, 1983, officers and directors of the Company as a group owned beneficially less than one percent of the outstanding aggregate principal amount of the Company's 8 $\frac{1}{8}$ % Convertible Subordinated Debentures due June 1, 2006.

The Board of Directors met eleven times during the fiscal year ended July 31, 1983. During said fiscal year, each incumbent director of the Company attended at least 75% of the aggregate of (a) the total number of meetings of the Board of Directors held during such year, and (b) the total number of meetings held by all committees of the Board on which he served.

Audit, Compensation and Nominating Committees

The Company has standing Audit, Management Compensation and Stock Option Plan and Nominating Committees of the Board of Directors. The members of those committees have been identified above.

The Audit Committee annually recommends to the Board of Directors independent auditors for the Company and its subsidiaries; meets with the independent auditors concerning the audit; evaluates non-audit services and the financial statements and accounting developments that may affect the Company; meets with management and the Company's internal auditors concerning matters similar to those discussed with the outside auditors; and makes reports and recommendations to the Board of Directors and the Company's management, internal auditors and independent auditors from time to time as it deems appropriate. This Committee met five times during the fiscal year ended July 31, 1983.

The Management Compensation and Stock Option Plan Committee (formerly the Management Compensation Committee) makes salary recommendations regarding senior management to the Board of Directors and administers the Company's Management Incentive Compensation, Stock Option and Executive Performance Award Plans described below. The Management Compensation and Stock Option Plan Committee met eight times during the fiscal year ended July 31, 1983.

The Nominating Committee was formed for the purpose of making recommendations to the Board of Directors concerning the qualifications of prospective candidates for election as directors. The Committee will consider the qualifications of candidates for Board membership submitted in writing by stockholders to the Secretary of the Company in writing if a written consent from the proposed nominee is included. This Committee met two times during the fiscal year ended July 31, 1983.

RATIFICATION OF APPOINTMENT OF AUDITORS

Subject to stockholder ratification, the Board of Directors has appointed the firm of Peat, Marwick, Mitchell & Co. as auditors for the fiscal year ending July 31, 1984, and until their successors are selected. The appointment was made upon recommendation of the Audit Committee. Peat, Marwick, Mitchell & Co. has served as auditors for the Company since 1969. A representative of Peat, Marwick, Mitchell & Co. will be present at the meeting with the opportunity to make a statement if he desires to do so and it is expected that such representative will be available to respond to appropriate questions. Peat, Marwick, Mitchell & Co. is a co-defendant with the Company and certain of its officers and directors in litigation brought by certain stockholders of the Company. See "Legal Proceedings."

A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF PEAT, MARWICK, MITCHELL & CO. AS AUDITORS IS RECOMMENDED BY THE BOARD OF DIRECTORS.

THE 1983 STOCK OPTION PLAN

The Board of Directors has determined that a new 1983 Stock Option Plan (the "1983 Plan"), which is substantially identical to the Company's 1974 and 1977 Stock Option Plans previously approved by the stockholders of the Company, should be established to secure for the Company the benefits of the additional incentive inherent in the ownership of its Common Stock by employees of the Company and its subsidiaries who are important to the success and the growth of the business of the Company, and to help the Company secure, motivate, and retain the services of such employees.

The 1974 and 1977 Stock Option Plans authorized the purchase of a total of 3,000,000 shares (adjusted for stock splits in the form of 100% stock dividends) of the Company's Common Stock upon the exercise of options granted under the plans. Options have been granted to 647 employees for the purchase of those shares. Of the 3,000,000 shares, only 65,376 remained available for the grant of options at the close of fiscal year 1983, and the Board of Directors believes that the best interests of the Company will be served by the availability of an additional 600,000 shares to be used for options granted under the terms and conditions of the proposed 1983 Plan. Management believes that the 1974 and 1977 Stock Option Plans have enhanced the Company's position in the highly competitive market for executive talent, but to remain competitive it is important that a plan permitting the grant of additional options be adopted. The essential features of the proposed 1983 Plan are outlined below. The full text of the proposed 1983 Plan appears as Exhibit A hereto, and this outline is qualified in its entirety by reference to such Exhibit. Further information with respect to the 1974 and 1977 Stock Option Plans appears below at pages 14-16.

Description of the 1983 Plan

1. Administration

The 1983 Plan shall be administered by the Management Compensation and Stock Option Plan Committee (the "Committee") which shall consist of at least three non-employee directors chosen by the Board of Directors from among their number. No member of the Committee shall be eligible (or

shall have been eligible during the period one year prior to such selection) to receive an Option or Stock Appreciation Right under any stock option plan of the Company.

2. *Grant of Options; Number and Source of Shares Subject to the 1983 Plan*

(a) The Committee may from time to time grant Options under the 1983 Plan for not more than 600,000 shares of Common Stock which will be provided from Common Stock held in the treasury which is not reserved for some other purpose or from authorized and unissued Common Stock which is not reserved for some other purpose.

(b) The date of grant of an Option shall be the date specified by the Committee.

(c) The Committee may grant Options as nonqualified stock options, incentive stock options or a combination of those two categories of options.

3. *Stock Appreciation Rights*

(a) Either at the time an Option is granted, or by amending an Option Agreement at any time thereafter prior to the end of the Term of the Option to which it pertains, the Committee may also grant a Stock Appreciation Right (defined as "a right to surrender to the Company all or a portion of an Option and to pay the Grantee of such option, or portion thereof, an amount, as determined by the Committee, no greater than the excess, if any, as of the date such right is exercised, of (i) the Fair Market Value (defined as "the closing price of the Common Stock traded on the New York Stock Exchange on the day such value is to be determined, or, if no shares were traded that day, on the next preceding day on which there was such a trade") of the shares of Common Stock associated with the Option, or portion thereof, which is surrendered, over (ii) the aggregate exercise price of such shares") to the Grantee of an Option, either at the time the Option is granted or by amending the Option Agreement at any time thereafter prior to the end of the Term of the associated Option. A Stock Appreciation Right shall be exercisable only during the Term of the associated Option.

(b) Upon the exercise of a Stock Appreciation Right, the payment to be made to the Grantee may be in cash, or in shares of Common Stock valued at their Fair Market Value on the date of exercise, or partly in cash and partly in shares of Common Stock, as determined by the Committee.

(c) Notwithstanding the foregoing, the exercise for cash of Stock Appreciation Rights by an officer subject to Section 16(b) of the Securities Exchange Act of 1934 ("1934 Act") shall be permitted only during a window period beginning the third business day following the public release of quarterly or annual financial information and ending on the twelfth business day following such date.

4. *Employees Eligible to Receive Options and Stock Appreciation Rights*

(a) Options may be granted under the 1983 Plan to employees of the Company or its subsidiaries. Eligibility shall be determined by the Committee, and such determination shall be conclusive upon all persons. Stock Appreciation Rights may be granted only to Grantees of Options.

(b) Directors who are not employees of the Company or its subsidiaries shall not be eligible to receive Options or Stock Appreciation Rights under the 1983 Plan.

5. *Option Price*

The price to be paid by the Grantee to the Company upon exercise of an Option shall be at least 75% of the Fair Market Value of the shares subject to the Option on the date the Option is granted, but, in no event, shall this price be less than the par value of the shares. Any Option designated by the

Committee in an Option Agreement as an incentive stock option must have an exercise price of at least 100% of such Fair Market Value.

6. *Term and Installments of Options; Exercise of Option During Life of Grantee*

(a) Each Option granted under the 1983 Plan shall be exercisable only during a period commencing not less than six months after the date the Option was granted and ending (unless the Option shall have theretofore terminated under other provisions of the 1983 Plan) on a date to be fixed by the Committee, but in no event more than ten years after the date the Option was granted.

(b) The Committee shall have authority to grant Options exercisable in full at any time during their Term (but not earlier than six months from date of grant), or exercisable in installments, as determined by the Committee.

(c) All Options and Stock Appreciation Rights granted under the 1983 Plan shall be nontransferable other than by will or by the laws of descent and distribution. Options and Stock Appreciation Rights may be exercised during the lifetime of the Grantee only by the Grantee.

(d) No Grantee may be granted incentive stock options if the aggregate Fair Market Value of the shares of Common Stock subject to any such options granted to Grantee under all stock option plans of the Company and its subsidiaries in any calendar year exceeds \$100,000 plus any unused limit carryover as defined in Internal Revenue Code Section 422A(c)(4).

7. *Exercise of Option or Stock Appreciation Right by Grantee on Cessation of Employment*

No Option may be exercised later than the earlier of ten years from the date on which such Option was granted or six months from the date of termination of the Grantee's employment by the Company or its subsidiaries, except in the case of a Grantee's death, in which case an Option may be exercised by the Grantee's Successor up to one year after Grantee's death provided that such period shall expire within ten years from the date of grant.

8. *Stockholders' Rights*

No person shall have any rights of a stockholder by virtue of the grant of an Option or Stock Appreciation Right except with respect to shares actually issued to that person upon the exercise thereof.

9. *Adjustment for Changes in Capitalization*

The number of shares subject to an Option and the exercise price per share (as well as the maximum number of shares available for the grant of Options) are subject to adjustment for stock splits, stock dividends, recapitalizations or similar events which would change the character or amount of the Company's capital stock.

10. *Termination, Suspension, or Modification of the 1983 Plan*

The Board of Directors may at any time terminate, suspend, or modify the 1983 Plan, except that the Board shall not, without the authorization of the holders of a majority of the shares voted thereon at a stockholders' meeting duly called and held, change any provision (other than through adjustment for changes in capitalization) which determines (a) the aggregate number of shares for which Options may be granted, (b) the minimum exercise price, or (c) the terms of payment. No termination, suspension, or modification of the 1983 Plan shall adversely affect any right acquired by any Grantee or any successor under the terms of an Option or Stock Appreciation Right granted before the date of such termination, suspension, or modification, unless such Grantee or successor shall consent thereto; but it

shall be conclusively presumed that any adjustment for changes in capitalization as provided in Section 12 of the 1983 Plan shall not adversely affect any such right.

11. *Restrictions Upon Option Shares-Officers*

With respect to any Grantee who, in the opinion of the Company's General Counsel, may be considered an officer of the Company for purposes of Section 16 of the 1934 Act, if, during the 190-day period following the exercise by a Grantee of any Option or Stock Appreciation Right granted under the 1983 Plan, the employment of such Grantee by the Company should be terminated for any reason other than his death or disability, the Company may repurchase, during the 190 days following the date of such exercise, all shares purchased upon exercise of such Option or Stock Appreciation Right at a price equal to the price paid by such Grantee for such shares; provided, however, that the Committee may, upon request of a Grantee made at any time during the 190-day period and for good cause shown, waive compliance with this provision.

12. *Application of Proceeds*

The proceeds received by the Company from the sale of shares pursuant to the exercise of Options under the 1983 Plan will be used for general corporate purposes.

13. *Tax Consequences and Accounting Treatment*

The 1983 Plan permits Options to be granted as nonqualified stock options, incentive stock options, or a combination of those two categories of options. An employee receiving an Option under the 1983 Plan will not receive taxable income under the Internal Revenue Code and regulations thereunder upon the grant of the Option. Incentive stock options accord the Grantee favorable income tax treatment provided certain holding period and employment requirements are met, subject to a maximum grant value each calendar year. Any employee of the Company who, in the opinion of the Company's General Counsel, is an officer for purposes of Section 16 of the 1934 Act, will realize such income, unless he elects otherwise under Section 83(b) of the Internal Revenue Code, 190 days from the date of exercise since his stock option is subject to additional restrictions. With respect to incentive stock options, Grantees will not recognize income at time of exercise, but will recognize gain at the time of sale in the amount of the difference between the exercise price and the sale price, such gain to be characterized as long term only if the option shares are held at least two years following the date of grant and one year following the date of exercise. However, the difference between the Fair Market Value of optioned shares at exercise and the exercise price is subject to the alternative minimum tax at exercise. If the holding period requirements are not satisfied, the Grantee will recognize, at the time of sale, ordinary income equal to either (i) the gain realized upon sale or (ii) the difference between the exercise price and the Fair Market Value of the stock on the date of exercise, whichever is less. Any additional gain would be long-term or short-term capital gain depending on how long the stock was held. If an incentive stock option is exercised more than three months after termination of employment, ordinary income will be recognized at the time of exercise. With respect to nonqualified options, Grantees are expected to realize ordinary income at the time of exercise in the amount of the difference between the exercise price and the Fair Market Value of the shares purchased on the date of exercise.

The Company will be entitled to a deduction under the Internal Revenue Code in connection with the exercise of a nonqualified stock option, such deduction to be the amount realized as ordinary income by the Grantee. In the case of an incentive stock option, the Company should not be entitled to any deduction provided that the Grantee meets the holding period requirements. If such holding period requirements are not met by the Grantee, the Company should be entitled to a deduction in the amount

of income recognized by the Grantee. In the case of an officer, such deduction will be the difference between the Grantee's exercise price and the Fair Market Value of the shares 190 days after the date of exercise, unless an election has been made under Section 83(b) of the Internal Revenue Code.

The granting of Stock Appreciation Rights does not produce taxable income under the Internal Revenue Code and regulations thereunder to the employee or a tax deduction to the Company. Upon exercise of such rights, the amount of any cash the employee receives and the Fair Market Value on the exercise date of any stock received are taxable to the employee as ordinary income and deductible by the Company. The tax basis of any stock received is its Fair Market Value on the exercise date.

The grant of Stock Appreciation Rights, except those which will require Committee approval for exercise, will require a charge to operations each year for the appreciation on the rights which it is anticipated will be exercised. The amount of such a charge is dependent upon whether and the extent to which such rights are granted and the amount, if any, by which the Fair Market Value of the Company's Common Stock exceeds the exercise price provided for in the related Option.

No determination has been made as to the amount of Options to be granted during any year of the 1983 Plan, and no particular Grantees have been selected.

A VOTE "FOR" APPROVAL OF THE 1983 STOCK OPTION PLAN IS RECOMMENDED BY THE BOARD OF DIRECTORS.

REMUNERATION OF DIRECTORS AND OFFICERS

The following table shows the aggregate remuneration paid and accrued by the Company and its subsidiaries for service in all capacities for the fiscal year ended July 31, 1983, with respect to each of the five highest paid executive officers or directors whose aggregate remuneration exceeded \$60,000 and all officers and directors of the Company as a group. The information set forth below in the Remuneration Table with respect to officers and directors does not include any data with respect to any portion of the applicable period during which the person was not an officer or director of the Company.

Name of Individual or Number of Persons in Group and Capacities in Which Served	Cash and Cash Equivalent Forms of Remuneration		
	Salaries, Fees, Directors' Fees, Commissions, Bonuses (4)	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits (5)	Aggregate of Contingent Forms of Remuneration (6)
H. E. O'KELLEY (1), Chief Executive Officer and Chairman of the Board	\$ 433,440	\$ 28,374	\$ 36,456
E. P. GISTARO, President, Chief Operating Officer and a Director	\$ 334,738	\$ 9,891	\$ 28,102
V. D. POOR, Executive Vice President, Datapoint Technology Center and a Director	\$ 212,754	\$ 8,073	\$ 21,773
J. L. HALE (2), Executive Vice President, Customer Service and Operations Administration	\$ 169,684	\$ 13,067	\$ 17,975
L. SELIGMAN, Executive Vice President, Office and Computer Products	\$ 147,998	\$ 6,019	\$ 17,975
All Officers and Directors as a group (54 persons) (3)	\$4,685,850	\$ 319,044	\$ 253,167

- (1) Mr. O'Kelley also held the title of Acting Chief Financial Officer until December 26, 1982, when he was succeeded by William P. Meehan.
- (2) The Remuneration Table excludes compensation paid to Mr. Hale by or on behalf of Inforex, a wholly-owned subsidiary of the Company, attributable to service as an officer of Inforex prior to his becoming an officer of the Company.
- (3) Includes all remuneration paid during fiscal year 1983 to all officers and directors during the period of their service as such.
- (4) Amounts shown include sums paid as bonuses pursuant to the employment agreements described below between the Company and Messrs. O'Kelley, Gistaro and Poor.
- (5) Amounts shown include, among other forms of remuneration, (a) insurance premiums paid by the Company in connection with its Executive Benefit Plan described below and a term life policy on Mr. O'Kelley; (b) insurance premiums paid by the Company in order to eliminate the co-insurance (20%) and minimum deductible (\$100) requirements applicable under the Company's medical insurance plan which is available to all personnel; and (c) fees for preparation of tax returns and consultation on officers' income tax planning. Furthermore, in addition to certain relocation allowances reflected in this column of the table, the Company paid certain other relocation expenses for certain officers: Mr. Hale \$26,496; Mr. Seligman, \$18,696; and all present officers and directors of the Company as a group, \$138,314. Information relating to stock options held by officers and directors of the Company is not included in this table. See "Stock Options" at pages 14-15.

(Footnotes continued on following page)

(6) In connection with the Company's Executive Performance Award Plan described herein at pages 8-9, the Company expended a total of \$253,167 during the fiscal year ended July 31, 1983 for the plan period ending July 31, 1985. Awards will become vested for that plan year, if at all, as of August 1, 1985. The totals shown above indicate the pro rata share expended for the named individuals and for all officers and directors as a group.

The amounts shown above as direct remuneration exclude expenditures by the Company and its subsidiaries which may be deemed to be of some personal benefit to such persons. The Company, after reasonable inquiry, is unable to determine how much of these excluded expenditures were not directly related to performance of the Company's business activities, but it believes that this amount would not exceed \$10,000 for any officer or director of the Company.

Remuneration of Directors

Directors who are employees of the Company receive no additional compensation for serving on the Board of Directors or its committees. Each director who is not an employee of the Company receives an annual fee of \$11,000, payable in quarterly installments. Each non-employee director also receives a fee of \$750 for each Board meeting attended, \$500 for each committee meeting attended on a day other than the date on which a Board meeting is held, \$300 for each committee meeting attended on a day on which a Board meeting is held and \$500 for attendance at each meeting on Company business other than a Board or committee meeting. Each non-employee director of the Company is, at the Company's expense, provided with \$50,000 of group term life insurance and \$250,000 accidental death insurance. The aggregate cost to the Company of such benefits for all non-employee directors for the fiscal year ended July 31, 1983, was \$1,071. This amount is included in the Remuneration Table on page 13. Each non-employee director of the Company has the option to purchase, at his expense, coverage for himself and his dependents under the Company's group medical and dental insurance plan. At its meeting on March 3, 1983, the Board of Directors adopted a retirement plan and retirement medical care plan to cover non-employee Board members. Both plans presently are purely contractual rather than funded, and are self-insured except that retirees are required to participate in Medicare parts A and B. The retirement plan provides for a maximum annual benefit equal to a Board member's annual retainer in effect on the date of retirement. No benefit will be paid to directors with less than five years' service on the Board of Directors, a prorated benefit will be paid directors with from five to ten years' service, and a full benefit will be paid to directors with ten or more years of service. The benefit will be payable for the greater of ten years or life, and in the event a retiree should die within ten years of retirement, the remaining benefit will be paid to his estate. Retirement will be mandatory at age 70 for all directors who initiate their service on the Board of Directors after July 31, 1983. The retirement medical care plan affords non-employee Board members, upon retirement, benefits equivalent to those of non-retired employees under the Company's group medical plan. No cost was incurred in connection with such plans during the fiscal year ended July 31, 1983.

In November 1977, the stockholders ratified the grant of stock options to non-employee members of the Company's Board of Directors. Such options are included in the table on page 15.

Stock Options

The following table shows as to certain directors and officers and all present officers and directors as a group (i) the number of options granted August 1, 1978 through July 31, 1983 and the average exercise price thereof, (ii) the net realized value (market value less exercise price) of shares acquired during that period through the exercise of options, (iii) the number of shares sold during that period, and (iv) the number of shares subject to all unexercised options held as of July 31, 1983 and the potential unrealized value (market value less exercise price) of such options as of that date.

	H. E. O'Kelley	E. P. Gistaro	V. D. Poor	J. L. Hale	L. Seligman	All Present Directors and Officers as a group (2)
Granted August 1, 1978 to July 31, 1983:						
Number of Options	111,800	67,950	48,332	12,100	62,100	689,804
Average Per Share Exercise Price	\$35.30	\$24.19	\$23.54	\$17.61	\$18.00	\$25.06
Exercised August 1, 1978 to July 31, 1983:						
Net Value realized in Shares (market value less ex- ercise price) (1)	\$5,495,000	\$1,055,679	\$2,024,035	-0-	-0-	\$13,866,946
Sales August 1, 1978 to July 31, 1983:						
Number of Shares	48,400	29,400	33,934	11,000	-0-	220,465
Outstanding at July 31, 1983:						
Number of Options	111,800	66,750	46,100	18,000	62,100	818,132
Potential (unrealized) Value (market value at July 31, 1983 less exercise price)	\$ 126,338	\$ 62,525	\$ 99,806	\$50,119	\$232,875	\$ 2,825,673

(1) Market value based on closing price of Common Stock for New York Stock Exchange — Composite Transactions as reported by the Southwest Edition of *The Wall Street Journal* for the later of (a) the exercise date, or (b) the date the recipient became entitled without further contingencies to retain such stock.

(2) "Present officers and directors" refers to the Company's officers and directors as of July 31, 1983. Non-employee directors of the Company hold stock options which were approved by the stockholders in 1977. Such options are included in the table.

During the period August 1, 1978 through July 31, 1983, all other participating employees as a group not listed in the table were granted options under the Company's 1974 and 1977 Employee Stock Option Plans to purchase 1,165,918 shares at an average exercise price of \$28.65 per share. Such employees exercised during that period options to purchase shares having a net realized value of \$21,873,349, and as of July 31, 1983 such employees held unexercised options to purchase 614,973 shares with a potential unrealized value (market value less exercise price) of \$1,805,441.

Comparison of 1983 Stock Option Plan with 1974 and 1977 Stock Option Plans

The Company's 1974 Qualified and Nonqualified Stock Option Plans and 1977 Stock Option Plan do not expire until November 21, 1984, and May 24, 1987, respectively. Those plans, as amended, are substantially identical to one another and to the proposed 1983 Plan described herein at pages 8-12 and set forth as Exhibit A. The 1974 Plan provided for options covering 1,000,000 shares (after adjustment for stock splits in the form of 100% stock dividends), as both Qualified and Nonqualified Options. The 1977 Plan, after similar adjustment for stock splits, provided for options on 2,000,000 shares. Both plans have been amended, with the approval of stockholders, to allow the grant of stock appreciation rights and incentive stock options, and in other respects.

Material Employment Agreements

The Company has previously entered into separate employment agreements with Messrs. O'Kelley, Gistaro and Poor, dated January 1, 1978, February 29, 1980, and June 30, 1978, respectively. Each originally provided for the Company's employment of such person for a period of five years. The contracts of Messrs. O'Kelley, Gistaro and Poor have been amended subsequent to the issuance of the Company's 1982 Proxy Statement. Such amendments, among other matters, extend the terms of the agreements to February 1, 1985, September 2, 1985, and June 30, 1985, respectively, and provide for automatic renewal on an annual basis thereafter unless terminated by either the officer or the Company. Each amendment also provides that upon the termination of the officer's employment, either voluntarily or involuntarily, within twelve months after the happening of certain defined events leading to a change of control of the Company ("Change of Control Event"), he shall be entitled to termination compensation equal to three years' compensation and benefits, except for performance-related benefits, to which the officer would have been entitled had his employment not terminated. Furthermore, the amended agreements between each of the three officers and the Company provide that in the event any such officer's employment terminates within twelve months of a Change of Control Event, the exercisability of that officer's then-outstanding stock options will be accelerated, subject to certain limitations appearing in the stock option plan(s) under which the options were granted, to the date that notice of termination of employment is given by the Company or that officer. The current minimum annual base salaries specified by the foregoing agreements, as amended, are: Mr. O'Kelley \$300,000; Mr. Gistaro \$200,000; and Mr. Poor \$160,000.

As previously disclosed in prior proxy statements, pursuant to such employees' original employment agreements, shares of the Company's Common Stock were sold to Messrs. O'Kelley, Gistaro and Poor at prices equal to the closing price of such stock for New York Stock Exchange — Composite Transactions as reported by the Southwest Edition of *The Wall Street Journal* for the date of the respective agreements (Mr. O'Kelley, 20,000 shares at \$9.5625 per share; Mr. Gistaro, 8,000 shares at \$27.75 per share; and Mr. Poor, 10,000 shares at \$14.00 per share). The consideration for such shares consisted of cash down payments equal to the par value of such stock and promissory notes bearing specified annual rates of interest which mature serially and in equal principal amounts on the first through fifth anniversary dates of the original agreements (Mr. O'Kelley, \$1,250 in cash and \$190,000 in notes at 8%; Mr. Gistaro, \$500 in cash and \$221,500 in notes at 10%; and Mr. Poor, \$625 in cash and \$139,375 in notes at 8¾%). Provided they have not breached their respective employment agreements, the Company has agreed to pay each of these officers an annual bonus equal to the principal amount of each note as it matures. Such bonuses are in addition to any other sums which might be payable to such executives pursuant to any other compensation arrangement or plan of the Company. The largest aggregate amount of such persons' indebtedness during the fiscal

year ended July 31, 1983, and the amount of such indebtedness as of September 23, 1983, respectively, are as follows: Mr. O'Kelley, \$38,000, \$0.00; Mr. Gistaro, \$132,900, \$88,600; and Mr. Poor, \$27,875, \$0.00.

The employment agreement of Mr. O'Kelley, as amended, provides that, in the event of his disability, he will receive monthly an amount which, when added to social security benefits and benefits payable to him pursuant to the Company's group long-term disability insurance program, will aggregate 60 percent of his highest base salary paid during the 60 months immediately prior to such disability. In the event of the disability of either of Messrs. Gistaro or Poor, such officer will receive an amount equal to his base salary for one year, less benefits otherwise payable under the Company's group long-term disability plan and social security benefits.

Pursuant to their respective employment agreements, as amended, Messrs. O'Kelley, Gistaro and Poor are entitled to receive annual supplemental retirement benefits based upon a formula set forth in such agreements. Based upon such formulae and current compensation levels, and assuming retirement at age 65, these annual benefits would be \$92,088, \$20,218 and \$11,687, respectively, for Messrs. O'Kelley, Gistaro and Poor. In addition, in the event of the death of any of the aforementioned officers, such officer's designated beneficiary will receive the base salary of that officer for a period of one year. Finally, pursuant to the employment agreements described above, the Company originally agreed to provide life insurance policies payable to such officers' designated beneficiaries. However, those policies were replaced with the benefits provided by the Executive Benefit Plan, described below, upon the adoption of that plan. Benefits to be provided to Mr. O'Kelley's designated beneficiaries under the Executive Benefit Plan will be supplemented by life insurance policies of a face amount of \$550,000, the term premium for which will be paid by the Company. All life insurance premiums pertaining to such officers which were incurred by the Company in the fiscal year ended July 31, 1983, are included in the Remuneration Table on page 13.

On August 30, 1982, Mr. Lawrence Seligman joined the Company as Executive Vice President, Office and Computer Products. In connection with his employment, Mr. Seligman and the Company entered into an agreement which, among other things, provides for an annual base salary of \$125,000 and provides that upon the termination of Mr. Seligman's employment, either voluntarily or involuntarily prior to September 1, 1985, but subsequent to certain defined events resulting in a change of control of the Company ("Change of Control Event"), Mr. Seligman will be entitled to lump sum termination compensation equal to \$250,000. In addition, the Management Compensation and Stock Option Plan Committee has granted to Mr. Seligman an option under the Company's 1977 Stock Option Plan for 60,000 shares of Common Stock at an exercise price per share of \$18.00. This option vests in four equal annual installments commencing September 2, 1983, except that such option shall become exercisable in its entirety upon the occurrence of a Change of Control Event prior to September 1, 1985.

On September 2, 1982, Mr. John L. Hale was elected Executive Vice President, Customer Service and Operations Administration for the Company. In connection with his employment in that capacity, Mr. Hale and the Company agreed that (i) upon the termination of Mr. Hale's employment, either voluntarily or involuntarily, prior to November 1, 1983, but subsequent to a Change of Control Event, Mr. Hale will be entitled to lump sum termination compensation equal to \$110,000, and (ii) should a Change of Control Event occur prior to November 1, 1983, the Company will recommend to the Management Compensation and Stock Option Plan Committee that the exercisability of Mr. Hale's then-outstanding stock options vest immediately.

On December 26, 1982, Mr. William P. Meehan joined the Company as Executive Vice President, Finance and Chief Financial Officer. In connection with his employment, Mr. Meehan and the Company entered into an agreement which, among other things, provides for an annual base salary of \$145,000 and provides that (i) should Mr. Meehan's employment be involuntarily terminated prior to December 22, 1984, he would receive an extension of pay and benefits through the later of that date or a date six months following the date of actual termination, and (ii) upon the termination of Mr. Meehan's employment, either voluntarily or involuntarily, prior to December 22, 1984, but subsequent to a Change of Control Event, Mr. Meehan shall be entitled to a guaranteed minimum of six months' employment plus lump sum termination compensation equal to \$200,000. In addition, the Management Compensation and Stock Option Plan Committee has granted to Mr. Meehan an option under the Company's 1977 Stock Option Plan for 15,000 shares of Common Stock at an exercise price per share of \$18.625 and an option under the Company's 1974 Stock Option Plan for 15,000 shares of Common Stock at an exercise price per share of \$18.125. These options vest in four equal annual installments commencing December 21, 1983 under the 1977 Plan grant and January 6, 1984 under the 1974 Plan grant, and the Company has agreed in Mr. Meehan's employment agreement that should a Change of Control Event occur prior to December 22, 1984, the Company will recommend to the Management Compensation and Stock Option Plan Committee that the exercisability of Mr. Meehan's then-outstanding stock options shall vest upon the happening of such Change of Control Event.

On December 27, 1983, Mr. Joseph J. Ciasullo joined the Company as Executive Vice President, International Operations. In connection with his employment, Mr. Ciasullo and the Company entered into an agreement which, among other things, provides for an annual base salary of \$140,000 and provides that (i) should Mr. Ciasullo's employment be involuntarily terminated prior to January 12, 1985, he would receive an extension of pay and benefits through the later of that date or a date six months following the date of actual termination; and (ii) upon the termination of Mr. Ciasullo's employment, either voluntarily or involuntarily, prior to January 11, 1985, but subsequent to a Change of Control Event, Mr. Ciasullo shall be entitled to a guaranteed minimum of six months' employment plus lump sum termination compensation equal to \$200,000. In addition, the Management Compensation and Stock Option Plan Committee has granted to Mr. Ciasullo an option under the Company's 1974 Stock Option Plan for 25,000 shares of Common Stock at an exercise price per share of \$18.125. These options vest in four equal annual installments commencing January 6, 1984, and the Company has agreed in Mr. Ciasullo's employment agreement that should a Change of Control Event occur prior to January 12, 1985, the Company will recommend to the Management Compensation and Stock Option Plan Committee that the exercisability of Mr. Ciasullo's then-outstanding stock options shall vest upon the happening of such Change of Control Event.

In addition to the employment agreements described above, on December 1, 1981, the Company entered into an employment agreement with Daniel A. Hosage, then an Executive Vice President of the Company, which specified a base salary for Mr. Hosage of \$100,000 and which, among other things, contained benefits with respect to death, disability and insurance similar to those described for Messrs. O'Kelley, Gistaro and Poor, and provided for the sale of 4,000 shares of the Company's Common Stock to Mr. Hosage at a price equal to the closing price per share on that date, subject to stockholder ratification. The agreement was subsequently amended on September 2, 1982, to extend the term of the agreement through September 2, 1987, and to adjust the sale price of the stock under the agreement to \$18.00 per share, the closing price of the Company's Common Stock on the New York Stock Exchange on September 2, 1982. Under the amended agreement, the consideration for the shares purchased by

Mr. Hosage was \$1,000 in cash (which represented the aggregate par value of the stock to be purchased) with the balance of the purchase price, in the amount of \$71,000, to be evidenced by five equal promissory notes, each bearing interest at 10% per annum and maturing serially commencing on September 2, 1983, and annually thereafter through September 2, 1987. Provided Mr. Hosage had not breached the employment agreement, the Company agreed to pay him a yearly bonus equal to the principal amount of each promissory note as it matured. Such bonus would have been in addition to any other sums which might have been payable to Mr. Hosage pursuant to any other compensation arrangement or plan of the Company. Mr. Hosage's employment agreement contained a provision requiring rescission of the sale of the stock described above unless such sale was approved by stockholders at the Company's 1982 Annual Meeting, which approval was obtained.

Mr. Hosage resigned from his position of employment with the Company effective May 5, 1983. In connection with Mr. Hosage's resignation, the Company and Mr. Hosage entered into a Settlement Agreement, effective May 31, 1983, that terminated all rights, claims and obligations of the Company and Mr. Hosage under the aforementioned employment agreement, and which rescinded the aforementioned sale of 4,000 shares of the Company's Common Stock to Mr. Hosage.

Management Incentive Compensation Plan

In 1973, the Board of Directors adopted the Management Incentive Compensation Plan ("MIC") to provide officers and other key salaried employees with annual cash bonus awards in addition to regular salaries. MIC is administered by the Management Compensation and Stock Option Plan Committee of the Board of Directors, comprised entirely of directors who are not employees of the Company. No member of that Committee is eligible for awards under MIC. The Board of Directors will, with respect to each year, appraise the overall performance of the Company in the attainment of profit and other objectives and establish the amount of the appropriation, if any, which the Board deems advisable or desirable to be made to the Management Incentive Compensation Fund for distribution to such employees as may be selected by the Management Compensation and Stock Option Plan Committee for participation in MIC with respect to that year. An appropriation to the Fund shall be made only by the Board of Directors of the Company. In 1978, the Board of Directors stipulated that in no event would an appropriation to the Fund be made which would reduce pre-tax return on invested capital below 8%. By a resolution adopted on January 6, 1983, the Board of Directors of the Company excepted only the fiscal year ended July 31, 1983 from that stipulation, believing that it would be in the best interests of the Company and enhance its ability to retain and appropriately compensate key employees to suspend the operation of such stipulation for such year. An appropriation of \$1,440,200 was made under MIC for the fiscal year ended July 31, 1983. Portions of that appropriation are included in the Remuneration Table on page 13.

Awards to officers and directors during the period August 1, 1978 through July 31, 1983 under MIC were as follows, respectively: Mr. O'Kelley, \$535,000; Mr. Gistaro, \$183,000; Mr. Poor, \$140,000; Mr. Hale, \$72,000; Mr. Seligman, \$35,000; and all present officers and directors as a group, \$1,996,700. Mr. Seligman joined the Company in fiscal year 1983 and did not become eligible to receive awards until that year. During the period August 1, 1978 through July 31, 1983, MIC awards to all other participating employees as a group amounted to \$3,432,500. No MIC awards were granted in fiscal year 1982.

Executive Performance Award Plan

In 1978, the Board of Directors approved, and the stockholders ratified, the Executive Performance Award Plan (the "Performance Plan") for key executives of the Company and its subsidiaries. The Performance Plan is administered by the Management Compensation and Stock Option Plan Committee of the Board of Directors, comprised entirely of directors who are not employees of the Company. No member of the Committee is eligible for awards under the Performance Plan. Such awards will be in the form of performance units. The performance units under each three-year Performance Plan period ("Performance Period") will have a varying cash value at the time of payment, depending upon the extent to which Performance Period objectives are met. Such objectives relate to the achievement of certain performance goals measured in terms of either cumulative earnings per share or return on invested capital over any one three-year Performance Period. The Committee, at the beginning of each Performance Period, establishes the objectives that will be used to measure performance during that period. The Committee may not, among other things, (i) set an objective based on a pre-tax return on capital at less than 8%, or decrease an established objective below that level, (ii) set an objective based upon fully diluted cumulative earnings per share for any Performance Period equal to an amount less than the fully diluted net earnings per share for the fiscal year immediately preceding the commencement of the Performance Period compounded at a rate equal to 5% per annum for the duration of the Performance Period, or (iii) make contingent awards under the Performance Plan, the aggregate value of which, in any fiscal year, exceeds 10% of the Company's average annual income before taxes for the five-year period immediately preceding the fiscal year in which such contingent awards are made.

The Committee, in its discretion, can make contingent awards in each fiscal year. Accordingly, each participant in the Performance Plan may, from time to time, hold more than one contingent award. Awards are paid in cash as soon as practical after financial statements have been certified by the Company's independent public accountants and all other necessary financial data relating to the completed Performance Period is received. No individual award payment can exceed 150% of the product of the number of performance units awarded and the closing price per share of the Company's Common Stock on the New York Stock Exchange on the first day of August of the year in which the award is made.

Cash payments under the Performance Plan have been made only once, for the Performance Period of fiscal years 1979 through 1981. These payments were made during fiscal year 1982 to a group of nine officers and employee directors in a total amount of \$484,312. This amount included \$392,062 paid to seven present officers and directors. Included in this amount are the following amounts for the officers listed in the Remuneration Table on page 13: Mr. O'Kelley, \$138,375; Mr. Gistaro, \$55,350; and Mr. Poor, \$64,575. Mr. Hale and Mr. Seligman were not Performance Plan participants in the 1979-1981 Performance Plan.

Executive Benefit Plan

Effective November 1, 1980, the Board of Directors adopted the Executive Benefit Plan ("EBP") in order to provide certain insurance benefits to a select group of management employees who contribute materially to the continued growth, development and future business success of the Company. A special committee of the Board of Directors selects the EBP participants and is responsible for the administration of the plan. In general, in the event an EBP participant dies while in the Company's employ, his designated beneficiaries will receive an amount equal to three or four times the participant's base salary, payable in monthly installments over six or eight years. To meet its obligations under

the EBP, the Company has obtained life insurance policies on the life of each participant. The Company paid the following amounts in connection with the EBP and its predecessor insurance plan from August 1, 1978 through July 31, 1983: Mr. O'Kelley, \$41,458; Mr. Gistaro, \$20,827; Mr. Poor, \$23,400; Mr. Hale, \$7,586; Mr. Seligman, \$3,260; all present officers and directors as a group, \$359,703; and all other participating employees as a group, \$1,236,797.

Retirement Income Plan

The Company maintains a Retirement Income Plan (the "Retirement Plan") for its officers and employees. The amounts included in the Remuneration Table on page 13 do not include any remuneration attributable to the Retirement Plan. Pension payments are based on the average salary of the highest consecutive five out of the last ten years of an employee's service. Annual benefits payable under the Retirement Plan equal 40% of the final average earnings during such five-year period less one-half of projected Social Security benefits multiplied by a fraction consisting of years of service (numerator) over 30 years (denominator). Participants have the option to take early retirement as early as age 55 with reduced benefits. Several methods of settlement are available under the Retirement Plan. Directors who have not been officers or employees of the Company do not participate in the Retirement Plan. See "Remuneration of Directors," page 14. The maximum amount payable under the Retirement Plan is \$90,000 per year to each retiree.

The aggregate of costs and contributions made in connection with the Retirement Plan and all other retirement and employment pension contracts from August 1, 1978 through July 31, 1983 was approximately \$10,834,000.

Assuming that an employee is entitled to an annual Social Security benefit of \$9,000 at normal retirement date, the table below illustrates the additional amount of annual pension benefits payable by the Company as a retirement benefit to a person in the specified average salary and years-of-service classifications. The average remuneration covered by the Retirement Plan for the fiscal year ended July 31, 1983, and the credited years of service of the persons named in the Remuneration Table on page 13 are as follows: Mr. O'Kelley, \$275,774, 10 years; Mr. Gistaro, \$175,772, 10 years; Mr. Poor, \$141,260, 13 years; Mr. Hale, \$102,326, 5 years; and Mr. Seligman, \$115,392, 1 year.

Five Years Average Remuneration	Years of Service			
	15	20	25	30
\$100,000	\$17,750	\$23,667	\$29,583	\$35,500
\$150,000	\$27,750	\$37,000	\$46,250	\$55,500
\$200,000	\$37,750	\$50,333	\$62,917	\$75,500
\$250,000	\$47,750	\$63,667	\$79,583	\$90,000
\$300,000	\$57,750	\$90,000	\$90,000	\$90,000
\$350,000	\$67,750	\$90,000	\$90,000	\$90,000

These amounts are presently restricted by provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") without adjustment for future cost-of-living increase. Effective January 1, 1983, ERISA limited future benefits to \$90,000 per year per employee for all affected individuals.

LEGAL PROCEEDINGS

The Company, certain of its officers and directors, and its independent auditors have been named as defendants in 18 actions brought by multiple plaintiffs, purportedly representing an alleged class of

persons who purchased securities or options to purchase securities of the Company during the period August 1, 1980 through May 4, 1982. These actions have been consolidated in the United States District Court for the Western District of Texas and are styled *In Re Datapoint Securities Litigation*, Civil Action No. SA-82-CA-338 (the "Consolidated Action"). The complaint in the Consolidated Action alleges that the Company, Harold E. O'Kelley, Edward P. Gistaro, Richard V. Palermo (a former director), Victor D. Poor, and the Company's independent auditors, Peat, Marwick, Mitchell & Co., violated Sections 11 and 15 of the Securities Act of 1933, and Sections 10(b) and 20 of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as a result of alleged misrepresentations and omissions in connection with the issuance of the Company's financial statements and the disclosure of the financial condition of the Company over the period August 1, 1980 through May 4, 1982, and concerning earnings of the Company and its financial condition in connection with the issuance of the Registration Statement and Prospectus relating to the Company's 8 $\frac{7}{8}$ % Convertible Subordinated Debentures due June 1, 2006, dated May 28, 1981. The complaint also alleges that defendant Peat, Marwick, Mitchell & Co. failed to follow generally accepted auditing standards in rendering its opinion on the Company's financial statements. The amount of damages sought is not specified. The Company and the named individual defendants have denied the material allegations in the Consolidated Action and intend to vigorously defend themselves in this Action.

On August 1, 1983, suit was filed in the United States District Court for the Western District of Texas by Dino Francheschini, purportedly on behalf of himself and a class consisting of all "short" sellers of the Company's securities who made covering purchases during the period May 1, 1979 through April 15, 1982. Named as defendants in this action are the Company, Harold E. O'Kelley, Edward P. Gistaro, Richard V. Palermo, Victor D. Poor, and Peat, Marwick, Mitchell & Co. The complaint alleges that the Company and the named individual defendants violated Section 10(b) of the Securities Exchange Act of 1934, and that all defendants violated Section 20(a) of that Act and Rule 10b-5 thereunder, as a result of alleged misrepresentations and omissions in connection with the disclosure of the Company's financial condition in its financial statements, Securities and Exchange Commission filings, and public statements over the period May 1, 1979 through April 15, 1982. The complaint further alleges a pattern of activity on the part of the Company and the individual defendants which is purported to give rise to treble damage civil liability under the civil provisions of the Racketeer Influenced and Corrupt Organization Act, 18 U.S.C. Section 1964. The complaint seeks actual damages from all defendants, and treble damages from the Company and the individual defendants, in an unspecified amount. The Company's motion to dismiss the complaint is now pending. The Company and the individual defendants intend to vigorously defend themselves in this action.

On April 19, 1982, a stockholders' derivative suit was filed in the Court of Chancery of the State of Delaware, New Castle County, by Bruce Doniger who alleges that he is a stockholder of the Company. The suit names as defendants one former director and the nine present directors of the Company. The complaint alleges that defendants Harold E. O'Kelley, Edward P. Gistaro, Harry G. Bowles and Richard V. Palermo, who sold shares of the Company's Common Stock during the period June 23, 1981 through January 18, 1982, did so with the knowledge that the Company would not in the future be able to maintain the level of earnings it had achieved in the preceding few years, and in so doing breached the fiduciary duty these persons owed the Company. The complaint further alleges that the remaining six defendant directors, Victor D. Poor, Gene K. Beare, William G. Karnes, Thomas J. Klutznick, George Kozmetsky and William C. Leone, who did not sell shares of the Company's Common Stock during the above period, had knowledge of and acquiesced in the allegedly unlawful sales by the other defendants and thus breached their fiduciary duty to the Company. The amount of

damages sought is not specified. This action has been stayed pending discovery in the Consolidated Action styled *In Re Datapoint Securities Litigation* described above, and the parties have agreed that all discovery in this action will be conducted as part of the discovery in the Consolidated Action.

In 1982, as previously reported by the Company, the Securities and Exchange Commission (the "Commission") ordered a private investigation to determine whether the Company or any of its officers, directors or employees engaged in acts or practices that may have violated federal securities laws. The order inquires into, among other things, the adequacy of disclosure relating to the financial condition of the Company and whether there have been transactions in the Company's securities by persons in possession of material, non-public information. The investigation by the staff of the Commission has been substantially completed. Although the Company has had discussions with the staff during the conduct of its investigation, the Company is unable to predict, at this time, what further action the Commission ultimately will take as a result of whatever recommendation the staff may make, or the effect of any such action on the Company, its officers, directors and employees. Certain staff members have, however, advised that they have preliminarily determined to recommend to the Commission that enforcement proceedings be instituted against the Company and certain present and former officers and directors including Messrs. O'Keley and Gistaro for alleged violations of various provisions of the federal securities laws. Any such action may include an attempt by the Commission to force the Company to restate its financial statements issued for the fiscal years ended July 31, 1981 and July 31, 1982, and for certain interim periods therein. Nevertheless, the Company believes that its financial statements were prepared in accordance with generally accepted accounting principles, consistently applied, as stated in the report thereon of its independent auditors, Peat, Marwick, Mitchell & Co., and that it otherwise acted properly. The Company and its officers and directors intend to vigorously contest any action that may be commenced by the Commission.

Should the Commission commence formal proceedings against the Company or its officers and directors, the Company will file a copy of the documentation relating to such proceedings as an exhibit to a Form 8-K filing with the Commission in Washington, D.C. and with the New York Stock Exchange.

The Company has paid the expenses of legal counsel for employees, including officers and directors, and former employees and a former director of the Company, from whom document or testimony have been sought by the Commission during the course of the investigation. The Company believes that all such expenses are covered by insurance, subject to certain deductible amounts, and that it ultimately will be reimbursed by the insurance carriers.

OUTSTANDING VOTING SECURITIES

The Company knows of no person who beneficially owns more than 5% of the Company's Common Stock.

QUORUM AND VOTING

The record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders is September 23, 1983. At the close of business on the record date there were 20,136,520 shares of Common Stock issued and outstanding. The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock on the record date is necessary to constitute a quorum at the meeting. All voting rights are vested in the holders of Common Stock of the Company. Each share of Common Stock is entitled to one vote on all questions requiring a stockholder vote at the meeting. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock

of the Company present in person or represented by proxy at the Annual Meeting of Stockholders is required for the election of directors and the approval and adoption of each proposal set forth herein.

PROXY SOLICITATION

The accompanying proxy is solicited on behalf of the Board of Directors of the Company. Unless a stockholder designates otherwise, it is intended that the proxy will be voted for the election of the nominees for director named in this Proxy Statement, for ratification of the appointment of Peat, Marwick, Mitchell & Co. to serve as the Company's independent auditors and for approval of the proposed 1983 Stock Option Plan.

Although the Board of Directors does not contemplate that any of the nominees for director named will be unavailable for election, in the event of a vacancy in the slate of nominees, it is presently intended that the proxy will be voted for the election of a nominee who will be selected by the Board of Directors of the Company after consideration of recommendations, if any, received from the Board's Nominating Committee. Any stockholder giving a proxy may revoke it prior to the voting thereof on any matter (without affecting, however, any vote on any other matter taken prior to revocation) by delivery of written notice to the Secretary of the Company.

The expenses of the solicitation of proxies will be borne by the Company. Proxies may be solicited by officers, directors and employees of the Company by personal interview, mail, telephone or telegram. The Company will request brokers and other fiduciaries to forward proxy-soliciting material to the beneficial owners of shares which are held of record by them. In addition, the Company has engaged the services of The Kissel-Blake Organization, Inc., 26 Broadway, New York, New York 10004, to solicit proxies by mail, telephone, telegram or personal contact. It is estimated that the cost of any professional solicitation will be approximately \$7,000 plus reasonable out-of-pocket expenses.

STOCKHOLDER PROPOSALS

Proposals by stockholders intended to be presented at the 1984 Annual Meeting of Stockholders must be received by the Company at its principal executive offices for inclusion in the Company's proxy statement and form of proxy relating to that meeting not later than June 19, 1984. Stockholders submitting such proposals are requested to address them to the Secretary of the Company at the address set forth on the first page hereof. It is suggested that such proposals be sent by Certified Mail, Return Receipt Requested.

LIST OF STOCKHOLDERS

Between November 7, 1983, and the 1983 Annual Meeting of Stockholders, a complete list of stockholders entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be open for examination during ordinary business hours by any stockholder, for any purpose germane to the meeting, at the Company's offices at 7900 Callaghan Road, San Antonio, Texas.

OTHER BUSINESS

Management is not aware of any other business to be presented for action at the meeting. However, if any other matter is properly presented, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their judgment on such matter.

By Order of the Board of Directors

HELAINF B. HARTHCOCK
Secretary

October 17, 1983

DATAPPOINT CORPORATION
1983 STOCK OPTION PLAN

1. *Purpose*

The purpose of the 1983 Stock Option Plan (the "Plan") is to secure for Datapoint Corporation (the "Company") the benefits of the additional incentive inherent in the ownership of its Common Stock by employees of the Company and its subsidiaries who are important to the success and the growth of the business of the Company, and to help the Company secure and retain the services of such employees.

2. *Definitions*

"Board" means the Board of Directors of Datapoint Corporation.

"Code" means the Internal Revenue Code of 1954, as amended, and the regulations thereunder.

"Committee" means the Management Compensation and Stock Option Plan Committee of the Board.

"Common Stock" means shares of the Company's \$.25 par value Common Stock.

"Fair Market Value" means the closing price of the Common Stock traded on the New York Stock Exchange on the day such value is to be determined, or, if no shares were traded that day, on the next preceding day on which there was such a trade.

"Grantee" means an employee of the Company or one of its subsidiaries to whom an Option is granted.

"Option" means the right to purchase, at a price and for the Term fixed by the Committee in accordance with the Plan and subject to such other limitations and restrictions the Committee may impose, the number of shares of Common Stock specified by the Committee.

"Option Agreement" means a written agreement in a form approved by the Committee to be entered into by the Company and the Grantee.

"Stock Appreciation Right" means a right to surrender to the Company all or a portion of an Option and to pay the Grantee of such Option, or portion thereof, an amount, as determined by the Committee, no greater than the excess, if any, as of the date such right is exercised, of (i) the Fair Market Value of the shares of Common Stock associated with the Option, or portion thereof, which is surrendered, over (ii) the aggregate exercise price of the Options relating to such shares.

"Subsidiary" means a subsidiary corporation as defined in Section 425 of the Code (or any successor provision).

"Successor" means the legal representative of the estate of a deceased Grantee or the person or persons who shall acquire the right to exercise an Option or a Stock Appreciation Right by bequest or inheritance or by reason of the death of the Grantee.

"Term" means the period from the date of grant of a particular Option or Stock Appreciation Right until the expiration of the period of its exercisability.

3. *Effective Date of the Plan*

If approved by the Company's stockholders at the Company's Annual Meeting on November 17, 1983, the Plan shall become effective on December 1, 1983.

4. *Administration of the Plan*

(a) The Plan shall be administered by the Committee which shall consist of at least three nonemployee directors chosen by the Board from among their number. No member of the Committee shall be eligible (or shall have been eligible during the period one year prior to such selection) to receive an Option or Stock Appreciation Right under any stock option plan of the Company. The Committee shall serve at the pleasure of the Board.

(b) The Committee shall adopt such rules of procedure as it may deem proper; provided, however, that it may take action upon the agreement of a majority of the whole Committee. Any action which the Committee shall take through a written instrument signed by a majority of its members shall be as effective as though taken at a meeting duly called and held.

(c) The powers of the Committee shall include plenary authority to interpret the Plan, and, subject to the provisions hereof, to determine when and to whom Options and Stock Appreciation Rights shall be granted, the number of shares subject to each Option and Stock Appreciation Right, the Term of each Option and Stock Appreciation Right and the schedule of vesting of exercisability of each Option and/or Stock Appreciation Right, and to accelerate the vesting of granted Options and Stock Appreciation Rights.

5. *Grant of Option; Number and Source of Shares Subject to the Plan*

(a) The Committee may from time to time grant Options under the Plan for not more than 600,000 shares of Common Stock which will be provided from Common Stock held in the treasury which is not reserved for some other purpose or authorized and unissued Common Stock which is not reserved for some other purpose.

(b) The date of grant of an Option shall be the date specified by the Committee which date shall not be earlier than the date the Committee action is final.

(c) Shares as to which Options previously granted shall for any reason lapse shall be restored to the total number available for grant of Options.

(d) Shares subject to an Option which is surrendered in whole or in part upon the exercise of a Stock Appreciation Right shall not again be available for grant of Options.

(e) Shares of Common Stock delivered upon the exercise of a Stock Appreciation Right will be provided from Common Stock held in the treasury which is not reserved for some other purpose or from authorized and unissued Common Stock which is not reserved for some other purpose.

(f) The Committee may grant Options as nonqualified stock options, incentive stock options or a combination of those two categories of options.

(g) The aggregate Fair Market Value (determined as of the time the Option is granted) of the stock for which an employee may be granted incentive stock options (as defined in Section 422A of the Code) in any calendar year under all stock option plans of the Company and subsidiary corporations shall not exceed \$100,000 plus any unused limit carryover (as defined in Code Section 422A(c)(4)) to such year.

(h) Notwithstanding anything in this Plan or any Option Agreement issued hereunder to the contrary, no incentive stock option issued hereunder to an individual Grantee shall be exercisable while there is outstanding (within the meaning of Code Section 422(c)(7)) any incentive stock option which was previously granted to the same Grantee to purchase stock in the Company or in a corporation which at the time of the granting of such Option was a parent or subsidiary corporation of the Company, or any predecessor corporation of any such corporation.

6. *Stock Appreciation Rights*

(a) Either at the time an Option is granted or by amending an Option Agreement at any time thereafter prior to the end of the Term of the Option to which it pertains, the Committee may also grant a Stock Appreciation Right to the Grantee of an Option. A Stock Appreciation Right shall be exercisable only during the Term of the associated Option.

(b) The Committee may, at the time of granting a Stock Appreciation Right, add such conditions and limitations to the Stock Appreciation Right as it shall deem advisable, including, but not limited to, (i) Committee approval of the exercise of a Stock Appreciation Right, (ii) specification of the time within which and extent to which such Stock Appreciation Right shall be exercisable and (iii) specification of the maximum amount of appreciation to be recognized with regard to such Stock Appreciation Right.

(c) A Stock Appreciation Right may be exercised in whole or in part by delivering or mailing to the Committee, Attention: Corporate Secretary, a written notice in the form prescribed by the Committee specifying the number of shares subject to the Option for which such right is being exercised. The date of exercise shall be the date upon which such notice is received in the office of the Corporate Secretary.

(d) Upon the exercise of a Stock Appreciation Right, the payment to be made to the Grantee may be in cash, or in shares of Common Stock valued at their Fair Market Value on the date of exercise, or partly in cash and partly in shares of Common Stock, as determined by the Committee. Notwithstanding the foregoing, the exercise for cash of Stock Appreciation Rights by an officer subject to the restrictions of Section 16(b) of the Securities Exchange Act of 1934 shall be permitted only during a window period beginning the third business day following the public release of quarterly or annual financial information, and ending on the twelfth business day following such date.

7. *Employees Eligible to Receive Options and Stock Appreciation Rights*

(a) Options may be granted under the Plan to employees of the Company or its subsidiaries. Eligibility shall be determined by the Committee, and such determination shall be conclusive upon all persons. Stock Appreciation Rights may be granted only to Grantees of Options.

(b) Directors who are not employees of the Company or its subsidiaries shall not be eligible to receive Options or Stock Appreciation Rights under this Plan.

8. *Option Price*

The price to be paid by the Grantee to the Company upon exercise of an Option shall be at least 75 percent of the Fair Market Value of the shares subject to the Option on the date the Option is granted, but, any Option designated by the Committee in an Option Agreement as an incentive stock option must have an exercise price of at least 100 percent of such Fair Market Value. Any person who is the beneficial owner of ten percent or more of the voting stock of the Company shall not be granted any incentive stock option for less than 110 percent of such Fair Market Value and any such Option

shall be for a term of no more than five years. In no event shall these exercise prices be less than the par value of the shares.

9. *Term and Installments of Options; Exercise of Option During Life of Grantee*

(a) Each Option granted under the Plan shall be exercisable only during a Term commencing not less than six months after the date the Option was granted and ending (unless the Option shall have theretofore terminated under other provisions of the Plan) on a date to be fixed by the Committee, but in no event more than ten years after the Option was granted.

(b) The Committee shall have authority to grant Options exercisable in full at any time during their Term (but no earlier than six months from date of grant), or exercisable in installments, as determined by the Committee. The Committee may grant Options which provide for the acceleration of vesting of exercisability upon the occurrence or nonoccurrence of a specified event or events. Installments or portions thereof not purchased in earlier periods shall be cumulated and shall be available for purchase at any time prior to the final expiration of the Option. Subsequent to the grant of an Option, the Committee may accelerate, at any time before an Option or Stock Appreciation Right becomes fully exercisable, the time or times at which such Option or Stock Appreciation Right may be exercised in whole or in part, or may provide for such acceleration only upon the occurrence or nonoccurrence of a specified event or events, except that neither a Stock Appreciation Right nor any related Option shall be exercisable earlier than six months from the date of grant, except in the event death or disability of the Grantee occurs prior to the expiration of the six-month period. In exercising an Option, the Grantee may purchase less than the full installment.

(c) The Committee shall, at the request of the Grantee, designate an Option as either a non-qualified option or an incentive stock option at the time of the grant of the Option.

(d) Options shall be exercised by delivering or mailing to the Committee, to the attention of the Corporate Secretary:

(1) a notice, in the form prescribed by the Committee, specifying the number of shares to be purchased, and

(2) cash, check, or money order payable to the Company for the Option price multiplied by the number of shares purchased.

(e) Upon receipt of such notice and payment, the Company shall promptly deliver to the Grantee a certificate or certificates for the shares purchased, without charge to the Grantee for any issue or transfer tax.

(f) The Committee may postpone any exercise of an Option or a Stock Appreciation Right for such time as the Committee in its discretion may deem necessary in order to permit the Company with reasonable diligence (i) to effect or maintain the listing of such shares on the New York Stock Exchange or to effect or maintain registration under the Securities Act of 1933, as amended, of the Plan or the shares issuable upon the exercise of the Option or the Stock Appreciation Right, or (ii) to determine that such shares and Plan are exempt from registration; and the Company shall not be obligated by virtue of any Option Agreement or any provision of the Plan to recognize the exercise of an Option, exercise of a Stock Appreciation Right, or to sell or issue shares in violation of said Act or of the laws, rules, or regulations of any government or governmental agency having jurisdiction thereof. Any such postponement shall not extend the Term of an Option, and neither the Company nor its directors or officers shall have any obligation or liability to the Grantee of an Option or Stock

Appreciation Right, or to the Grantee's Successor, with respect to any shares as to which the Option or Stock Appreciation Right shall lapse because of such postponement.

(g) All Options and Stock Appreciation Rights granted under the Plan shall be nontransferable other than by will or by the laws of descent and distribution. An Option and Stock Appreciation Right may be exercised during the lifetime of the Grantee only by the Grantee.

(h) Upon the exercise of an Option or Stock Appreciation Right by the Grantee, the stock certificate or certificates may, at the request of the Grantee, be issued in the Grantee's name and the name of another person as joint tenants with the right of survivorship.

10. *Exercise of Option or Stock Appreciation Right by Grantee on Cessation of Employment*

The unexercised portion of any Option or Stock Appreciation Right granted under the Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(a) The expiration of not more than ten years from the date on which such Option was granted;

(b) The expiration of six months from the date of termination of the Grantee's employment by the Company or its subsidiaries whether voluntary or involuntary (other than a termination described in subparagraph (d) below); provided that any portion of any Option or Stock Appreciation Right granted under the Plan which was not exercisable as of the date of termination of employment of the Grantee shall terminate and shall become null and void as of the date of termination of employment and, provided further that if the Grantee shall die during such six-month period, the provisions of subparagraph (c) below shall apply; and, provided further, that for good cause shown, the Committee may, in its discretion, permit a Grantee to exercise any Option or Stock Appreciation Right for a period of up to one year from date of termination of the Grantee's employment by the Company or its subsidiaries;

(c) The expiration of one year following the Grantee's death, if such death occurs during, or within six months after termination of, his employment by the Company or its subsidiaries (other than a termination described in subparagraph (d) below) or during the three-month period following the termination of a subsidiary relationship, as described in subparagraph (e) below;

(d) The termination of the Grantee's employment by the Company or its subsidiaries if such termination constitutes or is attributable to a breach by the Grantee of an employment agreement with the Company or any of its subsidiaries or if the Grantee is discharged for cause. The Committee shall have the right to determine whether the Grantee has been discharged for cause and the date of such discharge, such determination of the Committee to be final and conclusive;

(e) With respect to any Option granted hereunder to employees of subsidiaries of the Company, the expiration of three months from the date on which the subsidiary ceases to be a subsidiary; provided that if the Grantee shall die during such three-month period, the provisions of subparagraph (c) above shall apply; and provided, further, that if the subsidiary ceases to be a subsidiary upon or after the transfer of substantially all of the assets of such subsidiary to, or upon or after the merger of such subsidiary with the Company or any other subsidiary of the Company, the period during which an Option may be exercised shall not be affected by such subsidiary's ceasing to be a subsidiary; or

(f) The expiration of such period of time or the occurrence of such event as the Committee in its discretion may provide upon the granting thereof.

11. *Stockholders' Rights*

No person shall have any rights of a stockholder by virtue of the grant of an Option or Stock Appreciation Right except with respect to shares actually issued to that person upon the exercise thereof.

12. *Adjustment for Changes in Capitalization*

Any increase in the number of outstanding shares of Common Stock of the Company occurring through stock splits or stock dividends after the adoption of the Plan shall be reflected proportionately in an increase or decrease in the aggregate number of shares of Common Stock then available for the grant of Options under the Plan, and a proportionate adjustment shall be made in the number of shares and per share Option price as to any outstanding Options. Any fractional shares resulting from such adjustments shall be eliminated. If changes in capitalization other than those considered above should occur, the Board shall make such adjustments in the number and class of shares for which Options may thereafter be granted, in the number and class of shares remaining subject to Options then outstanding, and in the per share Option price as the Board in its discretion may consider appropriate, and all such adjustments shall be conclusive upon all persons.

13. *Corporate Mergers, Acquisitions, etc.*

The Committee may also grant Options and Stock Appreciation Rights having terms and provisions which vary from those specified in this Plan provided that any Option or Stock Appreciation Right granted pursuant to this Section is granted in substitution for or in connection with the assumption of existing Options and Stock Appreciation Rights granted by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation to which the Company or a subsidiary is a party.

14. *Termination, Suspension or Modification of the Plan*

The Board may at any time terminate, suspend, or modify the Plan, except that the Board shall not, without the authorization of the holders of a majority of the shares voted thereon at a stockholder's meeting duly called and held, change any provision (other than through adjustment for changes in capitalization as heretofore provided) which would determine (a) the aggregate number of shares for which Options may be granted, (b) the minimum exercise price, or (c) the terms of payment. No termination, suspension, or modification of the Plan shall adversely affect any right acquired by any Grantee or any Successor under the terms of an Option or Stock Appreciation Right granted before the date of such termination, suspension, or modification, unless such Grantee or Successor shall consent; but it shall be conclusively presumed that any adjustment for changes in capitalization as provided in Section 12 shall not adversely affect any such right. Notwithstanding anything in the Plan to the contrary, Options may be granted under the Plan at any time and from time to time up to December 1, 1993, on which date the Plan will expire except as to Options then outstanding under the Plan.

15. *Restrictions Upon Option Shares — Officers*

With respect to any Grantee who, in the opinion of the Company's General Counsel, may be considered an officer of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, if, during the 90-day period following the exercise by a Grantee of any Option or Stock

Appreciation Right granted hereunder, the employment of such Grantee by the Company should be terminated for any reason other than his death or disability, the Company may repurchase, during the 190 days following the date of such exercise, all shares purchased upon exercise of such Option or Stock Appreciation Right at a price equal to the price paid by such Grantee for such shares, and no such Grantee shall sell or otherwise dispose of any shares purchased upon the exercise of an Option or Stock Appreciation Right; provided, however, that the Committee may, upon request of a Grantee made at any time during such 190-day period and for good cause shown, waive compliance with the foregoing provisions.

16. *Application of Proceeds*

The proceeds received by the Company from the sale of its shares under the Plan will be used for general corporate purposes.