Good afternoon. Last Monday, Control Data announced the signing of a Letter of Intent to sell Imprimis to Seagate Technology. For well over a year now every statement of a strategic nature which we have made with regard to Imprimis has made it clear that some announcement of this nature would occur at some point. That still doesn't change the fact that when it actually does happen there is some feeling of shock and concern.

I understand that. But this is, in fact, the course we charted for ourselves a long time ago. The proposed transaction is a very positive outcome. It resolves the strategic question facing Imprimis in an aggressive and positive way. It also resolves explicitly the question of what kind of company Control Data intends to be.

Control Data has become a company which manages a diversified set of data services and data systems businesses serving specialized markets.

We can now get on with building value-added data services and data systems businesses, maintaining and creating strategic advantage that generates above average financial performance.
The balance sheet implications of the sale are also obviously positive. Depending on market conditions, some of the proceeds from the sale may be used to remove the senior notes valued at about $150 million. Should the Senior Notes be retired, the Company’s debt-to-equity ratio will shrink from approximately .7 to approximately .4. Should the Senior Notes not be retired, the company’s cash balance would be correspondingly higher.

The 10.7 million shares of Seagate common stock will add more than $150 million to liquid assets with the prospect of appreciation. Cash levels also will be somewhat higher. Overall, this means that Control Data will be considerably stronger.

Of course, the sale of Imprimis does mean that we lose its earnings. But those earnings can be replaced by earnings of a less volatile nature. And we will do that both through internal and external growth.

We have the financial flexibility to build. We will have the cash, plus debt capacity. We will have a positive cash flow. And, we will have substantial liquid assets through the investments in Seagate and Silicon Graphics.

But, before looking to acquisition for growth, we must focus carefully on internal growth, and generating positive cash flow from operations. The task we have before us is first and
foremost to show the world that we can be a consistently profitable, cash generating business.

No matter how you look at the proposed sale of Imprimis, then, it is a winner. It is a win-win situation for Imprimis and Seagate. By combining their strengths, they have enhanced their ability to be a global leader in the intensely-competitive disk-drive market.

For Control Data, the proposed sale not only builds economic muscle, it allows us to focus energy and resources on the high value-added systems and services businesses that is the future of the Company.

Meanwhile, the actions we announced in April are proceeding according to plan.

Banks - we are continuing discussions with the banks with regard to a new agreement. And we are pursuing alternative arrangements as well. You can expect that the discussions will continue right up to the last day. We will get the job done. It’s not easy, of course, but our circumstances in many regards are much better than they were a month ago.

ETA. The closing of ETA is thus far proceeding smoothly. Our focus at this point in the process is naturally mostly on specific situations. Of the seven liquid cooled accounts, four have been or are essentially settled at no additional cost to ETA and three are still in negotiation. Six of 26 air cooled machines have been returned, there are four swaps. Of
the remaining 16, it appears that as many as 14 will remain installed.

People - as of tomorrow, we are down to 120 people who are providing transition services. This will be reduced to about 50 at the end of July.

All in all, we expect the total cash cost to be somewhat less than the original estimate.


Realizing the full potential of the future we see for Control Data ultimately will depend on the commitment each of us is willing to make. The actions of the past few months should make it very clear that Larry, John and I are committed to do whatever is necessary to build a stronger, profitable Control Data. But that’s not enough. Each of you must also be fully committed to your goals as well. Making and meeting tough commitments is what Larry will be talking about. Larry ...