

## **DATAPPOINT CORPORATION**

**9725 Datapoint Drive  
San Antonio, Texas 78229-8500  
(512) 699-7000**

Dear Stockholder:

You are cordially invited to the Annual Meeting of Stockholders of Datapoint Corporation to be held on December 6, 1988, in Ballroom "B" of the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 11:00 a.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 seven directors and to ratify the appointment of Arthur Young & Company, certified public accountants, as Datapoint's auditors for the fiscal year ending July 29, 1989.

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.

Sincerely,

**ASHER B. EDELMAN**  
Chairman of the Board

October 31, 1988

## **DATAPPOINT CORPORATION**

**9725 Datapoint Drive  
San Antonio, Texas 78229-8500  
(512) 699-7000**

### **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD DECEMBER 6, 1988**

#### **TO THE STOCKHOLDERS:**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Stockholders of Datapoint Corporation, a Delaware corporation ("Datapoint"), will be held on December 6, 1988, at the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 11:00 a.m., local time, for the following purposes:

- (1) To elect seven directors of Datapoint to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified.
- (2) To ratify the appointment of Arthur Young & Company, certified public accountants, as Datapoint's auditors for the fiscal year ending July 29, 1989.
- (3) 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 24, 1988 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**  
Vice President, General Counsel and Secretary

San Antonio, Texas  
October 31, 1988

# **PROXY STATEMENT**

## **DATAPPOINT CORPORATION**

**9725 Datapoint Drive  
San Antonio, Texas 78229-8500  
(512) 699-7000**

### **ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held December 6, 1988**

#### **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 December 6, 1988, in Ballroom "B" of the Wyndham Hotel, 9821 Colonnade, San Antonio, Texas, at 11:00 a.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 31, 1988.

On October 24, 1988 (the "Record Date"), the issued and outstanding voting capital stock of Datapoint consisted of 10,070,963 shares of Common Stock, par value \$.25 per share (excluding 10,992,691 shares held in the treasury of Datapoint), held by approximately 4,050 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 24, 1988 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 and to ratify the appointment of auditors.

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 proposal 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, 9725 Datapoint Drive, San Antonio, Texas 78229-8500.

*Confidentiality of Votes.* It is the policy of Datapoint to preserve the secrecy of all proxies, ballots and voting tabulations until the final vote is tabulated at the annual meeting, except as required by law. Datapoint reserves the right to determine which stockholders have not exercised their right to vote and to encourage their participation as well as to have proxy cards containing comments referred to the Secretary for response, as appropriate.

## ELECTION OF DIRECTORS

At the Annual Meeting, seven 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 57, was Datapoint's Chief Operating Officer and a member of the Office of the President. Mrs. Bencsik resigned those positions in September 1987 and is currently an operations consultant. 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. She became Acting Chief Executive Officer and President in January 1987 and became a member of the Office of the President in May 1987. 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 and Audit Committees.

**ASHER B. EDELMAN**, age 48, has been General Partner since July 1979 of Plaza Securities Company, broker-dealer; General Partner since July 1984 of Asco Partners, the sole general partner of Arbitrage Securities Company; and General Partner from January 1977 through June 1984 of Arbitrage Securities Company, broker-dealer. Mr. Edelman is a director, 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 Canal Capital Corporation; a director and Chairman of the Board of Qantel Corp; a director and president of Canran Corp.; a General Partner of Canal-Randolph Limited Partnership (which is the successor liquidating partnership to Canal-Randolph Corporation); and a director of Bull Run Coal Mines Ltd. He became Chairman of the Board of Datapoint in March 1985 and is Chairman of the Executive Committee.

**RAYMOND FRENCH**, age 68, has been a director, Chairman of the Board and President since February 1984 of Canal Capital Corporation (formerly United Stockyards Corporation), a public real estate development, stockyard operation and securities investment company. He was General Partner of Canal-Randolph Limited Partnership from February 1985 to March 1987 and prior thereto was Chairman of the Board since June 1983 and a director and President for more than five years of Canal-Randolph Corporation, a real estate ownership and development company. Mr. French is also a director of Blue Ridge Estate Company, Big Boulder Corporation and Dollar/Dry Dock Savings Bank. He became a director of Datapoint in March 1985. He is a member of the Audit Committee and the Management Compensation and Stock Option Plan Committee.

**DANIEL R. KAIL**, age 53, is Executive Vice President and a director of Canal Capital Corporation. Mr. Kail has also been Managing Trustee of Management Assistance Inc. Liquidating Trust since January, 1986, 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 Qantel Corp. He is Chairman of the Management Compensation and Stock Option Plan Committee.

CLARK R. MANDIGO, age 45, is President and Chief Executive Officer of Intelogic Trace, Inc. Mr. Mandigo was President of BHP Petroleum (Americas), Inc. (formerly Energy Reserves Group), an oil and gas exploration and production company, from 1983 to 1986. 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., Canal Capital Corporation and Physician Corporation of America.

ROBERT J. POTTER, age 55, is President and Chief Executive Officer of Datapoint. Dr. Potter joined Datapoint in May 1987 as Chief Executive Officer and a member of the Board of Directors. Prior to joining Datapoint, Dr. Potter was Group Vice President, Integrated Office Systems of Northern Telecom Inc. from January 1985 to May 1987. From October 1982 to January 1985, Dr. Potter was a self-employed business advisor. From September 1978 until September 1982, Dr. Potter was Senior Vice President of International Harvester Company. From May 1965 to September 1978, he served Xerox Corporation in various capacities, culminating as president of its Office Systems Division. He is a director of Molex Inc. He is a member of Datapoint's Executive Committee.

DWIGHT D. SUTHERLAND, age 62, 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 Canal Capital Corporation, Intelogic Trace, Inc., Boatman's Bancshares, Inc., Boatman's First National Bank of Kansas City and the Automobile Club of Missouri. He became a director of Datapoint in March 1985. He is Chairman of the Audit Committee and a member of the Management Compensation and Stock Option Plan 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 concerning matters similar to those discussed with the outside auditors; and makes reports and recommendations to the Board of Directors and Datapoint's management and independent auditors from time to time as it deems appropriate. This Committee met two times during the fiscal year ended July 30, 1988.

The Management Compensation and Stock Option Plan Committee makes salary recommendations regarding senior management to the Board of Directors and administers Datapoint's Bonus and Stock Option Plans described below. The Management Compensation and Stock Option Plan Committee met five times during the fiscal year ended July 30, 1988.

#### **Meetings of the Board of Directors and Committees**

The Board of Directors met seven times during the fiscal year ended July 30, 1988. During the 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.

## COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

### Executive Officers

The following table sets forth all aggregate cash compensation paid by Datapoint and its subsidiaries for service in all capacities for the fiscal year ended July 30, 1988, 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 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 or director of Datapoint.

### CASH COMPENSATION TABLE—FISCAL YEAR 1988

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation(1)</u>
R. J. POTTER .....	President and Chief Executive Officer	\$ 450,000
Y. Y. LEROUX.....	Vice President, International	\$ 217,793
J. R. NOVAK .....	Senior Vice President, International	\$ 171,900
B. M. GIFFORD.....	Vice President, International	\$ 169,836
A. B. EDELMAN.....	Chairman of the Board	\$ 150,000
All Executive Officers of Datapoint as a group (14 persons, including those named above).....		\$2,192,406

<sup>1</sup> Amounts include bonuses for the fiscal year ending July 30, 1988 that were paid after the close of the 1988 fiscal year. Compensation excludes \$168,000 in payments during the fiscal year ended July 30, 1988 in satisfaction of relocation commitments made to Dr. Potter. Compensation also excludes \$359,519 in severance payments made to three other executive officers during such fiscal year.

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 year July 30, 1988, was \$-0-

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. 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 seven former non-employee directors own individual interests in lieu of maintaining the plan with respect to such persons.

### **Stock Options**

Datapoint issued stock options during fiscal year 1988 to officers and other key employees under its 1983 and 1986 Employee Stock Option Plans. The 1983 Plan authorized the purchase of 600,000 shares of Datapoint's Common Stock upon the exercise of options granted under the Plans. The 1986 Plan authorized the purchase of 1,000,000 shares. As of July 30, 1988, 292,134 shares remained available for the grant of options under the 1983 Plan, and 405,000 shares remained available for the grant of options under the 1986 Plan.

The Plans are administered by the Management Compensation and Stock Option Plan Committee of the Board of Directors ("Committee"), which is comprised of at least three Board members not eligible to receive options under the Plans. The Plans provide for the grant of non-qualified stock options, incentive stock options, and stock appreciation rights. Options granted under the 1983 Plan are not exercisable for at least six months after they are granted; under the 1986 Plan, the Committee may grant options exercisable over time or immediately. Options expire, if not exercised, at the conclusion of their ten-year terms. 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.

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 options, the price must be at least fair market value. Under the 1986 Plan, options may be granted allowing an option holder to deliver Datapoint Common Stock in payment of the exercise price of an option. The 1986 Plan authorizes the Committee to cancel and reissue options with the consent of the option holder. To date Datapoint has issued no stock appreciation rights.

Datapoint has also issued stock options to purchase its Common Stock to members of its Board of Directors, pursuant to its 1985 Director Stock Option Plan. 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. Options granted under the Plan are exercisable when granted and expire on a date fixed by the Committee, which may not be later than the fifth anniversary of the date of grant.

Options under each plan described above terminate as a result of an optionholder terminating his qualifying status with Datapoint. If such termination occurs other than by reason of retirement, disability or death, each option held terminates on the earlier of its stated termination date or 180 days after the disqualifying event. If the disqualifying event occurs by reason of death, retirement or disability, the option terminates on the earlier of its termination date or one year after such event.

As of July 30, 1988, 275,000 shares remained available for the grant of options under the 1985 Director Plan. Under the 1985 Director Plan and as of September 30, 1988, Dr. Potter held options for 25,000 shares exercisable at a price of \$5.75 per share and Ms. Bencsik held options for 25,000 shares, exercisable at a price of \$5.25 per share. Mr. Edelman holds an option for 50,000 shares, exercisable at \$3.136 per share and an option granted under the 1985 Director Plan for 25,000 shares, exercisable at

\$2.781 per share; the option for 50,000 shares was granted to Mr. Edelman by the Board of Directors prior to the adoption of the 1985 Director Plan and is in lieu of the option for the position of Chairman of the Board to which Mr. Edelman would otherwise be entitled under the 1985 Director Plan.

### Stock Option Table

The following table shows as to the named executive officers and all executive officers as a group (i) the number of options to purchase Datapoint Common Stock granted August 2, 1987 through July 30, 1988, (ii) the average exercise price thereof, and (iii) the net value of shares (market value on date of exercise less the exercise price) realized during the fiscal year upon exercise of any options held by such persons.

	<u>R. J. Potter</u>	<u>Y. Y. Leroux</u>	<u>B. M. Gifford</u>	<u>J. R. Novak</u>	<u>A. B. Edelman</u>	<u>All Executive Officers as a group</u>
Granted August 2, 1987 to July 30, 1988:						
Number of Options .....	-0-	30,000	30,000	30,000	-0-	305,000
Average Per Share Exercise Price .....	\$-0-	\$3.8125	\$3.8125	\$3.8125	\$-0-	\$ 3.8125
Exercised August 2, 1987 to July 30, 1988:						
Net Value realized in Shares (market value less exercise price)(1) .....	\$-0-	\$ -0-	\$ -0-	\$ -0-	\$-0-	\$ -0-

<sup>1</sup> 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

On May 27, 1987, Datapoint entered into a one-year employment agreement with Dr. Potter that governs his employment as Chief Executive Officer. The agreement automatically renews for successive one-year periods, unless prior notice of termination is given. The agreement provides that Dr. Potter is to receive an annual base salary of \$300,000 and an annual bonus based on a target of \$300,000, to be adjusted according to Datapoint's performance. For fiscal year 1988, \$150,000 of Dr. Potter's bonus was guaranteed. Additionally, Dr. Potter is entitled to receive a supplemental retirement benefit in addition to any Datapoint retirement plan which may be in effect upon his retirement. The maximum such benefit shall be the greater of approximately 25% of a 5-year average of his base salary and half his bonus or 50% of a 3-year average of his base salary. Dr. Potter's supplemental retirement benefit will vest 50% at the end of 5 years of employment with Datapoint and an additional 10% per year of employment for the next 5 years thereafter. Dr. Potter's employment offer included a commitment to assume his relocation expenses, including a guaranteed minimum selling price for his house in Dallas, maintenance of dual residences, and fees, closing and moving costs associated with his change of residence. Dr. Potter subsequently elected to retain his house in Dallas and purchase a second home in San Antonio. This commitment was discharged by action of the Management Compensation and Stock Option Plan Committee in March 1988, approving the payment to Dr. Potter of \$168,000 plus an appropriate tax gross up in lieu of such relocation expenses. Pursuant to the agreement, Dr. Potter may be discharged only for cause, involving dishonesty or moral turpitude directly relating to Datapoint's business. If Dr. Potter resigns because of Datapoint's default under the agreement or if his employment is terminated without cause, Dr. Potter will be entitled to receive a lump sum of 18 months of base salary and the perquisites and benefits associated with his employment, plus earned but unpaid bonuses. In connection with his employment, Datapoint granted Dr. Potter an option to purchase 300,000 shares of Datapoint Common



stock, at a purchase price of \$5.1875 per share, under the terms of Datapoint's 1986 Employee Stock Option Plan. The option may be exercised as to one-third of the shares on the first anniversary of the date of grant and as to additional one-third amounts on the second and third anniversaries.

On February 1, 1984, Datapoint entered into an employment agreement with Mr. LeRoux as managing director of the French subsidiary which provides for his employment for an indefinite term. The agreement was amended on July 30, 1985. This agreement, as amended, guarantees Mr. LeRoux certain perquisites, and provides for the payment of one year's salary in the event Mr. LeRoux's employment is terminated by Datapoint.

On July 1, 1981, Datapoint entered into an employment agreement with Mr. Gifford as managing director of the United Kingdom subsidiary which provides for his employment for an indefinite term. The agreement guarantees Mr. Gifford certain perquisites, and requires three months notice in the case of termination by Mr. Gifford, and six months notice in the case of termination by Datapoint.

On March 15, 1986, Datapoint entered into an employment agreement with Mr. Novak which provides for his employment for an indefinite term with functions, duties and responsibilities at least equal to those on the date of the agreement. In the event that Datapoint terminates Mr. Novak's employment without "cause" (defined principally as fraud, theft or embezzlement at the expense of Datapoint or a material breach of the agreement), the agreement provides that he shall be entitled to receive his full salary (including the amount of his preceding bonus award) and benefits for a period of one year from such termination.

#### **Bonus Plan**

The Board of Directors set aside funds for the payment of special performance bonuses for fiscal 1988. \$608,450 was ultimately paid as performance bonuses. 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 1988: Dr. Potter, \$150,000; Mr. LeRoux, \$54,300; Mr. Novak, \$21,900; Mr. Gifford, \$55,200; and the executive officers as a group, \$427,850. Such bonus payments to the named executive officers and the executive officers as a group are included in the Cash Compensation Table.

#### **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 the 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 from August 2, 1988 through July 30, 1989: Dr. Potter, \$5,100; Mr. LeRoux, \$-0-; Mr. Novak, \$2,275; Mr. Gifford, \$-0-; Mr. Edelman, \$1,800; and all executive officers as a group, \$32,744.

#### **Retirement Plan Termination**

The Board of Directors of Datapoint terminated the Employee Retirement Income Plan effective August 15, 1987. Effective that date all participants became vested as to the balance maintained in their accounts. Datapoint distributed cash settlements to those individuals having account balances of less than \$3,500. Datapoint purchased annuities with assets of the Retirement Plan which will fund payment of retirement benefits to those individuals having greater amounts in their account when such amounts become payable. The amounts included in the Cash Compensation Table do not include any compensation attributable to the Retirement Plan.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to the Settlement Agreement in connection with a change in control of Datapoint in March 1985, Datapoint retained Arbitrage Securities Company ("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 equivalent 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 Trace, Inc., such fee obligation was assumed by Intelogic.

On February 20, 1986, Datapoint entered into an agreement with Arbitrage whereby Arbitrage provides investment management and financial advisory services to the Company. Each calendar quarter Arbitrage receives an investment management fee equal to 25% of any realized gains from transactions in Datapoint's portfolio less realized and net unrealized losses in securities positions for such calendar quarter. Realized losses in excess of realized gains in any quarter are carried over to subsequent quarters and applied against realized gains for such subsequent quarters. During fiscal 1988, Arbitrage earned investment management fees under this agreement of \$2,356,000.

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 fiscal 1988, Datapoint paid AAA Jetstar \$24,000 for charter service attributable to travel on behalf of Datapoint by Mr. Edelman, other directors, Datapoint employees, Datapoint attorneys, investment bankers and support personnel.

Mr. Edelman is Chairman and Messrs. Kail, Mandigo and Sutherland are directors of Intelogic Trace, Inc. ("Intelogic"), Datapoint's former domestic customer service subsidiary, comprising four of Intelogic's eight directors. Mr. Mandigo is also President and Chief Executive Officer of Intelogic. As such, they receive compensation and/or benefits from Intelogic. Also, these four directors may be deemed to beneficially own approximately 12% of Intelogic's common stock. In addition, these four directors and three officers of Datapoint have options to purchase shares of Intelogic common stock equal in the aggregate to approximately 2% of the amount presently outstanding.

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 30, 1988, Intelogic paid Datapoint approximately \$3,059,000 for equipment and field support spares, royalties and expenses, and Datapoint paid Intelogic approximately \$2,755,000, primarily for services and sales.

On June 4, 1988, Datapoint entered into a Purchase and Remarketing Agreement with Texcom Management Services, Inc. (TMS), an indirect wholly-owned subsidiary of Intelogic, whereby TMS would purchase Datapoint's interest in equipment leased by Datapoint to Datapoint's customers. As of July 30, 1988, Datapoint had recorded \$256,000 in sales revenue under this agreement.

On April 4, 1988, Messrs. Edelman and Potter, KBA Partners, Ltd. and Citibank Venture Capital Ltd., proposed a leveraged buy-out of all of the outstanding shares of Datapoint Common Stock at a price of \$6.00 per share. On June 7, 1988, a Special Committee of the Board of Directors reported that, based upon the information made available to its independent investment bankers, the \$6.00 offer was inadequate, after which the proposal was withdrawn.

On occasion, Datapoint participates in investment groups consisting primarily of parties affiliated with Mr. Edelman. Datapoint shares in costs incurred by the groups, primarily investment banking and legal fees, on a pro rata basis generally based on its relative percentage ownership. Members of the Board of Directors have from time to time participated in investment groups in which Datapoint is also a participant and may continue to do so in the future.

### OUTSTANDING VOTING EQUITY SECURITIES

The following table sets forth the ownership of directors and officers of Datapoint Common Stock as of September 30, 1988.<sup>1</sup>

<u>Name of Director</u>	<u>Common Shares Beneficially Owned<sup>2</sup></u>	<u>Percent of Class</u>
Doris D. Bencsik.....	74,154	*
Asher B. Edelman .....	1,052,720- <sup>3</sup>	10.5%
Raymond French .....	27,248- <sup>4</sup>	*
Daniel R. Kail .....	25,000- <sup>5</sup>	*
Clark R. Mandigo .....	27,300	*
Robert J. Potter .....	125,000	1.2%
Dwight D. Sutherland .....	29,497	*
Executive Officers and Directors of Datapoint as a Group ( 16 persons ).....	1,457,204	14.5%

\* Indicates less than 1% ownership

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

<sup>1</sup> As of September 30, 1988, officers and directors of Datapoint owned beneficially principal amounts of Datapoint's 8% Convertible Subordinated Debentures due June 1, 2006 as follows: Mr. Kail, \$10,000 and officers and directors as a group, \$10,000. Ownership of such debentures includes a right to convert them into shares of Datapoint Common Stock; shares issuable upon any such conversion have been excluded from reported ownership of Common Stock.

<sup>2</sup> 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 30, 1988, 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. Edelman, 75,000 shares; Messrs. French, Kail, Mandigo and Sutherland, 25,000 shares each; Mrs. Bencsik, 25,000 shares, Dr. Potter, 125,000 shares, and officers and directors of Datapoint as a group, 414,125 shares.

<sup>3</sup> Mr. Edelman owns directly 335,693 shares of Datapoint Common Stock. As the controlling general partner of each of Plaza Securities Company ("Plaza") and Helix Partners and as sole stockholder of AAA Jetstar, Inc. and of Aile Blanche, Inc., Mr. Edelman may be deemed to own beneficially the 352,240, 239, 10,000, and 10,000 shares of Datapoint Common Stock held, respectively, by each of such entities for purposes of Rule 13d-3 under the Securities Exchange Act of 1934, and these shares are included in his listed ownership. Also included are 71,763 shares of Datapoint Common Stock owned by Canal Capital Corporation ("Canal") and 197,785 shares of Datapoint Common Stock owned by Intelogic, in which companies Mr. Edelman and various persons and entities with which he is affiliated own interests. Messrs. Edelman, French, Kail, Mandigo and Sutherland are directors of Canal and Messrs. Edelman, Kail, Mandigo and Sutherland are directors of Intelogic. By virtue of investment management agreements between Arbitrage and each of Canal and Intelogic, Arbitrage has the authority to purchase, sell and trade in securities on behalf of Canal and Intelogic. Arbitrage may be deemed, therefore, to be the beneficial owner of the 71,763 shares of Datapoint Common Stock owned by Canal and the 197,785 shares of Datapoint Common Stock owned by Intelogic. Arbitrage has as its sole general partner Asco Partners, of which Mr. Edelman is the controlling general partner, and these shares are included. As a trustee of the Canal Retirement Plan and the Intelogic Retirement Income Plan, Mr. Edelman may be deemed to own beneficially, and share voting and investment power over, the respective 7,655 and 3,588 shares of Datapoint Common Stock owned by such plans, which shares are excluded. Also excluded 24,000 shares of Datapoint Common Stock owned by Mr. Edelman's spouse, Maria Regina M. Edelman, 4,675 shares beneficially owned by Mr. Edelman's daughters in accounts for which their mother, Penelope C. Edelman, is the custodian and 26,016 shares owned directly by Penelope C. Edelman. Mr. Edelman disclaims beneficial ownership of these shares.

<sup>4</sup> Mr. French is Chairman of the Board of Canal, which owned 71,763 shares of Datapoint Common Stock as of September 30, 1988. Mr. French is also a limited partner in Arbitrage, which may be deemed to own beneficially 269,548 shares of Datapoint Common Stock as of such date, and is a trustee of the Canal Retirement Plan which own 7,655 shares. Mr. French may be deemed to own beneficially, and share voting and investment power over, such shares, but Mr. French disclaims beneficial ownership of such shares, which are excluded.

<sup>5</sup> Excludes 71,763 shares of Datapoint Common Stock owned by Canal as of September 30, 1988. Mr. Kail is Executive Vice President and a director of Canal and therefore may be deemed to own beneficially and share investment and voting power over such shares. Mr. Kail disclaims beneficial ownership of such shares.

### 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 July 29, 1989, 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.

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, the following table sets forth other entities which, based on filings with the Commission or information provided to Datapoint, are the beneficial owners of more than 5% of Datapoint's Common Stock.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock, \$0.25 par value .....	Glickenhau & Co. 6 East 43d Street New York, 10017	829,248(1)	8.2%
Common Stock, \$0.25 par value .....	Oppenheimer Management Company Two World Trade Center New York, NY 10048	665,378(2)	6.6%
Common Stock, \$0.25 par value .....	Shufro, Rose & Ehrman 63 Wall Street New York, NY 10005	661,100(3)	6.6%

(1) As reported in a Schedule 13G dated February 4, 1988, filed with the Commission on February 8, 1988. Glickenhau, a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended, and Section 203 of the Investment Advisers Act of 1940, has sole voting power over 442,300 shares and sole dispositive power over all 829,248 shares.

(2) As reported in a Schedule 13G, dated February 16, 1988, filed with the Commission February 19, 1988. Oppenheimer Management has sole dispositive power over such shares held by the investment companies registered under Section 15 of the Securities Exchange Act of 1934, as amended, the direct owners of such shares for which Oppenheimer Management serves as manager.

- (3) As reported in a Schedule 13G, dated and filed with the Commission on February 11, 1988. Shufro, Rose & Ehrman, a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended, and Section 203 of the Investment Advisors Act of 1940, has sole voting power over 105,262 of the shares and sole dispositive power over all 661,100 of the shares.

### **STOCKHOLDER PROPOSALS**

Proposals by stockholders intended to be presented at the next Annual Meeting of Stockholders, which is expected to be held in December 1989, 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 26, 1989. 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, 1988, 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 9725 Datapoint Drive, San Antonio, Texas 78229-8500.

### **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 forwarding of proxy solicitation 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, Kissel-Blake, Inc., 80 Broad St., New York, New York 10004, has been engaged to solicit proxies on behalf of Datapoint for a fee, excluding expenses, of \$9,000.

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**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,

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**ROSS LAUGHEAD**  
Vice President, General Counsel and Secretary

Dated: October 31, 1988

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

**ANY STOCKHOLDER MAY OBTAIN A COPY OF DATAPOINT'S ANNUAL REPORT ON FORM 10-K UPON WRITTEN REQUEST.**