

*written on the plane
from 100% club.*

Saturday, March 13, 1976

As management of Control Data we are faced with a very crucial decision involving the manner of doing business in various parts of the world. This question involves both the legality and ethics of how we procure business in all geographical areas.

To the best of our knowledge, we can say:

1. No problem exists in the United States, either legally or morally. We adhere to the law and follow high business ethics in all marketing areas, and our conduct is impeccable.
2. CDC has never involved itself in attempts to interfere, in any way, with the internal operations of another country.
3. CDC has never made political payoffs or contributions to any political party.

However, in certain of our international markets, we seem unwilling or unable to set comparably demanding standards of conduct. The reasons advanced seem to be essentially in the materialistic area. That is, any quick "purification" process will adversely impact us, probably financially, even though we might advance altruistic arguments to defend our position and help our public image.

To understand my personal evaluation and conclusions arrived at after many hours of reflection and introspection, it is necessary to consider the personal philosophy of life to which I have committed my complete self.

During the past twenty years I have been permitted to accomplish a great deal, both within and without Control Data. In fact, the growth of the Peripheral Company activity of Control Data from zero to a \$350,000,000 company in 14 years is truly an astounding feat. In addition, the next 24 months will show an even more impressive growth of the peripheral business as: 1) the lease base payoff goes into high gear, 2) the MSS demonstrates its clear superiority to IBM, 3) the new disk drive announcements clearly install Control Data as the technological leader, 4) Small Systems becomes a rapidly growing and profitable operation for the first time, and 5) Business Products goes over \$100,000,000 for the first time with a 16% ROA.

Now, I would like to point out that this is not the accomplishment of Tom Kamp or, in my view, due solely to the efforts of my associates. I feel emphatically that our achievements are due to the providence of God, and could have been done as well with other agents. I am only His agent. You might say I have a "contract"; as long as I carry out the terms and conditions, He permits me to succeed. I made a personal commitment some 15 years ago, and the above evidence appears more than adequate to me to demonstrate that He has fulfilled His end much more than anyone could hope for.

On several occasions I have slipped from the "terms of the contract" and in each case things went wrong. There is absolutely no doubt at all that deviating from God's rules will backfire just as surely as deviating from a mathematical equation will give the wrong answer. It is based on numerous personal experiences; they leave me

no room for doubt. To continue to succeed, I and Control Data must adhere to absolute honesty and integrity. Our policies must be as open to scrutiny internationally as domestically. He is God everywhere and has the same rules. To attempt compromise because of possible financial setback is not an argument that will carry much weight "upstairs". It implies that God cannot make us successful if we don't go along with questionable practices, which we even admit make us uncomfortable. Bribery, in whatever form it takes, is clearly not morally acceptable in God's contract with me.

Conversely, I have absolutely no doubt that if I accept God's rules, He has the power and will, without question, assure the successful future of our business activity. Then we can proceed with our great contributions to society in minority employment, educational training, technological exchanges which improve the relations and living standards of the underdeveloped and emerging peoples. If we don't, we will certainly fail. If that's not true, then He is not God. He has repeatedly demonstrated to me that the rules must be followed, and I have not been able to twist the truth so that He is fooled.

Tomorrow morning I shall stand in front of about 21 young 9th and 10th graders at church, to whom I teach Christian beliefs and practices. My son, Tom, is in that class. I cannot imagine the breach of faith I would display, and contradiction to all I have taught, if they were to learn that I had sacrificed my principles due to a lack of faith in the God I profess and in His ability to perform and reward as He has promised. That would indeed be, for me at least, a complete lack of integrity.

In light of this personal philosophy of life, I can only address the question of how to carry on business in foreign countries with an unequivocal posture -- "with the same integrity as in the U.S." If that is not possible, then let's get out. I see two consequences of this action:

1. God will demonstrate that we will be immeasurably more successful as a result (with or without operating in those countries).
2. An increased pride in our company that will bring considerably greater dividends than the curtailment of losses in the affected areas.

It hardly seems appropriate to sacrifice 20 years of effort and \$1.2 billion of revenue to avoid losses that are less than we have faced in numerous situations such as Romania. And just as in Romania, God will supply the right answer.

I am sure you will recognize that this has been a very personal statement regarding this issue. Selected members of my management team with whom I have reviewed and discussed this matter feel that there are more secular reasons for arriving at the identical conclusion. They point out the frequency at which the Congress and the press have smoked out conduct of American corporations which they consider reprehensible. It is increasingly clear that the American public is no longer willing to wink at such things and to accept them as "normal ways of doing business". Setting aside the possibility of IRS violations and improper reporting to stockholders, there is the increasing disposition to regard transgressions such as we have been discussing as being just plain unacceptable. In an era where large segments of the American

population continue to regard big business with suspicion, both unbecoming conduct and attempts to justify it are likely to reflect such great discredit on Control Data as to make trivial by comparison any financial gains we might achieve.

We are at a moral crossroad -- the decision is critical to our future.