1) INTRODUCTION

As Mr. Norris has indicated U.S. industry in general is facing increasingly serious problems which threaten to destroy its international competitiveness. In some instances these problems affect Control Data directly and in others indirectly. And, like any company, on top of that we have problems and challenges which are specific to us. In the next few minutes I will give you as concise and accurate an understanding of all that as I can. That's a fairly tall order but because I know you're here because you truly care about Control Data, I welcome the opportunity this morning to share with you not only the problems we face but what we're doing about them.

2) STRATEGIC THREATS AND RESPONSES

The particular strategic threats affecting us vary in nature from one part of the business to another. In each case we have formulated responses that are aggressive and which we believe are equal to the challenge. It is first of all important to
remind ourselves that Control Data has faced such problems before and we have proved that aggressive response is effective.

a) Systems. Take for example the computer systems business. Today it is a very healthy part of Control Data. Yet a dozen years ago conventional wisdom had it that Control Data would shortly be forced out of the computer mainframe business. By 1972 the reality of escalating technological effort costs, customer migration costs, and market penetration costs made it clear that, whatever else, a full computer line, multiple operating systems, in short an across the board approach to computer systems would quickly see us out of the business. So the adjustment began. First we made a thorough evaluation of our computer systems business -- strengths, weaknesses and best opportunities for growth. As a result of this we decided the best course of action was to build on the architecture of the 6000 series computers and the markets where they were strongest. In case that seems obvious from the vantage point of 1985 let me remind you that that chosen foundation -- basically scientific supercomputers -- was definitely not perceived to be of much importance in the industry at that time -- IBM's and the industry's thrust was toward a one vendor, general purpose computer to satisfy all needs for a company; in the Vietnam backlash, space program moon landing completion and general "greening of America"
psychology, scientific and engineering computing was way below the recognition threshold of most market researchers; the 6600 itself was already eight years old; with the failure of the latest supercomputer effort -- the 8600 -- their mystique was further tarnished; our largest customer base was for the (totally incompatible) lower 3000 computers; international, much more commercially oriented, was vital to our financial health; and we had devoted several years to the development of an entirely new commercial data processing oriented computer. It was then that some of us learned the true definition of a strategic decision: one that involves pain. Anything else is just humdrum choosing between non-catastrophic alternatives. We also learned that discipline as well as dedication and creativity make strategic decisions become reality.

One important factor not to be forgotten was that the strength of other businesses provided the time systems needed to implement its new strategy and to gain strength.

So dealing with such strategic threats to survival is something that as a fledgling company in a sea of giants Control Data dealt with from its beginning. In recent years however, the number and intensity of those threats have been the greatest in our history. We are justifiably confident of anticipating, understanding and devising answers to any of the problems. However, having the resources -- money, people and time to deal with them all simultaneously, is a far greater challenge.
b) **Financial Services.** It was in this context that last year we came to the decision that our financial services business, in the long run, would prosper better and offer more opportunity to its people and better services to its customers if the business were part of a more closely related organization. This would not only benefit that portion of the business but it would provide more management talent and financial resources to be focused on other problems.

c) **Computer Services** I'll turn next to computer services. Here we are dealing with the impact of distributed computing and the existence of more powerful individual workstations. This began some four years ago. Such workstations changed where and how computing was performed -- that is from the old mode of "ship off all the work"/"get it all back later" using a large central computer, telephone lines, and so-called dumb-terminals to a mode in which some information processing is performed at the individual engineer's or business analyst's desk, some is done remotely and information shared between such computing resources. That is the "physical" or "delivery system" change. In addition and in a sense more fundamental, the cost/performance capability of individual workstations greatly accelerated the trend toward packaging and tailoring them for specific kinds of work. This in turn has had marketing implications making it preferable to organize data services to a far greater degree into application or industry specific units.
We have been working at this for the past four years. In retrospect the greatest barrier we faced was the enormous success our existing data services organizations were enjoying -- for successful organizations see little reason to change.

It is also no surprise that during this period, and today as well, the parts of data services enjoying greatest success are those which were already organized along application or industry specific lines -- e.g. Quorum, a legal support service, Ticketron, Credit Union services, Arbitron ratings and so on.

It took the jolt of significantly lowered profitability and in some instances outright losses to really shake up the others. 1984 was a year of great impact in that regard. This year there is a new feeling and growing momentum. I should add, of course, that the job is by no means done.

The services business outside the U.S. is affected by the same technological changes as in the U.S., but the situation is somewhat different in that the aggressive build-up of many of Control Data's international computer services did not begin until 3 or 4 years ago. Much of that expansion has been through acquisition and joint venture. Last year even though
we were having poor financial results in other parts of Control Data we were determined to maintain these new thrusts. Considerable improvement was expected by the latter part of 1984 and going into 1985. In total in 1984 the pre-tax loss from International Services was $9M. This year will be considerably improved but the first two quarters will still be below expectations. In some cases objectives have been met. Other International service units have not lived up to expectations and those are being shut down or sold.

d) Peripherals.

By far the greatest negative impact on operating results has been in the fourth segment of the business -- the sale of peripheral products to original equipment manufacturers -- or OEM's as they are called. This impact is the result of two reinforcing factors. First there is the impact of direct competition -- from numerous small start-ups (given an opening by the advent of requirements for micro-computer magnetic memory products) and, much more important, competition from Japan. The second factor is that our largest OEM customers, the micro-computer manufacturers and systems houses have themselves had to react to greatly increased competition. So they have had to move much more rapidly from older to newer products just starting into production. This kind of rapid
change means reduced purchases of older, more profitable products and a switch to products where competition is stronger and for which we are lower on the learning curve in terms of cost and reliability.

That nets down to more competition, lower volume and a product mix of lower margin products. On top of that, the organization facing this challenge was a billion dollar division almost the entire history of which was one of responding to an environment of exploding demand. This coming challenge was not unforeseen. Actions were taken with regard to new products, cost reduction, and orders of magnitude improvement in quality. We began making management and organization changes three years ago, but changing the mental set resulting from all those years of responding to demand has simply been more difficult than we ever anticipated.

That's behind us -- I don't mean there are no problems but the new mental set necessary to meet the challenge is in place. Unfortunately what also occurred in the first quarter of this year is a fall-off in demand that directly impacts our OEM business. This fall-off was faster and greater than industry predictions. One reflection of this has been the rash of press releases from many companies since the first of the year with regard to lay offs, lowered earnings and losses.
Specifically what this has meant to us is the stretched-out deliveries and cancellation of orders which Bill Norris referenced. This has not only resulted in lower than planned revenues and operating losses in peripherals, it has also resulted in higher inventories and thus more working capital and higher interest costs. In total, inventories for peripherals are up $104M from 1st quarter last year and interest costs are $6M higher. The response to that situation is straightforward even though painful, and that is to reduce costs and expenses. Cost reduction is more than reducing plant capacity. It also means reducing the number of employees in all parts and functions of the peripherals business. While reducing employment, we are to the degree possible protecting valuable people resources so vital to the business.

Meanwhile the basic responses we have made to the long term situation will have time to work, and the peripherals business will get back on a path of aggressive profitable growth.

3) SITUATION SUMMARY

These pressures on Control Data -- both strategic and short term -- have meant among other things some asset redeployment, reduced employment levels general, reduction in levels and numbers of management including some fifty executive level
managers in the last twelve months, and a 10% pay cut for
executives. We have eliminated most external hiring and are
concentrating on further improving productivity. All this
means work force adjustments. To the extent possible we are
doing this with retraining and reassignments and are
encouraging use of the Time Off Without Pay Program. All this
is necessary in the short term to give longer term actions time
to work. In spite of the actions, however, we also will have
earnings below our objectives for the year. Believe me, it is
no pleasure to stand here this morning and report on the
results thus far or the short-term outlook for the business.
Nevertheless we know that our strategy is sound, where we are
headed, what we have to do to get there, and we know there are
better times ahead.

4) FAIR EXCHANGE

Having just mentioned actions which are reducing employment
levels, let me expand on the subject of human resource
management. Under the press of poor results there might well
be the more conventional outcome of having employees bear the
full brunt. We refuse to do that. Employment level in Control
Data is some 3,000 less than this time last year. At the same
time by managing attrition and employee retraining some 2,400
people have been redeployed and thus retained. That is a clear
indication of a continuing commitment to our five basic
principles of human resource management, which are:
First, we place great emphasis on the principle of reward for performance.

Second, is that each individual is provided the maximum opportunity for training and self-development which goes beyond merely the training for an employee's present position.

Third, we have aggressive and innovative approaches to assure just and fair treatment for employees.

Fourth, that we provide support services and employee benefits that help assure attention can be focused on the job to be done.

Fifth, we provide the greatest degree of job security to the maximum number of employees which is possible under any given set of business conditions.

While I'm on this subject of people I also want to point out that in meeting the problems and challenges Control Data is blessed to have a team of senior executive management that is equal to the task. They are experienced, averaging some 22 years in the industry, they have been tried and tested before and have all solved problems as tough as any we now face. This knowledge gives me great confidence and so I wanted to share it with you as well.
5) MISCONCEPTIONS

That belief in people as expressed in those five principles I have just mentioned is one of Control Data's basic tenets. Another is the belief that businesses can do much more to relieve unmet social needs by addressing those problems as business opportunities in cooperation with government rather than merely engaging in philanthropy and volunteerism.

Our efforts in job creation, education and helping the disabled, deprived people of society have received widespread attention. Those things are a source of pride and satisfaction to all the more than 52,000 of us in Control Data. To be a member of an organization with that degree of caring and innovation is a privilege. At the same time we resent the oft repeated implication that the profits of the company are sacrificed on the altar of "do-goodism." That's nonsense. We have talents, skills and technology. Many of those talents and much of that technology are directly applicable to meeting basic societal needs. Rather than giving those things away we have pursued a strategy of making them part of the mainstream of our business. No other approach than this will result in consistent application through good times and bad -- and right now is a good example. We would no more arbitrarily or capriciously abandon those businesses than we would any of our...
others. Still, they are all subjected to exactly the same profit criteria as any part of the business. Computer based education for example over the years has received much media attention. It has been a long hard struggle. But this year, 1985, when many parts of the business such as Peripherals are struggling total PLATO CBE business is returning a profit -- not to the degree we want or expect it to by the way, but nevertheless it's a source of strength -- indeed the incremental advantage PLATO brings to the computer systems business is one reason it remains healthy.

Still and all there is a gross misconception which perhaps is a natural result of our talking about these things of which we are deservedly so proud. Only some 3% of Control Data's assets are employed in so-called "societal-need" businesses. That's modest by any standard. However, like education these businesses will ultimately be significant revenue and profit producers. More to the point, for a knowledge company not to expend that proportion of its energies to grasp opportunities which result from lack of knowledge would be just plain unforgiveable. It's all the more ironic that we are mostly criticized for doing so as a normal business endeavor -- the only approach when you get down to it that a business understands.
6) QUALITY

In my comments with regard to the peripherals business I pointed out the emphasis on quality. That emphasis, however, applies to the total business. Because this is such an important part of our management job I want to elaborate on the subject for a moment.

We have always had a belief in quality, and approached it much like the rest of U.S. industry until the late 1970's. That approach was that quality was a matter of inspection and was the responsibility of the quality assurance/quality control people. In the late 70's we shifted emphasis from inspection to work processes and concentrated on basic tools and techniques that people doing the work might use, such as process flow analysis (PFA), involvement teams (I.T.), statistical quality control (SQC), productivity opportunity analysis (POA), just in time (JIT), parts per million (PPM) vendor improvement programs.

Late in 1983 we decided that this still wasn't good enough and that the strategy for quality had to be much more strongly based on line management ownership -- with emphasis on prevention and a continuous improvement process. We had an excellent base from which to start this new emphasis. The
previous investment in tools and training of people in the use of these tools formed the necessary base with which we could move forward.

In 1984 we concentrated this total quality management process (TQMP) in the computer products group and are moving it to the rest of Control Data in 1985.

7) CONCLUSION

Let me conclude by summarizing as succinctly as possible what Bill Norris and I have said. This year while continuing the significant transitions necessary in both peripherals and services, we have had early in the year events which lowered revenue expectation for the year and put an already heavy dependence on second half improvement even more at risk. On top of that was the one-time charge resulting from the Ohio problem.

So in addition to actions already in place to deal with long term trends and international competition we have taken further steps with regard to people, assets, costs and expenses.
But I want to emphasize that the actions we planned for the year are working. Expenses for the first quarter were planned to increase by only 9% -- for the full year even less. Actual expense for the first quarter were up only 3%, which was entirely related interest and a small increase in the effect of balance sheet currency translation. With the additional actions undertaken since March we will see even lower expense levels. Any reasonable earnings result at all will require substantial earnings improvement in the second half. We believe -- that will happen. We have the conviction that we are "doing the right things" and that the effect of those actions will indeed become increasingly apparent in the second half.

We, as well as all of U.S. industry, face increasingly difficult challenges if we are to remain internationally competitive. Those challenges require new approaches. More specifically for Control Data, we adopted a strategy some fifteen years ago that was designed to provide long term growth for the company. In times past and today we have suffered setbacks in implementing that strategy. It's basic viability however, is proved by the fact that we are here today explaining our difficulties while others have simply disappeared from the scene.
We have a dedication to cost-competitive quality products and services for our customers which yield an appropriate return to the company. Moreover, we firmly believe that as part of this we can do innovative and difficult things to help meet the basic needs of society -- which after all has granted us our franchise. And underpinning it all is the commitment to fairness for employees and the sure knowledge that these things will ultimately assure reward to you who have invested your money in our endeavors.

Both our history and our plans give us the strength and confidence to overcome whatever obstacles may appear from time to time on the road to success.
PREPAREDNESS QUESTIONS AND ANSWERS, April 30, 1985

CORPORATE ISSUES

1A. Q: Please explain your applications strategy and how it will contribute to Control Data's success in today's markets.

A: Control Data is in the business of applying computer-related products and computer-enhanced services to solve problems in certain specific industry markets. There is nothing new about this, but it is especially appropriate to emphasize it now. Control Data's commitment to profitability requires that we seize every opportunity to add value to computer technology by preparing solution packages for specific market segments. This is the key to reaching revenue goals and profit margins that will maintain viability over the long term.

2A. Q: At least one analyst thinks Control Data "has too many fingers in too many pies." Do you think your company has diversified too much? Not enough? About right?

A: Diversification within our basic applications strategy is absolutely essential. Control Data must serve its traditional markets well at the same time we explore and develop new ones. The computer industry environment today demands strong market focus, on selected segments. That's what Control Data's market-specific units do.

3A. Q: Why do you think Control Data is a possible takeover target? Is anyone accumulating Control Data stock?

A: Control Data will take every means at its disposal to resist a hostile takeover attempt; we have been very clear about that. We know of nobody who is accumulating Control Data stock. It is true that the price of our stock is below its book value and, in the current takeover climate, that has drawn attention.

4A. Q: You say Control Data will resist a takeover. How? What steps have you taken? The proxy statement proposes changes in executive incentive programs. How are these changes related to the possibility of a hostile takeover attempt?

A: For many years, Control Data's Articles of Incorporation have included provisions that require the Board of Directors to consider the social impact of any prospective change in control and that require more than a simple majority vote of the board to authorize such a change. The new executive incentive program has no relationship to a possible change in control, but if it serves such a purpose, fine. The new plan simply replaces one that expired. And let me point out, the new plan is closely tied to company performance over a five-year period. It is essential to keep our executive team intact during these tough times and to reward them as they get the job done.
For other questions and answers about PERP and compensation plans, refer to Section F prepared by Burt Traub.

5A. Q: One universal strategy that everyone seems to employ to head off a hostile takeover is cutting overhead, reducing debt, and repurchasing stock. Control Data apparently is doing this to improve its stock price. Do you think such actions will increase Control Data's stock price and thus help fend off a hostile takeover attempt or will they simply make the company more attractive to a prospective raider?

A: As I've said, the actions we are taking to improve our operational effectiveness are being taken to improve profitability and retain competitiveness in our industry. If Commercial Credit Company is sold and we use some of the proceeds to repurchase our shares, we would be doing so simply because our shares are a good value now. If this makes us less attractive to a potential raider, fine. But that's not the purpose at all. By the same token, if the raider's main interest is the CEO's determination to stay in business.

6A. Q: Is Control Data's cash flow sufficient to repay any loans that a raider might have taken out to get control of the company? What is the monthly cash flow of Control Data?

A: That takes me into areas of speculation and financial disclosure that I would rather not enter. Our cash flow is adequate for the needs of the business.

7A. Q: Has Control Data given up yet on helping to solve society's major unmet needs while making a profit? Why is the commitment weaker than it was, say, five years ago? How much has Control Data invested in activities whose main emphasis is in this societal needs area? How much profit has come from these activities?

A: Control Data's commitment to the development of new markets in the areas of society's unmet needs is as strong as ever. But let's keep all this in perspective. While our activities in these markets have drawn worldwide attention, and they are important to Control Data's long-term success, they represent only a relatively small investment and a very small part of our business.

8A. Q: Why are you considering the sale of Commercial Credit? Isn't it the only thing that kept you in the black last year? What are the prospects for its sale? When? To whom? How do you plan to use the proceeds?

A: We are considering the sale of Commercial Credit because it no longer has the strategic fit for the computer business that it had when most computer equipment is leased. The process of sale is proceeding, and I would rather not say more than that.
28A. Q: Does the company have any significant environmental claims pending?

A: With other companies, Control Data has been involved in suits aiming to clean up some sites in Minnesota where contractors have dumped its waste in the past. These are in various stages of litigation. The company's independent auditors review these matters regularly but have determined that none has created an amount of possible liability that would warrant provision for loss.

29A. Q: Who are the trustees of the company's pension plans? The custodians? The investment advisors?

A: Norwest Bank is the trustee of the funds, which are managed by investment managers designated by trust officials at the bank.

30A. Q: I understand that the company has recently increased pension benefits. Why has it done so at a time when earnings are so poor?

A: It is important that the company provide pensions that take increasing costs of living into account and that are competitive with those of other companies.

ISSUES INVOLVING SPECIFIC BUSINESS UNITS

1B. Q: Please tell me what you can about new products in the Peripherals area that will help that segment compete for market dominance.

Q: How about optical storage? Is that likely to be a major contributor to revenue this year? Next?

A: We would rather not be specific about product introductions at this point. In the peripherals area, the key is to increase the rate at which we can manufacture the newer products now moving into production and to manufacture everything more cost-efficiently. This means that we must reduce overhead expenses and we are doing that by adjusting our workforce, consolidation of assets, analyzing our operations and making them more effective. Let's underline the fact that the processes that will improve Control Data's operational effectiveness are taking place in all business units. We are:

- Reviewing staffing levels and adjusting our workforce
- Consolidating facilities where appropriate
- Emphasizing quality in everything we do
- Reviewing assets for possible divestiture of non-strategic business units and unneeded real estate
- In addition to those actions, we are reducing executive salaries by 10 percent.
2B. Q: Does Control Data have any businesses doing well right now?

A: Yes, of course. Government Systems and Engineering Services are doing very well. Several market-focused applications units are continuing a pattern of solid, profitable growth -- Ticketron and Arbitron are examples. Others are showing promising signs of turnaround -- Cybernet Services, for instance.

3B. Q: Why did City Loan in Ohio have private insurance?

A: City Loan and Savings, an Ohio savings and loan unit of Commercial Credit Company, joined the Ohio Loan Guaranty Fund in October, 1981, for two reasons. Insurance was required by the state of Ohio in order that City Loan could carry out its plan of expanding deposit-taking offices in Ohio and so it could offer certain thrift products it needed to offer to retain competitive position. At that time, City Loan was ineligible for FDIC coverage and FSLIC coverage was unavailable because City Loan was held by a holding company. Legislation passed in Ohio last month now permits a state-chartered S&L like City Loan to convert to a state-chartered bank eligible for FDIC insurance. City Loan has filed the necessary application to do this and we expect the charter and deposit insurance will be granted very soon.

4B. Q: Does Commercial Credit have similar exposure in other states where it operates financial institutions?

A: Yes, the company has deposits in other state insurance funds where such deposits are required by law.

5B. Q: PLATO -- what's the total investment? Will it return a profit this year? Has it made money during any recent year? How does the PLATO/Wicat joint venture relate to this business?

A: PLATO computer-based education and training is a key component of almost everything Control Data does. Control Data solution packages offer training to help the customer get the most value from them -- and PLATO helps provide that training. We won't speculate on profitability for this year, but PLATO did achieve profitability in the fourth quarter of 1983 and has been doing very well since. The new PLATO/Wicat joint venture means that Control Data's new subsidiary, United School Services of America, will be offering the most complete range of computer-enhanced applications available in the kindergarten through twelfth grade education market. And that range will be offered by a dedicated, specialized organization skilled in meeting the needs of this unique market.

6B. Q: What is the nature and extent of Control Data's defense business? Do you expect it to grow?

A: Our defense business emphasizes the design and manufacture of guidance systems for military airplanes and other vehicles. It contributes about 5 percent of total revenue. We hope it will grow but, of course, this will depend on national defense and procurement policies.
7B. Q: What is the status of Centronics? There was a rumor to the effect that it had filed Chapter 11.

A: Centronics has not filed for Chapter 11 protection. The company's financial results for 1984 were qualified by its auditors because they felt the company's annual report did not make clear certain requirements for the use of the proceeds of a planned offering of debentures. The Centronics management is addressing this issue and we are confident that it will be satisfactorily resolved.

8B. Q: What is the situation involving Control Data and FastGro? Can it be handled fairly, given the fact that Mr. Norris and his son Roger are supposedly on opposite sides of the issues?

A: Discussions on the matter mentioned in the proxy statement are under way. Control Data is being represented in the matter by independent legal counsel under direction of the Audit Committee of the Board of Directors.

INTERNATIONAL ISSUES

1C. Q: Control Data does business in South Africa. How can you justify investment in a country that promotes racism?

A: We have been in South Africa since 1964 and have a substantial investment there. As in the other 46 countries where we do business, we are there to sell our goods and services. But also, by maintaining our presence we can help stimulate progress toward better education for blacks there. We introduced PLATO computer-based education activities in South Africa in 1979 and are expanding this effort.

2C. Q: How much business does Control Data do in South Africa? What are your annual revenues from business there?

A: About one percent of Control Data's total annual revenues come from South Africa.

3C. Q: What is Control Data's reaction to the recent report issued by Tom Bartholomay regarding Control Data's business in South Africa?

A: While Tom Bartholomay has not been willing to share a copy of his report with Control Data, the allegations in the report that have been reported in local newspapers lead us to believe that the report is based on erroneous information.

4C. Q: Do you foresee an increase in the amount of offshore manufacturing or procurement for Control Data products?

A: Control Data has long manufactured products overseas and market conditions will cause us to look harder at this alternative. At this time, we have no plans to open more Control Data plants abroad. Any effort to increase foreign sourcing probably would stress contract work or joint ventures involving foreign companies.
9A. Q: Where would you rate Control Data technologically among its competitors? Specifically, in relation to Cray? To the Japanese? To IBM?

A: Success in the applications business requires two things: technological competence and marketing ability. We have, or are developing, both in quantities that will do our job.

10A. Q: Why is employee morale so low at Control Data? What are you doing about it?

A: Although the negative media attention has a corresponding negative effect on morale, we expect no lasting impact. If there ever was a workforce that typified the adage "When the going gets tough, the tough get going," Control Data's people do.

We are very sensitive to the human impact of our workforce reductions: One layoff is one too many. But we are communicating with our employees and they understand that a profitable company is prerequisite to job satisfaction and career growth. It is at times like this that Control Data basic People Management Principles pay off. They are:

- An increasing level of job security
- Fair and just treatment
- Reward for performance
- Benefits and support services that improve the quality of employees' lives
- And an environment of growth and achievement.

11A. Q: Could you give an overview of the forces that have recently changed the computer industry so dramatically? And what is Control Data doing to confront them?

A: First of all, advances in technology and the manufacture of microcircuitry have caused many computer-related products to become commodity products. By that, I mean that no great technological prowess is involved in producing them, the products of most manufacturers are much alike, and price is the controlling factor in their marketing. The entry of new competitors in these markets, many of whom have lower costs for labor and materials and none at all for research and development, has reduced prices significantly.

At the same time, demand has softened in the domestic market for OEM peripherals, a market in which Control Data has been the leader. Stated very briefly, these are the reasons Control Data is reemphasizing that it is an applications company. The process of adding value to computers and services by combining them into solution packages for specific markets enables the company to capitalize on its technological prowess, maintain its margins, and serve market segments in which commodity products alone cannot do the job. This thrust, in addition to major emphasis on market focus, quality, and new distribution channels, is the basic strategy of Control Data.
12A. Q: Why is Control Data involved with so many other companies? I've been told that you've invested in hundreds of companies and are joint-venture partners with many more. Doesn't that dilute your investment power and management control?

A: Cooperation is a cornerstone of Control Data's business philosophy; we don't try to do everything ourselves. The common thread in all our relationships is, again, the application of computer technology and computer services. The companies with which we have relationships either add to, or have the potential to add to, the execution of this basic strategy. In other words, they contribute something to our product line. Of course, the management of this is an extensive task. And we are constantly analyzing and reviewing our relationships to make sure they continue to have a solid strategic fit.

13A. Q: I've been told that success in the IBM environment depends heavily on choosing the right strategic options. What mistakes do you feel Control Data has made in these choices? What were the good calls?

A: Developments in the computer industry have validated Control Data's decision to stay out of the microcomputer manufacturing race. And we think it has been appropriate for us to concentrate on serving the scientific and engineering community; this has been especially important in gaining a ground-floor position in the emerging supercomputer industry. If we have made mistakes, they probably have been in timing. We reacted slowly for changes in the remote computing industry and, to some extent, in the market for peripheral products.

14A. Q: Observers have told me that Control Data is overburdened with executives and that it has too many layers of management. Comment?

A: As a part of our drive for operational effectiveness, we have been reducing our management ranks and this will continue. To focus more quickly and accurately on serving our markets, we have been reducing the levels of management in the marketing organizations.

15A. Q: How many employees has Control Data laid off since the first of the year? How many more would you expect to lay off in 1985?

A: As we have announced, we are adjusting our workforce to respond to our markets and to reduce overhead expenses. However, this is a gradual process involving attrition and reassignment as well as terminations. Our workforce now stands at about 82,000, compared with 54,000 at the end of 1984. We expect that it would be further reduced as the year proceeds. However, the Control Data programs that protect the job security of our workforce will have an undetermined effect. The simple fact is that not every person whose position is declared excess will leave Control Data and we would rather not report numbers until the processes have had a chance to work.

For further questions and answers on Personnel issues, see Section G prepared by Joanne Lorato for Frank Dawe.
16A. Q: Do you foresee the retirement of William Norris in the next few years?
A: Mr. Norris has said that he would retire when he, or the Board of Directors, determined that he was no longer able or willing to do important things for Control Data.

17A. Q: Control Data's president has called for an assessment of the company's assets and has implied that some of its business units might be sold. How is that process going, and can you identify any units in addition to Commercial Credit that are on the block?
A: The process is proceeding, but, of course, we will not identify affected business units until decisions are final and the necessary negotiations completed.

18A. Q: Control Data is sometimes seen as a power behind the Perpich throne. Comment?
A: Cooperation with other public and private organizations is a cardinal principle of the Control Data philosophy. Good corporate citizenship requires that a portion of our time and other resources be devoted to involvement in the government arena. Through Wellspring, the Minnesota Business Partnership, Midwest Technology Development Institute and other similar associations, Control Data people propose ideas and work to support programs that hold promise in solving society's problems. We do not believe our influence has been any greater than has that of others in the business constituency. We have won some and lost some.

19A. Q: Some observers say Control Data is not good at marketing its products. If that's true, what are you doing to improve your marketing?
A: Control Data had revenues of $5 billion in 1984 and the chart shows the revenue line tilting upward nicely over the past several years. That's not the revenue picture of a company that has missed its markets. But the company reorganization that took effect late last year had market focus as its major objective. Control Data is reducing levels of management, augmenting sales forces, and making a variety of internal changes to respond quickly to the wants and needs of customers and prospective customers.

20A. Q: Why do you have "golden parachutes"?
A: To protect senior executives who leave the company because of a change of control and provide them time in which to seek a suitable new position in an orderly way. These provisions also help ensure that the management team will remain intact during difficult times.

21A. Q: Have you made any loans to officers or directors?
A: No.
22A. Q: What litigation is the company involved in?
A: At any given time, the company is involved in a great many legal actions, either as plaintiff or defendant. That is the case now, but none is likely to have a material impact on the company or its financial results.

23A. Q: What procedures exist to prevent illegal payments?
A: The company has firm, stated policies on Ethics and on the Retention and Payment of Consultants and Agents. These policies and procedures require annual recertification of consultants and agents and the recertification procedures specifically address the issues that could create vulnerability in this area.

24A. Q: Is the company's pension plan adequately funded?
A: Yes. It meets all requirements under the federal Employees Retirement Income Security Act (ERISA) and has received the requisite annual recertifications.

25A. Q: Is the plan over-funded? If so, why aren't the excess funds returned to the stockholders?
A: The answer is complicated. In the opinion of the independent actuaries employed to determine funding levels, the plan is not over-funded. Its level is appropriate to fund the retirements projected for the future. It is true, however, that the fund contains more money than necessary to meet its obligations right now. The responsible course, however, is to make sure that Control Data can meet its commitments to its employees -- now and in years to come. We intend to do that.

26A. Q: Does the company have a political action committee? Why not?
A: Control Data does not have a PAC at present. We have had one in the past, but it was discontinued for lack of use. The subject is reviewed periodically but we have no plans at present to use a PAC.

27A. Q: What is the company's policy regarding disposal of hazardous waste?
A: Control Data recognizes the interest and concern among its employees and members of the general public about potentially hazardous materials used in company facilities and about incidents involving such materials that may threaten human health or safety. The company intends to comply with all applicable legal requirements regarding procurement, use, storage, transfer and disposal of hazardous materials. In domestic facilities, the company complies with regulations concerning information and training for employee and emergency service personnel about potentially hazardous materials in the workplace. Our policy is clearly stated, regularly updated, and conscientiously enforced.
5C. Q: Is Control Data on an Arab blacklist? Is it true that the company has been removed from such a list in Saudi Arabia?

A: This question may be an incident we are required to report to the Office of Anti-boycott Compliance of the U.S. Commerce Department. Any discussion of this matter could be a criminal offense.

6C. Q: What is Control Data's relationship with Systime, the British computer and computer services company? What about their export violations?

A: Control Data holds a majority investment in Systime and is assisting Systime management in negotiations with the U.S. Department of Commerce to resolve export-control citations that occurred before Control Data's initial investment in May of 1983. We expect a satisfactory resolution of the situation shortly. Systime employees involved in the violations are no longer with the company and Systime is instituting a formal licensing procedure to prevent recurrences.

7C. Q: You are talking about a joint venture in India. In light of Union Carbide's exposure, what are you doing to make sure that you do not have a similar exposure?

A: Control Data is not contemplating a joint venture in India. We are negotiating technology licensing agreements with the Indian government that cover entry-level computer systems, disk storage subsystems, and storage media. Control Data will receive royalties as these products are manufactured by Indian companies under the supervision of their government. We also expect to provide training.

8C. Q: What have been the results of the retraining effort for the former Control Data Korea employees?

A: Of the original group of 342 Control Data Korea employees, we were able to contact 269 with the offer of attending a computer training program. 173 initially accepted the offer for either themselves or a family member, 87 of these people decided against attending or withdrew from classes after they began, and 85 people completed the training.

9C. Q: What have been the job placement results for the ex-Control Data employees?

A: Job placement has been difficult to track because of the natural distance that has occurred between the former employees and Control Data. Many of the former employees found new job opportunities without Control Data's assistance or participation in the retraining program. Many of the women production workers are now married and are no longer in the workforce. Most of the engineers and technicians are working for leading electronic companies in Korea.
10C. Q: Why did the SEC allow Control Data to omit the Korea stockholder proposal after it had decided to have the company carry the stockholder resolution?

A: Upon consideration of the information Control Data presented to the SEC, the SEC concluded that the company complied with the requirements of the SEC rules in its handling of the stockholder proposal in 1984.

11C. Q: Mr. Norris has been quoted as saying the climate is improving for increased trade between the United States and countries of the Soviet bloc. Have there been any developments involving Control Data?

A: Nothing that we can report at this time. However, as Mr. Norris has said, we feel that significant improvement in this regard is dependent on the restructuring of U. S. export controls. Current licensing requirements for technology are rigorous and time-consuming. They must be changed with respect to all trade abroad, not just that involving East-West transactions.

12C. Q: Is it true that Control Data recently shipped some disk drives to Bulgaria?

A: No. Last December, eleven 300 MB drives from the MPI plant in Heppenheim, Germany, were legally sold by Control Data to a Belgian company, Norom. We aren't certain what happened immediately after that but, in mid-February, we were informed that nine of the machines had been confiscated by Austrian authorities from a plane bound for Bulgaria. Our people in Vienna immediately joined with Austrian and U.S. officials to make certain the shipment would not reach Bulgaria. An Austrian judge granted an injunction to accomplish that.

13C. Q: Why does the company, and particularly Mr. Norris, continue to advocate trade with the godless Communist countries?

A: Worldwide, Control Data provides its products in compliance with U.S. export laws and regulations. In addition, to the extent that it reasonably can, the company tries to avoid selling products and services to those who might use them to abridge human rights. Nevertheless, it is not always totally possible to determine the manner in which such products and services are being used. Furthermore, the effectiveness of limiting computer product and service accessibility by policy is becoming increasingly limited because of the easy availability of computer products and services from vendors in all parts of the world.
ISSUES RELATING TO FINANCIAL PERFORMANCE

1D. Q: Your annual report shows that consolidated debt more than doubled in 1984. Why?
A: Two factors: First, lending activity has greatly increased at Commercial Credit. As a finance company, Commercial Credit has borrowed money to fund their lending. Second, part of the debt can be attributed to the heavy expenses of manufacturing and introducing new computer products in 1984.

2D. Q: Is Control Data's cash flow sufficient to repay any loans that a raider might have taken out to get control of the company? What is the monthly cash flow of Control Data?
A: That takes me into areas of speculation and financial disclosure that I would rather not enter. Our cash flow is adequate for the needs of the business.

3D. Q: What were the real reasons your president abandoned the $4 a share estimate for Control Data earnings this year? Would you hazard a new estimate now?
A: The restructuring of many of our markets simply came too quickly to allow that estimate to stand. Control Data normally does not estimate earnings, and I think that is an excellent policy.

4D. Q: From the standpoint of financial performance, what is the outlook for Control Data in the remainder of 1985?
A: We are unable to predict when the widely-reported downturn in the computer industry, which has affected Control Data's systems and peripherals businesses, will end, but we expect that the effects of market restructuring will not be fully overcome this year. The revenue outlook for computer products has declined. Revenues from the Financial Services sector are expected to rebound in the second quarter. But it now appears that total company earnings will reflect only a small profit, at best, in 1985.

5D. Q: Do you expect any other unusual or non-recurring items that will affect earnings for the rest of 1985?
A: Nothing that we can foresee at this time.
6D. Q: Your annual report shows that you make most of your profits on overseas business. Why are domestic profits so low?

A: It is true that Control Data's international earnings are higher but the difference is not as great as it would appear. For efficiency in accounting, all expenses for Research and Development are charged to domestic operations. Most of Control Data's manufacturing operations are in this country, and most business development costs are incurred domestically.

7D. Q: What impact did the strong dollar have on the 1984 operations?

A: The impact on earnings of currency exchange rate deterioration was about $8 million. The translation of assets resulted in a charge to the balance sheet of about $26 million by yearend.

8D. Q: What effect will the Treasury department's proposed reforms of the internal revenue code have on Control Data?

A: As with any other business, a tightening of tax provisions with regard to capital spending -- depreciation, investment tax credits, Accelerated Cost Recovery -- will have an adverse effect on Control Data. However, this effect will be multiplied because such changes will tend to slow the purchase of Control Data products by other businesses.

9D. Q: Has the company established a foreign sales corporation to replace its domestic international sales corporation? If so, where?

A: Yes. It is located in the Netherlands.

INVESTOR RELATIONS ISSUES

1E. Q: Why is the annual meeting held at the Children's Theater?

A: This facility has served us well. Control Data made arrangements to rent space here because it is excellently equipped for meetings of this type, its rental figure is reasonable, and it affords a convenient location with ample parking.

2E. Q: Will a post-meeting report be sent to stockholders?

A: Yes. As in past years, the report will included with our second-quarter financial results.
2E. Q: Will a post-meeting report be sent to stockholders?
   A: Yes. As in past years, the report will included with our second-quarter financial results.

3E. Q: Does the company send its quarterly reports to the stockholders?
   A: Yes.

4E. Q: How active is the Control Data Board of Directors in formulating corporate strategy?
   A: I'm sure any member of our management team would support me in saying that the board takes an active role. It approves management's plans, oversees the company's business, and counsels management in matters of strategy formation and implementation.

5E. Q: How are prospective directors identified and what criteria are used to evaluate candidates?
   A: Candidates for board positions are proposed by members of the board and by Control Data management. A committee of the board considers nominations and makes recommendations to the full board. In general, the successful candidates are those who agree to devote the time necessary to consider matters that come before the board, who represent various constituencies important to the company, and who are in a position to provide counseling and expertise gained from experience in the various business, community, governmental and legal arenas in which the company must operate.

6E. Q: What are the attendance records of the directors?
   A: All have attended more than 75 percent of the meetings; the majority have attended all of them. Any absences usually are the result of schedule conflicts.

7E. Q: How many of the directors are "outside" directors?
   A: Thirteen.

8E. Q: Have any directors sold company stock during the past year?
   A: None of those directors currently on the board sold Control Data stock during 1984. Two directors who retired from the board sold stock after their retirements.
9E. Q: Has any officer or director resigned during the past year? If so, what were the terms of the settlements?

A: Those officers and/or directors who left the company did so by virtue of their retirements. All were members of the management team so their settlements were determined by company programs that take into account such factors as longevity, final position held, future consulting roles, etc. Persons involved were Thomas G. Kamp, William R. Keye, Steven H. Beach, Paul G. Miller and Robert W. Chinn.

10E. Q: Why does the company not have cumulative voting rights in the election of directors?

A: There is no provision in Control Data's Articles of Incorporation for this method, which would allow a stockholder one vote for each share of stock held and provide that votes could be allocated among candidates for the Board of Directors. We can find no record that this method has been proposed or recommended.

11E. Q: What is the annual cost for liability insurance for officers and directors?

A: The premium for the three-year policy now in effect is $198,000.

12E. Q: What is the coverage?

A: This insurance protects officers and directors for the full amount for which they are found liable in connection with the execution of their duties on behalf of the company.

13E. Q: How are changes in executive compensation plans approved?

A: Changes are reviewed and approved by the Compensation and Incentive Award Committee of the Board of Directors.

14E. Q: Do you have employment contracts, and with whom?

A: Yes, Control Data has contracts with senior managers and technologists.

15E. Q: How often did the Audit Committee of the Board meet in 1984?

A: Seven times.

16E. Q: How are the company's independent accountants selected?

A: Candidates are reviewed and recommended by the Audit Committee. The final appointment is made by vote of the full Board.
17E. Q: What is the total cost of holding the annual meeting?
   A: About $40,000 each year, or a bit above a penny a share.

18E. Q: Do the officers, directors and independent accountants review the entire annual and quarterly reports before they are mailed?
   A: The Board has delegated this detailed review of the annual report to its Audit Committee which meets with senior management to make the review. The committee makes a recommendation to the full board, which votes its approval. Quarterly reports are reviewed by senior management and the independent auditors.

19E. Q: Does the company send its quarterly reports to the stockholders?
   A: Yes.

20E. Q: Were any proposals submitted for inclusion in the proxy statement omitted? If so, who sponsored the proposal and why was it omitted?
   A: A proposal relating to human relations aspects of the closing of a plant in South Korea was omitted with the approval of the SEC, whose staff determined that it did not meet SEC requirements for stockholder consideration this year. The proposal was submitted by Mrs. Jean Dorsett.

21E. Q: Who were the inspectors (tellers) of elections, and what are their qualifications?
   A: Two of our inspectors were from First Bank Minneapolis, our primary transfer agent. They have performed this role for other companies the bank serves. Two tellers are Control Data employees, Ms. Pat Timpane and Mr. David Dumer.

22E. Q: Have there been any changes to the Articles of the Incorporation or to the Bylaws since the last meeting?
   A: There have been no changes in the Articles. There have been minor changes in wording in the bylaws.

23E. Q: Are any debt or equity financings contemplated in the near future?
   A: We expect no equity financings. As you may know, we have a $100 million shelf registration of debentures that could be used if and as the need should arise.
24E. Q: Who are the company's largest stockholders? And what is the percentage of institutional ownership?

A: About two-thirds of Control Data's stock outstanding is held by institutions, the rest by individuals. Morgan Guaranty and Trust Co. holds the most shares. William C. Norris holds the most shares of any individual, with 1.1 percent of the total 38.5 million shares outstanding.

25E. Q: Why does the Company plan to repurchase stock with the proceeds of the Commercial Credit sale, rather than put the money back into the business?

A: First let me note that we were contemplating that part of the money would be used in this way, not all. Management thinks that the investment community has considerably undervalued Control Data stock, making it a particularly good value at the present time.

26E. Q: In the light of current earnings difficulties, does the company plan to continue to pay dividends?

A: We intend to continue Control Data's record of consistent dividend payment and, although we can make no predictions about financial performance, we see no reason to expect that dividends might be eliminated.

27E. Q: Where did the company hold board meetings last year and why did it hold a meeting at a resort in Costa Rica?

A: Meetings were held in Minneapolis, Toledo, St. Paul and Jamaica during 1984. They have been held in Costa Rica and Minneapolis so far in 1985. The Caribbean meetings have as a primary objective the familiarization of the board members with an area in which Control Data Caribbean Basin, Inc., is beginning to market the company's goods and services.

28E. Q: One of your directors, Joseph Barr, is on the board of 3M. Isn't this a problem?

A: No. There have been no allegations that this has put either company in a sensitive position.

29E. Q: Were there any instances in which the Board disagreed with a management decision? If so, what decisions and why?

A: The Control Data board takes an active role in overseeing the company's business and members of the board do, from time to time, disagree with management decisions. In most cases, the disagreement can be resolved.
after a presentation of the considerations that were weighed in making the decision. In some cases, the decision may be changed. Certainly in the case of most major decisions, the board is involved in advance and is in accord with the final action.

30E. Q: Is the company participating in the SEC's electronic data-gathering analysis and retrieval system (EDGAR) project for filing the reports with the commission electronically?
A: Yes.

31E. Q: Does the company have an Employee Stock Ownership Plan?
A: Yes. The first distribution of stock to employees was made in 1984.

32E. Q: What can you say about the level of insider trading in Control Data stock?
A: Insider trading has proceeded at a normal level for the past year or two. Most purchases have been through the exercise of options; most sales have been for personal and private reasons.

TRAUB - PERP QUESTIONS AND ANSWERS

1F. Q: Why PERP?
A: Control Data has historically had a long term stock-based incentive plan for executives. This new program replaces a similar program which expired at the end of 1984 and it will be an important recruiting and retention device. PERP ties incentive compensation to stock market value, so executives make money as the stockholders make money through increases in the stock price.

2F. Q: Why so much stock?
A: As a percent of outstandings, it is very similar to the previous plan. An outside consultant recommended this level as part of a total compensation program designed to be competitive within the industry - not leading nor lagging the industry.

3F. Q: It rewards incompetence.
A: On the contrary, the executives' real rewards only come if performance is sufficient to increase the stock price. For example, if the stock price doubles over the five year life of the plan, the executive is well rewarded, but wealth is also created for the stockholders because the total market value of the Company will also have doubled from about $1.2 billion to $2.4 billion.

4F. Q: It's a stock giveaway - where is the risk?
A: Participants are responsible for the taxes immediately and if the market value of the stock declines - participants can lose money.
5F. Q: Why this program at this time?
   A: There is a strong demand in the industry for experienced executives in
      the computer and high technology industries - especially for start up
      companies. Common practice in the computer industry is for companies
      to offer stock based incentive plans.

6F. Q: How does loan forgiveness work?
   A: This is determined by company performance. If the company does poorly
      - no forgiveness. If goals are achieved - loan is forgiven. If goals
      are exceeded - a cash award is also made.

7F. Q: How much will it cost the company?
   A: The cost will depend on the market value of the stock at the time of
      grant and at time of loan forgiveness. Too many variables to
      speculate. However, during the development phase of the plan,
      extensive reviews of proforma costs were made by the Board and it's
      Compensation Committee.

8F. Q: How do stockholders benefit?
   A: The same way executives benefit--through financial performance for the
      Company which causes the price of the stock to increase.

9F. Q: Is it a takeover defense?
   A: No. Two million additional shares in "friendly hands" will not deter
      or affect a takeover attempt.

10F. Q: Who's idea (for plan)?
    A: Plan was designed by Hewitt Associates at the request of the
       Compensation Committee within Control Data's Board of Directors as a
       replacement to an expiring plan.

11F. Q: When will awards be made?
    A: Sometime during 1985, after approval by the stockholders.

12F. Q: Why a golden parachute?
    A: This should not be viewed as a golden parachute because in the event of
      a change of control that is not approved by the Board the restrictions
      on the stock lapse but the loan remains outstanding.
13F. Q: What happens if someone quits after a change of control?
A: The individual can only quit for "good reason" and good reason is demotion, forced move or cut in pay. And, in that case the payments are limited by the new tax provisions governing golden parachutes.

14F. Q: Why do the executive employment agreements pay in excess of IRS guidelines?
A: Those contracts were designed before the current IRS guidelines were established and the contracts are currently under review.

15F. Q: Why do you have golden parachutes?
A: They operate only if a change of control is not approved by the Board (13 of 18 are outside directors) because the change is not in the best interest of the Company and all of its constituents.

FRANK DAWE Q&A's

1G. Q: Considering the Company's continued poor performance, why haven't executives been replaced?
A: There have been reductions at the executive level that reflect the business unit's needs. In addition a number of executives have volunteered to participate in a early retirement program. Lastly, there have been functions that have been consolidated therefore eliminating the need for increased executive positions.

2G. Q: What happened to fair exchange and job security?
A: The five basic principles of human resource management (fair exchange principles) have been part of the company's strategy to minimize layoffs and terminations due to economic fluctuations. However, there are situations, such as this one, where we were unable to predict the extent of downturn in the computer industries. These strategies can only minimize, not eliminate, the necessity for layoffs or terminations.

3G. Q: Is Headquarters exempt from the work force reductions?
A: No. All organizations have begun adjusting the workforce in response to our markets and are reducing indirect expenses.

4G. Q: Given the current state of the company, why would we even consider the Performance Excellence and Retention Plan?
A: These types of plans are reviewed approximately every five years. It is in the best interest of the shareholder to more closely tie the executives' performance to company accomplishments. Executives who are knowledgeable and experienced in the computer industry are important factors in turning the business around.

5G. Q: Is it true that executives have taken a 10 percent cut?
A: Yes. All Control Data corporate officers and Vice Presidents have taken a 10 percent cut effective April 1, 1985.

6G. Q: What offers have been received for the sale of CCC and why have they been refused?
A: The process of discussing the CCC sale with interested parties is underway but we cannot say more until a more appropriate time.

7G. Q: Why are some displaced employees being insensitively removed from the premises?
A: It is our intent to be sensitive to the human impact of our workforce reductions. Employees being displaced will receive a 30-day severance package; one week of pay for each completed year of service, unused Personal Days, and job search assistance. These employees are being moved "off site" in order for them to concentrate on finding another job.

8G. Q: Are non-executive employees going to be expected to take pay cuts or extended merit timing?
A: There are no current plans to cut pay or extend merit timing. We continue to place great emphasis on the principle of reward for performance and to remain industry competitive.

9G. Q: What is the current Corporate strategy?
A: Control Data is in the business of applying computer-related products and computer-enhanced services to solve problems in certain specific industry markets. There is nothing new about this, but it is especially appropriate to emphasize it now. Control Data's commitment to profitability requires that we seize every opportunity to add value to computer technology by preparing solution packages for specific market segments. This is the key to reaching revenue goals and profit margins that will maintain viability over the long term.
10G. Q: Are we still hiring during work force reductions?

A: Yes, on a limited basis. A company this size does need to replace critical positions and will only go to external markets if those skills required to do the job cannot be found internally.

11G. Q: Are other employee reductions planned for 1985?

A: As we have announced, we are adjusting our workforce to respond to our market and to reduce overhead expenses. We expect that these efforts will continue in 1985.

12G. Q: On the one hand, we are reducing the work force in order to cut costs; and, on the other hand, we ignore those who abuse the perquisites of the job. Why?

A: We are reducing and containing costs at every level of the company. We have no intention of ignoring abusers.

13G. Q: Why are we continuing to pursue losing business ventures instead of concentrating on profitable core businesses?

A: Diversification within our basic applications strategy is absolutely essential. Control Data must serve its traditional markets well at the same time we explore and develop new ones. The computer industry environment today demands strong market focus, on selected segments. That's what Control Data's market-specific units do.

14G. Q: What does company tenure at Control Data count for?

A: Tenure is an important factor to the company, as is performance. If the question is, "How does tenure effect terminations?", the answer is that prior review by a Vice President is required before termination of an employee with more than eight years of service.

15G. Q: Why didn't the recent Direction '85 presentation and subsequent communications convey a greater sense of urgency?

A: In December of 1984, R. M. Price outlined the great challenges we faced as a company. In February of 1985, he gave the company its direction for 1985, with a clear directive. Many events have happened since that time and in his letter to employees on March 29, 1985, he responded to those events with a sense of urgency.

16G. Q: Are my thrift plan funds safe?
A: Yes, as F. R. Dawe and L. Perlman outlined in their November 8, 1984 memo to employees.

17G. Q: What will the recent lowered credit ratings mean for Control Data?
A: It will be more expensive to borrow money, although there are no current plans to do so. It becomes more important to improve profits to lower that rating.

18G. Q: What plant closings or divestitures are planned?
A: There are no current plans to close any plants in 1985. There are plans to divest the Bemidji plant. In addition we continue to review business units to insure they meet their profit objectives.

19G. Q: Will we be offered time off during the holidays?
A: There are no current plans to do so at this time. However, the company provides options to employees, if approved in advance by their manager, to take time off with or without pay.

20G. Q: How will Control Data react to either a friendly or hostile takeover attempt?
A: Control Data will take every means at its disposal to resist a hostile takeover attempt; we have been very clear about that.

21G. Q: Why did we deny the Channel 11 report?
A: At that time there were no facts to support the Channel 11 report. Workforce adjustments are part of operational effectiveness efforts to improve productivity and quality. However, downturns to the computer industry are too extensive and our programs cannot accommodate all employee situations. They can only minimize layoffs and terminations.

22G. Q: Why do employees receive more timely, accurate, and complete information from the news media?
A: The news media report what they determine newsworthy and are not bound by the same regulations as the company. Company financial performance affecting stock prices must be released to all parties simultaneously and the external media excel in the ability to transmit it quickly. We have been attempting to give employees that information at the same time as the press. The last Price letter was distributed to approximately 47,000 employees by noon of the release date - at the same time as the press. Our earnings report is given to managers via
Current and when possible to the employees via the company publications. It is our goal to communicate to employees as quickly as possible.

23G. Q: Why were we so unprepared for the recent workforce reductions?
A: We have been in the process of making adjustments in how we are structured to respond to the rapid changes in the industry. We had to accelerate this process.

24G. Q: What are the earnings prospects for the remainder of 1985?
A: We are unable to predict when the widely-reported downturn in the computer industry, which has affected Control Data's systems and peripherals businesses, will end, but we expect that the effects of market restructuring will not be fully overcome this year. The revenue outlook for computer products has declined. Revenues from the Financial Services sector are expected to rebound in the second quarter. But it now appears that total company earnings will reflect only a small profit, at best, in 1985.

25G. Q: Why was I terminated when supplementals are still employed?
A: There are positions that have been determined to be part time based on the need of the organization. There are other part-time positions that are filled based on industry shifts, i.e., production. These are the positions that provide the "buffer" to the full-time workforce.

26G. Q: What kind of severance package and job search assistance is Control Data offering displaced employees.
A: - 30 days notice
- One week for every completed year of service
- Unused personal days
- Job search assistance, which consists of a seminar that demonstrates techniques necessary in obtaining a job; coaching, resume/letter writing

27G. Q: Aren't we still giving just lip service to quality?
A: No, not at all. Total Quality Management Process is alive and well. We are looking to improve quality at every level in all parts of the company.

28G. Q: Why do we continue to acquire companies and participate in joint ventures?
A: Cooperation is a cornerstone of Control Data's business philosophy; we don't try to do everything ourselves. The common thread in all our relationships is, again, the application of computer technology and computer services. The companies with which we have relationships either add to, or have the potential to add to, the execution of this basic strategy. In other words, they contribute something to our product line. Of course, the management of this is an extensive task. And we are constantly analyzing and reviewing our relationships to make sure they continue to have a solid strategic fit.

29G. Q: Aside from the proposed performance excellence and retention plan, what are we doing to retain the really good employees?

A: We have a number of ways to retain the really good employees. The first is our compensation program that rewards for performance. We have the Great Performer Program; 100% and Summit club for sales people; special merit programs; (Key stock plan). Many organizations participate in recognition efforts such as newsletter announcements for special accomplishments.

30G. Q: Isn't it about time that we acknowledge the fact that constant reorganization changes are counterproductive?

A: That is a fact of life in a company of this size. We change based on the changing business needs. We move employees - executive or not - so they can bring their skills to a new environment. They can continue to develop in order to become more broadly experienced.

31G. Q: What kind of retraining programs are available and to whom are they being offered?

A: When an individual takes on a new assignment, in general, we provide the necessary skill training to get the job done. Some of that training is "on the job" computer based, school (tuition aid) and seminars.