GOOD AFTERNOON. IT'S A PLEASURE TO BE HERE WITH YOU AND TO HAVE THIS OPPORTUNITY TO DISCUSS CONTROL DATA.

FOR THE MOST PART, MY COMMENTS TODAY WILL ADDRESS THE FOUR BASIC PRODUCT AREAS OF THE COMPANY AND FOR EACH OF THEM, THE MAJOR STRATEGIC OBJECTIVE, SOME MAJOR PROGRAMS, AND THE FUTURE OUTLOOK. FOLLOWING THAT, I'LL PROVIDE YOU WITH SOME SHORT-TERM PERSPECTIVE ON CURRENT BUSINESS CONDITIONS. MARV ROGERS WILL DISCUSS FINANCIAL RESULTS AND STRATEGIES.

WHILE I SEE A LOT OF FAMILIAR FACES IN THE AUDIENCE, THERE ARE SOME OF YOU WHO ARE NOT FAMILIAR WITH WHAT CONTROL DATA IS ALL ABOUT. SO LET ME BEGIN MY REMARKS BY GIVING YOU A CAPSULIZED VERSION OF WHO WE ARE.

CONTROL DATA MARKED THE 25TH ANNIVERSARY OF ITS FORMATION LAST MONTH. DURING THIS QUARTER CENTURY, THE COMPANY HAS GROWN FROM A HANDBOFL OF EMPLOYEES WORKING OUT OF A MINNEAPOLIS WAREHOUSE TO A WORLDWIDE ORGANIZATION OF SOME 59,000 PEOPLE DOING BUSINESS IN 47 COUNTRIES.
REVENUES HAVE GROWN FROM $626,000 THAT FIRST YEAR TO OVER $4 BILLION AND OUR NET EARNINGS HAVE GROWN TO $171 MILLION LAST YEAR.

HOWEVER, MORE IMPORTANT THAN THE GROWTH OF THE BUSINESS EVIDENCED BY THOSE STATISTICS HAS BEEN THE EVOLUTION OF A BUSINESS STRATEGY WHICH PROVIDES THE FOUNDATION FOR CONTINUED GROWTH FAR INTO THE FUTURE. THAT STRATEGY HAS AS ITS CENTRAL THEME THAT THE MAJOR UNMET NEEDS OF OUR LATE 20TH CENTURY SOCIETY REPRESENT PROFITABLE BUSINESS OPPORTUNITIES. ONE OF THE PRINCIPAL DELUSIONS OF OUR TIME HAS BEEN THAT GOVERNMENT CAN BE PRIMARILY RESPONSIBLE FOR MEETING MAJOR NEEDS. THE FAILURE RESULTING FROM THAT DELUSION IS PAINFULLY EVIDENT FOR ALL TO SEE IN OUR COUNTRY TODAY. MAJOR NEEDS START ABOVE ALL WITH THAT OF CREATING ENOUGH DECENT JOBS, AND -- DIRECTLY RELATED TO THAT -- THE NEED FOR A MORE VIABLE SMALL BUSINESS SECTOR, MAJOR NEEDS ALSO INCLUDE ALTERNATE AND LESS COSTLY SOURCES OF ENERGY, MORE ENERGY CONSERVATION, MORE AVAILABLE AND HIGHER QUALITY EDUCATION, AND LESS COSTLY FOOD, HOUSING, AND HEALTHCARE.

ROOT SOLUTIONS TO ALL THESE PROBLEMS INVOLVE APPLYING THE MOST ADVANCED KNOWLEDGE SYSTEMS WHICH ARE CAPABLE OF BEING DEVELOPED. CONTROL DATA'S PRIMARY STRATEGY RELIES HEAVILY ON A BROAD-BASED KNOWLEDGE SERVICES CAPABILITY. USING THIS
CAPABILITY WE ADDRESS THESE BASIC NEEDS DIRECTLY RATHER THAN SIMPLY PROVIDING KNOWLEDGE-ASSISTING TOOLS FOR OTHERS TO USE. FOR EXAMPLE, WE OPERATE VOCATIONAL SCHOOLS INSTEAD OF JUST SELLING A COMPUTER FOR EDUCATIONAL USE. WE HAVE SMALL BUSINESS FORMATION AND CONSULTING SERVICES BASED ON COMPUTER TECHNOLOGY, RATHER THAN JUST SELLING COMPUTERS TO THE GOVERNMENT OR OTHERS WHO MIGHT ATTEMPT SUCH SERVICES. AND SO ON.

THIS SERVICES STRATEGY HAS EVOLVED OVER TIME AND AS IT HAS EVOLVED, WE HAVE ALSO RETAINED THE UNDERLYING PRODUCT BUSINESSES ON WHICH IT IS BASED.

AS AN EMBRYONIC COMPANY IN THAT SUMMER 25 YEARS AGO, WE FACED AN INDUSTRY DOMINATED BY A GIANT. MARKET SEGMENTATION WAS THE ONLY PRACTICAL INITIAL STRATEGY: WE CHOSE TO CONCENTRATE ON A SECTION OF THE MARKET LEAST DOMINATED BY IBM -- THE LARGE-SCALE SCIENTIFIC AND ENGINEERING COMPUTATION SEGMENT, WHICH WE KNEW WELL. THE MARKETING STRATEGY WAS TO SELL A BAREBONES LARGE-SCALE COMPUTER -- ESSENTIALLY AN EMPHASIS ON HARDWARE, WITH VERY LITTLE SOFTWARE. THIS APPROACH, HOWEVER, LIMITED SALES TO THOSE ORGANIZATIONS LARGE ENOUGH TO HAVE AN EXPERIENCED PROGRAMMING STAFF AND ENOUGH NEED FOR SCIENTIFIC COMPUTING TO WARRANT THE OWNERSHIP OF A LARGE COMPUTER. IT DID NOT CATER TO THE MANY SMALLER ORGANIZATIONS WHO HAD SCIENTIFIC OR ENGINEERING PROBLEMS WHICH COULD BE MORE EFFICIENTLY SOLVED
IF ACCESS TO A LARGE COMPUTER WERE AVAILABLE AS AND WHEN THEY NEEDED IT. ALSO, IBM HAD NOT YET BEEN TO EMPHASIZE DATA SERVICES, SO IN 1961, WE AUGMENTED COMPUTER SALES WITH THE ADDITION OF DATA SERVICES PROVIDED BY OUR LARGEST SCIENTIFIC COMPUTER. THUS WAS BORN THE SECOND MAJOR PRODUCT LINE: INFORMATION SERVICES. NOW, INFORMATION SERVICES ACCOUNT FOR 29% OF REVENUES WHILE COMPUTER SYSTEMS ARE SOME 16%.

FOR MANY REASONS, IT WAS NEITHER POSSIBLE NOR DESIRABLE TO RELY ENTIRELY ON OUR OWN RESOURCES TO DEVELOP OR ACQUIRE NEEDED CAPABILITIES. CONSEQUENTLY, WE SOUGHT COOPERATIVE RELATIONSHIPS WITH OTHER COMPUTER MANUFACTURERS. THESE PROVED TO BE VERY DIFFICULT TO ACCOMPLISH, AND WE WEREN'T SUCCESSFUL ON A MEANINGFUL SCALE UNTIL 1972 WHEN WE ENTERED INTO A JOINT VENTURE WITH NCR TO DEVELOP AND MANUFACTURE SELECTED COMPUTER PERIPHERAL EQUIPMENTS. THIS JOINT VENTURE IS NAMED COMPUTER PERIPHERALS, INC. ALTHOUGH WE HAD BEGUN TO DESIGN AND BUILD OUR OWN PERIPHERALS MORE THAN 12 YEARS BEFORE, IT WASN'T UNTIL THE COOPERATION WAS PUT INTO PLACE THAT WE COULD COME CLOSE TO A CRITICAL MASS. ANOTHER COOPERATIVE VENTURE WITH HONEYWELL FOLLOWED SOON AFTER. THUS THE FOUNDATION WAS LAID FOR THE THIRD MAJOR PRODUCT LINE -- OEM PERIPHERALS. TODAY PERIPHERAL PRODUCTS ACCOUNT FOR ABOUT 30% OF OUR REVENUES.
AS A FOOTNOTE, I SHOULD ADD THAT ONCE THE ICE WAS BROKEN WITH REGARD TO COOPERATION, MANY OTHER JOINT VENTURES AND PROJECTS HAVE BEEN ESTABLISHED. TECHNOLOGICAL COOPERATION HAS BEEN A MAJOR FACTOR IN CONTROL DATA'S SUCCESS.

THE FOURTH PRODUCT LINE -- FINANCIAL SERVICES -- IS THE RESULT OF A MAJOR FORTUITOUS EVENT WHICH OCCURRED IN 1968 WHEN CONTROL DATA ACQUIRED COMMERCIAL CREDIT COMPANY. WHILE OUR IMMEDIATE MOTIVATION WAS TO OBTAIN FINANCING FOR OUR COMPUTER LEASES, WE ACTUALLY ACQUIRED MUCH MORE: A CUSTOMER BASE OF SOME 30,000 SMALL BUSINESSES AND A NATIONWIDE NETWORK OF NEARLY 1,000 OFFICES WHICH ULTIMATELY WERE TO BECOM THE FOUNDATION OF OUR SMALL BUSINESS SERVICES STRATEGY TO WHICH I WILL RETURN SHORTLY. FINANCIAL SERVICES TODAY IS ABOUT 25% OF OUR BUSINESS.

THAT, THEN, IS A CAPSULE HISTORY OF THE FOUR PRODUCT LINES WHICH ARE USED TO IMPLEMENT OUR BUSINESS STRATEGY. OVER THE NEXT FIVE YEARS --indeed over the next 25 years -- THAT STRATEGY AND THESE PRODUCTS AND SERVICES WILL ASSURE CONTINUED GROWTH. AS YOU WOULD GUESS, OVER TIME THERE WILL BE A HIGHER PROPORTION OF REVENUES FROM SERVICES -- ESPECIALLY THOSE ADDRESSING BASIC NEEDS -- AND SOMEWHAT LESS FROM THE HARDWARE PRODUCTS.

LET ME SPEND A FEW MINUTES ELABORATING ON THE STATUS AND FUTURE OUTLOOK FOR EACH OF THE FOUR PRODUCT/SERVICE AREAS.
INFORMATION SERVICES

WE EXPECT SERVICES REVENUES TO MORE THAN DOUBLE OVER THE NEXT FIVE YEARS. THIS WILL OCCUR THROUGH THE DEVELOPMENT OF NEW SERVICES, INCREASING THE COST EFFECTIVENESS OF OUR DATA SERVICES NETWORK, EXPANDING THE USE OF MICRO AND MINICOMPUTERS IN SERVICE OFFERINGS, AND THE APPLICATION OF SERVICES TO HEALTHCARE, AGRICULTURE, AND SMALL BUSINESS PROBLEMS.

THE MOST IMPORTANT SERVICE APPLICATION FOR CONTROL DATA IS PLATO COMPUTER-BASED TRAINING AND EDUCATION. THIS BUSINESS CONTINUES TO GROW. THROUGH THE FIRST SIX MONTHS OF 1982, EDUCATION REVENUES GREW MORE THAN 20%. OUR TOTAL EDUCATION EFFORT COVERS THREE DIFFERENT MARKETS:

- BUSINESS AND INDUSTRIAL TRAINING
- ACADEMIC EDUCATION
- VOCATIONAL TRAINING

IN THE BUSINESS AND INDUSTRIAL AREA, WHICH REPRESENTS ABOUT ONE-THIRD OF TOTAL EDUCATION REVENUES, NUMEROUS CORPORATIONS ARE USING PLATO IN AREAS RANGING FROM COMPLEX FLIGHT TRAINING TO ENTRY-LEVEL JOB TRAINING. NATIONWIDE TRAINING AND TESTING CAN BE OFFERED THROUGH A NETWORK OF SOME 124 LEARNING CENTERS.
ACADEMIC EDUCATION, WHICH IS AROUND 12 PERCENT OF TOTAL EDUCATION REVENUE, HAS CENTERED THUS FAR ON UNIVERSITY LEVEL COURSES. A PROGRAM OF PARTICULAR NOTE IS THAT INVOLVING THE COOPERATION OF SEVEN MAJOR UNIVERSITIES AND CONTROL DATA TO DEVELOP A COMPLETE LOWER DIVISION ENGINEERING CURRICULUM.

VOCATIONAL TRAINING IS OFFERED BOTH VIA CONTROL DATA INSTITUTES AND THE PREVIOUSLY REFERRED TO LEARNING CENTERS. VOCATIONAL TRAINING WILL ACCOUNT FOR THE BALANCE OR MORE THAN HALF OF TOTAL EDUCATION REVENUE.

IT'S IMPORTANT TO NOTE THAT IN ALL THREE OF THESE AREAS, COOPERATIVE RELATIONSHIPS HAVE PLAYED AN IMPORTANT ROLE IN ENHANCING TECHNOLOGY AND SPEEDING OUR ABILITY TO DEVELOP AND DELIVER EDUCATION SERVICES.

PLATO COURSEWARE CAN BE DELIVERED BOTH VIA COMMUNICATION TO A LARGE-SCALE CENTRAL COMPUTER AND VIA THE CD 110 MICROCOMPUTER. THE SPECIFIC DELIVERY VEHICLE USED DEPENDS ON BOTH THE COMPLEXITY OF THE COURSEWARE AND THE NATURE OF THE TOTAL TRAINING SYSTEM OF WHICH THE PARTICULAR COURSE IS A PART. WE WILL ALSO SHORTLY BE OFFERING SOFTWARE THAT WILL MAKE PLATO AVAILABLE ON SOME NON-CONTROL DATA MICROCOMPUTERS. ANNOUNCEMENTS IN THIS REGARD WILL BE MADE OVER THE NEXT FEW MONTHS.
FINANCIAL SERVICES

FINANCIAL SERVICES INCLUDES SERVICES FOR BOTH LARGE AND SMALL BUSINESS, CONSUMERS -- PARTICULARLY HOMEOWNERS -- AND INSURANCE SERVICES. TIME DOESN'T PERMIT ME TO COVER ALL OF THESE AREAS SO I WILL RESTRICT MY REMARKS TO SMALL BUSINESS.

EARLIER I MENTIONED THAT MEETING THE NEEDS OF SMALL BUSINESS FOR KNOWLEDGE AND FINANCIAL SERVICES IS A MAJOR ELEMENT OF OUR STRATEGY.

I SHOULD EMPHASIZE THAT THIS SMALL BUSINESS STRATEGY IS A
NATURAL EXTENSION OF WHAT COMMERCIAL CREDIT HAS BEEN DOING
SINCE ITS FOUNDING 70 YEARS AGO -- PROVIDING VALUE-ADDED
FINANCIAL SERVICES FOR SMALL BUSINESS.

THE VALUE-ADDED SERVICES THAT COMMERCIAL CREDIT PROVIDES TODAY
INCLUDE CONSULTING AND INFORMATION DATA BASE SERVICES,
IMPORT/EXPORT SERVICES, MICROCOMPUTER-BASED APPLICATIONS AND
EDUCATION, TEMPORARY HELP AND EMPLOYMENT SERVICES, FACTORING,
DATA PROCESSING SERVICES, LEASING, INSURANCE AND FINANCING
SERVICES.

ALL THESE PRODUCTS AND SERVICES FOR SMALL BUSINESS ARE
DELIVERED THROUGH OUR BUSINESS CENTERS AND THE MORE
COMPREHENSIVE BUSINESS AND TECHNOLOGY CENTERS WHICH ALSO
PROVIDE OFFICE SPACE, MANUFACTURING FACILITIES, AND IN SOME
INSTANCES
LABORATORY FACILITIES.

PERIPHERAL PRODUCTS

LET ME TAPN NEXT TO THE PERIPHERALS BUSINESS.

THE GROWTH RATE HAS SLOWED IN THE LAST 12 MONTHS MAINLY BECAUSE
OF REDUCED GROWTH FOR MOST MAINFRAME AND MINICOMPUTER
MANUFACTURERS TO WHOM WE SELL OEM PERIPHERAL EQUIPMENT.
ALTHOUGH SOME PRODUCT LINES WITHIN PERIPHERALS WILL EXPERIENCE RAPID GROWTH OVER THE NEXT FEW YEARS, THE SIZE AND DIVERSITY OF THE PERIPHERALS BUSINESS IS SUCH THAT IT IS UNLIKELY A RETURN TO THE 30+ PERCENT GROWTH RATES OF THE RECENT PAST WILL OCCUR.

HOWEVER, WE WILL CONTINUE TO PURSUE AN AGGRESSIVE NEW PRODUCT DEVELOPMENT PROGRAM THAT WILL ENABLE US TO MAINTAIN OUR INDUSTRY LEadersHIP IN THIS MARKET.

AT THE NATIONAL COMPUTER CONFERENCE IN HOUSTON THIS PAST JUNE, WE INTRODUCED SEVEN NEW PERIPHERAL PRODUCTS RANGING FROM A 5-1/4 WINCHESTER DISK DRIVE TO A NEW 1/4 INCH CARTRIDGE STREAMING TAPE DRIVE.

THE MERGER OF THE PRINTER DIVISION OF THE PREVIOUSLY MENTIONED JOINT VENTURE COMPUTER PERIPHERALS, INC. WITH CENTRONICS WAS COMPLETED ABOUT TWO MONTHS AGO AND AS A RESULT, A STRONG, COMPETITIVE BUSINESS SHOULD EMERGE.

LET ME EMPHASIZE AGAIN THAT THE STRATEGY OF TECHNOLOGICAL COOPERATION -- WHICH WE HAVE BEEN PURSUING FOR MORE THAN A DECADE -- WILL CONTINUE TO BE A KEYSTONE TO OUR FUTURE SUCCESS IN THE PERIPHERALS BUSINESS. INCREASED RESEARCH AND DEVELOPMENT EXPENDITURES ARE KEY TO PERIPHERALS FUTURE AND COOPERATION
ALLOWS THAT ON A MUCH BROADER SCALE THAN WOULD BE OTHERWISE POSSIBLE. THE INTENSITY OF THIS NEED IS MAGNIFIED BY THE INCREASING JAPANESE PRESENCE IN THE PERIPHERALS MARKETPLACE.

COMPUTER SYSTEMS

FINALLY, LET ME TURN TO THE BEGINNING -- TO THE COMPUTER SYSTEMS BUSINESS.

IN APRIL, CONTROL DATA ANNOUNCED ITS MOST COMPREHENSIVE NEW PRODUCT INTRODUCTION EVER -- THE CYBER 170 SERIES 800 LINE OF COMPUTERS.

THE FIVE COMPUTER SYSTEMS IN THIS SERIES RANGE IN MEMORY CAPACITY FROM 262K TO MORE THAN TWO MILLION 60-BIT WORDS. THE RANGE IN PRICE IS FROM LESS THAN $400,000 TO A LITTLE MORE THAN $3 MILLION.

ONE OF THE MAJOR NEW FEATURES OF THE ANNOUNCEMENT IS THE INTEGRATION OF PLATO AS AN APPLICATION UNDER THE STANDARD NETWORK OPERATING SYSTEM. IN THE PAST, PLATO REQUIRED A DEDICATED CPU. NOW IT CAN BE AN APPLICATION WHICH PLAYS A SIGNIFICANT ROLE IN ALL OUR PRODUCTS AND SERVICES -- A CAPABILITY, BY THE WAY, UNIQUE TO CONTROL DATA.
CUSTOMER ACCEPTANCE OF THE 170 SERIES 800 HAS BEEN EXCELLENT. THIRTY-FIVE SYSTEMS ARE NOW INSTALLED AND OPERATING. OVER THE NEXT FEW YEARS, THE SERIES 800 WILL BE OUR BREAD AND BUTTER COMPUTER.

WE ARE ALSO PLEASED WITH THE PROGRESS OF OUR CYBER 205 SUPERCOMPUTERS. BY YEAR-END WE WILL HAVE SHIPPED EIGHT OF THESE SYSTEMS AND EXPECT TO SHIP AT A RATE OF 10-12 ANNUALLY.

IN ADDITION, THROUGH A COOPERATIVE EFFORT, CONTROL DATA IS ACTIVELY PURSUING THE DEVELOPMENT OF A COMPUTER THAT WILL FOCUS ON THE LOW OR "MINI' END OF THE SUPERCOMPUTER LINE. IT WILL BE COMPATIBLE WITH THE 800 SERIES' FULL RANGE OF SOFTWARE AND IT WILL BE THE FIRST COMPUTER USING CONTROL DATA'S ADVANCED V.L.S.I. TECHNOLOGY. THE PROJECTED MARKET FOR THIS TYPE OF COMPUTER IS QUITE LARGE AND WILL OFFER US EXCELLENT OPPORTUNITIES.

THROUGHOUT MY COMMENTS TODAY I HAVE PROVIDED A NUMBER OF EXAMPLES OF HOW CONTROL DATA IS USING TECHNOLOGICAL COOPERATION TO ENHANCE OUR RESEARCH AND DEVELOPMENT EFFORTS AND TO GROW OUR BUSINESS. THE USE OF COOPERATIVE EFFORTS CAN GREATLY ENHANCE AND LEVERAGE OUR STRATEGIC EXPENDITURES. OVER THE NEXT FIVE YEARS OUR TECHNICAL EFFORT EXPENDITURES WILL TOTAL SOME $2 1/2 BILLION. THROUGH COOPERATION THESE EXPENDITURES ARE IN EFFECT INCREASED BY 30%.
WE VIEW THIS APPROACH AS ESSENTIAL NOT ONLY TO CONTROL DATA, 
BUT ALSO TO U.S. INDUSTRY, IF WE ARE TO MAINTAIN OUR WORLDWIDE 
COMPETITIVE EDGE. ON THE ONE HAND THE U.S. SEMICONDUCTOR AND 
COMPUTER INDUSTRIES ARE SUFFERING FROM ENORMOUS, NEEDLESS 
DUPLICATION OF RESEARCH AND DEVELOPMENT. ON THE OTHER, THEY 
ARE FACED WITH AN UNPRECEDENTED INTERNATIONAL CHALLENGE — 
ESPECIALLY FROM THE JAPANESE.

A TIMELY AND MEANINGFUL RESPONSE TO THE JAPANESE THREAT MUST BE 
A BROAD-BASED TECHNOLOGICAL COOPERATION AMONG U.S. 
SEMICONDUCTOR AND COMPUTER COMPANIES. AS MANY OF YOU ARE 
AWARE, CONTROL DATA HAS TAKEN THE INITIATIVE IN HELPING TO 
ESTABLISH SUCH AN EFFORT. LAST FEBRUARY WE SPONSORED A MEETING 
OF REPRESENTATIVES FROM 17 SEMICONDUCTOR AND COMPUTER COMPANIES.

THE OBJECTIVE OF THE MEETING WAS TO OBTAIN A COMMITMENT FROM 
EACH COMPANY TO PARTICIPATE IN THE PLANNING AND ORGANIZATION OF 
SUCH A COOPERATIVE VENTURE. THE EFFORT NOW HAS THE SUPPORT OF 
14 COMPANIES AND AS POINTED OUT IN A PRESS RELEASE MADE 
YESTERDAY AFTERNOON, WE ARE WELL ALONG TOWARD MAKING THIS 
VENTURE A REALITY. ITS OFFICIAL NAME IS MICROELECTRONICS AND 
COMPUTER TECHNOLOGY CORPORATION — OR MCC.
1982 OUTLOOK

LET ME CONCLUDE MY REMARKS WITH SOME COMMENTS ON CURRENT OPERATIONS. 1982 HAS BEEN A CHALLENGING YEAR FOR CONTROL DATA. BUT IN SPITE OF THAT, 1982 IS ALSO GOING TO BE ANOTHER YEAR OF PROGRESS FOR US IN A LOT OF WAYS. FIRST AND FOREMOST, WE ARE CONTINUING INVESTMENT PROGRAMS FOR FUTURE PRODUCTS AND SERVICES THAT WILL ASSURE OUR GROWTH IN THE YEARS AHEAD.

MOREOVER, BOTH OUR SYSTEMS BUSINESS AND OUR SERVICES BUSINESS CONTINUE TO GROW IN 1982. FINANCIAL SERVICES GROWTH HAS BEEN IMPACTED BY HIGH INTEREST RATES. CASUALTY LOSSES AND BUSINESS CREDIT INSURANCE LOSSES ARE ALSO UP. WHILE CASH EMPLOYED REMAINS RELATIVELY STABLE, IT IS BEING OFFSET BY INCREASED SPREADS, PRODUCT YIELDS, AND IMPROVED INVESTMENT RESULTS. OVERALL, FINANCIAL SERVICES RESULTS ARE HOLDING UP VERY WELL IN AN EXTREMELY POOR ECONOMY.

PERIPHERAL PRODUCTS, AS POINTED OUT EARLIER, IS HAVING A SLOW YEAR. AS YOU CAN IMAGINE, THIS HAS CAUSED SOME CONSIDERABLE DISLOCATION IN AN ORGANIZATION WHICH UNTIL LAST YEAR HAD BEEN GROWING 30% OR MORE PER YEAR FOR SEVERAL YEARS. SO A FEW COMMENTS ARE IN ORDER ABOUT OUR WORK FORCE BALANCING EFFORTS.
FIRST OF ALL, THE MAGNITUDE OF THE INVESTMENT IN TRAINING NEW EMPLOYEES IN OUR INDUSTRY MAKES THE TRADITIONAL "HIRE IN GOOD TIMES, LAYOFF IN BAD TIMES" APPROACH TO EMPLOYMENT GROSSLY UNECONOMICAL. MOREOVER, A FEELING OF JOB SECURITY IS RECOGNIZED AS AN IMPORTANT FACTOR IN IMPROVING PRODUCTIVITY. GUIDED BY THESE FACTS, CONTROL DATA ADOPTED SOME TIME AGO A POLICY OF PROVIDING THE MAXIMUM JOB SECURITY TO THE GREATEST POSSIBLE NUMBER OF EMPLOYEES.

A CONSCIOUS EFFORT WAS UNDERTAKEN TO MAKE EXTENSIVE USE OF PART-TIME AND SUPPLEMENTAL WORKERS AND TO USE SUB-CONTRACT WORK TO A MUCH GREATER EXTENT. THESE ACTIONS, THOUGH NOT FULLY IMPLEMENTED PRIOR TO THIS YEAR, HAVE OFFERED A SIGNIFICANT BUFFER TO OUR FULL-TIME EMPLOYEES. IN ADDITION, EMPLOYEES HAVE BEEN OFFERED THE OPPORTUNITY TO TAKE TIME-OFF WITHOUT PAY, PLANT-WIDE VACATIONS WERE SCHEDULED AROUND HOLIDAYS, AND EXTENSIVE INTERNAL PLACEMENT AND RE-TRAINING PROGRAMS WERE ADOPTED. AS A RESULT, THE EQUIVALENT OF MORE THAN 1,800 FULL-TIME JOBS HAVE BEEN SAVED AND ACTUAL LAYOFFS HELD TO ABOUT ONE-HALF OF ONE PERCENT OF THE WORK FORCE. SO THAT IS A SIGNIFICANT ACCOMPLISHMENT.

THE EMPHASIS WE HAVE PLACED ON IMPROVING OPERATING EFFECTIVENESS -- THE BASIC PROCESS OF ALL OUR ADMINISTRATIVE, MARKETING, DEVELOPMENT, AND PRODUCTION OPERATIONS -- IS CONTINUING. IN FACT, IN A CLIMATE OF SLOWER GROWTH, ACTIONS IN THIS REGARD ARE MUCH EASIER TO IMPLEMENT.
MEANTIME, WE CONTINUE ON A STRATEGIC COURSE WHICH HAS PROVEN TO BE SOUND IN THE PAST AND WILL ASSURE SOUND GROWTH NOT JUST OVER THE SHORT-TERM, BUT FOR MANY YEARS TO COME.

THANK YOU.