

John Buckner and the Group Executives have given you a thorough review of the status of the Company financially and operationally. I don't need to rehash what you've heard today. I simply want to make a few additional points that have to do with perspective -- what all this means.

In Jan. 1986 when I became CEO, I was faced with two tasks.

First was the need to restructure the Company to make it more manageable. This task was obviously the more visible one -- both externally and internally. It involved both financial and organizational restructuring.

You're familiar with what has been done since Jan. 1986 as far as the balance sheet and refinancing is concerned.

The organizational restructuring can best be summed up in the word "decentralization", although clearly there were other things such as organizational realignments, management changes, and management system changes involved as well. Furthermore this restructuring task involved not just rearrangement, but making the Company

smaller, more focused, and in general leaner and more effective. That is, we were downsizing in terms of both number of people and diversity of the business.

In today's world restructuring is a continuous and on-going process. But I think it is at least fair to say the "crisis" phase of this task is behind us.

The second task was to reassert leadership in technically and competitively advantaged products and services.

At the end of 1985 DSP no longer had any semblance of product leadership in disk drives; the Cyber mainframes product line needed to be upgraded; the ETA-10 development was yet to be completed; competitors had introduced new technology in audience measurement and moreover, the phrase "single source market information service" had come into being, which meant find the means to expand the scope of Control Data's market information services; the AYK-14 militarized airborne computer in its technology implementation was nearing the end of its production; and more.

So there was a clear cut need to invest in new products and services, to offer a more comprehensive and expanded set of products and services in each part of the business in order to regain or enhance competitive advantage in chosen markets.

More crucially, task two couldn't wait for task one to be completed. Put another way, my challenge was not just to downsize and prune and thus regain profitability. Rather, it was to do that and simultaneously to invest in and expand the business. Otherwise there would be no substantive and sustainable return to profitability and growth.

We've made excellent progress. There is no question that we have regained product momentum. You've heard about that momentum in the earlier presentations. We have competitively advantaged products and services. "Value-added systems integration" is a common theme running through computer systems, government systems, training, and business services.

It's beginning to show where it counts -- in revenue growth and at the bottom line. We're on track. We feel good about both what we've done and the outlook for 1988 and 1989, and the longer term as well.

It is equally clear as, for example, you heard from Tom Roberts and John Buckner, that 1988 is going to be unusually dependent on fourth quarter results.

I'm aware that you have to make earnings forecasts. The range of those forecasts apparently is \$1.25 to \$1.85 a share with a clustering in the \$1.65 to \$1.85 a share range. You have to make your own forecasts and decide whether and when to increase or decrease them. I can only tell you what I'm doing with my own forecast.

There are many positive indications, especially in DSP. But there is still that big second half, and especially fourth quarter to consider. The risk to the forecaster inherent in such a year-end situation should be obvious.

In considering all that, I have left my forecast to Control Data's Board exactly where it has been since the beginning of the year. I just don't think it is prudent of me to do anything different at this point.

Again, let me say that we feel good about what we have done and the future outlook for Control Data. And with that let's turn to your questions.