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DATAPOINT CORPORATION

8119 Datapoint Drive
San Antonio, Texas 78229
(512) 699-7000

Dear Stockholder:

You are cordially invited to the Annual Meeting of Stockholders of Datapoint Corporation to be held on November 25, 1986, in the Wyndham and Colonnade Ballrooms of the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 1:00 p.m., local time.

The Notice of Meeting and Proxy Statement on the following pages cover the formal business of the meeting, which includes proposals to elect eight directors, to approve Datapoint's 1986 Employee Stock Option Plan, to approve a stock option grant to and a stock option plan for directors, to approve an amendment of the Certificate of Incorporation authorizing an additional 8,000,000 shares of Preferred Stock, to approve an amendment of the Certificate of Incorporation relating to the fiduciary duty of directors, to approve indemnification agreements with directors, and to ratify the appointment of Arthur Young & Company, certified public accountants, as Datapoint's auditors for the fiscal year ending August 1, 1987.

An Annual Meeting, which normally would have been held late in 1985, was postponed several times in order to present to stockholders a leveraged buy-out proposal initiated by a group led by the undersigned and Charles P. Stevenson, Jr. and approved by the Board of Directors on November 21, 1985. The leveraged buy-out proposal was terminated on May 6, 1986. In view of the fact that an Annual Meeting has not been held since November 15, 1984 the Proxy Statement presents certain historical information for both the 1985 and 1986 fiscal years.

You are cordially invited to attend the Annual Meeting. In any event, in order that we may be assured of a quorum, we request that you complete, sign, date and return the enclosed proxy as soon as possible. Your vote is important regardless of the number of shares you own.

DISCLOSURE INCORPORATED
OCT 29 1986

Sincerely,

ASHER B. EDELMAN
Chairman of the Board

October 20, 1986

DATAPOINT CORPORATION

8119 Datapoint Drive
San Antonio, Texas 78229
(512) 699-7000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD NOVEMBER 25, 1986

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Datapoint Corporation, a Delaware corporation ("Datapoint"), will be held on November 25, 1986, at the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 1:00 p.m., local time, for the following purposes:

(1) To elect eight directors of Datapoint to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified.

(2) To consider and vote upon the 1986 Employee Stock Option Plan.

(3) To consider and vote upon the 1985 Director Stock Option Plan and the grant of an option to purchase 50,000 shares of Datapoint Common Stock to Asher B. Edelman.

(4) To consider and vote upon a proposal to amend the Certificate of Incorporation to authorize an additional 8,000,000 shares of Preferred Stock.

(5) To consider and vote upon a proposal to amend the Certificate of Incorporation to limit the liability of directors.

(6) To consider and vote upon proposed indemnification agreements with directors.

(7) To ratify the appointment of Arthur Young & Company, certified public accountants, as Datapoint's auditors for the fiscal year ending August 1, 1987.

(8) To transact such other business as properly may come before the Annual Meeting or any adjournment thereof.

Pursuant to the By-laws of Datapoint and action taken by the Board of Directors of Datapoint, October 10, 1986 has been fixed as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

Whether or not you plan to attend the Annual Meeting, please complete, date and sign the enclosed proxy and return it promptly to Datapoint in the return envelope enclosed for your use, which requires no postage if mailed in the United States. You may revoke your proxy at any time before it is voted by filing with the Secretary of Datapoint a written revocation or a proxy bearing a later date, or by attending and voting at the Annual Meeting.

You are cordially invited to attend.

By Order of the Board of Directors,

ROSS LAUGHEAD
Secretary

San Antonio, Texas
October 20, 1986

PROXY STATEMENT

DATAPOINT CORPORATION

8119 Datapoint Drive
San Antonio, Texas 78229
(512) 699-7000

ANNUAL MEETING OF STOCKHOLDERS

To Be Held November 25, 1986

INTRODUCTION

This Proxy Statement is being furnished to holders of shares of the Common Stock of Datapoint Corporation, a Delaware corporation ("Datapoint"), in connection with the solicitation of proxies by the Board of Directors of Datapoint for use at the Annual Meeting of Stockholders to be held on November 25, 1986, in the Wyndham and Colonnade Ballrooms of the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 1:00 p.m., local time, and at any adjournment thereof. This Proxy Statement, the enclosed Notice, and the enclosed form of Proxy are first being mailed to stockholders of Datapoint on or about October 15, 1986.

On October 10, 1986 (the "Record Date"), the issued and outstanding capital stock of Datapoint consisted of 17,806,807 shares of Common Stock, par value $.25 per share (excluding 2,928,400 shares held in the treasury of Datapoint), held by approximately 4,644 holders of record.

The accompanying proxy is solicited on behalf of the Board of Directors of Datapoint.

VOTING RIGHTS AND PROXY INFORMATION

The Board has fixed the close of business on October 10, 1986 as the Record Date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Each holder of Datapoint Common Stock on the Record Date is entitled to cast one vote per share.

The affirmative vote of a majority of the shares of Datapoint Common Stock represented at the Annual Meeting is required to elect any person a director of Datapoint, to approve the 1986 Employee Stock Option Plan, the 1985 Director Stock Option Plan and the grant of an option to purchase 50,000 shares of Datapoint Common Stock to Asher B. Edelman, to approve the indemnification agreements with directors, and to ratify the appointment of auditors. The affirmative vote of the majority of the outstanding shares of Datapoint Common Stock is required to approve amendments to the Certificate of Incorporation authorizing additional Preferred Stock and limiting the liability of directors.

All shares of Datapoint Common Stock represented at the Annual Meeting by properly executed proxies received prior to or at the Annual Meeting, and not revoked, will be voted at the Annual Meeting in accordance with the instructions thereon. If no instructions are indicated, proxies will be voted for the election of the nominees to the Board as set forth in this Proxy Statement and in favor of the other proposals referred to in the preceding paragraph. Datapoint does not know of any matters, other than as described in the Notice of Annual Meeting, which are to come before the Annual Meeting. If any other matters are properly presented at the Annual Meeting for action, the persons named in the enclosed form of proxy and acting thereunder will have the discretion to vote on such matters in accordance with their best judgment.

A proxy given pursuant to this solicitation may be revoked at any time before it is voted. Proxies may be revoked (i) by filing with the Secretary of Datapoint at or before the Annual Meeting a written notice of revocation bearing a later date than the proxy, (ii) by duly executing a subsequent proxy relating to the same shares and delivering it to the Secretary of Datapoint at or before the Annual Meeting or (iii) by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy). Any written notice revoking a proxy should be delivered to Mr. Ross Laughead, Secretary, Datapoint Corporation, 8119 Datapoint Drive, San Antonio, Texas 78229.

ELECTION OF DIRECTORS

At the Annual Meeting, eight directors, constituting the entire Board of Directors of Datapoint, are to be elected to hold office until the next Annual Meeting and until their respective successors are elected and qualified. The affirmative vote of a majority of the shares of all voting stock represented at the Annual Meeting is required to elect any person as a director of Datapoint.

Although the Board of Directors does not contemplate that any of the nominees for director named herein will be unavailable for election, in the event of a vacancy in the slate of nominees, it currently is intended that the proxy will be voted for the election of a nominee who will be selected by the Board of Directors of Datapoint.

The nominees for election as directors are as follows:

DORIS D. BENCSIK, age 55, is Executive Vice President and Chief Operating Officer of Datapoint. Mrs. Bencsik joined Datapoint in 1982 as Vice President-Engineering, became Vice President-Operations in August 1984 and Senior Vice President-Operations in January 1985. She became Executive Vice President and Chief Operating Officer and a director of Datapoint in November 1985. Prior to joining Datapoint, Mrs. Bencsik was director of engineering in Data General Corporation's Small Business Systems Division from 1980 to 1982. She is a member of the Executive Committee.

ASHER B. EDELMAN, age 46, has been General Partner since July 1979 of Plaza Securities Company, broker-dealer; General Partner since J[illegible]y 1984 of Asco Partners, the sole general partner of Arbitrage Securities Company; and General Par[illegible]m January 1977 through June 1984 of Arbitrage Securities Company, broker-dealer. Mr. Edelman [illegible]ctor, Chairman of the Board and Chairman of the Executive Committee of Intelogic Trace, Inc., the public company created from Datapoint's former domestic customer service subsidiary; director, Vice Chairman of the Board and Chairman of the Executive Committee of United Stockyards Corporation; and director and Chairman of the Board of Mohawk Data Sciences Corp. Since February 1985, Canran Corporation, a corporation controlled by Mr. Edelman, has been a General Partner of Canal Randolph Limited Partnership (which is the successor liquidating partnership to Canal-Randolph Corporation). He became Chairman of the Board of Datapoint in March 1985 and is Chairman of the Executive Committee.

RAYMOND FRENCH, age 66, has been General Partner since February 1985 of Canal-Randolph Limited Partnership and prior thereto was Chairman of the Board since June 1983 and director and President for more than five years of Canal-Randolph Corporation, a real estate ownership and development company. He has been a director, Chairman of the Board and President since February 1984 of United Stockyards Corporation, a public stockyard ownership, operational and leasing company. Mr. French is also a director of Blue Ridge Estate Company and Big Boulder Corporation. He became a director of Datapoint in March 1985. He is a member of the Audit Committee.

EDWARD P. GISTARO, age 51, is President and Chief Executive Officer of Datapoint. Mr. Gistaro has been employed by Datapoint for more than five years. Mr. Gistaro joined Datapoint in 1973 as Vice President-Marketing and in 1975 was elected a member of Datapoint's Board of Directors and Senior Vice President-Marketing. He became General Manager of Datapoint's Domestic Marketing Division in 1977, was elected Executive Vice President-Corporate Development in 1980 and was elected Executive Vice President-Finance and Corporate Development of Datapoint in 1981. Mr. Gistaro was elected President of Datapoint in March 1982, and was Chief Operating Officer of Datapoint from such date until his election as Chief Executive Officer in March 1985. Mr. Gistaro is also a director of Intelogic Trace, Inc. He is a member of the Executive Committee.

DANIEL R. KAIL, age 51, has been Managing Trustee since January 1986 of Management Assistance Inc. Liquidating Trust, and prior thereto had been a director, Executive Vice President and Chief Operating Officer since October 1984 of Management Assistance Inc., a computer manufacturing and servicing company. Mr. Kail was Vice President-Corporate Planning and Development from February 1980 through September 1984 of Management Assistance Inc. He became a director of Datapoint in March 1985. Mr. Kail is also a director of Intelogic Trace, Inc. and Mohawk Data Sciences, Inc. He is a member of the Finance and Management Compensation and Stock Option Plan Committees.

CLARK R. MANDIGO, age 43, has been President since 1983 of BHP Petroleum (Americas), Inc. (formerly Energy Reserves Group), an oil and gas exploration and production company. Mr. Mandigo was Executive Vice President-Administration of Energy Reserves Group from 1982 to 1983. He was Vice President, Secretary and General Counsel of Energy Reserves Group from 1976 to 1982. He became a director of Datapoint in May 1985. Mr. Mandigo is also a director of Intelogic Trace, Inc. and United Stockyards Corporation. He is Chairman of the Management Compensation and Stock Option Plan Committee and a member of the Finance Committee.

CHARLES P. STEVENSON, JR., age 39, has been President since 1982 of Capcor, Inc., a corporation involved in diversified financial activities, and President since 1975 of Stevenson Capital Management Corp., a financial services company. Mr. Stevenson is also a director of United Stockyards Corporation. He is also a director of Intelogic Trace, Inc. He became a director of Datapoint in March 1985. He is Chairman of the Finance Committee and a member of the Audit, Executive and Management Compensation and Stock Option Plan Committees.

DWIGHT D. SUTHERLAND, age 60, has been Partner and Chief Executive Officer for more than five years of Sutherland Lumber Co., a retail lumber chain. Mr. Sutherland is also a director of United Stockyards Corporation, First National Charter Corp., Employers Reinsurance Corp. and National Fidelity Life Insurance Company. He became a director of Datapoint in March 1985. He is Chairman of the Audit Committee.

Audit, Compensation and Nominating Committees

Datapoint has standing Audit and Management Compensation and Stock Option Plan Committees of the Board of Directors, but does not have a Nominating Committee. The members of those committees have been identified above.

The Audit Committee annually recommends to the Board of Directors independent auditors for Datapoint 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 Datapoint; meets with management and Datapoint's internal auditors concerning matters similar to those discussed with the outside auditors; and makes reports and recommendations to the Board of Directors and Datapoint's management, internal auditors and independent auditors from time to time as it deems appropriate. This Committee met four times during the fiscal year ended July 27, 1985, during which period its composition changed, and met five times during the fiscal year ended July 26, 1986.

The Management Compensation and Stock Option Plan Committee makes salary recommendations regarding senior management to the Board of Directors and administers Datapoint's Management Incentive Compensation, Stock Option and Executive Performance Award Plans described below. The Management Compensation and Stock Option Plan Committee met four times during the fiscal year ended July 27, 1985, during which period its composition changed, and met five times during the fiscal year ended July 26, 1986.

Meetings of the Board of Directors and Committees

The Board of Directors met 18 times during the fiscal year ended July 27, 1985 and six times during the fiscal year ended July 26, 1986. During each fiscal year, each nominee for director of Datapoint attended at least 75% of the aggregate of (a) the total number of meetings of the Board of Directors, and (b) the total number of meetings held by all committees of the Board on which he served, during his tenure as director.

See "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS" below for certain other information concerning directors.

CHANGE IN CONTROL

Following rejection in January, 1985 by the Board of Directors of Datapoint of a proposal by Asher B. Edelman to acquire Datapoint, Mr. Edelman and certain of his affiliates (the "Edelman Group") in March, 1985 mailed consent solicitation materials to Datapoint's stockholders seeking to remove the incumbent Board of Directors and to replace them with six persons designated by the Edelman Group. The Edelman Group, which at such time had acquired approximately 11.5% of the outstanding Datapoint Common Stock, consisted of Plaza Securities Company ("Plaza"), a New York limited partnership of which Mr. Edelman is controlling general partner; Arbitrage Securities Company ("Arbitrage"), a New York limited partnership of which Asco Partners ("Asco"), a New York general partnership, is sole general partner (Mr. Edelman is controlling general partner of Asco); Dart Partners, L.P. ("Dart"), Bullet Partners, L.P., and Minor Associates, L.P., Delaware limited partnerships of which Mr. Edelman is sole general partner; a number of investment accounts over which Mr. Edelman has investment discretion; United Stockyards Corporation, a Delaware corporation of which Mr. Edelman is Vice Chairman of the Board (Mr. Edelman, Plaza and Arbitrage hold approximately 26.3% of the outstanding common stock of United); and Helix Partners ("Helix") a New York limited partnership of which Mr. Edelman is sole general partner. Subsequent to the mailing of the consent solicitation materials, the Delaware courts found that certain amendments to Datapoint's by-laws attempting to restrict the use of consent solicitations were invalid.

On March 15, 1985, Datapoint and the Edelman Group reached a settlement (the "Settlement Agreement") whereby the Edelman Group abandoned its consent solicitation and all litigation between the Edelman Group and Datapoint was terminated. Under the terms of the Settlement Agreement, Datapoint's Board of Directors was reconstituted into a twelve-member Board composed of six continuing directors and the six Edelman Group nominees. Former directors O'Kelley and Karnes resigned and Datapoint agreed to reimburse the Edelman Group for its actual expenses in connection with its investment in Datapoint and the consent solicitation (other than the costs of acquiring Datapoint's stock).

From the time of the Settlement Agreement between Datapoint and the Edelman Group until the present, the composition of the reconstituted Board of Directors of Datapoint has undergone changes. All persons serving as directors of Datapoint prior to reconstitution of the Board except Edward P. Gistaro have since resigned. Roger L. Miller, one of the Edelman Group's nominees to the Board, has also resigned. In addition, Clark R. Mandigo was appointed a director on May 2, 1985. Mrs. Doris D. Bencsik was appointed a director on November 21, 1985. At present, Datapoint's Board of Directors consists of eight members: Mrs. Doris D. Bencsik and Messrs. Edelman, Gistaro, Mandigo, Raymond French, Daniel R. Kail, Charles P. Stevenson, Jr. and Dwight D. Sutherland.

THE 1986 EMPLOYEE STOCK OPTION PLAN

Introduction; Reasons for the Plan

In May 1986 the Board of Directors determined that a new 1986 Employee Stock Option Plan (the "1986 Employee Plan"), which is substantially similar to Datapoint's 1974, 1977 and 1983 Stock Option Plans (the "prior Employee Plans") previously approved by the stockholders of Datapoint, should be established to secure for Datapoint the benefits of the additional incentive inherent in the ownership of Datapoint Common Stock by employees of Datapoint and its subsidiaries who are important to the success and the growth of the business of Datapoint, and to help Datapoint secure, motivate and retain the services of such employees.

Prior Plans

The prior Employee Plans authorized the purchase of a total of 3,600,000 shares (adjusted for stock splits in the form of 100% stock dividends) of Datapoint's Common Stock upon the exercise of options granted under the plans. No further grants may be made under the 1974 Plan, and there remain 315,265 shares available for the grant of options under the 1977 and 1983 Plans at September 15, 1986. The Board of Directors believes that the best interests of Datapoint will be served by the availability of an additional 1,000,000 shares to be used for options granted under the terms and conditions of the proposed 1986 Employee Plan. Management believes that the prior Employee Plans have enhanced Datapoint'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 1986 Employee Plan differs from Datapoint's 1974, 1977 and 1983 Plans (each of which is substantially identical to the others) in the following material ways:

(a) Under the 1986 Employee Plan, the Committee can grant options exercisable over time or exercisable immediately. Under the prior Employee Plans, the Management Compensation and Stock Option Committee of the Board of Directors (the "Committee") could not grant options exercisable within less than six months of the date on which they were granted.

(b) Under the 1986 Employee Plan, options may be granted allowing an optionholder to deliver Datapoint Common Stock in payment of the exercise price of an option. This payment alternative was not available under the prior Employee Plans.

(c) Under the 1986 Employee Plan, outstanding options may be cancelled and reissued by the Committee with the consent of the optionholder. This power was not expressly provided by the prior Employee Plans.

(d) Under the 1986 Employee Plan, the Plan may be amended without stockholder approval except with respect to the types of amendments restricted under Securities and Exchange Commission Rule 16b-3 (amendments which would (i) materially increase the benefits accruing to participants under the Plan; (ii) materially increase the number of securities which may be issued under the Plan; or (iii) materially modify the requirements as to eligibility for participation in the Plan). The prior Employee Plans had somewhat different restrictions upon plan amendment without Stockholder approval which were essentially similar but not entirely co-extensive with such Rule 16b-3 restrictions.

The prior Employee Plans are administered by the Committee comprised of at least three members not eligible to receive options under the prior Employee Plans. The prior Employee Plans provide for the grant of non-qualified stock options, incentive stock options and stock appreciation rights. Options granted under the prior Employee Plans are not exercisable for at least six months after they are granted, and expire, if not already exercised, at the conclusion of their ten-year terms. The exercise price is required to be at least 75% of the fair market value of Datapoint Common Stock as of the date of the grant of an option, and for incentive stock options the price must be at least fair market value. The Committee is empowered to establish conditions upon the exercisability of options. Options cannot become exercisable after termination of employment, but in most cases options exercisable prior to termination of employment remain exercisable for a period of six months.

As a matter of practice, the Committee has not granted options at less than fair market value. Most options become exercisable in four equal 25% installments coincident with the first through fourth anniversaries of their grant. Options granted pursuant to Datapoint's Executive Performance Award Plan (hereinafter described) become exercisable in one block upon the third anniversary of their grant. Certain options have been granted as exercisable in full after six months have elapsed from the date of their grant. Datapoint has granted no stock appreciation rights to date.

On May 2, 1985, Datapoint optionholders who elected to waive their right to exercise existing options, including, with respect to some of their options, persons named in the Compensation Table under "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS" herein, were granted special non-incentive stock options at the lower fair market value as of such date ($14.375, subsequently adjusted to $3.136, see below) in replacement for such waived options. Shares subject to waived options are not available to Datapoint until such options expire or terminate pursuant to the provisions of the option plans under which they were granted.

As of July 27, 1985, the Board of Directors adjusted the exercise price of all existing stock options to account for the diminution in market value of the shares of Datapoint's Common Stock as a result of the spin-off to stockholders of record as of that date of Datapoint's separately incorporated domestic customer service organization, Intelogic. The exercise price of all options granted but not exercised on or before that date were multiplied by 0.2181391 to arrive at their post-record date exercise price.

Information as to plans in effect within the past five years for officers, directors and all employees is set forth under "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS" below. The essential features of the proposed 1986 Employee Plan are outlined below. The full text of the proposed 1986 Employee Plan appears as Annex I hereto, and this outline is qualified in its entirety by reference to such Annex.

Description of the 1986 Employee Stock Option Plan

General. The Board of Directors of Datapoint has adopted the 1986 Employee Plan, subject to the approval of the stockholders.

The Board believes that stockholder approval of the Plan is desirable because it will increase the incentive for certain employees to contribute to the future success and prosperity of Datapoint and, therefore, enhance the value of Datapoint's Common Stock for the benefit of the stockholders. Furthermore, the availability and offering of stock options to such employees strengthens the ability of Datapoint to attract and retain employees.

The complete text of the 1986 Employee Plan is set forth in Annex I to this Proxy Statement. The following summary of the material features of the 1986 Employee Plan does not purport to be complete and is qualified in its entirety by reference to Annex I.

Eligibility. In general, all employees of Datapoint and its subsidiaries who contribute to the management, direction and overall success of Datapoint are eligible to receive options under the 1986 Employee Plan. Members of the Board who are not employees of Datapoint shall not be eligible for option grants under the 1986 Employee Plan.

Shares Subject to the Plan. A maximum of 1,000,000 shares of Datapoint's Common Stock is authorized for exercise of the stock options under the 1986 Employee Plan. The shares to be used may be either treasury shares or newly issued shares.

Option Features. The type of stock options that may be granted under the 1986 Employee Plan are Incentive Stock Options or Non-Incentive Stock Options. The option price per share shall not be less than 75 percent of the fair market value of a share of Datapoint Common Stock on the date of grant.

A participant may exercise an option by delivering a written notice of exercise to Datapoint and tendering payment of the full price of the shares being exercised. The exercise price of a stock option may be paid in cash, shares of Datapoint's Common Stock (if authorized by and subject to such conditions as may be set by the Committee) or a combination of cash and such stock. A participant who delivers shares in lieu of cash in order to exercise a stock option may potentially, if the option agreement or the Committee does not otherwise restrict the manner of exercise, "pyramid" shares by requesting Datapoint to repeatedly apply, automatically, the shares received upon exercise of a portion of a stock option to satisfy the exercise price for additional portions of the options. The effect of pyramiding would be to allow a participant to deliver a relatively small number of shares in satisfaction of the exercise price of even the largest option.

A stock option may not be granted which expires more than ten years and one day from the date of grant (the "Termination Date"). The Committee will determine the dates after which options may be exercised in whole or in part, and may establish installment exercise terms so that an option becomes fully exercisable in a series of cumulative portions. The Committee may also accelerate the period for the exercise of any stock option or portion thereof.

In the event of a participant's retirement at age 65 (or earlier with the consent of the Committee) or disability, any outstanding option shall, in general, be exercisable within one year after such event (but not subsequent to the expiration of the option), by the participant. In the event of a participant's death, any outstanding option shall also be exercisable within one year after such event (but not subsequent to the expiration of the option), by the participant's estate or beneficiary. In the event of a participant's voluntary or involuntary termination of employment with Datapoint or its subsidiaries for any reason other than retirement, death or disability, any outstanding options shall expire on the earlier of the Termination Date or the one hundred and eightieth day following the date of cessation of employment.

A participant may not exercise an Incentive Stock Option while any Incentive Stock Options previously granted to the participant remain outstanding. All unexercised Incentive Stock Options are considered "outstanding" until their exercise or their expiration date. The aggregate value of Incentive Stock Options which may be granted to any participant may not exceed $100,000 in any one year, plus any unused "carryover" amount as determined under Section 422A of the Internal Revenue Code of 1954, as amended (the "Code").

No stock option granted under the 1986 Employee Plan shall be assignable or transferable except by will or the laws of descent.

In the event of certain extraordinary corporate transactions, including mergers and sales of substantially all the assets of Datapoint, stock dividends, or other events which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding options, the Committee shall take any such action as it deems necessary to preserve the optionee's rights substantially proportionate to the rights existing prior to such event.

Stock Appreciation Rights. At or after the grant of a stock option, the Committee may, in its discretion, grant a participant a Stock Appreciation Right ("SAR"), defined as a right to exercise an option, or portion thereof, and receive in exchange the excess, if any, as of the date such right is exercised of (i) the fair market value of the shares of Datapoint Common Stock associated with the option, or portion thereof, which is exercised over (ii) the aggregate option price of such shares to the participant if he exercised such option, or portion thereof, through the purchase of shares. An SAR is only exercisable during the term of the associated option.

Upon a participant's exercise of an SAR, Datapoint's payment to the participant may be made (at the election of the Committee) in cash, or in shares of Datapoint Common Stock valued at their fair market value on the date of the exercise, or partly in cash and partly in shares of Datapoint Common Stock.

Restricted Stock. A stock option may provide, in the discretion of the Committee, that Datapoint Common Stock received upon exercise of a stock option shall be subject, for a specified period, to certain sale and transfer restrictions. Such restricted period may be accelerated by the Committee in its discretion. Except for sale and transfer restrictions, the participant, as owner of shares of Datapoint Common Stock, shall have all the rights of a stockholder, including (but not limited to) the right to receive all dividends paid on such shares and the right to vote such shares. In the event that a participant ceases to be an employee of Datapoint for any reason during a restricted period, Datapoint may, at its discretion, purchase from the participant any shares subject to restrictions at the price originally paid for the stock by the participant. With respect to restricted stock that was acquired by a participant pursuant to the exercise of an SAR, Datapoint shall have the option to reacquire such shares without the payment of any consideration.

Plan Administration. The 1986 Employee Plan will be administered by the Committee which is composed of non-employee directors and has the authority to grant options and set the terms and conditions of the stock option agreements, subject to the provisions of the 1985 Employee Plan. No determination has been made as to the amount or type of options to be granted during any year of the 1985 Employee Plan and no participants have been selected.

Amendment and Termination. The Board of Directors may terminate, suspend or amend the 1986 Employee Plan without stockholder approval except that (1) no modification may, without a participant's consent, alter or impair any of the rights or obligations under any stock option theretofore granted, and (2) no modification, without stockholder approval, shall materially modify the eligibility requirements for receiving stock options, increase the maximum number of shares for which options may be granted under the 1986 Employee Plan, reduce the minimum option price per share, extend the period of granting stock options, or materially increase in any other way the benefits accruing to participants.

No stock option may be granted after May 19, 1996.

Federal Tax Consequences and Accounting Treatment. The Federal income tax consequences applicable to Datapoint and a participant in connection with an Incentive Stock Option, within the meaning of Section 422A of the Code, or a Non-Incentive Stock Option granted under the 1986 Employee Plan, are complex and depend, in part, on the surrounding facts and circumstances.

In general, a participant will not recognize any income upon the grant or exercise of an Incentive Stock Option. Although no income is recognized upon the exercise of an Incentive Stock Option, the exercise does generate an item of tax preference equal to the difference between the exercise price of the option and the fair market value of the underlying shares on the date of exercise. This tax preference item may subject the participant to payment of alternative minimum tax. If the participant holds the stock acquired through the exercise of an Incentive Stock Option for more than two years from the grant of the option and more than one year from the exercise of the option, the difference between the option price and the price at which the stock so acquired is sold will be treated as a long-term capital gain. A failure to satisfy this holding period will result in ordinary income being recognized by the participant upon the disposition of the stock in an amount equal to the difference, with certain adjustments, between the option price and the fair market value of the stock on the date of exercise, and in capital gain being recognized in an amount equal to the excess, if any, of the price at which the stock is sold over the fair market value of the stock on the date of exercise.

A participant will not recognize any income upon the grant of a Non-Incentive Stock Option. As a general rule, in the case of a Non-Incentive Stock Option, a participant will recognize ordinary income upon the exercise of such option in an amount equal to the difference between the option price and the fair market value of the underlying stock on the date of exercise. However, unless a participant who exercises a Non-Incentive Stock Option and, (i) as a consequence of such exercise receives Restricted Stock or (ii) is subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934 ("Section 16(b)"), elects within 30 days after the exercise to be treated under the general rule described above by properly filing an election under Section 83(b) of the Code, such participant will recognize ordinary income in respect of such option, at the time the restrictions applicable to the shares of stock so acquired lapse, equal to the difference between the option price and the fair market value of the underlying stock on the date the restrictions lapse.

Assuming compliance with the applicable withholding requirements, Datapoint will be entitled to a deduction equal to the amount of ordinary income recognized by a participant in connection with either an Incentive Stock Option, a Non-Incentive Stock Option or an SAR at the time the participant recognizes such income.

For financial accounting purposes, there will be no charge to Datapoint's earnings associated with an Incentive Stock Option or a Non-Incentive Stock Option unless (1) the option is granted or exercised with an associated SAR or (2) the option is exercised by "pyramiding."

The granting of SARs does not produce taxable income to the participant or a tax deduction to Datapoint. Upon exercise of such rights, any cash and the fair market value on the exercise date of any stock received is taxable to the participant as ordinary income. However, where a participant (i) is subject to Section 16(b) or receives Restricted Stock pursuant to an SAR, and (ii) does not elect to be treated under the general rule stated above by properly filing an election under Section 83(b) of the Code, the fair market value of any stock received pursuant to an SAR will be taxable to the participant as ordinary income at the time the restrictions lapse in respect of the stock so acquired. The grant of SARs will require a charge to operations for the appreciation on the rights if it is anticipated such rights will be exercised. The amount of such charge is equal to the number of such rights granted times the amount, if any, by which the fair market value of Datapoint's Common Stock exceeds the option price provided for in the related stock options.

New legislation would affect the Federal income tax consequences of the exercise of an Incentive Stock Option. In particular, legislation would eliminate the preferential treatment for capital gains with respect to tax years beginning on or after January 1, 1987. However the tax rate for capital gains during calendar year 1987 will not exceed 28 percent. Further, the bill would repeal the sequential exercise rule and would modify the $100,000 limit on the amount of options that may be granted in any one year to apply the limit to the year of exercise rather than the year of grant.

A VOTE "FOR" APPROVAL OF THE 1986 EMPLOYEE STOCK OPTION PLAN IS RECOMMENDED BY THE BOARD OF DIRECTORS.

THE 1985 DIRECTOR STOCK OPTION PLAN AND THE GRANT OF A STOCK OPTION TO ASHER B. EDELMAN

Introduction

In June 1985 Datapoint adopted, contingent upon stockholder approval, a 1985 Director Stock Option Plan ("1985 Director Plan") to provide directors with an additional incentive to maximize value for stockholders and as an additional element of director compensation. See "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS". The 1985 Director Plan provides for a one-time grant of a Non-Incentive Stock Option to purchase, at fair market value as of the date of the grant, 25,000 shares of Datapoint Common Stock to each director, and an additional 50,000 shares to any newly elected Chairman of the Board. The 1985 Director Plan does not grant an option to purchase an additional 50,000 shares to the incumbent Chairman because he received such an option in May 1985 (see below). Such options become fully exercisable upon stockholder approval and expire five years after their effective grant date. For incumbent directors, the effective grant date is June 14 1985, and hence the exercise price of such directors' options was $2.781 per share, as adjusted. (See "THE 1986 EMPLOYEE STOCK OPTION PLAN — Prior Plans"). Datapoint previously granted stock options for 20,000 shares (adjusted for stock splits in the form of 100% stock dividends) to non-employee directors in 1977. No incumbent director granted an option under the 1985 Director Plan received any option under such previous plan.

On May 2, 1985, the Board of Directors granted Asher B. Edelman, Chairman of the Board, a Non-Incentive Stock Option to purchase 50,000 shares of Datapoint Common Stock, at fair market value as of that date ($3.136 per share, as adjusted, see "THE 1986 EMPLOYEE STOCK OPTION PLAN — Prior Plans"), contingent upon stockholder approval. Such option becomes exercisable upon stockholder approval and terminates upon the expiration of five years from the date of grant. It is subject to the further restriction that it may be exercised with respect to no more than 50% of the shares within six months from the date of grant, 75% of the shares within twelve months from such date, and 100% thereafter until expiration. Mr. Edelman, who beneficially owns more than 10% of Datapoint's outstanding shares, joined the Board as its Chairman on March 22, 1985. This option is in lieu of the options to which future chairmen will be entitled under the 1985 Director Plan, should such plan be approved by stockholders. Mr. Edelman's biography and details of his share ownership appear under the captions "ELECTION OF DIRECTORS" and "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS" herein.

The essential features of the proposed 1985 Director Plan are outlined below. The full text of the proposed 1985 Director Plan appears as Annex II hereto, and this outline is qualified in its entirety by reference to such Annex.

Description of the 1985 Director Stock Option Plan

General. The Board of Directors of Datapoint has adopted the 1985 Director Plan, subject to the approval of the stockholders.

The Board of Directors believes the 1985 Director Plan is desirable because it will encourage Datapoint's directors to acquire a proprietary interest in Datapoint. Furthermore, the availability and offering of stock options to such directors strengthens the ability of Datapoint to attract and retain directors.

The complete text of the 1985 Director Plan is set forth in Annex II to this Proxy Statement. The following summary of the material features of the 1985 Director Plan does not purport to be complete and is qualified in its entirety by reference to Annex II.

Eligibility. All directors of Datapoint are eligible to receive options under the 1985 Director Plan.

Shares Subject to the Plan. A maximum of 500,000 shares of Datapoint Common Stock is authorized for exercise of the stock options under the 1985 Director Plan. The shares to be used may be either treasury shares or newly issued shares.

Option Features. The only type of stock options that may be granted under the 1985 Director Plan are Non-Incentive Stock Options. The option price per share shall not be less than the fair market value of a share of Datapoint Common Stock on the date of grant.

Each current director, and thereafter each newly elected director at the time of his election, will receive an option for 25,000 shares of Datapoint Common Stock. Each newly elected Chairman of the Board, at the time of his election, shall be entitled to receive an option to purchase 50,000 shares of Datapoint Common Stock in addition to those otherwise granted for services as a director.

Each director who receives an option will not be eligible for any further options under the 1985 Director Plan, whether or not the original option was exercised.

A participant may exercise an option by delivering a written notice of exercise to Datapoint and tendering payment of the full price of the shares being exercised. The exercise price of a stock option may be paid in cash, shares of Datapoint Common Stock (subject to such conditions as may be set by the Committee) or a combination of cash and stock. A participant who delivers stock in order to exercise a stock option may, if the option agreement or the Committee does not restrict the manner of exercise, "pyramid" shares by requesting Datapoint to repeatedly apply, automatically, the shares received upon exercise of a portion of a stock option to satisfy the exercise price for additional portions of the options. The effect of pyramiding would be to allow a participant to deliver a relatively small number of shares in satisfaction of the exercise price of even the largest option.

A stock option may not be granted which expires more than ten years from the date of grant (the "Termination Date").

In the event of a participant's retirement at age 65 or disability, any outstanding option shall, in general, be exercisable within one year after such event (but not subsequent to the expiration of the option), by the participant. In the event of a participant's death, any outstanding option shall be exercisable only within one year after such event (but not subsequent to the expiration of the option), by the participant's estate or beneficiary. In the event of a participant's voluntary or involuntary termination of his directorship with Datapoint for any reason other than death any outstanding options shall expire on the earlier of the Termination Date or the one hundred and eightieth day following the date of cessation of the directorship.

No stock option granted under the 1985 Director Plan shall be assignable or transferable except by will or the laws of descent.

In the event of certain extraordinary corporate transactions, including mergers and sales of substantially all the assets of Datapoint, stock dividends, or other events which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding options, the Committee shall take any such action as it deems necessary to preserve the optionee's rights substantially proportionate to the rights existing prior to such event.

Stock Appreciation Rights. Each participant shall have the right (a Stock Appreciation Right ("SAR")) to exercise his option, or portion thereof, and receive in exchange the excess, if any, as of the date such right is exercised of (i) the fair market value of the shares of Datapoint Common Stock associated with the option, or portion thereof, which is exercised, over (ii) the aggregate option price of such shares to the participant if he exercised such option, or portion thereof, through the purchase of shares. An SAR is only exercisable during the term of the associated option.

Upon a participant's exercise of an SAR, Datapoint's payment to the participant shall be made in shares of Datapoint Common Stock valued at their fair market value on the date of exercise.

Plan Administration. The 1985 Director Plan shall be administered by the Committee which will set the terms and conditions of the stock option agreements, subject to the provisions of the 1985 Director Plan. However, the Committee will have no discretion either to determine which directors shall receive options or set the number of shares subject to such options.

Amendment and Termination. The Board of Directors may terminate or from time to time suspend or amend the 1985 Director Plan without stockholder approval, except that (1) no modification may, without the participant's consent, alter or impair any of the rights or obligations under any stock option theretofore granted, and (2) no modification, without stockholder approval, shall materially modify the eligibility requirements for receiving stock options, increase the maximum number of shares for which options may be granted under the 1985 Director Plan, reduce the minimum option price per share, extend the period of granting stock options, or materially increase in any other way the benefits accruing to participants.

No stock option may be granted after November 21, 1995.

Federal Tax Consequences and Accounting Treatment. The Federal income tax consequences applicable to Datapoint and to participants with respect to options granted under the 1985 Director Plan are complex. A participant will not recognize any income upon the grant of an option. As a general rule, a participant will recognize ordinary income upon the exercise of an option in an amount equal to the difference between the option price and the fair market value of the underlying stock on the date of exercise. However, unless a participant who is subject to the provisions of Section 16(b) elects within 30 days after the exercise of an option to be treated under the general rule described above by properly filing an election under Section 83(b) of the Code, such participant will recognize ordinary income in respect of such option six months after the stock is acquired pursuant to the exercise of the option. Such ordinary income will be equal to the difference between the option price and the fair market value of the underlying stock on that date.

The granting of an SAR does not produce taxable income to the participant or a tax deduction to Datapoint. In general upon exercise of such rights, the fair market value on the exercise date of any stock received is taxable to the participant as ordinary income. However, if a participant is subject to Section 16(b) and does not elect to be treated under the general rule stated above by properly filing an election under Section 83(b) of the Code, the fair market value of any stock received pursuant to an SAR will be taxable to the participant as ordinary income six months after the stock is acquired.

Datapoint will be entitled to a deduction equal to the amount of ordinary income recognized by a participant in connection with an option or SAR at the time the participant recognizes such income. For financial accounting purposes, the grant of SARs will require a charge to operations for the appreciation on the rights if it is anticipated such rights will be exercised. The amount of such charge is equal to the number of such rights granted times the amount, if any, by which the fair market value of Datapoint Common Stock exceeds the option price provided for in the related stock options.

Existing Plans. Information as to plans in effect within the past five years for officers, directors and all employees is set forth under "COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS" below.

A VOTE "FOR" APPROVAL OF THE 1985 DIRECTOR STOCK OPTION PLAN AND THE GRANT OF A STOCK OPTION TO ASHER B. EDELMAN IS RECOMMENDED BY THE BOARD OF DIRECTORS.

APPROVAL OF ADDITIONAL AUTHORIZATION OF PREFERRED STOCK

The Board of Directors has declared advisable and proposes the adoption of an amendment to Article 4 of the Certificate of Incorporation to authorize an additional 8,000,000 shares of Preferred Stock. The purpose of the proposed amendment is to increase the existing authorization for 2,000,000 shares of Preferred Stock, $1.00 par value to provide 8,000,000 additional shares of Preferred Stock for proper corporate purposes, including, without limitation, facilitating the future financing needs of the Company and the acquisition by Datapoint of other businesses or properties. Datapoint's Certificate of Incorporation permits the Board of Directors without further action by the stockholders to issue the Preferred Stock in series and to fix the consideration to be received therefor and determine the rights, preferences and limitations of each such series. The determinations which the Board of Directors is authorized to make with respect to each series of Preferred Stock which it may authorize include dividend rights, redemption and sinking fund provisions, conversion rights, voting rights and liquidation rights. All such determinations would be made by the Board of Directors at the time it establishes a particular series of Preferred Stock and would take into account the circumstances pertinent at that time. The foregoing description and that which follows apply equally to the existing Preferred Stock and the additional Preferred Stock proposed to be authorized.

In order to create a series of Preferred Stock, the Board of Directors would be required to adopt resolutions providing for the issuance of such series and designating the preferences, voting rights, rights of conversion or other rights, qualifications, limitations and restrictions applicable to the shares of such series.

Thereafter, Datapoint would be required to file a Certificate of Designation with the Secretary of State of the State of Delaware setting forth the designation, rights and preferences of such series as so fixed by the Board of Directors. Such shares would be subject to issuance from time to time by the Board of Directors without further stockholder approval, except as such approval may be required by the New York Stock Exchange or any other exchange upon which such shares or shares of Datapoint's Common Stock may be listed. The Certificate of Incorporation of Datapoint does not grant preemptive rights to the holders of any class of stock of Datapoint.

Upon the authorization of any series of Preferred Stock by the Board of Directors and issuance of shares of such series, the holders of shares of such series would have certain preferences over the holders of outstanding Common Stock, depending upon the specific terms of such series designated by the Board of Directors. In particular, the holders of outstanding Common Stock would be entitled to receive dividends and amounts distributable upon liquidation of Datapoint, if any, only after the payment thereof to the holders of Preferred Stock in accordance with the terms of such series. In addition, the Board of Directors could designate other preferences applicable to such series of Preferred Stock including, without limitation, equal or disproportionate voting rights with the outstanding Common Stock or special voting rights in certain circumstances such as the right to vote separately as a class to elect a fixed number of directors in the event of a cumulative arrearage in the payment of dividends on such Preferred Stock or to vote separately as a class on any proposal to merge, liquidate or sell substantially all of the assets of Datapoint.

The availability for issuance of shares of Preferred Stock could enable the Board of Directors to render more difficult or discourage an attempt to obtain control of Datapoint by means of a merger, tender offer or proxy contest directed at Datapoint, even if stockholders believe that such transaction or occurrence generally is favorable to their interests. Thus the proposed amendment could be characterized as an anti-takeover proposal. For example, the issuance of shares of Preferred Stock in a public or private sale, merger or similar transaction would increase the number of Datapoint's outstanding shares, thereby diluting the interest of a party attempting to obtain control of Datapoint. The holders of newly issued shares might also be entitled to vote as a separate class on a transaction proposed by a third party involving Datapoint, such as a merger, consolidation or similar transaction, depending upon the effect of such transaction on the rights and privileges of the then outstanding Preferred Stock.

There are no present plans for issuance of any of the shares of Preferred Stock which would be authorized by adoption of the proposed amendment. The Company has announced, however, its intention to commence by the beginning of November 1986 an offer to exchange up to 2,000,000 shares of Preferred Stock (i.e., all of such shares presently authorized) for up to 8,000,000 shares of the Company's presently outstanding Common Stock, on the basis of ¼ of a share of Preferred Stock for each share of Common Stock (the "Exchange Offer"). The Preferred Stock to be issued is expected to pay an annual cumulative dividend of $4.94 per share, payable quarterly, and to have a liquidation preference of $38 per Preferred share. Each share of such Preferred Stock will also be exchangeable, at the option of the Company commencing in 1989, for $38 in principal amount of a 13 percent subordinated note of the Company due ten years following exchange.

The complete terms and conditions of the Exchange Offer as well as a detailed description of the rights and preferences of the Preferred Stock to be issued will be set forth in material which will be made available to all holders of Datapoint Common Stock.

Although additional authorized Preferred Stock will not be required for the announced Exchange Offer, the Board of Directors believes that the authorization of additional Preferred Stock would be beneficial to Datapoint, whether or not the proposed Exchange Offer is consummated or fully subscribed, to allow more flexibility in future financings (which could include additional exchange offers), acquisition transactions and for other corporate purposes. The Board of Directors believes that the existing authorization may be insufficient for certain potential beneficial transactions.

Financial statements of Datapoint, Datapoint's certified public accountants' report thereon, a consolidated summary of operations and management's discussion and analysis of such summary are contained in Datapoint's 1986 Annual Report to Stockholders, a copy of which has been sent to each stockholder of record along with a copy of this Proxy Statement, and are incorporated herein by reference. Except for those portions of the Annual Report which are specifically incorporated herein by reference, the Annual Report is not to be regarded as proxy soliciting material or a communication by means of which any solicitation is to be made.

A VOTE "FOR" THE APPROVAL OF THE PROPOSED AMENDMENT OF THE CERTIFICATE OF INCORPORATION RELATING TO PREFERRED STOCK IS RECOMMENDED BY THE BOARD OF DIRECTORS.

AMENDMENT OF CERTIFICATE OF INCORPORATION IN RESPECT OF THE LIABILITY OF DIRECTORS

The State of Delaware, Datapoint's state of incorporation, has recently adopted amendments to the Delaware General Corporation Law permitting limitation of liability of directors under certain circumstances. The new law, which became effective July 1, 1986, permits the elimination of personal liability of directors for monetary damages arising out of claims of breach of fiduciary duty, except liability for the breach of the duty of loyalty, the failure to act in good faith, intentional misconduct or knowing violation of law, the payment of unlawful dividends or unlawful stock repurchases or redemptions or for any transaction from which the director derived an improper personal benefit. Neither the new law nor the proposed amendment eliminates a director's fiduciary duty; they only provide directors with relief from awards of monetary damages. Thus, while the law has not as yet been interpreted by the courts, it would seem clear that the availability of equitable remedies such as an injunction or rescission based upon a director's breach of fiduciary duty or the removal of a director by the Board or the stockholders are not affected.

The Board of Directors of Datapoint has declared advisable and proposes the adoption of a new Article 8 to the Certificate of Incorporation which would provide, to the fullest extent permitted by Delaware law, that a director shall not be liable to Datapoint or its stockholders for monetary damages for breach of fiduciary duty as a director. Liability for monetary damages in cases of gross negligence, including gross negligence in acquisition transactions, would be eliminated under the proposed amendment. The complete texts of the proposed amendment and of Section 102(b)(7) of the Delaware General Corporation Law are set forth in Annex IV to this Proxy Statement. The discussion herein is qualified by reference to Annex IV and also does not purport to be a complete review of the law of directors' liability or applicability of the proposed amendment or the new law with respect to any particular set of facts and circumstances.

The Board of Directors believes that the proposed amendment is in the best interests of the stockholders and Datapoint and that it will, in combination with the indemnification agreements described below, help to maintain Datapoint's ability to attract and retain qualified individuals to serve as directors of Datapoint and to allow such individuals to exercise their independent business judgment on behalf of Datapoint. The amendment would reduce the amount of potential liability and free directors of excessive caution in making what the Delaware legislative history refers to as "entrepreneurial decisions" for the benefit of Datapoint and its stockholders. Under presently prevailing circumstances, directors are more likely to be held liable for decisions found after the fact to be excessively risky than for overly cautious decisions. Thus, directors might be influenced to opt for more cautious policies than they would otherwise judge to be in the best interest of stockholders. The amendment, however, limits the remedies available to stockholders dissatisfied with a board decision which is protected by the amendment. A dissatisfied stockholder's only remedy in such a circumstance is to seek the equitable remedy of recission or injunction, which may not, in all circumstances, be an effective remedy. The Board of Directors, however, believes that the diligence exercised by directors stems primarily from their desire to act in the best interests of Datapoint and not from a fear of monetary damage awards. Consequently, the Board believes that the level of scrutiny and care exercised by directors will not be lessened by the adoption of the amendment.

The amendment would supersede, with respect to directors and to the extent applicable, Datapoint's present By-Law provision, which is referred to below and set forth in Annex VI to this Proxy Statement, which might exculpate a director from liability if he is found to have "exercised the same degree of care and skill as a prudent man would have exercised under the circumstances in the conduct of his own affairs".

The amendment would apply prospectively and not eliminate or limit the liability of a director for any act or omission occurring prior to the effective date of the amendment.

A VOTE "FOR" THE APPROVAL OF THE PROPOSED AMENDMENT OF THE CERTIFICATE OF INCORPORATION RELATING TO THE LIABILITY OF DIRECTORS IS RECOMMENDED BY THE BOARD OF DIRECTORS.

APPROVAL OF INDEMNIFICATION AGREEMENTS

In furtherance of the same aims represented by the immediately foregoing proposal to amend the Certificate of Incorporation, the Board of Directors has also proposed that stockholders authorize Datapoint to enter into indemnification agreements with each of its present directors and any director hereafter elected or appointed to the Board. The proposed form of agreement is set forth in Annex V to this Proxy Statement and the following discussion is qualified by reference to Annex V. Stockholder approval of the agreements is not required by law. However, since each present director will be a party to and benefit from the rights set forth in such an agreement, the Board of Directors considers it appropriate to submit the agreements to Datapoint stockholders for their approval. Should stockholders not approve the agreements, they will not be entered into.

The Board of Directors believes that, even with the limitations of liability represented by the proposed amendment of the Certificate of Incorporation relating to the liability of directors discussed above which may tend to discourage and/or narrow the scope of claims made against directors, the benefits represented by indemnification agreements are important in attracting and retaining qualified persons to serve as directors. Among the reasons is that neither Datapoint nor its directors have any control over the initiation of litigation or other legal proceedings or the scope of the assertions which may be made therein.

These agreements would assure directors that the indemnification provided for by Datapoint's present By-Laws will continue to be available whether or not hereafter eliminated or narrowed. The text of the present By-Law section is set forth in Annex VI to this Proxy Statement. This section provides that directors and officers shall be entitled to indemnification to the fullest extent permitted by Delaware law.

Delaware law provides a detailed statutory framework under which indemnification is required or permitted but also provides that this framework is not exclusive of other rights to indemnification which a director or officer may have, among other things, by agreement. In accordance with this non-exclusive feature of Delaware law, the proposed agreements alter and expand the statutory framework in the following principal respects: (i) indemnity is provided for in respect of settlements in derivative actions, (ii) prompt payment of expenses is provided for in advance of indemnification, (iii) prompt indemnification or advances of expenses is provided unless a determination is made that the director or officer has not met the statutory standard, (iv) the director or officer is indemnified for expenses incurred to determine whether he is entitled to indemnification, whether or not successful, (v) partial indemnification is permitted in the event that the director or officer is not entitled to full indemnification, and (vi) determination of the entitlement of the director to indemnification will be made by the Board of Directors, or by a director or third party designated by the Board. Although the enforceability of all of the provisions of the agreements has not been tested in court and may be subject to public policy considerations, the Board of Directors believes that such provisions are permitted under Delaware law.

It is anticipated that, if the proposed indemnification agreements are authorized by the stockholders for present and future directors, similar agreements with certain present and future officers of Datapoint, who are not directors, will be approved by the Board of Directors.

Litigation currently pending, which does or might involve claims for indemnification, has been excepted from coverage under the indemnification agreements and will be governed by the present By-Law provision and applicable law. Except for the foregoing, neither Datapoint nor any of its directors have actual knowledge of any threatened litigation which might result in claims for indemnification under the proposed agreements. The indemnification agreements will be applicable to claims asserted after their effective dates whether arising from acts or omissions occurring before or after such dates.

A VOTE "FOR" THE APPROVAL OF INDEMNIFICATION AGREEMENTS IS RECOMMENDED BY THE BOARD OF DIRECTORS.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Executive Officers

The following tables set forth all aggregate cash compensation paid by Datapoint and its subsidiaries for service in all capacities for the fiscal years ended July 27, 1985 and July 26, 1986, with respect to each of the five highest paid executive officers whose aggregate remuneration exceeded $60,000 and all executive officers of Datapoint as a group. The information set forth below in this section with respect to executive officers, officers and directors does not include any data with respect to any portion of the applicable period during which the person was not an executive officer, officer or director of Datapoint.

CASH COMPENSATION TABLE—FY 1985

Name of Individual or Number of Persons in Group	Capacities in Which Served	Cash(1)(2) Compensation
H. E. O'KELLEY	Chief Executive Officer and Chairman of the Board (until March 15, 1985)	$1,689,219
E. P. GISTARO	President, Chief Executive Officer, Chief Operating Officer and a Director	$ 602,632(3)
J. L. HALE	Executive Vice President, Customer Service and Operations Administration (until July 27, 1985)	$ 243,791
D. D. BENCSIK	Senior Vice President, Operations	$ 214,415
D. J. SHAPIRO	Senior Vice President, Advanced Product Development	$ 213,106
All Executive Officers of Datapoint as a group (14 persons, including those named above)		$4,701,623

1 Amounts shown exclude payments incident to the relocation of certain officers in the following amounts: Mr. Shapiro, $94,218; Mrs. Bencsik, $1,726; all executive officers as a group, $374,022.

2 Compensation includes $311,973 in severance payments made to Mr. O'Kelley during the fiscal year ended July 27, 1985 but excludes approximately $660,000 in additional severance payments Datapoint has since paid or expects to pay to Mr. O'Kelley. Compensation also includes $611,500 in severance payments made to 3 other executive officers during such fiscal year. Aggregate severance payments of $923,473 made with respect to all executive officers as a group during such period are included, but approximately $750,000 in additional severance payments Datapoint has made since such date or expects to make to such persons are excluded.

3 The amount shown includes $44,300 paid as a bonus to discharge indebtedness for stock purchased pursuant to the employment agreement described below between Datapoint and Mr. Gistaro.

CASH COMPENSATION TABLE—FY 1986

Name of Individual or Number of Persons in Group	Capacities in Which Served	Cash(1) Compensation
E. P. GISTARO	President, Chief Executive Officer and a Director	$ 325,100
D. D. BENCSIK	Executive Vice President, Operations, Chief Operating Officer and a Director	$ 228,400
O. B. VON BULOW	Senior Vice President, International Operations	$ 182,010
R. A. HAHN	Senior Vice President, Domestic Marketing	$ 170,810
J. R. NOVAK	Vice President, Manufacturing	$ 155,040
All Executive Officers of Datapoint as a Group (10 persons, including those named above)	-	$1,565,144

1 Amounts shown exclude payment incident to the relocation of certain officers in the following amounts: Mrs. Bencsik, $1,659; Mr. Hahn $17,746; all executive officers as a group, $54,374.

The amounts shown in the tables above as cash compensation exclude certain expenditures by Datapoint and its subsidiaries which are or may be deemed to be of some personal benefit to executive officers. Datapoint, after reasonable inquiry, is unable to determine how much of these excluded expenditures were not directly related to performance of Datapoint's business activities, but it believes that this amount, in the applicable fiscal year, would not exceed the lesser of 10% of cash compensation or $25,000 for any listed executive officer or for the average of all executive officers of Datapoint, as a group.

Directors

Directors who are employees of Datapoint receive no additional compensation for serving on the Board of Directors or its committees. Each director who is not an employee of Datapoint receives fees as follows: Each non-employee director receives an annual fee of $15,000, payable in quarterly installments. Executive Committee members receive an additional $5,000 annual fee. Committee Chairmen receive an additional $2,000 annual fee. Board members serving on more than one committee receive an additional $1,000 annual fee. Each non-employee director also receives a fee of $750 for each Board meeting attended, $500 for each committee meeting attended and $500 for attendance at each meeting on Datapoint business other than a Board or committee meeting. Each non-employee director of Datapoint is, at Datapoint's expense, provided with $50,000 of group term life insurance and $250,000 accidental death insurance. Each non-employee director of Datapoint has the option to purchase, at his expense, coverage for himself and his dependents under Datapoint's group medical and dental insurance plan. The aggregate cost to Datapoint of such benefits for all non-employee directors for the fiscal years ended July 27, 1985 and July 26, 1986 was $706 and zero, respectively. Mr. Edelman became an employee of Datapoint on May 19, 1986 at an annual salary of $150,000 with normal executive management employee benefits. Prior to such date, he was compensated as a non-employee director.

Datapoint maintains a retirement plan and a 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 benefit equal to a Board member's annual retainer in effect on the date of retirement. A partial benefit will be paid directors with less than five years' service, and a full benefit will be paid to directors with five 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 Datapoint's group medical plan. On February 12, 1985, Datapoint purchased an annuity contract under which former directors Gene

K. Beare, Evelyn Berezin, Harry G. Bowles, William G. Karnes, Thomas J. Klutznick, Dr. George Kozmetsky and Dr. William C. Leone own individual interests in lieu of maintaining such non-employee directors' retirement plan with respect to such persons. The cost of the annuity contract was $353,478. Payments aggregating $353,478 were made on February 22, 1985 to such persons to offset the tax impact to them of the purchase of the annuity contract.

Stock Option Table

The following table shows as to the named executive officers, all current executive officers as a group, all current officers and directors as a group, and all employees (i) the number of options granted August 1, 1981 through July 26, 1986 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 unexercised options held as of July 26, 1986.

	E. P. Gistaro	D. D. Bencsik	O. B. von Bulow	R. A. Hahn	J. R. Novak	All Current Executive Officers as a group	All Other Current Officers and Directors as a group (1)	All Other Employees Active or Terminated
Granted August 1, 1981 to July 26, 1986:								
Number of Options	76,436(2)	67,904(2)	26,500	36,500	22,326(2)	283,822(2)	73,934(2)	1,585,320(2)(3)
Average Per Share Exercise Price(3)	$3.13	$4.60	$3.93	$3.72	$4.97	$4.10	$5.23	$10.21
Exercised August 1, 1981 to July 26, 1986:								
Net Value realized in Shares (market value less exercise price) (4)	$-0-	$-0-	$-0-	$-0-	$34,914	$34,914	$87,606	$4,468,025
Sales August 1, 1981 to July 26, 1986:								
Number of Shares	25,200	-0-	-0-	-0-	-0-	-0-	-0-	Not Available
Outstanding at July 26, 1986:								
Number of Options	76,436(2)	67,904(2)	26,500	36,500	14,326(2)	275,822(2)	55,254(2)	366,516(2)

[1] "Current executive officers" and "current officers and directors" refer to the persons holding such positions as of September 15, 1986. All directors of Datapoint hold stock options subject to stockholder approval at the Annual Meeting. See "THE 1985 DIRECTOR STOCK OPTION PLAN AND THE GRANT OF A STOCK OPTION TO ASHER B. EDELMAN". Such options are not included in the table.

[2] Excludes shares covered by options the exercise right to which has been waived in consideration of the issuance of special replacement options (included in the table) at fair market value on their grant date of May 2, 1985 ($3.136 per share, as adjusted, see "THE 1986 EMPLOYEE STOCK OPTION PLAN — Prior Plans") as follows: Mr. Gistaro, 76,300 waived, 61,986 replacement options; Mrs. Bencsik, 20,200 waived, 17,904 replacement options; Mr. Novak 14,900 waived, 12,326 replacement options; all current executive officers as a group, 132,300 waived, 109,572 replacement options; all other current officers and directors as a group, 36,600 waived, 29,334 replacement options; all other employees, 359,315 waived, 288,820 replacement options.

[3] 1,195,480 of such shares were purchasable under non-qualified stock options at an average exercise price of $10.20 per share (does not reflect exercise price adjustment with respect to certain of such options after July 28, 1985).

[4] Reflects reduction of exercise price of all options outstanding at July 28, 1985 by multiplication of each respective exercise price by .2181391 to reflect the spin-off of Intelogic Trace, Inc.

[5] Market value based on closing price of Datapoint 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.

Employment Agreements

In order to retain the services of key personnel during a period of perceived uncertainty concerning the future ownership of Datapoint, on January 15, 1985 Datapoint entered into retention arrangements with thirty-four officers of Datapoint, including all persons, except Messrs. O'Kelley and Gistaro, listed in the fiscal year 1985 Cash Compensation Table, and all other executive officers then employed by Datapoint. Such retention arrangements were amended on January 29, 1985. Arrangements between Datapoint and Messrs. O'Kelley and Gistaro are described in later paragraphs detailing their amended employment agreements. With respect to Mr. Shapiro, Mr. Hale and Mrs. Bencsik, and nine other fiscal year 1985 executive officers, the incentive retention agreements, as amended, among other things:

(i) provided for payment of an incentive retention bonus equalling 30% of base salary (determined as of the date of execution of such agreement) should the executive officer continue in the employment of Datapoint through the date of a defined "Change in Control";

(ii) provided that if, during a period of one year following a defined "Change in Control", (a) an officer's employment should be terminated by Datapoint without "Cause" (as defined below), with less than two years' notice, the officer would be paid a lump-sum amount equal to base salary for the period from the effective date of such termination through two years following notice of termination and the officer's benefits would be continued for such period, or (b) the officer voluntarily should leave Datapoint for "Good Reason" (as defined below), the officer would be paid such lump-sum amount and will receive such continued benefits; and

(iii) provided, upon the occurrence of a Change in Control, for acceleration of the exercisability of all outstanding options granted at least six months prior to such Change in Control.

With respect to the remaining twenty-two officers covered by retention agreements, such agreements, as amended, provided for the same arrangements as described in the foregoing subparagraphs (i), (ii) and (iii), except that the two-year notice and base salary payment periods were limited to one-year periods.

For purposes of the agreements between Datapoint and each of the thirty-four officers referenced above, "Good Reason" was defined as: (i) any material change in the officer's duties, responsibilities, or authority, as they existed immediately prior to the Change in Control or (ii) any reduction in the officer's base compensation, as it existed immediately prior to the Change in Control, and "Cause" as misconduct by the officer. Pursuant to the Settlement Agreement entered into between Datapoint and the Edelman Group dated March 15, 1985, a "Change in Control" of Datapoint within the meaning of the referenced agreements occurred as of that date, whereupon the exercisability of officer stock options was accelerated and the incentive retention bonuses were paid.

Datapoint entered into separate employment agreements with Messrs. O'Kelley and Gistaro, dated January 1, 1978 and February 29, 1980, respectively, which, as amended, provided for and governed Datapoint's employment of such officers unless terminated by either the officer or Datapoint. Each such agreement was amended as of January 5, 1985 to continue for an indefinite term and to provide that upon termination of the officer's employment by Datapoint without three years' notice, or by the officer, within twelve months after the occurrence of a Change in Control (amended in Mr. Gistaro's agreement to thirty months), he shall be entitled to termination compensation equal to three years' compensation at the highest annual rate earned by him within the five years preceding such termination, as well as three years' benefits, except for performance-related benefits, to which he would have been entitled had his employment not terminated. Furthermore, the agreements between each of the officers and Datapoint provide that in the event any such officer's employment terminates, 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 Datapoint or that officer. The minimum annual base salaries specified by the foregoing agreements are: Mr. O'Kelley, $300,000; and Mr. Gistaro, $200,000.

In connection with the Settlement Agreement, Mr. O'Kelley's employment was terminated by Datapoint effective March 15, 1985, at which time Mr. O'Kelley's annual base salary was $330,000.

Through March 15, 1986, no more than $2,476,550 had been paid, or was committed to payment, to officers pursuant to the referenced employment agreements, excluding amounts realizable upon exercise of options. March 15, 1986 constituted the end of the one-year period following the Change of Control recognized by the Settlement Agreement, and all of the foregoing retention agreements (or portions thereof) which were still potentially operative by reason of the Change of Control terminated, except as noted with respect to Mr. Gistaro's agreement and except that Mr. Shapiro's agreement was extended to September 15, 1986 with the termination payment provided for reduced by salary earned after March 6, 1986.

Pursuant to Mr. Gistaro's employment agreement, 8,000 shares of Datapoint Common Stock were sold to him, at a price 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 his agreement ($27.75 per share). The consideration for the shares purchased by Mr. Gistaro consisted of a cash down payment of $500, equal to the par value of the stock, and promissory notes, bearing an annual interest rate of 10%, which mature serially and in equal principal amounts of $44,300 on the first through fifth anniversary dates of the original agreement. Provided that Mr. Gistaro has not breached his employment agreement, Datapoint agreed to pay him 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 Mr. Gistaro pursuant to any other compensation arrangement or plan of Datapoint. The largest aggregate amount of Mr. Gistaro's total indebtedness to Datapoint, as described above, during the fiscal year ended July 27, 1985 was $44,300, and such indebtedness was fully extinguished as of March 1, 1985.

The employment agreement of Mr. Gistaro provides that, in the event of his disability, he will receive an amount equal to his base salary for one year, less benefits otherwise payable under Datapoint's long-term disability plan and Social Security benefits.

Pursuant to their respective employment agreements, Messrs. O'Kelley and Gistaro were entitled to receive annual supplemental retirement benefits, in addition to any benefits payable to them under the Social Security Program or Datapoint's Retirement Income Plan, based upon formulae set forth in such agreements. With respect to Mr. Gistaro, such formula provides for payments of: (i) 100% of average base salary and 50% of average bonus paid over the last five years of employment; (ii) reduced by Datapoint Retirement Income Plan and primary Social Security benefits payable; (iii) multiplied by a percentage equal to the total of 1.6% per year for each year of Mr. Gistaro's employment. Based upon such formula and 120% of current compensation, and assuming a $9,000 annual Social Security benefit and retirement at age 65, this supplemental annual benefit would be $62,473 for Mr. Gistaro. Such supplemental retirement obligation to Mr. Gistaro was assumed in part by an annuity purchased by Datapoint during the fiscal year 1985 at a cost of $84,597 with respect to Mr. Gistaro, plus an additional $84,597 in tax-offsetting payments to Mr. Gistaro. (Such amounts are included in the fiscal year 1985 Cash Compensation Table herein.) This annuity provides for the payment of $59,216 to Mr. Gistaro annually upon his reaching age 65. To the extent that the above-referenced formula might call for annual retirement payments in excess of the annuity based upon Mr. Gistaro's future compensation and service to age 65, such excess shall be a separate obligation of Datapoint. In addition, in the event of the death of Mr. Gistaro while employed by Datapoint, his designated beneficiary will receive his base salary for a period of one year. In fulfillment of its obligation to provide supplemental retirement benefits to Mr. O'Kelley, on February 12, 1985, Datapoint purchased an annuity contract at a cost of $567,361 and made a tax-offsetting payment to Mr. O'Kelley in the same amount. (Such amounts are included in the fiscal year 1985 Cash Compensation Table herein.) Finally, pursuant to the employment agreements described above, Datapoint originally agreed to provide life insurance policies payable to the designated beneficiaries of Messrs. O'Kelly and Gistaro. Benefits to be provided to the designated beneficiaries of Messrs. O'Kelley and Gistaro under the Executive Benefit Plan are supplemented by life insurance policies purchased by Datapoint of total face amounts of $550,000 and $400,000, respectively, for which Datapoint during the fiscal year ended July 27, 1985 paid premiums of $3,004 and $1,436, respectively; Datapoint paid a premium of $2,428 for Mr. Gistaro's life insurance during the fiscal year ended July 26, 1986. The entire amount of Mr. Gistaro's supplemental insurance is term life insurance. A portion of Mr. O'Kelley's supplemental insurance was whole life insurance, the premium for the term portion of which was paid by Datapoint.

On April 4, 1985, Datapoint entered into an employment agreement with Mr. Hahn which provided that should Datapoint terminate his employment on or before April 4, 1987, he would be entitled to receive the greater of his base salary ($165,000) and benefits through the latter date or six months' base salary and benefits.

On May 24, 1985, Datapoint entered into an employment agreement with Mr. von Bulow which provided that should Datapoint terminate his employment, or should he terminate his employment for certain defined reasons, on or before May 24, 1987, he would be entitled to receive the greater of his base salary ($154,000) and benefits through the latter date or one year's base salary and benefits; after May 24, 1987, Mr. von Bulow will receive one year's base salary and benefits should his employment terminate under such circumstances.

On January 27, 1986, Datapoint entered into an employment agreement with Mrs. Bencsik for an indefinite term at a minimum base salary of $200,000. In the event Mrs. Bencsik terminates her employment at any time for any reason or in the event that Datapoint terminates her employment at any time without "justifiable cause" (defined principally as demonstrable dishonesty or moral turpitude directly relating to the business of Datapoint or a material breach of the agreement), the agreement, as amended, provides that Mrs. Bencsik shall be entitled to receive her full base salary and benefits for a period of two years from such termination. The agreement also provides for Mrs. Bencsik to receive annual supplemental retirement benefits, which vest 10% per year with each year of employment, equal to at least 25% of the average of her last three years' salary prior to retirement.

Upon the March 15, 1986 expiration of the retention agreements dated January 15, 1986 and described above, Datapoint entered into employment agreements with seven present officers (not including Mr. Gistaro, Mr. Shapiro, Mr. von Bulow or Mrs. Bencsik, but including Mr. Novak) which provide for their employment for an indefinite term and with functions, duties and responsibilities at least equal to those on the date of the agreements. In the event that Datapoint terminates the employment of any such officer without "cause" (defined principally as fraud, theft or embezzlement at the expense of Datapoint or a material breach of the agreement), each agreement provides that the officer shall be entitled to receive his full salary and benefits for a period of one year from such termination. The aggregate base compensation covered by such arrangements as of September 15, 1986 was $727,500.

Management Incentive Compensation Plan

In 1973, the Board of Directors adopted the Management Incentive Compensation Plan ("MIC") which, as amended, can provide officers 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 Datapoint. 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 Datapoint 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 Datapoint. 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%.

The Board of Directors set aside funds for the payment of special individual performance bonuses in lieu of MIC (under which the 8% pre-tax return on invested capital had not been met) for fiscal 1982. Similar bonus pools of $1,500,000 and $800,000 were authorized for fiscal 1985 and 1986 in which years the 8% requirement had not been met. The actual amounts payable under such performance bonuses were determined on an individual basis based upon each beneficiary meeting or exceeding certain individually established goals and objectives. The following amounts were paid to the following named executive officers for fiscal 1986: Mr. Gistaro, $50,000, Mrs. Bencsik, $50,000, Mr. von Bulow, $35,000, and Mr. Novak, $25,000. Such bonus payments for the fiscal year ended July 27, 1985 to the named executive officers and the executive officers as a group are included in the Cash Compensation Table.

Bonus awards during the period August 1, 1981 through July 26, 1986 to MIC participants (which include the special bonuses described above) were as follows, respectively: Mr. Gistaro, $425,000; Mrs. Bencsik, $159,000; Mr. von Bulow, $35,000; Mr. Hahn, $16,500; Mr. Novak, $90,000; all current executive officers as a group, $732,000; and all other current officers and directors as a group, $244,000. During the period August 1, 1981 through July 26, 1986, bonus awards to all other MIC participating officers and employees as a group amounted to $5,309,180.

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 Datapoint 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 Datapoint. No member of that Committee is eligible for awards under the Performance Plan. Such awards are 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 Datapoint's 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 Datapoint's average annual income before taxes for the five-year period immediately preceding the fiscal year in which such contingent awards are made. In connection with the Performance Plan, stock options which do not become exercisable for three years from the date they are granted may also be 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 Datapoint's certified 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 Datapoint 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. Included in this amount are the following amounts for the listed persons and groups: Mr. Gistaro, $55,350; all current executive officers as a group, $55,350; and all current officers and directors as a group, $55,350. Mr. von Bulow, Mr. Novak, Mr. Hahn and Mrs. Bencsik were not Performance Plan participants in the 1979-1981 Performance Plan. No payments have been made under the Performance Plan since 1982.

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 Datapoint. The Management Compensation and Stock Option Plan Committee of the Board of Directors selects the EBP participants and is responsible for the administration of such plan. In general, in the event an EBP participant dies while in Datapoint'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, Datapoint has obtained life insurance policies on the life of each participant. Datapoint paid the following amounts in connection with the EBP and its predecessor insurance plan from August 1, 1981 through July 26, 1986; Mr. Gistaro, $35,450; Mrs. Bencsik, $13,156; Mr. von Bulow, $2,992; Mr. Hahn, $4,485; Mr. Novak, $8,277; all current executive officers as a group, $32,286; and all other current officers and directors as a group, $31,010.

Retirement Income Plan

Datapoint maintains, solely at its cost, a Retirement Income Plan (the "Retirement Plan") for its domestic officers and employees. The amounts included in the Cash Compensation Table do not include any compensation attributable to the Retirement Plan. Pension payments are based on the average base salary of the highest consecutive five out of the last ten years of an employee's service, subject to reduction based upon a portion of any Social Security benefits received. Therefore, the amounts reported in the Cash Compensation Table, which are not limited to base salaries, exceed the compensation covered under the Retirement Plan. 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 Datapoint do not participate in the Retirement Plan. See "Compensation of Directors." The maximum amount payable under the Plan is $90,000 per year to each retiree. For information regarding supplemental retirement benefits payable or paid to Messrs. O'Kelley and Gistaro and Mrs. Bencsik, see "Material Employment Agreements."

Assuming that an employee is entitled to an annual Social Security benefit of $9,000 for retirement at age 65, the table below illustrates the additional amount of annual pension benefits payable by Datapoint 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 26, 1986, and the credited years of service of the persons named in the fiscal year 1986 Cash Compensation Table, are as follows: Mr. Gistaro, $195,000, 13.1 years; Mrs. Bencsik, $113,635, 3.7 years; Mr. von Bulow, $104,569, 1.1 years; Mr. Hahn, $165,000, 1.3 years; and Mr. Novak, $86,300, 4.7 years.

The Retirement Plan was amended effective August 1, 1985, primarily to incorporate changes mandated by recent legislation. Assets totalling $1,360,000, the amount actuarially determined to correspond to the interest of employees terminating their employment with Datapoint to join Intelogic Trace, Inc. ("Intelogic"), were transferred from Datapoint's Pension Plan to Intelogic.

Five Years Average Covered Compensation	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
$400,000	$77,750	$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 increases. Effective January 1, 1983, ERISA limited future benefits to $90,000 per year for all affected individuals. For additional benefits payable to those persons contractually entitled to receive supplemental retirement income from the Company, see "Employment Agreements."

Certain Relationships and Related Transactions

Pursuant to the Settlement Agreement, Datapoint agreed to pay the Edelman Group's actual expenses incurred to third parties in connection with the Edelman Group's investment in Datapoint and its consent solicitation up to a maximum of $1,500,000. $1,150,295 of such expenses were reimbursed by Datapoint during the fiscal year ended July 27, 1985.

Pursuant to the Settlement Agreement, Datapoint retained Arbitrage, a company controlled by Mr. Edelman, as a financial adviser for a fee of $150,000. The Settlement Agreement further provides for the payment to Arbitrage of an additional fee of 0.5% of the amount of the aggregate consideration (excluding debt assumption) payable to Datapoint or its stockholders in the event of any sale, merger, consolidation, tender offer or similar transaction involving substantially all of the business, assets or stock of Datapoint, or any sale of a subsidiary, division or assets of Datapoint. Such additional fee was agreed to be reduced to 0.15625% of aggregate consideration with respect to any spin-off to Datapoint's stockholders of any equity securities of any subsidiary of Datapoint. With respect to the July 28, 1985 spin-off to Datapoint's stockholders of the shares of Intelogic, such fee obligation was assumed by Intelogic.

Pursuant to an agreement dated February 20, 1986, Datapoint retained Arbitrage to perform investment advisory and financial management services with respect to a portfolio of investments funded with $20 million which in the judgment of Datapoint's Board was not currently needed for Datapoint's operations. Arbitrage is to receive a management fee equal to 25% of the net gains realized by the portfolio. The amount of such fees earned during the fiscal year ended July 26, 1986 was $271,000. Datapoint also pays Arbitrage an annual tax advisory fee of $25,000.

During the fiscal years ended July 27, 1985 and July 26, 1986, Datapoint paid Mr. Kail $13,333 and $60,000, respectively, pursuant to a management consulting arrangement providing for a monthly fee of $10,000. This arrangement was terminated after January 1986.

United Stockyards Corporation, of which Mr. French is Chairman of the Board, a director and President, Mr. Edelman is Vice-Chairman and a director, and Messrs. Mandigo, Stevenson and Sutherland are also directors, has been retained by Datapoint to provide real estate consulting services for a monthly fee of $25,000 (reduced to $10,000 monthly from September 1986). The consulting arrangement is terminable by either party upon one month's notice. During the fiscal years ended July 27, 1985 and July 26, 1986, Datapoint paid United $50,000 and $300,000, respectively, pursuant to this consulting arrangement.

AAA Jetstar is a corporation of which Mr. Edelman is the sole stockholder. Datapoint has, from time to time, chartered a jet aircraft from AAA Jetstar for use in business travel. During the fiscal years ended July 27, 1985 and July 26, 1986, Datapoint paid AAA Jetstar $140,756 and $103,000, respectively for charter service attributable to travel on behalf of Datapoint by Mr. Edelman, other directors, Datapoint employees, Datapoint attorneys, investment bankers and support personnel.

On September 3, 1985, Mr. Edelman presented to the Board a proposal for a leveraged buy-out of Datapoint at $6.00 per share and a Merger Agreement to effectuate such buy-out was approved by the Board and executed on November 21, 1985. If consummated, the transaction would have resulted in Datapoint's being a privately owned company controlled by a group including each present member of the Board of Directors and members of Datapoint's senior management. The proposed leveraged buy-out was terminated on May 6, 1986, and, pursuant to the terms of the Merger Agreement, Datapoint paid approximately $72,000 of the costs and expenses incurred by this group in connection with the proposed transaction.

Mr. Edelman is Chairman and Messrs. Gistaro, Kail, Mandigo and Stevenson are directors of Intelogic, Datapoint's former domestic customer service subsidiary, comprising five of Intelogic's nine-person board of directors. As such, they receive compensation and/or benefits from Intelogic. Also, these five directors may be deemed to beneficially own approximately 16% of Intelogic's common stock and approximately 12% of Intelogic's preferred stock. In addition, they and certain officers of Datapoint, including Mrs. Bencsik, have options to purchase shares of Intelogic common stock equal in the aggregate to approximately 2% of the amount presently outstanding. Such Datapoint officer options for shares of Intelogic are not exercisable unless the officers remain employed by Datapoint until August 1987.

Since the spin-off of Intelogic, Datapoint has engaged in, and continues to engage in, various transactions with Intelogic. Certain of these transactions result from the spin-off, such as the need to continue to share certain services (principally telephones) and the sublease of space which could not otherwise be assigned to Intelogic. All such transactions are billed to Intelogic by Datapoint at its cost. All other transactions between Datapoint and Intelogic have been pursuant to a master maintenance agreement entered into at the time of the spin-off and relate to the ordinary business operations of both Datapoint and Intelogic. For the fiscal year ended July 26, 1986, Intelogic paid Datapoint approximately $14,711,000 for equipment and field support spares, royalties and expenses, and Datapoint paid Intelogic approximately $7,146,000, primarily for services and sales.

On June 13, 1986, a limited partnership of which a wholly owned subsidiary of Datapoint was the sole general partner commenced a cash tender offer for all of the outstanding shares of common stock of Fruehauf Corporation ("Fruehauf"). The limited partners of this partnership included directors Edelman, Kail and Mandigo, and several entities in which members of Datapoint's Board of Directors had an interest. This partnership was dissolved upon termination of the tender offer on August 22, 1986 pursuant to a settlement and purchase agreement under which the partnership was reimbursed certain expenses and sold the Fruehauf shares which it held for cash, resulting in a net gain to Datapoint of approximately $6,000,000.

OUTSTANDING VOTING EQUITY SECURITIES

The following table sets forth the ownership of directors and officers of Datapoint Common Stock as of September 15, 1986.[1]

Name of Director	Common Shares Beneficially Owned(2)(3)	Percent of Class
Doris D. Bencsik	24,154	*
Asher B. Edelman	2,649,500-[4]	14.8%
Raymond French	-0-[5]	*
Edward P. Gistaro	123,842	*
Daniel R. Kail	-0-	*
Clark R. Mandigo	3,500	*
Charles P. Stevenson, Jr.	-0-[6]	*
Dwight D. Sutherland	-0-[7]	*
Officers and Directors of Datapoint as a Group (18 persons)	2,865,380	16.0%

* Indicates less than 1% ownership

The directors had sole voting and investment power over the shares of Stock listed above except as otherwise noted.

[1] As of September 15, 1986, officers and directors of Datapoint owned beneficially principal amounts of Datapoint's 8⅞% Convertible Subordinated Debentures due June 1, 2006 as follows: Mr. Gistaro, $100,000; Mr. Kail, $10,000; and officers and directors as a group, $110,000.

[2] The information set forth above as to shares of Datapoint Common Stock owned by the nominees and officers and directors as a group is current as of September 15, 1986, and includes shares which may be deemed to be beneficially owned by such persons 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. Gistaro, 76,436; Mrs. Bencsik, 24,154; and officers and directors of Datapoint as a group, 130,634. In addition, all directors of Datapoint hold stock options subject to stockholder approval at the Annual Meeting. See "The 1985 Director Stock Option Plan and the Grant of a Stock Option to Asher B. Edelman". Such options are not included in the table.

[3] As the controlling general partner of each of Plaza, Asco (the sole general partner of Arbitrage), Dart, Minor and Helix, Mr. Edelman may be deemed to own beneficially the 830,000, 191,100, 465,700, 199,500 and 1,000 shares held, respectively, by each of such partnerships for purposes of Rule 13d-3 under the

(Footnotes continued on following page)

Securities Exchange Act of 1934. Mr. Edelman has sole voting power and sole investment power over an aggregate of 2,137,500 shares, which include the foregoing shares and 450,200 shares held by investment accounts over which Mr. Edelman exercises investment discretion. As a trustee of the United Stockyards Corporation ("United") Retirement Plan, the Datapoint Retirement Income Plan and the Intelogic Retirement Income Plan, Mr. Edelman may be deemed to own beneficially, and share voting and investment power over, the respective 32,000, 165,000 and 15,000 shares owned by such plans, which shares are included. Also included are 300,000 shares owned by United, which is controlled, in significant part, directly or indirectly, by Mr. Edelman. Messrs. Edelman, French, Mandigo, Stevenson and Sutherland are directors of United. By virtue of an investment management agreement dated January 2, 1986 between Arbitrage and United, Arbitrage has the authority to purchase, sell and trade in securities on behalf of United. Arbitrage may be deemed, therefore, to be the beneficial owner of, with shared investment but no voting power over, the 300,000 shares of the Common Stock owned by United. When such shares are totaled with the shares owned by Arbitrage, they comprise 491,100 shares. Excludes 7,000 shares beneficially owned by Mr. Edelman's daughters in accounts for which their mother, Penelope C. Edelman, is the custodian and 14,700 shares owned directly by Penelope C. Edelman. Mr. Edelman disclaims beneficial ownership of these shares.

[4] Mr. French is Chairman of the Board of United, which owned 300,000 shares of Datapoint Common Stock as of September 15, 1986. Mr. French is also a limited partner in Dart and in Arbitrage, which owned 465,700 shares and 191,100 shares of Datapoint Common Stock, respectively, as of such date, and is a trustee of the United Retirement Plan and the Datapoint Retirement Income Plan which own 32,000 and 165,000 shares, respectively.

[5] Dixie Services, Inc., of which Mr. Stevenson is President, is a limited partner in Dart, which owned 465,700 shares of Datapoint Common Stock as of September 15, 1986. Capcor, Inc., of which Mr. Stevenson is President, is a limited partner in Minor, which owned 199,500 shares of Datapoint Common Stock as of September 15, 1986. Mr. Stevenson is a trustee of the United Retirement Plan and the Datapoint and Intelogic Retirement Income Plans which own 32,000, 165,000 and 15,000 shares, respectively.

[6] Mr. Sutherland is a limited partner in Dart, which owned 465,700 shares of Datapoint Common Stock as of September 15, 1986.

CERTAIN LEGAL PROCEEDINGS

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

Concurrently with the filing of the Commission's complaint, solely for the purpose of settlement and without trial of any issue of fact or law and without admitting or denying the allegations of the Commission, the three partnerships consented to the entry of a final order, dated March 1, 1983, directing that the partnerships, their general partners, agents, servants and employees, and persons acting in concert or participation with them, not fail promptly to file or cause to be filed with the Commission, nor fail promptly to send or cause to be sent to the issuer and to any national securities exchange on which the issuer's securities are traded, any statement of information required by Schedule 13D, which is complete and accurate in all respects and contains all of the information required by the Commission's rules and regulations, and any amendments disclosing any material change having occurred in the facts set forth or required to be set forth in any statement of information required by Schedule 13D.

As part of a proxy contest initiated in connection with the 1983 Annual Meeting of Stockholders of Canal-Randolph, the then parent of United Stockyards Corporation, Mr. Edelman commenced an action against Canal-Randolph and certain of its directors, alleging, inter alia, violations of the Securities Exchange Act of 1934 (the "Exchange Act") principally involving failure of certain defendants to file a Schedule 13D and the publication by Canal-Randolph of misleading proxy statements. Included among the named defendants was Dwight D. Sutherland, a director of Canal-Randolph. On March 16, 1983, the United States District Court for the District of Delaware issued an opinion in which it found that the proxy statements violated Section 14(a) of the Exchange Act and issued a preliminary injunction postponing Canal-Randolph's annual meeting and requiring that curative proxy materials be circulated. Subsequently, pursuant to a settlement agreement among the parties, Mr. Edelman discontinued the litigation and Mr. Edelman and two of his designees were elected to the Board of Directors of Canal-Randolph.

RATIFICATION OF APPOINTMENT OF AUDITORS

Subject to stockholder ratification, the Board of Directors has appointed the firm of Arthur Young & Company as auditors for the fiscal year ending August 1, 1987, and until their successors are selected. The appointment was made upon recommendation of the Audit Committee. A representative of Arthur Young & Company will be present at the Annual 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. ("Peat Marwick"), Datapoint's auditors for 17 years, is a defendant in litigation brought by certain stockholders of Datapoint in which Datapoint and certain of its officers and directors were also named as defendants. When Datapoint entered into a settlement agreement in this litigation, Peat Marwick chose not to participate in the settlement and thereby became an adverse party to Datapoint. Consequently, it was no longer appropriate for Peat Marwick to continue as Datapoint's auditors. Peat Marwick resigned and Arthur Young & Company was appointed to complete Datapoint's audit for the fiscal year ended July 27, 1985.

The affirmative vote of the holders of a majority of the outstanding shares of Datapoint Common Stock present in person or represented by proxy at the Annual Meeting of Stockholders and voting upon such ratification is required for ratification of the appointment of Arthur Young & Company as auditors.

A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF ARTHUR YOUNG & COMPANY AS AUDITORS IS RECOMMENDED BY THE BOARD OF DIRECTORS.

SIGNIFICANT STOCKHOLDERS

In addition to the percentage of Datapoint Common Stock which may be deemed to be beneficially owned by Mr. Edelman, according to information previously received by Datapoint, (i) Citicorp and its wholly owned subsidiary, Citibank, N.A., 399 Park Avenue, New York, New York 10043 owned 1,020,437 shares (or 5.4%) as of December 31, 1985 according to a Schedule 13G dated February 14, 1986 and (ii) James Grosfeld, 6400 Farmington Road, West Bloomfield, Michigan 48033 owned 1,287,200 shares (or 7.2%) as of September 22, 1986 according to Amendment No. 3 to a Schedule 13D dated September 27, 1986. Datapoint does not know of any other beneficial owner of more than 5% of its Common Stock.

STOCKHOLDER PROPOSALS

Proposals by stockholders intended to be presented at the next Annual Meeting of Stockholders, which is expected to be held in November 1987, must be received by Datapoint at its principal executive office for inclusion in Datapoint's proxy statement and form of proxy relating to that meeting on or before June 17, 1987. Stockholders submitting such proposals are requested to address them to the Secretary of Datapoint 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 1, 1986, and the 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 Datapoint's offices at 8119 Datapoint Drive, San Antonio, Texas 78229.

PROXY SOLICITATION

Proxies are being solicited by and on behalf of the Board. All expenses of this solicitation, including the cost of preparing and mailing this Proxy Statement, will be borne by Datapoint. In addition to solicitation by use of the mails, proxies may be solicited by directors, officers and employees of Datapoint in person or by telephone, telegram or other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses in connection with such solicitation. Arrangements will also be made with custodians, nominees and fiduciaries for fowarding of proxy solicition material to beneficial owners of Datapoint Common Stock held of record by such persons, and Datapoint may reimburse such custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith. In addition, The Kissel-Blake Organization, Inc., 26 Broadway, New York, New York 10004, has been engaged to solicit proxies on behalf of Datapoint for a fee, including expenses, of $9,500.

OTHER BUSINESS

The Board of Directors does not intend to bring any other matters before the Annual Meeting and does not know of any matters to be brought before the Annual Meeting by others. If any other matter should come before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy on behalf of the stockholders they represent in accordance with their best judgment.

By Order of the Board Directors,

Secretary

Dated: October 15, 1986

PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND MAIL IT PROMPTLY. NO POSTAGE STAMP IS NECESSARY IF MAILED IN THE UNITED STATES.