Thank you, Dick (Thomas).

It's truly a pleasure for me to be with you this morning.

Today's announcement is another milestone in our long-term commitment to meet your needs -- and we come to you at a very exciting time in Control Data Data's history. Our 25th birthday is three months away. Somebody told me recently about a party they threw for Professor Joel Hildebrand of the University of California (Berkeley) on his 100th birthday. There was naturally the inevitable question: "How did you ever get to be 100?" To which Professor Hildebrand replied: "It's simple. First you get to be 99, then you're very, very careful...."

(PAUSE)
As you well know, Control Data didn't get to where it is today by being conservative. We finished 1981 with revenues of more than four billion dollars and net earnings of more than 170 million. That compares with three billion, 800 million in revenues for 1980 and earnings of 150 million -- and it marked our seventh consecutive year of growth, of growth in profitability.

What lies ahead? We think our strategies position us for continued growth.

How will we do it?

We have five basic strategies....
First, an emphasis on computer services....putting data processing out into the user's hands....where the work is being done and where the problems need to be solved. Six years ago, Bill Norris told the New York Society of Security Analysts that hardware building blocks were becoming more and more accepted -- that the applications of computer technology to solve user problems were becoming more and more crucial. This is where the new markets are coming from....he said....and this is what the computer services thrust is all about. Well, the computer services strategy wasn't all that appreciated when Bill gave his speech, but it's proven to be a stable and fast-growing part of the computer industry -- and today Control Data is in a leadership position. We've grown from 450 million dollars in computer services revenues five years ago to more than one billion dollars today. This growth will continue. We expect computer services revenues five years from now to be double what they are today. To do that, we'll be developing
new services, increasing the cost-effectiveness of the data services network, expanding the use of micro- and mini-computers in service offerings, and using Business Centers to deliver services to small businesses.

Our second strategy is also an important part of the overall services thrust....building the education market. To do this, we are active in three areas: business and industrial training, academic education, and vocational training. Over the years, we've struggled with the difficulty existing customers have had in availing themselves of the capabilities of PLATO computer-based training....customers like you. That's finally changing. You'll be hearing more in coming sessions about the integration of PLATO into our existing systems and data services offerings....and I want you to know it's fundamental to our plans and enormously important to you.
Our third major thrust is to continue our leadership in Peripheral Products. Technology is the key to peripherals leadership, but covering all the technical bases is expensive. The answer is technological cooperation...something we have successfully practiced in the past, and something we'll do more of in the future. As a result, we can expect continued growth...not only in magnetic disk memory products....but in other areas such as printers and optical disk systems as well.

Our fourth strategy is to develop the vast potential of the small business market. There are 13 million small businesses in the U.S. today -- the backbone of the U.S. economy. They represent 97 percent of all individual business firms....they employ more than half of the labor force....they provide the livelihood for 100 million Americans....they are a major source of innovation....they create most of the new jobs....and they are in deep trouble. Continued high interest rates, inflation
and associated ills put small business in more jeopardy than ever. And it wasn't ever easy. Four out of five small businesses fail -- but the survivors frequently grow to be the most successful large firms, providing thousands of jobs as well as useful new products and services. The environment is dynamic -- success and failure are constantly in the balance -- and it's an environment of opportunity for us....to improve the odds of success for small business by offering financial services, management and marketing assistance, data processing, education and related knowledge services.

Small businesses have been the primary market for Commercial Credit since its founding 70 years ago next month. Expanding its range of services to include information and management assistance services is a natural and powerful strategy and the Business Centers we've been opening for the past year and a half are a new and effective way to distribute this expanded
range of services. Combined with the Service Bureau's nearly 9,000 well-established small business accounts, Commercial Credit's 40,000 add up to a large, national customer base that knows us...and knows we can provide additional products and services.

Fifth, and finally, is the core of all our endeavors....the computer mainframe business. We've concentrated on six primary application areas. That will continue. The industry growth rate for large, general-purpose computers has dropped in recent years and is expected....quite apart from the impact of the on-going recession....to be less than six percent annually through 1985. However, the areas in which we've concentrated have remained relatively strong, so we've enjoyed above-average growth rates. That trend will also continue.

(PAUSE)
With today's announcement, we reach one more stage in our on-going commitment to meet your need for ever better cost-effective performance. Nearly ten years ago, now, we laid out a long-term mainframe strategy -- including this particularly important step we are taking today. It has been a pleasure to watch that unfold. It is especially a pleasure to be here today and share this occasion with you. And most important to me is to renew the commitment made in the dark days of 1973 and 1974 to provide the best large-scale computers in the industry. Above all, we have sought to do so on a steady and evolutionary growth path that is both technologically and financially sound. Looking ahead into the economic and technological turbulence of the '80's, that approach looks better than ever.

(Pause)
I spoke briefly of the need for cooperation in peripherals technology. That applies to the mainframe business, too.

You've probably read about the role we're playing as catalyst in a joint venture to conduct basic R & D among mainframe and semi-conductor companies here in the U.S. The project is progressing. We've had two sessions with the 14 firms which have expressed an interest in solving common R & D problems. The third is scheduled for later this week. Meanwhile, several more companies have expressed a very serious interest in joining the endeavor.

So while we are still in the very early stages, it's clear to all of us that the major problem for our industry is the extent of the Japanese threat to U.S. pre-eminence in semi-conductor and computer markets.
Actually, however, the Japanese threat can have the beneficial effect of forcing us to come to grips with the fundamental, underlying problems which stand in the way of continued growth and prosperity for both industries --

- the growing capital intensity of our industry;

- the inadequate supply of talented people;

- the exploding scope of technology;

- and the ever-shrinking time scales in which to innovate.
As I said, we are meeting and discussing ways of pooling resources and know-how. What precise form the pooling will take is impossible to report today. But progress is being made....and we are quite confident something solid and workable will result.

(PAUSE)

Finally, let me say what a treat it is for me to see so many of my old friends again. We are very proud of Control Data, its 25-year history, and its new offerings.

We are confident in our basic strategies.

We are committed to the concept of technological cooperation.
And we fully understand the critical role of the systems business for both you and us. We are committed to a long-term vision of meeting your needs....regardless of short-term buffeting from the economy or elsewhere.

And now, it's my pleasure to introduce my friend and colleague....Manny Otis.

Thank you.