



Digital Equipment Corporation

111 Powdermill Road  
Maynard, Massachusetts USA  
01754-1418

September 28, 1998

Dear Disabled Employee:

As a result of the acquisition of Digital by Compaq, representatives from both companies have been reviewing our current benefit programs for active, disabled, and retired employees. The purpose of this letter is to inform you of decisions that have been made regarding Digital's disabled population.

The income replacement benefit you are receiving is based on the terms of an insurance contract between you and the applicable insurance carrier. This disability benefit will continue as long as you continue to meet the eligibility requirements of that insurance contract.

At this time, Compaq will continue to provide medical, dental, and life insurance benefits for you and your eligible dependents. If Medicare is your primary coverage it will continue to be primary unless you are enrolled in a Company sponsored HMO or HMO Elect Plan. You will be receiving a copy of Benefits Today within the next few days that will provide you with additional information about changes to medical, dental, and life insurance benefits that may affect you in 1999.

It is Compaq's practice to terminate the employment of a disabled person after 18 months of disability. While the time of the termination may vary, this is a common practice with many companies. Your status as an employee of Digital (now Compaq) will terminate effective December 31, 1998. While the termination of your status as an employee will not impact your eligibility for medical, dental, and life insurance benefits as noted above, you will no longer accrue a benefit under Digital's Cash Account Pension Plan after December 31, 1998. Your options are as follows:

- You can leave the balance in your account until you reach age 65. Although you will no longer accrue benefits, your account will continue to earn interest.
- You may take payment of the balance of your account. Please note, however, that there will be significant tax consequences if you do not roll the balance over into another qualified plan or an IRA. In addition, you should contact the insurance company that is paying your LTD benefit to find out what their policy states regarding the status of your LTD benefit should you elect to take a pension benefit prior to reaching age 65.

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You will be contacted closer to your employment termination date regarding the termination process. If you have accrued vacation time and have not requested a payout prior to the termination date, it will be paid out to you following your termination.

If your disability ends and you are able to return to work prior to December 31, 1998, you will return under the provisions of the current return to work policy. If your disability ends after termination of your employment, you can reapply for employment with Compaq and you will be given the same consideration as other applicants.

Compaq adheres to the same practice as Digital and reserves the right to terminate or amend benefits including such provisions as eligibility criteria as well as existing plan provisions and coverages.

If you have questions about your medical, dental, life insurance, or retirement benefits please contact Benefits Express at 1-800-890-3100. For any other questions, please contact the Human Resource Administration Center at 1-800-544-9944.

Sincerely yours,

A handwritten signature in cursive script that reads "Karen Nelson".

Karen J. Nelson  
U.S. Disability Program Manager