I. INTRODUCTION

Good afternoon.

Today's program will be a little different than past Executive Briefings. John Buckner will, as usual, have a financial report for us. But we have a number of questions this time, so we are going to devote the bulk of the meeting to them. Some of the questions seemed to me quite fundamental -- maybe all the strategic planning stimulated more than usual questions of a basic strategic nature. At least I hope that's the case. Anyway, I thought we would cover some of those first.

Also, we are privileged to have a very special guest with us this afternoon -- Richard Hutton, executive editor and creator of the PBS television series, "The Mind." Richard will show us excerpts from this very exciting series that premieres in October. You'll see for yourself why Control Data is proud to be the sole corporate sponsor of "The Mind."

Then after a short break we'll answer the rest of the questions. The break will also give you a chance to submit additional questions.

Now, let's begin with John's financial report...
II. FINANCIAL REPORT -- J. K. Buckner

III. STRATEGIC QUESTIONS -- DPW, TCR, BTJ, GFT, LP.

IV. SUMMARY REMARKS

The comments you've just hear from Larry, Dave, Tom, Boyd and George make for a pretty good overview of our strategic direction. Let me make just a few other comments to put some of this in perspective.

[Three years ago] Control Data 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 ... 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
the 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.

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 then current 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, [the] 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 a lot of progress. There is no question that we have regained product momentum. We have hardware -- workstations, mainframes, supercomputers. "Value-added" and "systems integration" are common themes running through computer systems, government systems, training, and business services.

It's beginning to show. We should feel good about both what we've done and the outlook for 1988 and 1989 ..... 

It is equally clear as you heard from Tom Roberts and John Buckner, that 1988 is going to be unusually dependent on fourth quarter results. Even more clear is that we can't keep on spending 99% of every revenue dollar we take in while simultaneously topping it all off with large capital investments for inventory, PP&E and acquisitions.

We need to fix that.
I can net it all down for you to three questions:

Where are we?

Exactly on the path we laid out nearly three years ago.

How far along are we?

Not as far along as I thought we would be when we started.

Is 1988 going to turn out to be a repeat of 1987?

No. We have good, strong prospects for the 4th quarter.
We have a set back in the 960 delay. We aren't selling 930's in the volume we hoped. The Government Systems business is certainly tough these days -- and will continue to be for a while. We are spending more money in essentially every business and at corporate than we can afford or is even necessary.

But there is absolutely nothing in all that that we can't manage through to a good solid performance this year. It will take doing tough things -- but not just a bunch of stop gap, emergency things -- it really means getting on with the expense reduction actions we need to take for the long-term.

V. THE MIND -- Richard Hutton