Thank you. Good evening and welcome to Minneapolis.

Today is a particularly momentus day for Control Data, for it marks the end of 12 months in which the company has been put to perhaps the severest test in its history. Lord knows all that has received enough attention and I do not intend to go in to it here this evening.

Suffice to say as I speak to you tonight all that has changed, and changed dramatically. Today Commercial Credit became a publicly held company through the issuance of some 38 million shares of stock at $20.50 per share. This is the 3rd largest IPO in history. Control Data sold 26.9/million of those shares and will retain an 18% interest in Commercial Credit. Without going into a lot of detail, that transaction coupled with the debt securities offering we completed last July, have literally financially transformed Control Data -- all in the course of 12 months.

That financial transformation is of critical importance to us and to you as a customer of Control Data. But I do not wish to dwell on it, for we have been engaged -- are engaged -- in
another transformation at Control Data that is even more fundamental. A transformation known as TQMP. We have embarked on that transformation with all the creativity and determination which brought about the balance sheet transformation.

You've heard a good bit about it already today. You've got a busy morning scheduled tomorrow. You'll learn much more about the importance of quality to Control Data in that session -- and from visiting some Data Storage operations tomorrow afternoon -- than from any words of mine. You will meet people who live that commitment to quality; people who have made it part of their daily work routines. There are some exciting things going on in Control Data today, and we are delighted for the opportunity to show them off. That's one of the joys of truly being ... "A World Class Manufacturer." All I want to do in the next few minutes is to try to tell you how exciting it is to be the CEO of a company committed to Quality.

THE SCOPE AND MEANING OF TQMP

Quality .... You heard this afternoon from Dr. Schonberger, one of America's leading experts in innovative manufacturing techniques. You also heard Bob Romfo tell you how the Total Quality Management Process has brought quality improvements to every part of Control Data.
Tomorrow, you'll hear from some of the senior managers in the Data Storage Products Division who will tell you about quality improvement steps being taken in that vitally important part of the company.

This evening, however, I would like to spend a few minutes talking about quality from a broader, corporate perspective -- not just the quality of the products we design, manufacture and sell; but quality as a way of life for everyone who is part of Control Data.

The full range of this commitment is reflected in the term Total Quality Management Process. "Total Quality" -- which holds quality as a central component in every procedure, every action, every decision. "Quality Management" -- which means that we have managers in place who share that commitment. And "Management Process" -- for at the heart of the matter it is only Management Process that can yield Total Quality.

The actions taken to begin this transformation range from ones involving corporate strategy and structure, all the way to mundane clerical processes. And note that I said "begin" because the process of institutionalizing TQMP is in itself a continuing process of improvement.
What this implies is significant change across the total spectrum of corporate activity. Moreover, in Control Data's case at least, we have been carrying out this task at a time when most of our basic products and services were also undergoing a dramatic technological and competitive change as well.

The immediate task facing Control Data, of course, has been to return the company to profitability. That has meant a thorough strategic and operational restructuring of the business, and to do so within the constraints imposed by an equally thorough financial restructuring.

This has been, to say the least, an arduous task; but we have had the determination and wherewithal to accomplish it. It has taken time and a lot of hard work -- and there is more to be done -- but the level of progress has been reassuring. In August, for the first time in 16 months, our computer business was profitable. September made it two months in a row. We are now working to be profitable month after month, quarter after quarter, year after year.

I want to make it clear that the Control Data I am describing for you tonight is already much different from the Control Data of one or two years ago -- or for that matter, of even six months ago.
The company has changed enormously and the changes have been for the better. They will continue to be made -- day after day -- as we move closer and closer to absolute total quality.

BUSINESS STRATEGY AND QUALITY

The most fundamental change has been to narrow the focus of the company's business. The intensity and quality of management essential to success in our industry today -- not to mention the level of investment -- are quite different from even just a few years ago. The computer industry itself has changed.

In the past, competition was far less severe than it is today. Customer needs for information processing generally exceeded the crude solutions our industry could deliver. And because of that great need, almost any answer was marketable -- or at least there was plenty of time to go back and patch up a hastily devised product or service.

That is simply no longer the case. Today there are more people with better competitive ideas and at the same time, users of the technology have become more discerning. No one could survive long in today's marketplace with a patch-and-fix mentality.
So by focusing down on fewer businesses and fewer product lines, we can invest in those remaining more intensively than ever before -- both financially and creatively. We can be more competitive. We can concentrate on improved design, manufacturing and administrative techniques that will ultimately deliver products of increasingly better quality with higher margins.

In essence, then, what we have done is to reduce the diversity of the corporation -- by divesting some businesses and product lines, and by shutting down others. This has, of course, resulted in sizeable accounting charges -- most of which were taken in the third and fourth quarters last year. We have continued, however, over the course of 1986 to do an intensive strategic and resource requirement review, with the intent of completing the necessary restructuring by the end of the year. And as a result, we are in a better position to seize opportunities as they present themselves. A case in point is the Commercial Credit transaction I mentioned earlier.

What it all means to you as an OEM customer of Control Data is that we will have the wherewithal to more energetically pursue your interests -- there will be more time, more resources, more attention to detail, applied to meeting your specific needs.
Everything we are doing with Control Data is in some way structured to make this company more responsive to the marketplace -- to meet your needs as they are and will be, not as they were in the past.

CORPORATE MISSION STATEMENT

Incidentally, one of the things we did initially during the strategic focusing aspect of TQMP was to rework and restate the company's mission statement. One of the most intriguing aspects of that process occurred at the beginning when we asked what members of executive management thought the mission statement was. Given the enormous publicity received by some of the company projects over the past five or more years, you will perhaps not be surprised to know that there was considerable variation among the responses.

In any event, we decided to re-state the corporate mission as simply as possible: "Control Data's mission is to provide our customers with products and services based on computer technologies." That's it ... pure and simple.

Along with that mission statement -- and in support of it -- we have made four fundamental commitments. And the very first of those commitments is: "To Control Data's customers, for innovation and technological leadership yielding high-quality, cost-effective products and services."
The other commitments are to the stockholders of the corporation, to the employees who constitute a vital resource for the future, and to the societies in which we do business; but it is the first commitment -- to customers and quality -- that we know must lead the way.

We recognize that the increasing requirements for both technical and marketing expenditures -- the commitment to quality, the need for focused management necessary to compete in today's world -- require far less diversity than Control Data had been attempting to handle in the past.

And so, we have changed...

TECHNICAL EXPENDITURES

Let me expand, for a moment, on the subject of research and development. The pace of product change continues to speed up. In 1986, fully 90 percent of Control Data's data storage product shipments will come from products introduced within the past two years.

This year, our budget for technical expense and R&D was nearly $400 million, or roughly 12 percent of budgeted revenues. Last year it was 11.8 percent; back in 1981, the figure was 9.5 percent.
Those statistics are important not only to further illustrate the necessity of product focus, but also to remind you that through all the tough times we have been determined to feed the lifeblood of our business — technology and technical expenditure. With additional financial resources which may be available soon, we expect to extend the level of that commitment.

QUALITY AND THE INDIVIDUAL

Let me move from the corporate perspective on quality as it affects business strategy, to the quality from the perspective of the individual. The transitions involved in TQMP must be led from the top, but it must actually occur at the bottom -- and at all points in between -- for it ultimately involves a commitment from each individual in the organization.

Administrators and clerical workers learn to relate their own work to our product success, and therefore to your satisfaction as a customer of Control Data. Our engineers learn to think in terms of process -- the design process itself, of course, but also in terms of the manufacturing processes that result from their designs.
Perhaps the most stimulating concept of TQMP is the idea that every individual in the company has a work product and therefore someone -- whether inside or outside the company -- is their customer. We find that people like to think that way. Our people have embraced the "everyone-has-a-customer" concept. They make it a very real part of their own personal work commitment ... and it has a wonderful perspective-broadening effect.

At its root, this culture of quality means that each person in Control Data truly feels that what they think and what they do matters. And when you get down to it, that's about as much as any of us can expect out of life.

You heard expressions of that sentiment in the videotape you saw earlier today. And the company has tried to express to each employee that they do count -- that we all have a mutual stake in quality and profitability -- by giving each employee 10 shares of stock last June. Those shares are a symbol not only of our mutual stake in the future, but of our belief in their future as well.

We have taken steps to create a new organization, one which will do fewer things but do them more effectively. And as this new entity emerges, it will be more focused, more aggressive and more responsive to its customers.
And above all, we recognize that only by making quality a way of life -- for everyone who draws a Control Data paycheck -- will the company be sustainably profitable.

We have done what is necessary. We have reacted not only to the company's immediate problems, but have also addressed changes sweeping through the computer industry ... changes that affect your companies as well as ours.

So as we return Control Data to consistent profitability -- and I assure you we will -- it will be on the basis of a comprehensive restructuring of the company, and not the result of a short-term cure.

The people of Control Data share a great heritage of innovation and achievement; they have a determination to succeed and an enthusiasm for the future that helps make my job more rewarding.

It is this attitude, reflected in absolute quality, that will assure a successful future for Control Data and a steadfast allegiance to you ... our customers.

Thank you...