Robert M. Price  
CDC Board of Directors Meeting  
July 16, 1971 - Computer Services

I. OPERATING RESULTS - INTRODUCTION

The Services Group had a net profit before tax of 458 thousand dollars compared to a budgeted profit of 404 thousand for the first six months. June, as well as the second quarter, was favorable to budget. A year ago, in the first half, the Services Group lost $5,472 on revenues of $58,946. Thus, we have considerable year-to-year profit improvement -- some 6 million dollars on a revenue change of 13.2 million dollars.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>NPBT</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>58,946</td>
<td>-5,472</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>72,156</td>
<td>458</td>
<td>13,210</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>{22%}</td>
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II. OPERATING RESULTS - GENERAL COMMENTS

Revenue for the first half of the year is behind budget by 1.7 million dollars or about 2%. 1.2 million of this is in the Consulting Services area. On the other hand, we have seen a considerably improved trend in this area during the second quarter when revenues were under budget by some 480 thousand dollars compared to 750 thousand in the first quarter. In fact, the only really soft area in the revenue picture currently is in the Education Services area -- particularly, revenues from unbundled education. As we have mentioned previously, revenues here have not fallen off, but rather are not building up as rapidly as we budgeted. This reflects a slower pace of building up field ability to sell this product.
Gross Profits are tracking revenues very much as expected, except in CYBERNET Services where the gross profit rate is quite sensitive to revenue change since we are operating near break even load factors.

Expense levels have been held down sufficiently to yield a net before tax which is essentially on budget as I indicated earlier.

III. OPERATING HIGHLIGHTS BY KOB

**Education Services** -- We have seen some revenue weakening in Education Services. Principally, as I indicated, our problem area is in the advanced training area. While our seminar program is exceeding expectations, customer unbundled education is not. During the second quarter we have met with all the field marketing management to discuss better ways of selling Training and just recently have seen some slight improvement, however, I expect it will take another 6 to 9 months to see any real results from these efforts. In the entry level area we are planning to introduce five new courses during the last half of the year and while this won’t have much effect on 1971, it will give us a broader base for continued growth into 1972.
Data Services -- We had a good June and, in fact, were off revenue for the second quarter by only $28 thousand dollars, which is about half of the first quarter deviation. Profit goals for the month were met -- the first time this year. You will recall that last June I remarked, “Worldwide revenues reached an all time high in June -- $1,971,000. Now this is only one month. Quite probably, some one time variable factors have been operating in our favor, but I hope that by the time of the next Board Meeting we will be able to say that the improvement is definitely more fundamental than that -- and that the market diversification program has taken permanent root.” .... and I would say the same this year with respect to profitability goals.

For the longer term we see some exciting opportunities -- especially the CYBERLOAN application being developed with Commercial Credit. Proposals now outstanding could increase Data Services revenues by 8 million a year or 30% from just this one application.

Consulting Services -- Unbundled analyst revenues have begun picking up, however, they continue to run under budget. Nonetheless, the progress is encouraging. PSD-Washington and CEIR International continue to be major problem areas primarily due to lack of revenue and contract over-runs.

While showing a net profit before tax loss of $303K for the first half, Consulting Services is projecting a break even for the total year.
Maintenance Services -- For the first six months of CY 1971, Maintenance Services shows a favorable variance of $1,154K at the net profit line. Maintenance revenue is favorable to budget and is expected to be approximately $900K over budget by year end. This is primarily the result of higher than anticipated revenues on our installed base. In addition, costs are running under budget and are expected to continue through the year.

Revenue from parts is essentially on target year to date, however, it is expected to slip from budget by some $700K at year end -- primarily in International Operations.

Maintenance Services expects to exceed their budget at the net profit line for the year. This will be accomplished by holding maintenance costs in line with the present installed base plus expected deliveries.
Robert M. Price

CDC Board of Directors Meeting
July 16, 1971 - Ticketron, Inc.

TICKETRON - Seven Months - May 31, 1971

BASE BUSINESS -- Progress is continuing. We are now operating at about twice last year’s revenue level and costs 30% below last year. By September, the operating loss for the base business will be reduced to under 200 thousand per month.

LOTTERY -- As far as the New Jersey Lottery is concerned, we are continuing to exceed the projections given you in the original presentation at the January Board Meeting. The budget we assigned to Ticketron for the lottery was considerably more stringent than that plan. Even so, we are operating near the assigned budget. We now have approximately 80 terminals installed and ticket volume is currently running about 500,000 tickets per month. We had scheduled a heavy terminal installation rate during July and August (70 terminals/month) and this will be adversely affected by the phone strike.

OTB -- We have the off-track betting system up and running. We are operating one parlor for OTB Corporation at Chambers Street with 12 terminals installed. We are operating under a so-called "R&D" contract because of political difficulties in OTB contracting with anyone other than Computer Sciences. The current two month experimental contract covers July and August. Under this contract
we received $150,000 front end fee and a minimum guarantee of 35K per month. By August 10, OTB must give us a go or no go for the rest of this year. If it’s “go,” we will expand the number of parlors up to seven and 100K per month minimum guarantee.

The real benefit, of course, is that we have proved the system and have the endorsement to go after other OTB business in New York. Yonkers is an immediate prospect and there are others.

**SUMMARY**

Ticketron will operate this year on the cash that has been budgeted for them. On a year-to-year comparison, the loss for the month is about half what it was last year. The progress in both cost reduction and revenue will continue in the next few months so that at the operating level the business looks good for next year. Our major problem is to reduce the interest and amortization costs which are now running near a 2 million dollar annualized rate.
TICKETRON, INC.
Consolidated Income Statement
May 1971

<table>
<thead>
<tr>
<th>MONTH</th>
<th>ACTUAL</th>
<th>BASE LINE PLAN</th>
<th>FAVORABLE/UNFAVORABLE</th>
<th>ORIGINAL BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td>56,641</td>
<td>284,000</td>
<td>(27,359)</td>
<td>550,000</td>
</tr>
<tr>
<td>COST OF REVENUE</td>
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<td>738,100</td>
<td>(63,536)</td>
<td>909,000</td>
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<tr>
<td>NET INCOME</td>
<td>(544,995)</td>
<td>(454,100)</td>
<td>(90,895)</td>
<td>(359,000)</td>
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</table>

YEAR TO DATE

<table>
<thead>
<tr>
<th>MONTH</th>
<th>ACTUAL</th>
<th>BASE LINE PLAN</th>
<th>FAVORABLE/UNFAVORABLE</th>
<th>ORIGINAL BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td>1,415,854</td>
<td>1,439,000</td>
<td>(23,146)</td>
<td>2,142,000</td>
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<tr>
<td>COST OF REVENUE</td>
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<td>5,466,200</td>
<td>(57,158)</td>
<td>5,579,900</td>
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<tr>
<td>NET INCOME</td>
<td>(4,107,504)</td>
<td>(4,027,200)</td>
<td>(80,304)</td>
<td>(3,437,900)</td>
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<tr>
<td>-----------</td>
<td>-----------------</td>
<td>----------------</td>
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<td>--------</td>
</tr>
<tr>
<td>Lottery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$550,000</td>
<td>$284,000</td>
<td>$(27,399)</td>
<td>$952,000</td>
</tr>
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</table>

**Revenue**

| Ticketron | $264,826        | $681,000       | $(3,174)              | $997,000 | $63,187        | $3,174                 | $997,000 |                               | $997,000 |                               | $997,000 |                               | $997,000 |                               | $997,000 |                               | $997,000 |                               | $997,000 |                               | $997,000 |

| Cost of Revenue | $5,070,000 | $4,379,333 | $(690,667) | $4,956,000 | $4,956,000 | $(540,000) | $4,956,000 | $4,956,000 | $(540,000) | $4,956,000 | $4,956,000 | $(540,000) | $4,956,000 | $4,956,000 | $(540,000) | $4,956,000 | $4,956,000 | $(540,000) | $4,956,000 | $4,956,000 |

| Net Income | $(28,474) | $872,000 | $(3,174) | $997,000 | $63,187 | $(3,174) | $997,000 | $997,000 | $(3,174) | $997,000 | $997,000 | $(3,174) | $997,000 | $997,000 | $(3,174) | $997,000 | $997,000 | $(3,174) | $997,000 | $997,000 | $(3,174) | $997,000 | $997,000 |
DATE: 14 July 1971

TO: R. M. Price

FROM: R. R. Oberle

SUBJECT: First Half CY 1971 Operating Results

Second quarter results for the Services Group show that we are essentially running right on target as our Net Profit Before Tax was $504K versus a budgeted profit of $497K. This, coupled with our favorable variance of $40K in the first quarter produces a slightly favorable variance for the group for the first six months - $451K actual versus $404K budget.

While the total group numbers are very close to budget, the individual KOB figures are not. First quarter problems continue into the second quarter within Consulting Services and Cybernet Services. The second quarter sees CDEI joining these two. Maintenance Services on the other hand continues to run very favorable to budget. In fact, the favorable variance in Maintenance Services ($1.1 Mil) more than offsets the unfavorable situations in the other three KOB's.

Specific comments relative to each KOB are as follows:

MAINTENANCE SERVICES:

For the first six months of CY 1971 Maintenance Services shows a favorable variance of $1,154K at the net profit line. Maintenance revenue is favorable to budget and is expected to be approximately $900K over budget by year end. This is primarily the result of higher than anticipated revenues on our installed base. In addition, costs are running under budget and are expected to continue through the year.

Revenue from parts is essentially on target year to date, however, it is expected to slip from budget by some $700K at year end - primarily in International Operations. Gross Profit margins are also expected to slip due to higher manufacturing costs.

Maintenance Services expects to exceed their budget at the net profit line for the year. This will be accomplished by holding maintenance costs in line with the present installed base plus expected deliveries and this in turn will be offset somewhat by a deviation in commercial parts revenue and gross profits.
CONSULTING SERVICES:

Unbundled analyst revenues have begun picking up, however, they continue to run under budget. Nonetheless, the progress is encouraging. PSD-Washington and CEIR International continue to be major problem areas primarily due to lack of revenue and contract over-runs.

While showing a net profit before tax loss of $303K for the first half, Consulting Services is projecting a break even for the total year.

CDEI

Year to Date

CDEI's entry level business world wide has exceeded their profit goals for the first half of 1971. The international schools are well ahead of plan and were profitable for the first half. The domestic schools are essentially on plan. Problems have been more in the Career Advance Institutes where the slow start up of unbundled training and a low rate of CDC internal training have combined to make profits more elusive. In total, however, CDEI was profitable for the first half.

Second Half

During the second half of 1971, we anticipate that our domestic seminar business and our international business will remain very strong. The build up of unbundled training may continue to be slow and we do not anticipate that Control Data will increase its rate of internal training. Also, where as the entry level business appears to be a profitable business, we may have to broaden our product line to include a more expanded spectrum of educational products to fully utilize the capacity of certain schools in cities hard hit by the recession, {Los Angeles, Minneapolis, San Francisco}.

In total, CDEI will train approximately 11,000 people in 1971.

DATA SERVICES:

June results were encouraging. Revenues continue to increase on a week by week basis, however, they are still falling short of budget. The revenue base has broadened, however, and steady progress in revenue levels is being achieved. Comparable figures on a revenue per day basis at June, 1970 and June, 1971 are $8K and $2 respectively. This represents some $300K of additional revenue per month. Even though revenues were slightly under budget for the month, the profit goals were met.
DATA SERVICES (Cont’d)

Second quarter results within Cybernet shows a $220K unfavorable deviation at the net profit before tax line. This problem can be isolated to Italy, Australia and Mexico.

ARB results for the first six months are very favorable. Revenue is running just slightly under budget, however, net profit for the first six months was $407K versus a budgeted profit of $350K. It is anticipated that ARB will achieve its 1971 objectives.

-- R. R. Oberle

RR0/mc
MEMO

DATE: 14 July 1971

TO: R. R. Oberle

FROM: D. L. Reineke

SUBJECT: 1971 Operations - Maintenance Services

For the period ended June 30, Maintenance Services is approximately $1,154 favorable to the original budget.

SIGNIFICANT COMMENTS

Maintenance - Revenue is over budget year to date and is expected to be approximately $900K over budget by year end. This is a result of back revenues from last year and higher than anticipated revenue on our installed base.

Costs are running under budget which is expected to continue through the year.

Commercial Parts - Revenue from parts while essentially on budget year to date is expected to slip from budget by $700K at year end due to a general softness particularly in international operations.

Gross Profit margins are also expected to slip due to higher manufacturing costs.

In summary, it is planned that Maintenance Services will achieve their original budget for the year. This will be accomplished by holding maintenance costs in line with the present base and expected deliveries which will be offset by a deviation in Commercial Parts revenue and gross profit.

It is important to point out the difference in our profitability of 60% on parts versus 14% on maintenance.

-- D. L. Reineke
DLR/mc
MEMO

DATE: 14 July 1971

TO: R. R. Oberle

FROM: F. M. Zimmerman

SUBJECT: CDEI Operating Results - June 1971

Year to Date

CDEI's entry level business world wide has exceeded their profit goals for the first half of 1971. The international schools are well ahead of plan and were profitable for the first half. The domestic schools are essentially on plan. Problems have been more in the Career Advance Institutes where the slow start up of unbundled training and a low rate of CDC internal training have combined to make profits more elusive. In total however, CDEI was profitable for the first half.

Second Half

During the second half of 1971, we anticipate that our domestic seminar business and our international business will remain very strong. The build up of unbundled training may continue to be slow and we do not anticipate that Control Data will increase its rate of internal training. Also, where as the entry level business appears to be a profitable business, we may have to broaden our product line to include a more expanded spectrum of educational products to fully utilize the capacity of certain schools in cities hard hit by the recession, {Los Angeles, Minneapolis, San Francisco}.

In total, CDEI will train approximately 11,000 people in 1971.

-- F. M. Zimmerman

FMZ/mc
June results were encouraging. Revenues were $100K below budget of $2.4 Mil, however, profit goals were met.

Year to date revenue lags by $300K or 2.2% below budget. Net Profit Before Taxes was $537K lower than the budget target. Over $400K of the $537K was due to Cybernet International - Italy, Australia, Mexico.

ComSource unfavorable variances for Cybernet domestic were $150K in June and approximately $1.0 Mil first half. Cost reduction programs initiated and realized to date will be partially offset by the KR0N0S expansion plans. This will increase the communication costs by approximately $30K per month and equipment operating costs associated with the Houston installation by approximately $26K per month beginning in September. The revenue base associated with this network expansion is anticipated to offset those expansion costs but may not occur simultaneously. Also, additional unfavorable Cybernet variances of $50K are anticipated for the Twin City Data Center due to MICS obtaining a dedicated system in September. Hopefully, the loss of this business from the Twin City Data Center will be absorbed by the additional outside business.

Forecast revenue for CY 1971 will be approximately $800K below the original budgeted $30.5 Mil.

-- P. G. Schaeppi

PGS/mc
The Consulting Services group should be reporting the following numbers for June. Revenue will be 816K with a resultant corporate net profit before taxes of 50K-loss. These numbers are very close to our forecast from last month and are favorable to our staff meeting forecast in the revenue area by 30K. We have had some significant variances by division within the group which allowed us to meet our consolidated net forecast. We experienced a 57K loss in our Washington operations for the month. Some of our numbers in E&AS-International have been reversed, and we received an 18K profit for the month which was favorable to our forecast by 28K. Hopefully, we can now receive our proper credits in other areas of the E&AS-International business.

On a year-to-date basis, our revenue at 4,355K is 1,202K unfavorable from the original budget. Our corporate net loss at 303K is unfavorable from budget by 449K. First half gross profit rate is 18.3% versus a budget of 21.5%. The expenses for the group in total are tracking very close to budget, favorable by 6K.

Our first half actual includes 50K in reserves for an audit adjustment for AASL. We have received written notification that the underbilled overhead can be billed. When an account number is made available, we intend to record this billing and the crediting of the reserve to the bottom line, probably in August.

We still have some cost to be uncovered in our Washington operation and anticipate those expenses keeping the group in a loss position for the month of July. CEIR is also projecting a loss for July. Management actions this past month in both Washington and CEIR will be noticeable primarily in the August statements.

Some adjustments to the total year forecast have been made in the June statements. We have not had an opportunity to consolidate them as yet, but I do not anticipate their being much different from our staff meeting projection of revenue totaling 10,714K with a resultant group net profit approximating a 12K loss.