I. INTRODUCTION

THANK YOU, AND GOOD EVENING. IT'S A PLEASURE FOR ME TO BE HERE IN ROCHESTER AGAIN. IT'S HARD TO BELIEVE IT'S BEEN THREE YEARS. I'VE LOOKED FORWARD TO MY VISIT AND BEING ABLE TO TELL YOU FIRST HAND HOW PROUD WE ALL ARE OF YOUR ACHIEVEMENTS. THAT MAY SOUND A BIT HOLLOW -- COMING JUST TWO DAYS AFTER THE WAGE FREEZE THING -- TALK ABOUT A SENSE OF TIMING -- BUT I CAN TELL YOU IT COMES FROM THE HEART. AND IF THIS IS NOT THE BEST OF TIMES FOR YOU FOLKS HERE IN ROCHESTER, I WANT YOU TO KNOW FOR SURE THAT WE ARE GOING TO SHARE BETTER TIMES TOGETHER. BUT FIRST OF ALL LET ME ADDRESS THE WAGE FREEZE MATTER.

II. WAGE FREEZE

THAT WAS A DECISION WHICH THE MANAGEMENT AND BOARD OF CENTRONICS FELT HAD TO BE MADE GIVEN THE CURRENT STATUS OF THE BUSINESS. CONTROL DATA AGREES WITH THAT.

IT'S NO SECRET THAT 1982 HAS BEEN A TOUGH YEAR. IF YOU READ THE PAPERS, YOU KNOW THE WORLD ECONOMY HAS BEEN SITTING IN A RECESSION. AND FROM THE COMPANY FINANCIAL REPORTS, YOU KNOW CENTRONICS HAS BEEN AFFECTED.
SO HAS CONTROL DATA. NOT AS DEEPLY AS MANY OTHER COMPANIES, BUT WE ARE STILL FEELING IT. OUR EARNINGS ARE BELOW LAST YEAR AND NEW ORDERS AREN'T AT BUDGET EITHER.

BUT WE'RE WORKING ON THE PROBLEMS. FOR EXAMPLE, THE VARIOUS SALES ORGANIZATIONS ACROSS CDC HAVE INITIATED SPECIAL EFFORTS TO BOOK MORE BUSINESS DURING THE REMAINDER OF THE YEAR. AND FOR THE PAST SEVERAL MONTHS, A LOT OF ATTENTION HAS BEEN GIVEN TO REDUCING INVENTORY, REDUCING COSTS AND SO ON. WE'VE HAD SCHEDULED PLANT CLOSINGS AROUND HOLIDAY PERIODS AND WE'VE HAD THE TIME-OFF-WITHOUT-PAY PROGRAM. WE'VE ALSO BEEN ABLE TO CUT BACK ON SUPPLEMENTALS AND SUB-CONTRACT WORK -- ALL OF THIS HAS BEEN AIMED AT ACHIEVING MINIMUM EMPLOYEE IMPACT AND IN PARTICULAR TRYING TO AVOID MASSIVE LAY-OFFS OTHER COMPANIES HAVE ANNOUNCED. THESE AND OTHER CREATIVE APPROACHES TO REDUCING COSTS AND EXPENSES HAVE FINALLY STARTED TO TAKE HOLD. IN SEPTEMBER, CONTROL DATA EXCEEDED ITS PROFIT BUDGET FOR THE FIRST TIME SINCE MARCH. AS A RESULT, LAST WEEK WE ANNOUNCED THIRD-QUARTER EARNINGS OF $1.03 PER SHARE, UP FROM THE $.91 WE REPORTED IN THE SECOND QUARTER. TOTAL EXPENSES FOR THE YEAR WILL BE BELOW BUDGET BY ALMOST $80 MILLION, AND BY YEAR-END INVENTORIES WILL ALSO BE DOWN NEARLY $80 MILLION FROM THEIR HIGH POINT EARLIER THIS YEAR. SO WE'VE BEEN MAKING PROGRESS.
I KNOW YOU'VE BEEN MAKING PROGRESS HERE AT CENTRONICS, TOO, AND I'D LIKE TO COMPLIMENT ALL OF YOU ON SOME VERY GOOD WORK THIS CALENDAR YEAR. FOR EXAMPLE, I NOTED THAT YOU'VE REDUCED YOUR INDIRECT BASE BY 20 PERCENT. IN THE AREA OF INVENTORIES YOU'VE ALSO BEEN A LEADER IN CONTROL DATA -- AND NOW CENTRONICS. YOU WERE THE FIRST TO BEGIN PUSHING INVENTORIES DOWN, AND SINCE THE FIRST OF THE YEAR THAT REDUCTION AMOUNTS TO 25 PERCENT. THIS 25 PERCENT REDUCTION ALSO INCLUDES THE ABSORPTION OF A DPL SHUTDOWN. THAT JUST HAS TO BE CONSIDERED VERY GOOD PERFORMANCE.

I NOTICE, ALSO, THERE'S BEEN EXCELLENT PROGRESS HERE AT ROCHESTER ON THE STAYWELL PROGRAM. MY INFORMATION IS THAT 90 PERCENT OF YOUR PEOPLE HAVE SIGNED UP FOR THE HEALTH SCREENING, AND THAT ALMOST A THIRD OF THE ORGANIZATION IS INVOLVED IN JOGGING OR TENNIS OR SOME OTHER ACTIVE PROGRAM. THAT PARTICIPATION SAYS A LOT ABOUT YOUR HEALTH MANAGEMENT EFFORT -- AND I THINK IT ALSO SAYS SOMETHING ABOUT THE MORALE HERE AT CENTRONICS. I ALSO KNOW IT'S TOUGH, WHEN YOU'VE BEEN DOING GOOD WORK, TO HAVE TO TAKE ON SOMETHING LIKE A WAGE FREEZE.

I KNOW BECAUSE I'VE BEEN THERE. A HALF DOZEN TIMES IN CDC'S EARLY YEARS WE WENT TO THE BRINK FINANCIALLY AND MORE THAN ONCE THERE WERE NOT JUST FREEZES BUT ACROSS-THE-BOARD PAY CUTS. THEY WERE ABSOLUTELY NO FUN BUT THEY WERE NECESSARY TO SEE US
THROUGH. DURING THESE PERIODS WE LEARNED IT'S BEST IF EVERYONE
SHARES THE BURDEN TO THE EXTENT WE CAN. WE BELIEVE WE'RE ALL
IN IT TOGETHER -- GOOD TIMES AND BAD -- AND A WAGE FREEZE IS
ONE WAY EVERYONE CAN PULL TOGETHER IN THE BAD TIMES. IN A FEW
MONTHS I'M SURE WE'LL ALL BE ABLE TO LOOK BACK AT THIS FROM THE
PERSPECTIVE OF A MUCH HEALTHIER BUSINESS AND BE PROUD OF WHAT
WAS ACHIEVED.

III. CDC-CENTRONICS RELATIONSHIP

I ALSO SHOULD SPEND A FEW MINUTES ON THE CDC/CENTRONICS
RELATIONSHIP. I THINK IT IS MOST IMPORTANT TO START FROM THE
FUNDAMENTAL FACT THAT CENTRONICS IS A PUBLICALLY OWNED COMPANY
IN WHICH CDC DATA HAS A SIGNIFICANT INVESTMENT.

WE HAVE INVESTED OUR PRINTER ASSETS AND MORE IMPORTANTLY, OUR
PEOPLE, PLUS $25 MILLION IN CASH TO CREATE ONE OF THE WORLD'S
LARGEST INDEPENDENT PRINTER COMPANIES.

WE'VE DONE THIS BECAUSE IT IS THE BEST SHOT THERE IS TO CREATE
THE PRODUCT BREADTH, THE FINANCIAL STABILITY, AND SALES
ORGANIZATION TO BECOME A LEADER IN THE MARKETPLACE. MORE
PERSONALLY AND MORE DIRECTLY IT ALSO IS THE BEST MEANS OF
ASSURING CAREER OPPORTUNITY FOR ALL OF YOU.
TO ACHIEVE ALL THOSE OBJECTIVES MEANS WE MUST ACHIEVE MARKETPLACE LEADERSHIP. ACHIEVING MARKET LEADERSHIP BY MEANS OF A MINORITY INVESTMENT IN A PUBLIC COMPANY IS UNQUESTIONABLY MORE COMPLEX FOR CONTROL DATA THAN IF WE COULD ACHIEVE IT WITH A WHOLLY OWNED SUBSIDIARY OR A CAPTIVE JOINT VENTURE SUCH AS CPI. BUT IT IS ALSO UNQUESTIONABLY A SURER PATH TO THE CRITICAL MASS IN PRINTERS WHICH WE HAVE SOUGHT. AND IN THIS GAME, CRITICAL MASS IS EVERYTHING --ALL THE EVIDENCE YOU NEED IS TO LOOK AT MPI.

CENTRONICS OVERALL HAS BEEN MAKING GOOD PROGRESS, AND WE ARE PLEASED WITH THE RESULTS. WE BELIEVE WE HAVE ESTABLISHED THE BASIS FOR A GOOD LONG-TERM RELATIONSHIP THAT WILL BENEFIT CENTRONICS, CDC, AND THE SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES OF BOTH COMPANIES.

IV. PPC

LET ME TURN NOW TO SOME THOUGHTS AN MANAGEMENT AND IMPROVING THE OPERATIONS FOR WHICH WE ARE RESPONSIBLE. BOTH IN CDC AND IN CENTRONICS WE ARE CONTINUALLY SEARCHING FOR WAYS TO IMPROVE OUR MANAGEMENT PROCESS. GIVEN A REASONABLE BUSINESS AND PRODUCT LINE STRATEGY, SUCCESS COMES DOWN TO A MATTER OF OPERATIONAL EFFECTIVITY AND THE RESULTS IT PRODUCES.
WE NEED WAYS TO MEASURE THOSE RESULTS. THIS CAN BE DONE IN MANY WAYS: PRODUCTIVITY, EFFICIENCY AND, OF COURSE, PROFITABILITY AND FINANCIAL STRENGTH. WHATEVER MEASURES WE USE, WHAT WE ARE TALKING ABOUT IS REALIZING THE POTENTIAL MADE POSSIBLE BY STRATEGY — AND TO DO THAT WE MUST EXECUTE WELL.

WE ALL KNOW IN A GENERAL SENSE WHEN WE ARE EXECUTING WELL — EITHER AS INDIVIDUALS OR AS AN ORGANIZATION. WE HAVE A FEELING OF BEING EFFECTIVE. WE KNOW WE CAN MAKE THINGS HAPPEN — "CALL OUR SHOTS," AS THE SAYING GOES — THE FEELING OF PRIDE. "ORGANIZATIONAL EFFECTIVENESS," THEN, IS A GOOD, SUCCINCT WAY TO DESCRIBE OUR GOAL WITH REGARD TO SUPERIOR EXECUTION TO GO WITH OUR SUPERIOR STRATEGY.

TO TRANSLATE THIS GOAL OF ORGANIZATIONAL EFFECTIVENESS INTO PROGRAMS AND ACTION, WE JUST NEED TO LOOK AT BASICS, AND THE BASICS ARE THESE: PEOPLE, PROCESSES, AND CAPITAL. EFFECTIVENESS IS THE NET RESULT OF HOW WE MANAGE THESE THREE BASIC FACTORS. PEOPLE, PROCESSES AND CAPITAL — "PPC."

LET ME DEAL FIRST WITH PEOPLE. YOU HAVE TO START WITH WHAT I REFER TO AS THE REALITY OF INDIVIDUALS. IT IS THE EFFECTIVENESS AND PRODUCTIVITY OF INDIVIDUALS WHO MAKE FINANCIAL REALITY OUT OF STRATEGY, MARKET POSITION, AND BUSINESS APPROACH. UNDERSTANDING AND INNOVATION WITH REGARD TO THE INDIVIDUALS WHO MAKE UP THE COMPANY IS KEY.
NOW I REALIZE THAT MOST ORGANIZATIONS, PUBLIC OR PRIVATE, ROUTINELY PROCLAIM THAT PEOPLE ARE THEIR MOST VALUABLE ASSET. UNDERNEATH THOSE BRAVE WORDS, THOUGH, PROBLEMS ARE TOO OFTEN ALLOWED TO GROW AND FESTER.

WHAT MOST ORGANIZATIONS FAIL TO REALIZE IS THAT PEOPLE DO NOT ALWAYS FIT EXACTLY INTO THE ROLES THEY ARE SUPPOSED TO PLAY -- SO THEY DON'T CREATE NECESSARY PROGRAMS OR MAKE NECESSARY ACCOMMODATIONS. PEOPLE'S DEVELOPMENT IS A CONTINUOUS AND LIFE-LONG PROCESS. CDC, MORE THAN ANY COMPANY I KNOW, UNDERSTANDS THIS REALITY -- AND IT DOES SO WITHOUT EVER REDUCING ITS STANDARDS FOR PERFORMANCE AND ACCOUNTABILITY. WE EXPECT THIS UNDERSTANDING TO RUB OFF ON CENTRONICS.

THE PRACTICES AT CDC WHICH HAVE RESULTED FROM THIS CHARACTERISTIC ARE NUMEROUS AND CONTINUALLY EVOLVING. FOR EXAMPLE -- EAR -- NOW SOME SEVEN YEARS OLD, HAS SERVED SOME 40,000 EMPLOYEES AND FAMILY MEMBERS. AND NOW THIS YEAR THERE IS THE EXTENSION OF EAR WITH REGARD TO WORK-RELATED PROBLEMS THAT WILL PROVIDE A SYSTEM OF PEER REVIEW FOR WORK RELATED GRIEVANCES ABOVE AND BEYOND WHAT ANYONE ELSE HAS DONE.
THIS SYSTEM HAS BEEN PUT IN PLACE AT OUR ARBITRON RATINGS COMPANY IN BALTIMORE, AT MPI'S REDWOOD FALLS PLANT, AND IN THE WESTERN MARKETING REGION IN THE SAN JOSE AREA. IT WILL BE IMPLEMENTED ACROSS THE COMPANY OVER THE NEXT COUPLE YEARS AS TRAINING CAN TAKE PLACE. EVEN WITHOUT FORMAL IMPLEMENTATION, WE ARE ABLE TO MAKE USE OF THE BASIC CONCEPTS -- SUCH AS A RECENT CASE IN OMAHA WHERE A DISCHARGED EMPLOYEE WAS REINSTATED WITH POSITIVE ACCEPTANCE FROM ALL CONCERNED.

IN ANY EVENT, THE POINT I WANT TO MAKE IS THIS: DURING THE PAST 25 YEARS AT CDC, POLICIES, PRACTICES AND CONCEPTS HAVE EVOLVED WHICH RECENTLY WE HAVE SUMMARIZED INTO WHAT I LIKE TO THINK OF AS A MAJOR PEOPLE STRATEGY. SO, JUST AS WE HAVE A MAJOR BUSINESS STRATEGY WHICH FRAMES AND SHAPES OUR THINKING REGARDING BUSINESS DIRECTION, WE NOW HAVE A STRATEGY TO FRAME AND SHAPE OUR THINKING REGARDING THE PEOPLE WHO ARE THE COMPANY, AND WE EXPECT A SIMILAR APPROACH AT CENTRONICS.

I'VE DEALT AT SOME LENGTH WITH THE PEOPLE PART. IN THE INTEREST OF TIME I WON'T DEAL IN ANY DETAIL WITH CAPITAL. THE ASSET MANAGEMENT PROGRAM WHICH BEGAN SEVERAL YEARS AGO AT CDC HAS IMPROVED CAPITAL MANAGEMENT SIGNIFICANTLY. YOU FOLKS HERE AT ROCHESTER HAVE BEEN AN INTEGRAL PART OF THAT -- WHICH IS NOT TO SAY THERE ISN'T MUCH, MUCH MORE TO DO. AND THAT IS TRUE FOR CENTRONICS AS A WHOLE.
BUT IT IS IN THE "PROCESS" PART OF THE PPC FORMULA THAT WE NEED THE MOST EFFORT.

LAST DECEMBER -- JUST TEN MONTHS AGO -- WE INITIATED A COMPREHENSIVE, COMPANY-WIDE EFFORT TO IMPROVE PROCESS. THE MAJOR TOOL THAT WE ARE USING TO HELP US IDENTIFY AREAS FOR PROCESS IMPROVEMENT IS CALLED PROCESS FLOW ANALYSIS. IT IS A METHOD OF ANALYZING A WORK UNIT AND DETAILING WHAT HAPPENS IN THAT UNIT STEP BY STEP. IT ALLOWS US TO LOOK FOR SIGNS OF INEFFICIENT OPERATIONS, REDUNDANT TASKS, AND OPPORTUNITIES FOR AUTOMATION WHILE ENSURING BETTER DEFINED INTERFACES WITH OTHER WORK GROUPS.

OUR INTENT IS TO MAKE EACH ORGANIZATION SELF-SUFFICIENT IN TERMS OF THE USE OF PROCESS FLOW ANALYSIS. FOR EXAMPLE, THE PERIPHERALS COMPANY HAS SOME 36 PFA FACILITATORS WHO WILL TRAIN ITS MORE THAN 250 INVOLVEMENT TEAMS IN THE USE OF PFA. SIMILAR APPROACHES ARE BEING TAKEN IN SYSTEMS AND SERVICES, MARKETING, COMMERCIAL CREDIT, CORPORATE STAFF, AND THE OTHER ORGANIZATIONS AS WELL.

NOW PFA DOES MORE THAN JUST IMPROVE A PROCESS. IT INCLUDES A QUESTIONING MODE OF THINKING WHICH HAS ALL KINDS OF SIDE BENEFITS. FOR EXAMPLE, WHEN PFA IS APPLIED, SOME THINGS JUST GO AWAY ALTOGETHER. GENERAL BUSINESS SERVICES DIVISION OF SBC
ANALYZED ITS SEMI-ANNUAL CUSTOMER SATISFACTION SURVEY. THE SURVEY APPEARED TO BE A VERY SIMPLE PROCESS. HOWEVER, THE PROCESS FLOW REVEALED THAT 168 STEPS IN EACH LOCATION EQUIVALED 5,544 STEPS FOR THE ORGANIZATION. THE RESULTING INPUT COST WASN'T WORTH THE RESULTS SO THE SURVEY HAS BEEN SUSPENDED. AND AN ENTIRELY NEW METHOD OF TESTING CUSTOMER SATISFACTION IS BEING STUDIED.

THIS EMPHASIS ON PROCESS WILL HELP US ACHIEVE IMPROVED LEVELS OF EFFECTIVENESS — AND PROFITABILITY — THAT ARE HARD TO CONCEIVE TODAY.

WHAT IT AMOUNTS TO IS CHANGING OUR THINKING FROM "THAT'S THE WAY WE'VE ALWAYS DONE IT" TO "WHY?"

FOR 25 YEARS NOW, WE HAVE BUILT CDC INTO A UNIQUELY DIFFERENT, FASCINATING COMPANY. OVER THE YEARS, WE HAVE BEEN ABLE TO ADOPT AND GROW IN AN EVEN MORE COMPLEX WORLD ENVIRONMENT. THAT HAS INVOLVED LEARNING TO PARTICIPATE COOPERATIVELY IN EVEN MORE COMPLEX RELATIONSHIPS. THE CENTRONICS/CDC COMBINATION IS JUST ONE MORE IN A LONG LINE AND I AM EQUALLY CONFIDENT IT WILL BE SUCCESSFUL.

SOMETIMES, IT'S HARD TO LOOK BEYOND THE DIFFICULTIES OF TODAY. THINGS AREN'T EASY RIGHT NOW, AND I'LL BE THE FIRST TO SAY SO.
BUT CDC HAS BUILT ITSELF FROM THE GROUND UP BY FACING ADVERSITY HEAD-ON AND RESHAPING IT INTO OPPORTUNITY. WE HAVE THE RIGHT STRATEGY AND THE RIGHT PEOPLE -- INCLUDING ALL OF YOU HERE AT ROCHESTER.

YOU KNOW, THEY TELL A STORY ABOUT A LADY TOURIST IN THE ELEVATOR OF THE WORLD TRADE CENTER IN NEW YORK. AS THEY WERE ZOOMING UP A HUNDRED FLOORS OR SO IN THE ELEVATOR, SHE TURNED TO A FELLOW PASSENGER AND SAID, "SIR, IF THE CABLE IN THIS ELEVATOR SHOULD BREAK, WOULD I GO UP OR DOWN?" TO WHICH HE REPLIED, "LADY, THAT ALL DEPENDS ON THE KIND OF LIFE YOU LIVED."

IT'S UP TO US NOW TO MAKE IT ALL WORK -- IT REALLY DOES, FINALLY COME DOWN TO US.

THANK YOU FOR YOUR HOSPITALITY.