

CONTROL DATA CORPORATION
Minneapolis, Minnesota

IBM CORPORATION
Armonk, New York

CDC-IBM LAWSUIT SETTLED
IBM SERVICE BUREAU SOLD TO CDC
January 15, 1973

Minneapolis -- William C. Norris, President and Chairman of the Board of Control Data Corporation, and Frank T. Cary, Chairman and Chief Executive Officer of International Business Machines Corporation, announced today that Control Data and IBM have reached agreement on the terms of a settlement of Control Data's antitrust suit against IBM commenced in 1968 in Federal District Court in St. Paul, Minnesota, and of IBM's counterclaims. The parties have executed mutual releases of all pending claims and a stipulation of dismissal with prejudice is being filed with the Court.

The Control Data suit against IBM centered on the legality of IBM's activities in the mid-1960s in the field of large scale computers. IBM's counterclaims included a challenge to the legality of Control Data's activities in this field during the same period.

The principal terms of the agreement are:

- Sale by IBM to Control Data of Service Bureau Corporation, a wholly-owned subsidiary of IBM, including an agreement by IBM not to engage in the data services business in the United States for six years.

- Granting by IBM of four five-year research and development contracts to Control Data.
- Extension of a world-wide patent cross-licensing agreement between Control Data and IBM until June 30, 1978.
- Reimbursement to Control Data by IBM for expenses, including legal fees, in the amount of \$15 million.

Service Bureau Corporation will be purchased for cash in the approximate amount of \$16 million. Service Bureau Corporation has about 40 offices throughout the U.S. engaged in data processing operations. In 1972 Service Bureau Corporation earned \$1.5 million after taxes on revenues of \$63 million.

IBM has contracted for the continuing use of data processing services from Service Bureau, as a subsidiary of Control Data, and minimum services and availability charges are expected to be in the range of \$5 million per year for the next five years, a level consistent with IBM's past use of SBC services. IBM has agreed to leave its equipment installed with Service Bureau for six months without rental charges.

IBM has provided for reimbursement to Service Bureau for retirement and other fringe benefits of current Service

Bureau employees of approximately \$2.6 million per year for ten years.

“The acquisition of Service Bureau is a significant stride in our increasing emphasis on data services. It will become a valuable and growing asset to Control Data and will add new dimension to our thrust in this segment of our business. As a subsidiary of Control Data, it will be freed from the restrictions under which it operated within IBM,” Mr. Norris said.

Mr. Cary said, “I’m gratified with the settlement reached with CDC. This suit has gone on for over four years and has represented a significant and growing expenditure of management time and legal expense. This settlement is timely and conclusive and it gives fair value to both sides.”

The expenditures for the research and development work will be charged to IBM on a time and material basis and are expected to amount to approximately \$6 million per year over the next five years. Included will be projects for developing advanced technology in the areas of magnetic storage, terminals, transaction-oriented software and data services networks. Both parties will have rights to the technology developed, which will also be available from Control Data to others in the

in the industry on a license basis.

Mr. Norris stated, "We are extremely gratified by the results. Our company will achieve substantial long term benefits from all these transactions."

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