I. INTRODUCTION

Good morning.

As Mr. Norris has pointed out, the massive and inter-related problems of unemployment, an unresponsive education system, a declining rate of productivity growth, and the need for urban and rural revitalization, collectively constitute a huge economic burden. They also represent enormous business opportunities for Control Data. Before dealing with some specifics of these opportunities, a few words of general perspective may be helpful.
Even a casual examination of the problems mentioned reveals that behind them lies a need for better and more available knowledge. Lack of job-related and basic skills is a root cause of unemployment among the disadvantaged. Lack of knowledge regarding available technology affects both new business formation and expansion of existing small businesses. The would-be small farmer likewise is hampered by lack of technology and management knowledge.

Given this need on the one hand, and given the potential power of computer technology and financial resources to assist in solving knowledge-related problems on the other, it's clear that Control Data has indeed an enormous business opportunity. We have recognized that and we have been pursuing it vigorously.
II. SMALL BUSINESS

Let me turn to some specific opportunities. I'll start with small business.

In America today there are 13 million small businesses -- the backbone of the U.S. economy. They represent 97 percent of all individual business firms....employ more than half the labor force....provide the livelihood for 100 million Americans....create most of the new jobs -- and many of them are in deep trouble.

For example, Dun and Bradstreet reported that nearly 5,000 American businesses were either liquidated or sought reorganization during the first three months of this year -- an increase of more than 50 percent over the same period last year. At that rate, more businesses will fail in 1982 than in any year since 1932.
Invariably, the failing companies say the culprits are a deepening recession and high interest rates. Unfortunately, the problem is more complex than that. The environment for small business has actually been steadily deteriorating for some time -- because of increasing competition from large companies, increasing government regulation, and decreasing availability of technology and capital. When interest rates subside, we'll simply revert to the normal failure rate that strikes down four out of five new business ventures. Changing those dismal statistics is the opportunity that stands at the heart of our strategy for small business services -- and the principal responsibility for the strategy rests with Commercial Credit Company.

There's something here I should point out. In a sense, this strategy of providing services to small business is nothing new. What we're doing is just a natural extension of the
concept which led Alexander Duncan to start Commercial Credit
Company 70 years ago this month: value-added financial
services for small business. And in 1933, in the midst of the
Great Depression, Commercial Credit acquired Textile Banking
Company, a firm which makes it possible for small textile
companies to obtain more than working capital -- in effect,
they are also able to buy the services of an entire receivables
collection department. This not only saves the expense of
establishing their own receivables department -- it also brings
to them the knowledge and expertise of a much larger concern.

Commercial Credit today is continuing this tradition of serving
the growing needs of small business. It provides "value-added"
money -- through knowledge services -- and the number and scope
of those services is increasing every day.
Micro-computer based applications and education....consulting
and information data base services....import/export
services....and temporary help and employment services now
augment our existing factoring, data processing, leasing,
insurance and financial services for small business.

All these are delivered through the Business Centers and the
more comprehensive Business and Technology Centers which also
provide office and manufacturing space. We opened the first
Centers just two years ago -- today there are 71. The Business
Centers dollar volume is still small, but it's growing
rapidly. Revenues for the first quarter this year were
50 percent of what we achieved in the entire year of 1981. The
Business and Technology Centers -- often referred to as
"incubators" -- house 148 small companies which employ 628
people, and the survival rate among Business and Technology
Center residents has been 87 percent, more than four times
higher than the rate for small businesses on their own -- and
we feel we can do better yet.
To illustrate how large and small companies can work together, the applications and computer-based training programs offered through the Centers have been primarily developed by independent small companies with whom we are cooperating. In the last two years, 14 such companies have been formed -- many of which are minority-owned and some of which are located in the Business and Technology Centers. Control Data has also helped finance half of those new companies.

III. AGRICULTURE

A different kind of small business -- but no less a business -- is the small farm, and we'll be introducing computer services for agriculture during the second half of this year.
Development of the new services during the past two-and-a-half years couldn't have been possible without the cooperation of dozens of educational institutions, private individuals and businesses who contributed the agricultural expertise. We added the computer expertise and the result is specific, up-to-date, easily accessible agricultural knowledge.

Delivering these services to the farmer will also involve working with small distributors. Independent rural business people will sell the services under a special agreement with Control Data. Eight of these distributorships are anticipated in 1982 and we expect rapid growth in 1983 and beyond.

The services include: educational courses in specific agricultural fields; farm management and financial analysis services; and a data base of agricultural information which farmers can use for quick answers to their day-to-day operating problems.
IV. URBAN AND RURAL REVITALIZATION

Rural -- or urban -- revitalization, however, obviously requires more than the products and services Control Data alone can develop and deliver. An adequate response to the need requires a cooperative undertaking. In that regard, most of you have probably heard about the two consortiums we've helped start and operate: Rural Ventures and City Venture. Small businesses and small farms simply can't exist in a vacuum. They must be supported by an infrastructure, must be part of and contribute to a larger revitalization -- and that's what the two consortiums are all about.

City Venture, founded in 1978, is now managing comprehensive urban development programs in six U.S. cities: Toledo; Philadelphia; San Antonio; Baltimore; Charleston, South Carolina; and Benton Harbor, Michigan. Stockholders include Control Data and ten other businesses, plus two national church organizations.
In each of its project areas, City Venture seeks the cooperation of neighborhood residents, local businesses, government agencies, and other public and private sources. The concept is that lasting results can only be achieved through local initiative and self-sufficiency, leveraged by City Venture's expertise in economic development, job creation, education and training.

To stimulate development, City Venture offers an integration of several diverse components, including: establishment of new plants; mechanisms designed to stimulate the formation of new businesses -- such as the use of Business and Technology Centers and Control Data Worldtech. Additional components include a coordinated effort to provide housing; similar efforts with regard to transportation and neighborhood security; and the use of computer technology in areas such as vocational training, basic education, and business management.
City Venture is making measurable progress. The number one need is jobs. And so far, 1,082 have been created in City Venture projects.

Several new City Venture contracts are in various stages of proposal and negotiation. In addition to the six contracts mentioned, technical consulting regarding on small business formation is being provided in New York's South Bronx, in Omaha, and with our first international project, in London. All in all an increase in revenue of 45 percent is being forecast for 1982.

Rural Ventures was started in 1979. Participants include corporations, farm cooperatives, a foundation, church organizations and individuals. Rural Ventures' sights are set firmly on the viability of the small-scale farm because -- similar to small business -- this is where new jobs will be created.
Shareholders with extensive agricultural expertise, such as Land O'Lakes, CENEX, and Hubbard Milling, play an important role in Rural Ventures projects. Expertise in technology and in education and training comes from Control Data, the Institute for Cultural Affairs, and other organizations and individuals.

Rural Ventures contracts with public and private funding sources for a wide variety of projects. For example:

- In Princeton, Minnesota, 15 beginning farmers are establishing small farms of 80 to 120 acres.

- In Alaska, Rural Ventures is managing two projects north of the Arctic Circle, where the tundra is being cleared to grow food locally.
In New England, Rural Ventures is providing production and marketing assistance to small-scale sheep producers.

In north-central Minnesota, 40 low-income farmers are planting their first commercial vegetable crops.

Rural Ventures has several additional projects being proposed. Like City Venture, it is experiencing healthy growth -- a revenue increase of 20 percent for 1982.

V. EDUCATION

Compared to the new businesses I've been describing, we've reported extensively about PLATO computer-based education in previous stockholder communications, so my remarks this morning will be by way of a progress report.
And you'll be seeing a great deal more about PLATO during 1982 through a major advertising campaign with the theme "Changing How the World Learns". One example of the ads appearing in the campaign can be seen on the lobby display here today.

PLATO is also the major component in Control Data's booth at the World's Fair in Knoxville, Tennessee. More 11 million people are expected to attend the Fair, and many will have an opportunity for a hands-on experience with PLATO. If you're going, look for our exhibit.

Our total education effort covers three different areas: business and industrial training; academic education; and vocational training. The three areas overlap to some degree, but it's useful to look at our services in this way.
With regard to business and industrial training, numerous corporations are using PLATO in areas ranging from complex flight training to entry-level vocational job training.

Revenues from this area in 1982 are expected to be 36 percent of total education revenues.

In developing services for business and industry, we have looked whenever possible for cooperative relationships. For example, as in all industries, the petroleum industry has a need for training at virtually every technical level -- but there is a particular need for trained geophysicists. To meet that need, a consortium of oil companies led by Chevron is working with us to jointly develop a course in exploration geophysics.

Revenues from academic education are 12 percent of total education services. One of our major accomplishments so far
this year has been the installation of a major PLATO system for California State University and Colleges -- a 19-campus organization. As a result, PLATO services can now be delivered not only to all the state and community colleges, but through them also to secondary and primary schools. We expect 400 terminals on line by the end of the year, and Cal State people will be working with us in courseware development.

An extensive cooperative program is also under way in the area of academic education -- is the development of a series of preparatory courses for college engineering students. The Lower Division Engineering Curriculum is a collaborative effort of Control Data and several universities: Minnesota, Nebraska, Delaware, Arizona, and California State. The consortium is working to build a complete lower-division curriculum comprising mathematics, chemistry, physics, and computer science, plus additional humanities, English, and writing
courses -- about 64 credit hours in all. The first courses in
the series will be in place by the 1982-1983 school year, and
the full curriculum will be in operation during the 1984-1985
school year. Colleges will be able to combine classroom
instruction and PLATO instruction as they wish and to deliver
instruction at remote locations -- even at home.

In addition, we are reaching out into the high schools.
Courses in science and mathematics complement the college level
material by giving high school juniors and seniors better
preparation for further education. A number of these high
school courses are already in operation and more will be
available during the coming school year.

Vocational education contributes 52 percent of our education
revenues. In this area, PLATO has been used in Control Data
Institutes for some time. Revenues for the Institutes grew
24.4 percent in 1981, with an operating profit rate higher than
any other unit in the corporation.
Again, a major source of courseware for vocational education comes from cooperation with outside organizations. Vocational education institutions and courseware companies added some 1,300 hours to our courseware library last year -- and the library now totals almost 12,000 hours.

VI. FAIR EXCHANGE

Before I close, let me give you just a brief update about a different type of cooperation. At last year's meeting, we described plans for a new kind of partnership between the company and its employees aimed at a culture for excellence. At that time, we discussed some of the policies and programs we had already developed and were planning.

The management letter of the annual report outlines the progress we made during 1981, so there's no need to report in
detail. Beyond the material in the report, however, four items deserve mention: involvement teams, employee justice, employee education, and job security.

Experience is demonstrating that involvement teams are having the anticipated results of improving work attitudes and productivity of team members. We currently have 264 involvement teams in the company.

Another part of the partnership with our employees is a guarantee of employee justice. You'll recall that at last year's meeting we talked about expanding our program beyond the normal grievance procedure and the Employee Advisory Resource developed some time ago. We're currently trying that expanded system in three locations. Our primary emphasis is on working with managers to establish true justice for employees in the everyday work environment -- and we're exploring a system of peer review to address the most difficult cases.
With regard to employee training and education, our U.S.-based employees last year participated in well over a million hours of education and training. Courses are usually delivered at the worksite -- and the volume delivered could not be possible without computer-based education.

Providing the greatest possible level of job security to the greatest number of employees is a cornerstone of our partnership and it is certainly being tested in the current economic environment. Within the past few days, you have probably seen reports in the media regarding the voluntary time off without pay program which we began offering employees as of May 1. Rather than use a more typical management-dictated lay-off approach, the voluntary approach allows a minimum burden to be imposed overall as we balance the work force against available work. We have employed this approach successfully in the past on a small scale and are expanding it
to a company-wide program. In this regard, it's interesting to note this headline from a recent newspaper article. The time off without pay is supplemented by scheduling vacations around paid holidays. This plus extra paid-for training days and production transfers from one plant to another are all used to provide the best continuing employee income possible under reduced work-load conditions.

In overseas locations, these problems tend to be exacerbated — especially when foreign governments are involved. We have, for example, had a very difficult time in Korea balancing the laws and practices of that country with our own corporate policies and practices.

And these are only a few highlights of the complex problems of providing the greatest possible level of job security to the greatest number of employees.
Also in a brief report such as this there just isn't time to
cover all the many new businesses and new products as well as
the key role cooperation plays in helping us develop those new
businesses and products. Hopefully, however, these examples
have given you some perspective on the fantastic future we are
building for Control Data through computer technology,
financial services -- and cooperation.

Thank you.