Good afternoon.

A year ago, at the first of these Executive Briefings, I challenged you with the goal of eradicating the phrase "financially troubled Control Data" from the vocabulary of the media.

Congratulations. We achieved that goal. Not only did we accomplish a dramatic financial turnaround in 1986, we started this year the right way by posting a first-quarter profit. We were ahead of budget, which was a $3.8M loss, and that's the right way to start this crucial year for Control Data. Security analysts are saying nice things about Control Data, and most important, we are beginning to gain for ourselves the feeling of pride and confidence that is so important to being winners.

Each of you can take a great deal of pride in the comeback of Control Data.

We have proved the skeptics wrong, and we've demonstrated to ourselves and to each other that we have what it takes to be a winner.
Of course, one victory doesn't a winner make. We've got to win again, again, and again.

That's what I want to talk about today--WINNING. More specifically, I want to address winning as a way of life, and what we've got to do to make Control Data a consistent winner--quarter after quarter, year after year.

The subject of winning has inspired many memorable quotes.

Most of you know what Vince Lombardi said: "Winning isn't everything...it's the only thing."

The quote that best applies to us at Control Data, however, is a comparison of losers and winners by a man named Denis Waitley. Let me read it to you:

"Losers concentrate their waking thoughts on...what they should have done...would have done...what they can't do." "Winners' thinking processes differ from other people's. As part of their normal, moment-to-moment stream of consciousness, winners think constantly in terms of I CAN and I WILL."
Over the past two years, it would've been easy for us to think like losers. Surely, we had plenty of opportunities to wring our hands over what should've been done, or to throw up our hands and say, "It can't be done!"

Instead, we focused on the Company's financial and organizational problems. And saying to ourselves, I CAN and I WILL, and, as a result we made the tough decisions that had to be made, took the actions that made for success.

The same winning attitude is needed for us to continue to be profitable.

We must constantly remind ourselves that winning is profitability. Winning is enhancing shareholder value. Winning is being the best in the markets that we serve.

In many ways, the task ahead is actually bigger than the difficult task of restructuring the Company and making it financially healthy again.

The markets we compete in are extraordinarily tough and don't show any signs of getting easier.
The state of the economy is such that no American business can truly plan far into the future with much certainty and confidence.

But we learned a lot about ourselves the past two years and we're better prepared to deal with adversity and to do what it takes to win consistently.

On the other hand both within and without the company there is still skepticism -- or a little more accurately there are still a lot of people "sitting on the fence." Almost every week for the past year I have met with small groups of employees, both management and non-management. We also have been doing quarterly communication surveys to determine if "key messages" are being heard and if they are believed. Both my own meetings and the surveys indicate this fence sitting problem.

Consider, for example, the key messages we've been communicating to employees on Control Data's commitment to business focus, quality, profitability and becoming a market-driven company. Surveys reveal that anywhere from 40 to 60 percent of employees are doubting or are neutral with regard to that commitment.
Even more to the point is the finding that nearly 60 percent of employees are neutral in their opinion as to whether or not Control Data has the management skills necessary to succeed in the current business environment. That neutral feeling by employees is a mirror reflection of the attitudes projected to them by their management.

Employees want to believe, but they have fears of additional workforce reductions and in general they suffer from the pain and insecurity of the past two years. That's understandable.

Management fence sitters are the ones who concern me most. Outsiders will be convinced by results; employees will respond to leadership; but managers are the ones who have to make it happen. And nobody ever made anything happen sitting on the fence.

Some managers feel that when the crisis is past the company will go back to old practices, that tough decisions may not be made and that slowly we'll slip back into trouble.

That is a terrible attitude. We need every ounce of energy, every bit of thought and ingenuity that every person possesses to be winners. And it is up to you -- the exec. management in this room -- to show the leadership by words and action that
will get the management team moving rather than sitting. If nothing else it is a matter of pride in yourself, and I can assure you it is something else.

We are on the verge of making great business history. The pieces are in place. Sure, things will go wrong. Certainly we may have future difficulties. But we have the financial and strategic wherewithal to write a great chapter of success in Control Data's history. The train in leaving. Either get on or get off.

If you, yourself, need to be convinced of that just get involved with Control Data's customers. In the past month I have met with groups of customers in Germany, France, at an OEM customer seminar, in my office and in the field. I'll tell you there's no limit to the confidence and determination to win that comes from getting out and being with the people and the organizations we are privileged to serve. (Read from customer letters I sent to Management Committee. Relate dinner with German customers comments on NOS/VE, etc. Opportunity for applying optical disk to seismic data recording.)

A year ago when I challenged you to change the way the media refers to Control Data, I talked about the three core values that are the essence of the growth and profitability we expect to achieve: QUALITY, PEOPLE AND MARKETING.
I discussed those values again in the 1986 annual report.

On quality I said that from a strictly operational viewpoint the greatest progress Control Data made in 1986 was in this area. I really believe that Total Quality Management Process, or TQMP, is working. Employees are responding to TQMP and, as more of them jump on the bandwagon, the quality of our products will improve even more.

In my comments on people, I observed that the restructuring has galvanized employees to change the Company for the better. I think that this willingness to change can be traced to an even greater desire among employees throughout the organization to be part of a winning team. All they need is your leadership.

One of the changes that we began in 1986 was to push Control Data into being a much more intensely customer-focused, market-driven company. We made a good start, carefully appraising each business unit, its market position and the opportunity for it to gain sustainable competitive advantage. Obviously there is much more to do.

So on that basis, I want to concentrate on this core value of marketing and what it really means to be a market-driven company.
In conversations with members of Control Data management it has been interesting to me to see the varied meanings people read into the terms "market-driven," or "customer-driven."

I found that "market-driven" implies everything from doing a lot of statistical "market research" to meaning the sales force tells the company what to do.

"Customer-driven," I discovered, can mean anything from being a cost inefficient custom shop to simple concentration customer satisfaction surveys.

The widely-varied viewpoints prompted me to develop this statement of what is meant by marketing as a core value of Control Data:

"Marketing means first, strategy. Winning strategy results from a thorough understanding of and creative response to customer needs. Innovation is the creative response to customer needs and results from understanding the needs themselves, as well as the competition, and other socio-economic forces impacting the customer.

"Second, marketing means selling and servicing the customer. Excellence in selling and servicing starts with appropriate packaging of the solutions conceived by the strategy."
"Marketing encompasses superior performance in all aspects of communication, education, sales and service—internally and externally.

"There are then three dimensions of marketing: customers, external factors (competitive and socio-economic), and internal capability (technological, production capability, sales and service)."

Now, let's take a closer look at the various elements of this definition.

Strategic planning is the beginning of marketing. That's where marketing becomes embodied in a company because this is when you should be asking yourself these critical questions: What does my customer want? With whom does the customer compete? What technology and market forces affect the customer? How can I make Control Data product's and service more desirable to the customer? How can I gain an advantage over my competitors? And, most important, how can I help my customer be a winner with the product or service I provide?

Every day we do business with customers. It's on the grassroots level that we need people coming in with the ideas and inputs to long-range strategic decisions.
In a market-driven company, strategic direction comes from all levels of a company. It can be distilled, coordinated and shaped at the top. But like quality it must be pervasive throughout the company.

Some people confuse marketing and sales. As I noted a moment ago sales is an integral part of the marketing function but it's only a part.

In a kind of simple sense marketing is figuring out what you're going to sell three-to-five years from now.

Another aspect of marketing that deserves mention is selectivity.

If we've learned one thing from the past two years, it's that we can't be all things to all people. Sales people have to exercise selectivity with regard to prospects. Executives have to choose business and product strategies that most effectively apply limited resources with the best shot at winning market position.

We've got to make choices and make sure they are the choices with the best chance of success.
That's not some mindless slogan. It's the guiding principle in Control Data's quest to be a winner.

We've accomplished a great deal in the last year. We turned the Company around financially, made significant quality improvements in Control Data's products and manufacturing processes, and demonstrated that we know how to win by posting a first-quarter profit. But all that means nothing unless we become a marketing company and prove that we can win consistently. Marketing is the key to giving us the competitive advantage that will lead to increased profitability.

Control Data...The Marketing Company.

That's how I want us to become known.

Control Data...The Marketing Company.

That's what I want us to be.

We can't make that happen by being fence sitters or being surrounded by fence sitters.
We can make it happen by thinking like winners in terms of I CAN and I WILL.

Control Data...The Marketing Company.

Sounds like a winner to me.
April 6, 1987

Mr. William C. Norris
CONTROL DATA CORPORATION
8100 34th Avenue South
P.O. Box 0
Minneapolis, MN 55440

Dear Mr. Norris:

Lest you be left with the impression that CONTROL DATA's outside image may be tainted by the likelihood that people view CDC as a cold, impersonal mega-corporation, I wanted to thank you for the warmly regarded resolution to our problem outlined in my letter to you of January 29, 1987.

Shortly after I wrote to you I heard back from Raymond Olson of your Legal Department and R.D. DeGrote of your Engineering Services group.

These men worked fairly, courteously and swiftly with us to assure that Control Data was paid for the services it rendered, and Levit & Sherman Advertising was not "eaten up" by corporate machinery it could not afford to fight.

Neither corporation gave up anything in coming to this reasonable solution. But Control Data has won a viable customer you can count on for the long term.

Sincerely,

Mark S. Levit

cc: R.M. Price
Marvin Rogers
Jack Kavnowski
Daniel Pennie
Mary Jo Sherman
April 8, 1987

Control Data Business Center
James L. Leisinger
Suite 300
1770 St. James Place
Houston, Tx. 77056

Dear James:

On March 31, 1987, Allied Bank of Texas processed its last payroll with Control Data Business Center. At this time we of the Payroll Department would like to express our appreciation to you and your staff. In our two years of processing with CDBC, we have come to appreciate the professional organization CDBC possesses. This professionalism was best displayed during Allied's transitional period with payroll processors.

It has always been a pleasure to work with the CDBC Customer Service Department. They are courteous and knowledgeable. We especially would like to recognize Misters William Turner and Jesse Damian, and a former employee, Ms. Jackie Joseph. These representatives of your Company have always cultivated a cooperative working relationship between our company as Client and your company as Processor. They have shown the ability to resolve problems, regardless of the source, with a consistently pleasant and supportive attitude. We both commend and thank them.

Cordially Yours,

Teresa Gallagher-Bell
Accounting Officer

cc: Steve Felten
SVP, Controller/Cashier/Allied Bank of Texas
Mr. Robert M. Price, President
Control Data Business Center - Headquarters
WINNERS & LOSERS

A WINNER, says, "lets find out."
A LOSER SAYS, "nobody knows."

When a WINNER makes a mistake, he says.
"I was wrong."
When a LOSER makes a mistake, he says,
"It wasn't my fault."

A WINNER credits his "good luck" for winning
(even though it isn't good luck).
A LOSER blames his "bad luck" for losing
(Even though it isn't bad luck).

A WINNER works harder than a loser
and has more time.
A LOSER is always "too busy"
to do what is necessary.

A WINNER makes commitments
A LOSER makes promises

A WINNER says "I'm good, but not as good
as I ought to be"
A LOSER says "I'm not as bad
as a lot of other people."