ACTUALLY I DON'T INTEND TO GO BACK QUITE THAT FAR IN TIME, BUT NO COMMENTS I COULD MAKE TO YOU THIS EVENING WOULD BE TOTALLY MEANINGFUL WITHOUT SPEAKING FIRST OF THE PAST. AT LEAST THE PAST YEAR.

1975 WAS A GOOD YEAR FOR US IN CONTROL DATA. AND COMPARED TO ITS PREDECESSOR, IT WAS AN ABSOLUTELY GREAT YEAR. I AM AWARE OF THE GREAT EFFORT THAT YOU HAVE PUT FORTH TO ACCOMPLISH SOME VERY DIFFICULT GOALS. AND SO, IT IS REALLY A PLEASURE TO SHARE WITH YOU A FEW MOMENTS OF REFLECTION AND RELAXATION. WE ARE ALL SO BUSY WE HARDLY HAVE TIME TO SHARE EACH OTHER'S SUCCESSES.

MONDAY NIGHT YOU HAD A BRIEF CHANCE AT LEAST TO DO THAT AND I CERTAINLY WANT TO ADD MY CONGRATULATIONS TO ROGER MARCOMB, WIL COOK, DICK SCHROEDER, AND AL GLASS FOR THEIR OUTSTANDING PERFORMANCES. ALSO TO THE MIDWEST REGION FOR THE MOST IMPROVED AWARD AND ESPECIALLY TO THE PACESETTERS OF 1975 -- STEVE BANKS, JOAN HART AND DICK SCHROEDER AND THEIR ASSOCIATES IN THE WESTERN REGION.
AND TONIGHT FOR A FEW MINUTES, I WANT TO SHARE WITH YOU THE DIMENSIONS OF OUR SUCCESS IN 1975 AND AT THE SAME TIME I CAN POINT OUT THE NATURE OF THE JOB AHEAD FOR ALL OF US. TO THE SPOUSES PRESENT, I APOLOGIZE IN ADVANCE FOR A LOT OF STATISTICS AND JARGON, BUT I'M REMINDED OF THAT OLD STORY ------

ASSET AND DEBT REDUCTION

ONE NOTABLE AREA OF PROGRESS IN 1975 WAS THAT OF BETTER ASSET UTILIZATION AND REDUCTION IN DEBT IN THE COMPUTER BUSINESS. TOTAL DEBT IN 1975 WAS REDUCED BY ABOUT $84 MILLION. BORROWINGS UNDER OUR $165 MILLION REVOLVING CREDIT BANK AGREEMENT WERE REDUCED FROM $110 MILLION LAST SPRING TO $12 MILLION ON DECEMBER 31ST. DURING 1976 THE AVERAGE LEVEL WILL BE HIGHER, POSSIBLY SOMEWHERE AROUND $30 to $40 MILLION. THERE WILL BE CONTINUING EMPHASIS ON OPTIMUM ASSET UTILIZATION AND IN HOLDING DOWN SHORT-TERM BORROWINGS IN THE COMPUTER BUSINESS. MORE ON THAT LATER.

PERIPHERAL BUSINESS

THE PERIPHERAL BUSINESS IS IN A STRONGER POSITION TODAY THAN A YEAR AGO. MOST ENCOURAGING ARE THE PROFITABILITY FEATURES OF NEW PERIPHERAL PRODUCTS SUCH AS THE MASS STORAGE SYSTEM. THE MSS AND OTHER NEW PRODUCTS HAVE COST-EFFECTIVE DESIGNS AND AS VOLUME BUILDS UP, THEY WILL BE SIGNIFICANT PROFIT CONTRIBUTORS --MUCH MORE SO THAN THE IBM PLUG COMPATIBLE PRODUCTS THEY WILL GRADUALLY REPLACE.

ICL'S ENTRANCE INTO CPI, THE JOINT PERIPHERAL COMPANY INITIALLY BETWEEN NCR AND CDC, ALSO WILL HAVE A FAVORABLE EFFECT ON COSTS.

THE BUSINESS PRODUCTS SEGMENT IS BEGINNING TO SEE AN UPTURN IN DEMAND IN THE UNITED STATES. AT THIS TIME LAST YEAR BUSINESS PRODUCTS WAS FACING DECLINING DEMAND.

ON BALANCE THEN THE PERIPHERAL BUSINESS IS POSITIONED BETTER TODAY THAN IT WAS A YEAR AGO.

CCC

SINCE THE EARLY DAYS OF THE MERGER WITH CCC THE POTENTIAL FOR DEVELOPING MUTUALLY BENEFICIAL RELATIONSHIPS HAS BEEN EMPHASIZED MANY TIMES. 1975 SAW THE GREATEST PROGRESS EVER IN THIS REGARD. I'LL SUMMARIZE BRIEFLY WHERE WE STAND TODAY.

COMPUTER LEASING: THE FIRST MAJOR TIE-IN WAS THE COMPUTER LEASING PROGRAM, IN WHICH CCC FINANCES OUR LEASED COMPUTERS. THIS ACTIVITY HAS GROWN SOLIDLY OVER THE YEARS.
COMPUTER LEASING IS A VERY ATTRACTIVE BUSINESS FOR COMMERCIAL CREDIT, NONE MORE SO. MOST LEASES ARE WITH BLUE CHIP COMPANIES SO THE RISK IS NEXT TO ZERO, ADMINISTRATION COSTS ARE LOW AND THE SPREAD IS THE GOING RATE FOR THAT TYPE OF BUSINESS. NET PROFIT FROM COMPUTER LEASING IS 29.5% OF CCC'S TOTAL PROFIT. FROM THE COMPUTER BUSINESS SIDE IT IS REASONABLE FINANCING.

CTI: ANOTHER PROGRAM ALREADY UNDERWAY IS COMMERCIAL TRADING COMPANY WHICH WAS ESTABLISHED TWO YEARS AGO FOR HELPING OUR COMPUTER PRODUCT SALES TO SOCIALIST COUNTRIES. CTI IS BUILDING UP CONTACTS AND MARKETING AGREEMENTS TO BE IN A POSITION TO ACCEPT GOODS AND MATERIALS FROM SOCIALIST COUNTRIES FOR BARTER AGAINST COMPUTER PRODUCTS. CTI IS A KEY ELEMENT IN SELLING SUCCESSFULLY IN THE COMMUNIST MARKETS.


ABOUT TWO MONTHS AGO WE INITIATED WITHIN CONTROL DATA THE QUEST FOR TECHNOLOGY PROGRAM. THERE HAS BEEN TREMENDOUS INTEREST BY EMPLOYEES AND THE AMOUNT OF TECHNOLOGY COLLECTED FOR OFFERING OUTSIDE BY TECHNOTEC IS IMPRESSIVE.
TECHNOTEC USAGE WILL CAUSE OTHER APPLICATIONS TO SURFACE —
ONE OF WHICH IS SKILTECH, A SERVICE TO IMPROVE EFFICIENCY OF
PERSONNEL PLACEMENT.

INTEGRATED SERVICES: WITHIN THE PLAN FOR SUPPLEMENTING CCC'S
TRADITIONAL FINANCE AND INSURANCE ACTIVITIES WITH OTHER SERVICES,
THE MOST IMPORTANT ARE DATA SERVICES ALREADY DEVELOPED BY THE
COMPUTER BUSINESS, INCLUDING CBE, TECHNOTEC, AND EDP SERVICES.
THese DATA SERVICES ALONG WITH OTHER CCC SERVICES WHEN PACKAGED
WITH CCC TRADITIONAL FINANCIAL AND INSURANCE OFFERINGS WILL
BE MORE RESPONSIVE TO BUSINESS AND CONSUMER NEEDS WITH A
CONSIDERABLE GAIN IN MARKETING EFFICIENCY.

CBE: THE MOST SIGNIFICANT INTERCOMPANY PROGRAM IS THAT OF
COMPUTER-BASED EDUCATION. ON JANUARY 1ST COMMERCIAL CREDIT
STARTED THE SALE OF COMPUTER-BASED EDUCATION SERVICE TO INDUSTRY
AND CONSUMERS AND TOOK OVER MANAGEMENT OF CONTROL DATA INSTITUTES.

AT THIS POINT I WOULD LIKE TO QUOTE FOR YOU MR. NORRIS' REMARKS
TO FIELD MANAGEMENT AT DIRECTION 76. NO WORDS OF MINE COULD
BE MORE ELLOUENT OR MEANINGFUL. "MY BELIEF IS THAT EDUCATION
WILL DO FOR COMMERCIAL CREDIT WHAT DATA SERVICES IS DOING
FOR THE COMPUTER BUSINESS IN THAT IT WILL BE THE FOCAL POINT
FOR A UNIQUE BUSINESS STRATEGY. THE MOST URGENT NEED OF INDUSTRY IS TO IMPROVE PRODUCTIVITY. COMMERCIAL CREDIT, OF COURSE, ALREADY PROVIDES FINANCING FOR CAPITAL EQUIPMENT, BUT THE MAJOR AREA IN THE FUTURE FOR IMPROVING PRODUCTIVITY IS TRAINING. WHILE LARGER COMPANIES CAN AFFORD THE NECESSARY TRAINING FOR EMPLOYEES, MEDIUM-SIZED AND SMALLER ORGANIZATION ARE FINDING IT INCREASINGLY DIFFICULT TO ACQUIRE AND PAY FOR THE EMPLOYEE TRAINING NECESSARY TO BE COMPETITIVE. HENCE, COMMERCIAL CREDIT HAS A GREAT OPPORTUNITY TO MEET A FUNDAMENTAL NEED. CBE WILL BE MARKETED BOTH AS PART OF THE CCC INTEGRATED SERVICES MARKETING AND AS A STAND-ALONE OFFERING."

"TECHNOLOGY EXCHANGE SERVICE WILL BE ADDED LATER SO THAT ULTIMATELY THE CCC PACKAGE WILL INCLUDE CAPITAL, TRAINING AND TECHNOLOGY -- THE MAIN TOOLS FOR IMPROVING PRODUCTIVITY."

"THE CBE PLAN IS AGGRESSIVE BUT IT DOES NOT CONTAIN A HIGH DEGREE OF RISK OR UNDULY BURDENSOME COSTS. THE LARGE DEVELOPMENT COSTS AND START-UP LOSSES HAVE ALREADY BEEN ABSORBED BY THE COMPUTER BUSINESS AND MOST OF THE CAPITAL INVESTMENT REQUIRED THUS FAR HAS BEEN MADE BY THE COMPUTER BUSINESS."
"THE COMPUTER BUSINESS WILL CONTINUE TO DEVELOP THE HARDWARE AND SOFTWARE IMPROVEMENTS NEEDED IN THE YEARS AHEAD, BUT IT IS RELIEVED OF THE COSTS OF COURSEWARE DEVELOPMENT AND MARKETING NECESSARY FOR INITIAL INDUSTRY PENETRATION. THESE STEPS MUST BE TAKEN BEFORE THERE IS A SIGNIFICANT INCREASE IN THE SALE OF COMPUTER-BASED EDUCATION SYSTEMS AND TERMINALS."

TURNING FROM COMMERCIAL CREDIT BACK TO THE COMPUTER BUSINESS, LET ME GO ON TO COMPUTER SYSTEMS. FOR 1975, COMPUTER SYSTEMS WAS OUR AREA OF GREATEST PROGRESS. COMPUTER SYSTEMS BEAT ITS BASE FINANCIAL PLAN FOR THE YEAR BY 12.5 MILLION DOLLARS. ASSETS WERE DOWN BY 77.3 MILLION DOLLARS -- FROM 719.4 MILLION AT THE BEGINNING OF THE YEAR TO 642.1 AT THE CLOSE. HEADCOUNT WAS DOWN FROM 4548 TO 3758. TECHNICAL EFFORT INCURRED, FROM * 30.2% TO 21.3% OF REVENUE.

AND THE CYBER 170, OF COURSE, WAS THE HIGHLIGHT OF THE SYSTEMS' YEAR.

WITH ALL THAT, HOWEVER, OUR SYSTEMS BUSINESS IS NOT YET PROFITABLE. THE PAST TWO YEARS, WE HAVE BEEN HAMMERING AWAY AT THE FUNDAMENTALS OF PRODUCT STRATEGY, INDUSTRY MARKET ANALYSIS AND PLANNING, BETTER MANAGEMENT AND COST VISIBILITY. WE ARE POSITIONED NOW TO MAKE OUR SYSTEMS BUSINESS PROFITABLE. YOU AND YOUR COLLEAGUES IN FIELD MARKETING ARE GOING TO PLAY A MORE IMPORTANT ROLE THAN EVER IN MAKING THAT HAPPEN.
INSTRUMENTS AND CONTROLS

AUTOCON, ELECTROFACT, AND KEROTEST MADE A PROFIT FOR THE FIRST TIME IN TWO YEARS AND HAD A POSITIVE CASH FLOW OF ALMOST 6 MILLION DOLLARS. IN FACT, OUR INSTRUMENTS AND CONTROLS BUSINESS HAD THEIR MOST PROFITABLE YEAR EVER.

ENERGY MANAGEMENT SYSTEMS FROM AUTOCON REPRESENT A MAJOR NEW MARKET AREA FOR OUR COMPUTER SYSTEMS. AND DURING 1976 WE WILL BE MAKING ADDITIONAL INVESTMENTS TO PRODUCTIZE THESE SYSTEMS AND INCREASE THEIR SALEABILITY AND PROFITABILITY. OUR FINANCIAL PLANS FOR INSTRUMENTS AND CONTROLS IN 1976 DO NOT CALL FOR GROWTH IN EITHER REVENUE OR PROFITS. BUT THEY DO CALL FOR INCREASED PRODUCTIVITY AND GROSS PROFIT RATES SO THAT MORE MONEY CAN BE INVESTED IN THE BUSINESS. AS A RESULT, IN A FEW YEARS, THIS IS GOING TO BE A MAJOR SEGMENT OF OUR SYSTEMS BUSINESS.

AEROSPACE AND MILITARY PRODUCTS

OVER THE PAST FIVE YEARS, AEROSPACE AND MILITARY PRODUCTS HAS BEEN THE FASTEST GROWING PRODUCT FAMILY WITHIN OUR SYSTEMS BUSINESSES. IN 1972, REVENUES WERE $42.3 MILLION AND PRE TAX PROFITS OF $1.3 MILLION REPRESENTED A 3% RETURN ON REVENUES. IN 1975, REVENUES REACHED $104.2 MILLION AND PRE TAX RETURN REACHED 5.1%. AEROSPACE BEAT ITS ASSIGNED PROFIT TARGET BY 36%.
THERE IS A PROBLEM IN ALL THIS, HOWEVER. FROM 1972 THROUGH 1975 ASSETS GREW BY OVER 125% -- FROM $21.9 MILLION TO $49.3 MILLION. CUMMULATIVE NEGATIVE CASH FLOW OVER THAT PERIOD WAS SOME $20 MILLION.

IN 1976, OUR STRATEGY IS VERY MUCH MORE ORIENTED TOWARD THIS PROBLEM. REVENUE GROWTH IS PEGGED AT A MODEST LEVEL OF 4%. BUT ASSETS WILL LEVEL OFF AND A POSITIVE CASH FLOW OF 2.0 MILLION DOLLARS WILL RESULT.

AEROSPACE REPRESENTS A LARGE TECHNOLOGY RESOURCE FOR CONTROL DATA. IN THE PAST, SOME SIGNIFICANT PROGRAMS HAVE BENEFITED FROM AEROSPACE TECHNOLOGY. FOR EXAMPLE, THE MP-17 AND ITS USE IN THE 2550 COMMUNICATIONS SYSTEM IS A DIRECT FALLOUT OF THE AEROSPACE MPP TECHNOLOGY.

BUT, IF WE ARE TO GET FULL BENEFIT FROM OUR INVESTMENTS IN THIS PRODUCT FAMILY, WE MUST DO MUCH MORE IN THE FUTURE. THIS SUBJECT WILL GET CONSIDERABLE ATTENTION THIS YEAR.

NOW I WILL TURN TO SERVICES ---
ENGINEERING SERVICES - ENGINEERING SERVICES OVER THE YEARS HAS BEEN THE MOST CONSISTENT PERFORMER IN TERMS OF MEETING BUDGET AND IN TERMS OF GROWTH AND IMPROVING PROFITABILITY. IN 1975, IN TERMS OF ABSOLUTE DOLLARS, ENGINEERING SERVICES PRODUCED MORE BEFORE TAX PROFIT THAN ANY OTHER PRODUCT FAMILY IN THE COMPUTER BUSINESS.

YET IT IS HERE THAT WE FACE PERHAPS OUR GREATEST CHALLENGE IN MEETING THE FINANCIAL GOALS OF THE NEXT FIVE YEARS. FOR WHILE REVENUE HAS GROWN BY SOME 82 MILLION DOLLARS FROM 1972 THRU LAST YEAR, ASSETS HAVE INCREASED BY $87 MILLION. AS A RESULT OF HAVING TO FINANCE THOSE ASSETS CUMULATIVE NEGATIVE CASH FLOW OVER THOSE FOUR YEARS WAS 31.0 MILLION.

WE TEND TO THINK OF ENGINEERING SERVICES PRIMARILY AS A PEOPLE BUSINESS. AND, OF COURSE, IT IS! THAT IS, IT IS A VERY PEOPLE DEPENDENT BUSINESS. IT IS ALSO AN ASSET INTENSE BUSINESS AND HAS GROWN MORE SO. FOR EACH EMPLOYEE WITHIN ENGINEERING SERVICES, WE REQUIRE TODAY $24,000 IN ASSETS. INVENTORY AND INITIAL SPARES REPRESENT OVER HALF OF THIS -- SOME $14,000. RECEIVABLES REPRESENT ANOTHER $5,000.
THIS PROBLEM IS NOT SOMETHING THAT OUR ENGINEERING SERVICES PEOPLE ALONE CAN SOLVE. IT STARTS WITH PRODUCT STRATEGY AND IS ESPECIALLY INFLUENCED BY PRODUCT PROLIFERATION AND EARLY OBSOLESENCE. IT CONTINUES WITH DESIGNERS AND THE MANUFACTURING PEOPLE AND FINALLY RESTS WITH YOU -- THE FIELD MANAGEMENT -- NOT ONLY IN RECEIVABLES MANAGEMENT BUT IN THE WHOLE PROSPECT REPORTING, FORECASTING, SCHEDULING PROCESS WHICH SO HEAVILY INFLUENCES INVENTORIES.

PROFESSIONAL SERVICES — BY ALMOST ANY NAME, PSD, DRIVING OFF THE FORCE OF UNBUNDLING IN 1970, HAS BECOME ONE OF OUR MOST SUCCESSFUL PRODUCT FAMILIES. IN 1975, THEY REACHED A BEFORE TAX PROFIT RATE OF 8.6% WHILE GROWING REVENUES SOME 23.0%. IN CONTRAST WITH ENGINEERING SERVICES, ASSET REQUIREMENTS ARE LOW — SOME $4400 PER EMPLOYEE. AS YOU NO DOUBT UNDERSTAND, THIS IS MOSTLY RECEIVABLES — ABOUT 65% RECEIVABLES. DURING 1975, YOU MADE A LOT OF PROGRESS IN HANDLING RECEIVABLES. BUT LET ME GIVE YOU A LITTLE DIFFERENT PERSPECTIVE ON PSD RECEIVABLES. AVERAGE DAYS OUTSTANDING WENT FROM 78 IN 1974, TO 70 LAST YEAR. IN 1976, THE DAYS OUTSTANDING MUST FURTHER IMPROVE TO 58.
DATA SERVICES

OUR DATA SERVICES PRODUCT FAMILY HAS A LOT OF CONTRASTS. IT LACKS CONSISTENCY. SOME SERVICE LINES ARE MATURE AND SOLIDLY PROFITABLE, SOME REPRESENT CONTINUING INVESTMENTS - AND LOSSES. ON THE ONE HAND, WE HAD A LARGE SHORTFALL IN REVENUE IN 1975; ON THE OTHER HAND, COSTS WERE BETTER CONTROLLED IN THIS PRODUCT FAMILY THAN ANY OTHER. U.S. CYBERNET IN SPITE OF A 3.5 MILLION DOLLAR REVENUE SHORTFALL EXCEEDED BUDGETED PROFIT. ON THE ONE HAND, U.S. CYBERNET LANGUISHED IN THE EARLY PART OF THE YEAR, WHILE EUROPE BOOMED ALONG. ON THE OTHER HAND, THE REVERSE WAS TRUE IN THE LAST SEVERAL MONTHS.

IN THE FIELD YOU NOW HAVE THE TOOLS, THE STRUCTURE, THE VISIBILITY AND MEASUREMENTS YOU NEED. ALL THESE THINGS WILL IMPROVE DURING 1976 TO BE SURE. BUT PERFORMANCE IS NOW UP TO YOU. IT REQUIRES CONCENTRATION AND ATTENTION TO DETAIL AND IT REQUIRES IT EVERY DAY. WITH IT WE'LL HAVE A GREAT YEAR IN CYBERNET AND A BETTER FOUNDATION FOR FUTURE GROWTH.

SBC

THE FINAL BUSINESS SEGMENT I HAVE TO COVER IS SBC. AT 13.4 MILLION, SBC DID NOT QUITE REACH ENGINEERING SERVICES IN TOTAL
BEFORE TAX PROFIT DOLLARS. BUT AT 13.6% RETURN ON REVENUES, THEY ARE CONTROL DATA'S MOST PROFITABLE BUSINESS ENTITY. THEY WERE ALSO THE MOST PROFITABLE BUSINESS ENTITY IN TERMS OF RETURN ON ASSETS.

IN 1976 SBC WILL BE MAKING MAJOR INVESTMENTS IN SEVERAL NEW MARKET AND APPLICATIONS AREAS: BANKING (DEMAND DEPOSIT ACCOUNTING), INSURANCE, RETAIL POINT OF SALE, DISTRIBUTION AND TWO PROGRAMS IN MANUFACTURING. WE WILL ALSO CONTINUE DEVELOPMENT IN EUROPE AND CANADA AND PLAN TO ENTER THE JAPANESE MARKET DURING THE YEAR.

INVESTMENT IN THESE NEW PROGRAMS WILL NATURALLY REDUCE THE PROFITABILITY OF SBC IN 1976, BUT STILL WILL YIELD A PRE TAX RATE OF 20% ON AVERAGE ASSETS EMPLOYED.

FINALLY THEN LET ME TURN MORE SPECIFICALLY TO YOUR ROLE IN ALL OF THIS.

OVER THE YEARS I KNOW YOU HAVE ACCEPTED THE CHALLENGE OF NEW ADMINISTRATIVE AND CONTRACT RESPONSIBILITIES WILLINGLY, OFTEN WITHOUT A CLEAR-CUT UNDERSTANDING OF ALL THE PROBLEMS AND ALMOST ALWAYS WITHOUT THE BENEFIT OF REAL BUDGET DOLLARS. BY DELIVERING RESULTS, AND OFTEN, EXCEEDING
EXPECTATIONS, YOU HAVE BUILT A FINE REPUTATION NOT ONLY IN YOUR MANAGEMENT'S EYES, BUT IN MINE AS WELL. I RECALL ONE OF THE EARLY REGION BUSINESS CENTER OBJECTIVES WAS TO BE ACTION INSTEAD OF REACTION ORIENTED. YOU DESERVE THE LABEL ACTION ORIENTED.

I HAVE A FEW SPECIFIC OBSERVATIONS WITH REGARD TO 1975.

PACESETTER PROGRAM - THIS PROGRAM GIVES COMPANY-WIDE VISIBILITY TO VARIOUS ELEMENTS OF ADMINISTRATION AND QUANTIFIES SOME OF THE TASKS YOU ARE CHARGED TO DO. THROUGH PACESETTER I OBSERVE YOUR ACCOMPLISHMENTS AND I SEE MANY OF THEM.

CYBERNET ADMINISTRATION - CLEARLY IN A/R ALONE, WHERE DELINQUENCY WAS REDUCED FROM 27.2% TO 16.2% PROGRESS WAS MADE. STILL I'M CONFIDENT YOU ARE NOT YET SATISFIED WITH YOUR PERFORMANCE, ESPECIALLY IN VIEW OF THE DOMESTIC POSITION OF 7.7% DELINQUENT. I KNOW YOU ARE WORKING TOWARDS FURTHER ADMINISTRATIVE CONSOLIDATIONS IN THIS CYBERNET AREA.

CASH HANDLING - THE SOUTHERN REGION TEST OF CASH HANDLING PAVED THE WAY FOR QUICKER PAYMENT ADVICE TO REGIONS, THEREBY ASSISTING IN COLLECTION FOLLOW-UP.
REVENUE F/C - THE BILLING FORECAST WHICH BEGAN IN 1971 IS AN INTEGRAL PART OF OUR IBIS AND LEASE BASE MANAGEMENT PLANS FOR 1976 AND THE FUTURE. IT IS YOUR INPUT WHICH FORMS THE BASIS FOR OUR TOTAL S&S REVENUE FORECASTING EFFORTS.

AS THE MANAGEMENT OF REVENUE AND PROFIT COMES CLOSE TO HOME - THAT IS FOR YOU AND YOUR REGIONAL MANAGER, YOU WILL DISCOVER FOR YOURSELF JUST HOW CRUCIAL THIS BUSINESS ELEMENT IS TO PROFIT PLANNING. I CAN HARDLY WAIT.

CONTRACTS - IN THIS AREA YOU GENTLEMEN PLAY A KEY ROLE, NOT ALTOGETHER A POPULAR ONE WITH THE SALESMAN AND MARKETING MANAGEMENT, BUT HOPEFULLY ALWAYS ONE OF MUTUAL RESPECT AND PROFESSIONALISM: SEEKING TO GET BUSINESS WHILE MINIMIZING THE CORPORATE RISK.

THOSE ARE JUST A FEW OBSERVATIONS. IN A MORE GENERAL WAY LET ME SAY THAT OVER THE PAST FIFTEEN YEARS I HAVE HAD MANY UNIQUE, EXCITING AND REWARDING EXPERIENCES IN CONTROL DATA. BUT MY EXPERIENCE WITH MARKETING RANKS AT THE TOP. HAVING BEEN A PART OF IT: HAVING BEEN FOR A TIME OUT OF IT BUT DEPENDENT ON ITS SUCCESS: AND NOW HAVING ONCE AGAIN THE RESPONSIBILITY HAS BEEN A UNIQUE EXPERIENCE IN SEEING AN ORGANIZATION DEVELOP AND MATURE. CONTROL DATA'S FIELD
ORGANIZATION IS TODAY A MUCH MORE CAPABLE ORGANIZATION THAN
IT WAS IN 1970 WHEN I LEFT. BUT THE SINGLE GREATEST CHANGE
- THE SINGLE GREATEST NEW CAPABILITY THAT WILL HELP US
ACHIEVE FUTURE SUCCESS IS REPRESENTED BY THOSE OF YOU HERE
IN THIS ROOM.

AS I LISTENED TO CHARLIE A FEW MOMENTS AGO RECITE THE
EVOLUTION OF THE RBC I WAS REALLY IMPRESSED WITH THE
MAGNITUDE OF THE PROGRESS OVER THE PAST FIVE YEARS. LIKE
CHARLIE, I TOO BELIEVE THE COMPANY HAS BENEFITTED IN MANY
WAYS FROM THIS PROGRESS.

TRULY, THOUGH, I THINK I DISAGREE WITH HIM REGARDING
THE FUTURE. FOR THERE ARE STILL NEW TRAILS TO BE BLAZED
AND YOU ARE THE PEOPLE WHO WILL DO THAT.

FOR WE ARE IN THE MIDST OF AN EVOLUTION WHICH WILL
PLACE FINANCIAL RESPONSIBILITY IN THE HANDS OF FIELD
MANAGEMENT. NONE OF THIS IS EVEN CONCEIVABLE WITHOUT THE
CAPABILITY OF AN EFFICIENT AND EFFECTIVE FIELD ADMINISTRATIVE
ORGANIZATION. AS YOU MOVE INTO AN ERA IN WHICH NOT JUST
ORDERS, BILLINGS, AND RECEIVABLES ARE MANAGED INDIVIDUALLY,
BUT WHERE YOU MUST MANAGE THE DYNAMIC RELATIONSHIPS OF
ORDERS, BILLINGS, REVENUE, RECEIVABLES, CASH AND PROFITS,
YOU WILL GAIN A NEW PERSPECTIVE, AN EXCITING PERSPECTIVE
AND RESPONSIBILITY FOR CONTROL DATA'S BUSINESS.
YOU, THEN, REPRESENT THE RESOURCE THAT MORE THAN ANYTHING WILL ALLOW US TO MANAGE THE BUSINESS OUT WHERE THE ACTION IS. BUT YOU HAVE A CHALLENGE IF WE ARE TO ACCOMPLISH OUR MUTUAL GOALS.

ASSETS MANAGEMENT - (CHALLENGE)

AS YOU NO DOUBT GATHERED FROM MY COMMENTS ALREADY THIS EVENING ASSET MANAGEMENT IS THE KEY CHALLENGE WE FACE NOW IN OUR CONTINUING TASK OF IMPROVING OUR BUSINESS. ACTUALLY IT IS THE KEY TO IMPROVING PROFITABILITY. EACH DOLLAR WE PAY IN INTEREST TO BANKS IS A DOLLAR THAT IS NOT AVAILABLE TO YOU TO ME OR TO PROFIT THAT CAN BE REINVESTED IN OUR FUTURE. IT IS A VERY PERSONAL THING. IT IS NO DIFFERENT FROM MANAGING YOUR OWN LIVES. THE MONEY CAN GO TO YOU FOR FOOD, FOR CLOTHES, FOR VACATIONS, FOR EDUCATION, FOR SELF-IMPROVEMENT -- OR THE MONEY CAN GO TO THE BANK.

THE $100 MILLION DOLLAR PROGRAM IS A PROGRAM TO FOCUS ATTENTION ON THAT NEED. IT IS EQUAL IN IMPORTANCE TO THE SHARKS, THE 100%, OR THE TARPONS. THROUGH IT WE CAN FREE THE RESOURCE TO MAKE THE SHARKS, THE TARPONS -- ALL CONTROL DATA EMPLOYEES MORE EFFECTIVE.
HOW CAN YOU HELP ACHIEVE THESE ASSET REDUCTIONS?

1. ATTENTION TO FORECASTING!!

ORDERS - FOR MORE TIMELY MANUFACTURE
REVENUE - FOR MORE ACCURATE CASH PLANNING NEEDS

2. TIMELY ORDER PROCESSING

3. TIMELY COORDINATION OF SHIPMENTS, INSTALLATION AND INVOICING. (LAST YEAR WE ESTIMATED, ON DOMESTIC SHIPMENTS OF $75,000,000--FACTORY COST--AN INTEREST SAVINGS OF $200K DUE TO A REDUCTION OF TEN DAYS IN INSTALLATION TIME.

4. TIMELY COLLECTIONS - BASED ON A 10% INTEREST FACTOR, DOMESTICALLY WE REDUCE BORROWINGS APPROXIMATELY $12K PER DAY FOR EACH ONE-DAY REDUCTION IN DAYS OUTSTANDING.

THE STAKES ARE HIGH--YOU ALL PLAY KEY ROLES.

NOW THOSE ARE ALL THINGS YOU HAVE HEARD BEFORE. SO WHAT IS THE REAL CHALLENGE? THE CHALLENGE IS CONSISTENCY.
CONSISTENCY OF PERFORMANCE

1. CYBERNET A/R - NON CURRENT - (1975 YEAR-TO-DATE PERFORMANCE)

RANGE: WEST 11.3 TO WASH 20.7
BACKGROUND EAST 14.7 -- MW 17.1 -- SOW 17.6

2. INSTALL TO INVOICE CYCLE (1975 YEAR-TO-DATE PERFORMANCE)

RANGE: WASH 13.4 DA. TO SOUTH 42.3 DA.
BACKGROUND MW 13.6 -- WEST 16.7 -- EAST 31.3

3. SHIPMENT TO INSTALL CYCLE - (1975 YEAR-TO-DATE PERFORMANCE)

RANGE: MW 19.6 DA. TO EAST 29.5 DA.
BACKGROUND: WASH 20.0 -- WEST 26.0 -- SOUTH 27.9

KEY - S&S PERSONNEL USING DATA TO MORE EFFECTIVELY
MANAGE AT DIVISION/COMPANY LEVEL

4. MANUAL INVOICE ERRORS - (DECEMBER ONLY)

RANGE: MW 3.5% TO WASH 19.8%
BACKGROUND: WEST 9.9% -- EAST 14.3% -- SOUTH 14.4%

KEY - ATTENTION TO CLERICAL DETAILS

If I had to express, I must simply
ALL OF US ARE COUNTING ON THE PROFESSIONALISM OF YOU AND
YOUR PEOPLE TO ACHIEVE THIS CONSISTENCY IN 1976.
I HOPE THAT YOU CAN SENSE THE OPPORTUNITIES THAT LIE AHEAD FOR ALL OF US. OUR BASIC STRATEGY HAS PUT US ON THE RIGHT TRACK. WE ARE BUILDING MOMENTUM TOWARD A BETTER SYSTEM OF MANAGEMENT. OUR 1976 MISSION IN A WORD IS "EXECUTION". THE RESULT WILL BE QUALITY - QUALITY PERFORMANCE. AND I LOOK FORWARD TO SHARING THAT PERFORMANCE WITH YOU.
### PACESETTER BACKGROUND DATA

**December, 1975**

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<td>CRF Input RQC/COV Dates</td>
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<td>1.01%</td>
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1976
PACESETTER REGIONAL GOALS

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<th>MEASUREMENT</th>
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<th>Midwest</th>
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<th>Washington</th>
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<tr>
<td>F/C Billings vs. Actual</td>
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* Without EOD Contract Adjustment
1769 - Son Dojo Mission founded
1823 - Last mission in Sonoma
1826 - Judith Smith
1828-29 - James Pattie

1847 - End Mexican War
1850 - Statehood
1865 - James Harte - $265 for 960 acres
1885 - Bolcoke & Strong buy Coronado
1886 - Cotts. begins
1888 - opens