Good evening. The last time I was in Miami I saw the first Super Bowl that in a long time lived up to its name. This time my reward is even better -- getting to talk with a super sales and marketing organization. Congratulations to each of you for a truly super job in '88. When I last talked to you in June, it was to announce the plans to establish Imprimis. Since then you have experienced a lot of change. There have been changes in the condition of your competitors, change in your customer's fortune, changes in Control Data Corporation's profit picture, and by no means least of all, changes in your management. That's a lot of changes, but in fact they are only ripples on the surface of a tide of change of even more significance.

Today the computer industry is in the midst of the greatest period of change since its beginning. That is not a statement I make lightly. I've been a part of this industry almost since its inception a little over 40 yrs. ago. I've seen all the changes, the technologies that have come and gone -- the companies that have come and gone. The beginnings and endings of change are fuzzy lines at best. But the beginning of this current transition I put at about 4 yrs. ago, and in another 3 yrs. (at most) we will be living in a whole different world of computing -- how makers of computer products and services...
do business; how they are organized; how they develop, manufacture, and distribute their products.

There are two factors which are driving this change. One -- technology -- is a familiar source of change in our industry. The other change is the advent of portable standard software systems such as UNIX and C. Industry standard operating systems came into our world with the introduction of MS-DOS for the personal computer. But only with the growing acceptance of UNIX has the citadel of the mini-computer and mainframe proprietary software systems come under siege. And this is a source of change more powerful than anything we’ve previously experienced.

Let me take the technology change first. There are, for example, several vendors now offering 20 MIPs micro-processor sys. for $20K or less. 20 MIPS is three times the performance of DEC’s top of the line VAX 8810 which sells for $400K.

That’s an impressive comparison. But as technology evolved, we have always had such comparisons in our industry. In earlier times, however, the cost to the user of forsaking one proprietary software system for another was prohibitive. Thus the citadel of the vendor’s installed base was not only secure, it expanded only at a pace the vendor could afford to introduce new applications or increased performance. UNIX and other industry standard software are changing that. Application vendors will build for standards systems rather than for proprietary sys.. As a result of this, vendors of
computer platforms must look beyond their own proprietary software systems for the account control and value-added that brings profits. Beyond that, standard software systems reduce enormously the cost to the user of migrating to more cost effective hardware. This both opens the market to new vendors and shortens the product cycle for intro of new hardware platforms.

In a recent research report, analysts John Levinson and Andrew Krawitt [Kraw-it] of Goldman-Sachs made the following statement: "... within 2 to 3 yrs., we foresee micro/standards-based products as representing the vast majority of mid-range and high end [comp.] systems purchased for new applications. "They go on to say that, "... making money in this new world is very different from the business of making money in the old world."

Here are a few of the differences they point out for the mini and micro businesses:
<table>
<thead>
<tr>
<th></th>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Turnover</strong></td>
<td>1.3X</td>
<td>1.8X</td>
</tr>
<tr>
<td><strong>Revenue/Employee</strong></td>
<td>$112K</td>
<td>$167K</td>
</tr>
<tr>
<td><strong>Hardware Design</strong></td>
<td>Proprietary</td>
<td>Integ. Standard Components</td>
</tr>
<tr>
<td><strong>Software Design</strong></td>
<td>Proprietary</td>
<td>Integ. Standard Components</td>
</tr>
<tr>
<td><strong>Mfg. Philosophy</strong></td>
<td>Prim. In house</td>
<td>Outsourcing is Key</td>
</tr>
<tr>
<td><strong>Partnerships</strong></td>
<td>Few</td>
<td>Key Focus</td>
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That is the world in which almost all of Imprimis' customers will exist. Actually I probably have the tense of that verb wrong -- it is more like "do exist" than "will exist." Here are just two recent examples.

From an article titled: "The Glamour Fades Quickly at Nixdorf", in the 2/23 London Financial Times: ".... Moreover Nixdorf had grown used to succeeding with its own proprietary products, at a time when the industry was moving rapidly toward solutions based on ... industry standard [software]. The article goes on to say that "As such standards have been more widely accepted by users it has been easier for rivals to eat into Nixdorf markets."

From the 2/27 Business Week, an article on Apollo:

"Vanderslice won high marks for correcting one early error: sticking too long with proprietary software. It also points out that "Mentor graphics (a major exclusive user of Apollo Systems) is [now] prepared to adapt its engineering software to other machines."

I do not mean to imply that it is only the mid-range world of computing that is changing. Mainframes are equally affected. The numerically intensive computing part of the mainframe market -- Control Data Corporation's historic mkt mainframe niche -- is already well on its way to being a mkt. only for workstations and supercomputers. I could go on, but I'm sure you get the point. The current time of transition is so
fundamental it will change both the structure of this industry and the structure of the companies which it comprises.

Business uncertainty, product uncertainty, market uncertainty are difficult enough. But those things also bring about uncertainty to organizations and to individuals.

Here we come to an age old truth: in change and uncertainty, there is opportunity. As an old joke goes you may be thinking, "That’s easy for you to say." Believe me, it is more than that. It is a truth I have come to know by living it. I’ll give you just a couple examples. The first example concerns Control Data Corporation itself. It was fundamental technological change that made possible the birth of Control Data Corporation in the first place. That change was the introduction of the transistor and its implications for computer design. By capitalizing on that change and by accepting the uncertainty of starting a new company with a handful of people and $600K in initial capital, Bill Norris and his colleagues made a breakthrough that established themselves in the world of scientific computing. They had little more than a perception of a computing need that was not being adequately met. But they had a lot of faith in their own ability to conceive, develop, and deliver a product that would meet that need better than any of the established companies. And they made it work -- in spite of the uncertainty.
The 2nd example is an even more personal one. More than 25 yrs. ago, I transferred to a position in Control Data Corporation that was about as ambiguous and as uncertain as they come. The Company was just expanding its operations into the int’l. marketplace. The head of the new Int’l operation was located in Europe, and reported directly to Bill Norris. I was asked to organize and run the technical support operations for Int’l. and report, not to that person, but to the head of U.S. Mktg., who, I discovered, spent a lot of his time fighting with the Int’l chief! At the same time, I had the task of organizing and running the Int’l home office which more or less was the responsibility of a committee called the Int’l. Ops. Committee composed of several top execs of the Company. Just to complete the scenario, I was given sales responsibility for the Far East, Australia, Mexico, and Canada. Since my time would be roughly 60% in Europe and 40% elsewhere, it was decided I would have two offices -- one at the Europe Hqrs., and one in Mpls. So in Europe I reported more or less to the Int’l. VP and in Mpls. to the others, and of course I had my Marketing boss as well. Uncertainty is hardly an adequate word to describe the situation. Communication was so good between the principals that when I first arrived to live in Europe -- with my family -- my "boss" there thought we were on a trip. No one got the message that we were expected to live in Europe for the first year. It’s still not entirely clear how I survived all that uncertainty. But two things were very certain: I believed in
the potential of the Int’l. market for Control Data Corporation and I believed that international business had a lot of potential for me. I’ve never, in my entire career, had a greater learning experience. Uncertainty can be a great teacher -- IF you have a goal, and IF you have the faith in yourself to see it through.

All of which brings me to Imprimis and to each of you who are an integral part of its success. First, let me list some implications of today’s change to you. As you might guess, there is good news and bad news.

First of all and most important, the good news is that the demand for data storage will grow exponentially. As the power of micro-processor workstations increases, that will particularly favor the high performance, high capacity product strengths of this organization. The bad news is that some of your best customers -- vendors of mid-range or minicomputer systems are going to suffer -- some may not even survive. Moreover, since value-added won’t come from the hardware platforms or proprietary operating systems, the pressure for value-added will intensify. Among other things, they will be more tempted to build their own disk drives. That is especially true for larger vendors. We’ve already seen that in companies like Hewlett-Packard and DEC. There is more good news, however. micro-based standard platforms open the possibility for an ever increasing spectrum of companies to address new uses, and new applications of computers. Again,
witness the rapid rise of new entrants in the past few years such as Sun, Sequent, and others. Imprimis stands to benefit from all this more than any other data storage company. We have the technology, the manufacturing know-how, and the marketing ability to do so. The key determinant is an intense focus on your customer needs as they try to cope with change and uncertainty, and to improve time to market for the new products that will meet those needs. None of us knows the exact form and shape of what that may mean to Imprimis as an organization. But we do know that three fundamentals will guide Imprimis through the transition:

The data storage products business needs maximum flexibility in its operations to be competitive.

Imprimis must be positioned so that whenever, however it is feasible to do so, it can be self-financing.

Imprimis must be positioned so it can move quickly to take advantage of what will be an inevitable industry shake out.

These were the reasons Imprimis was established. And they are the basics that will guide future action as well.

Inherent in all that is uncertainty, to be sure. But more important, inherent in it is enormous opportunity. If you have a set of goals, and you have confidence in yourself, believe me you’ll not only deal with the uncertainty, you’ll benefit from it.
Let me conclude my remarks by quoting comments made by Brown Univ. President Vartan Gregorian to the 1987 graduating class of Johns Hopkins Univ. "The Founding Fathers," he said, "wrote the Constitution with the faith that the ordinary citizen was committed to the accomplishment of extraordinary acts. The Talmud expresses the same belief, 'In every age there comes a time when leadership suddenly comes forth to meet the needs of the hour.'" Dr. Gregorian continued: "Johns Hopkins has always been a school that cultivates enlightened individuals and, hence, enlightened leadership. As you, the Class of 1987, go out into the world, may I remind you as I have always reminded my students -- the universe will not be seeing you again. You have the choice to be a comma, a sentence, a paragraph, a chapter or a blank page in the history of mankind. Know that society, regardless of its size and complexity, will always turn on the act of the individual and, therefore, on the quality of that individual." If there is one characteristic of Control Data Corporation that stands out, it is that of cultivating enlightened individuals. More than that, it is dedication to this precept which forms, for me, the bedrock of management. All of you here tonight have Dr. Gregorian’s choice: You can be "a comma, a sentence, a paragraph, a chapter, or a blank page" in Imprimis’ history. And regardless of the uncertainty of the moment, its fortunes "will always turn on the act of the individual and, therefore, on the quality" of those individuals. Control Data Corporation has overcome a great deal of uncertainty the past
three years. Nobody knows that better than all of you in this room. But with faith in yourself, and faith in each other as individuals, we can write the most exciting chapter in Control Data’s, and in Imprimis’, history.