Good morning. It has been nearly 18 months since we last met and during that time there have been a lot of changes at Control Data.

Not the least of which is a return to profitability. In April we committed to return the Company to operating profitability before year's end. This was achieved in the third quarter. The Company reported earnings of $9.8 million or 23 cents per share on revenues of $763 million.

Every business group except VTC, the Company's semi-conductor subsidiary, was profitable before interest and taxes in the quarter. The most notable performance was in Computer Products. In the second quarter, the Computer Products Group lost $14 million. It was profitable in the third quarter by nearly $2 million -- approximately a $16 million turnaround. We feel good about that.

In his remarks Larry Perlman will discuss some of the actions we have taken to reach that objective and also what we will be doing to get more earnings momentum. I want to focus my comments on Control Data's strategic direction.

Before doing so, let me cover one other subject which I know is on your minds, and that is the matter of a new CEO for Control Data.

The sale of Imprimis, the Company's disk-drive subsidiary, was the last of several major business portfolio transactions begun four years ago to position Control Data as a company whose major strategic thrust would be services. The transition has been painful at times, and certainly not as yet rewarding to stockholders. Nevertheless we are positioned for a new and potentially rewarding era in the Company's history. I believe
we can best capitalize on that opportunity if there is a change in leadership.

With that in mind, in September I recommended to Control Data's Board of Directors that a committee be established to name a successor to me as CEO. The Board appointed a committee, which is composed entirely of outside directors. The committee is now interviewing external and internal candidates, and will make a decision before the end of the year.

Some people have questioned the need for a committee. They wonder why the Board did not name Larry Perlman CEO and be done with it. It's easy enough to say that the Board is doing the most pragmatic thing by exercising its due diligence responsibility. And that is true, however, from a more basic perspective, the Board is doing what is best for Control Data. The Board knows the Company's situation and needs better than any outsider. As individuals, they have the responsibility not to please the critics, but to act in what they believe to be the best interest of the Company and its stockholders. They are doing just that.

When we set out in 1985 to position Control Data as a much more concentrated value-added or "services" company, we had five major portfolio actions to accomplish. In addition, we had to build and evolve the remaining services and systems business which were themselves immersed in major technological and market changes. Essentially, the portfolio transactions were: 1) Divest Commercial Credit; 2) Divest or joint venture the peripherals business; 3) Joint venture ETA, the Company's supercomputer subsidiary; 4) Joint venture the training and education business; 5) Divest several small services businesses that were defusing management's time and attention.

These actions have been completed, although they have taken longer and been more costly than I would have liked.
Commercial Credit had to be restructured and streamlined before it could be sold.

The data storage, or peripherals, problem took two years longer to fix and cost a lot more than anticipated in 1985.

We ran out of time before we found a partner for ETA, or could spin it off. So it was shut down.

The other actions, all of which were relatively small by comparison, have been completed, and with the sale of Imprimis to Seagate, Control Data is finally positioned as a provider of solutions to data collection, processing and dissemination problems. Each of the Company's businesses is engaged in a specific kind of data solution.

One important part of this repositioning has been to streamline the Company's mainframe computer business. This involved developing an affordable product strategy which both meets the needs of our customer base and also fits into the Company's growing systems integration business which in 1990 will total some $475M. The strategy is to excel at high-performance computer solutions for engineers and scientists and the management of complex data bases. One result was the recent announcement of the new CYBER 2000 system and a new high-performance disk array subsystem. Another result is a strategic alliance with MIPS Computer, which will provide a powerful UNIX platform for the future.

The U.S. Army Corps of Engineers awarded the Computer Products Group a contract with a projected value of up to $365 million for an integrated worldwide network of computers. The new computers will move the Corps from its current batch processing environment to a highly interactive, distributed information processing environment. We competed, and won, the contract on the basis of our systems integration capability.
Let me summarize where we are. The Company's businesses are market driven. The core technology of each business is industry and/or application expertise. The business will make or buy the software or hardware necessary for its particular data solution. Wherever possible, industry standard hardware and software components will be used. The competitive differentiators will be proprietary application technology and quality service. That is a strategic concept on which we can build a profitable and growing business. It is also the strategic foundation for the future of Control Data's Computer Products business. I realize that many people view the business as a traditional "mainframe" business. This is not accurate, although obviously a large part of our installed base falls in that category. But rather than debate the issue, we will change that perception over time by successfully implementing the strategy with customers such as the Corps of Engineers.

Third quarter results and the recent successes made possible by our strategy are evidence of progress. But it is equally clear that we face more challenges in the quest for consistent and growing profits.

In the computer industry, mainframes are undergoing a time of major transition and resulting slow growth. Moreover, we continue to have the challenge of losses in VTC. In each of the business groups, there are competitive challenges and investment needs. In short, there is a lot of work still to be done.

Larry will profile each of the businesses for you and discuss some of the key issues they will be addressing in 1990. Let me, however, put it for you as simply as possible.

Our focus is on 1990. Building the kind of profitable company we want is not a one year, single step process. But the first step is all important both to ourselves, and to the outside world, and 1990 is that first step.