



Digital Equipment Corporation

111 Powdermill Road
Maynard, Massachusetts USA
01754-1418

December 11, 1998

Dear Disabled Employee:

This letter is a follow-up to the letter that was sent to you on September 28, 1998 regarding your status as a result of the acquisition of Digital by Compaq.

Your employment will terminate effective December 31, 1998. The termination will be processed by the Human Resource Administration Center. There are no forms that require your signature.

As indicated in the September 28, 1998 letter, Compaq will continue to provide medical, dental, and life insurance benefits for you and your eligible dependents. While it is the intent to provide these benefits into the future, Compaq, like Digital, reserves the right to terminate or amend benefits including existing plan provisions and coverages.

You will receive pension credits for the quarter ending December 31, 1998. Beyond that date, you will receive interest credits only to your Cash Account Pension Plan balance. As a terminated employee you will have the right to access your account balance. In order to avoid a negative impact on your disability income benefit, you must leave your balance in the plan or transfer your account balance to another qualified plan or an IRA. If you elect to directly access the funds, this action will impact your disability income benefit. If you are receiving an income benefit from UNUM or Liberty Mutual, your income benefit will be coordinated with your pension benefit. If you have questions on how these benefits will coordinate please call UNUM or Liberty Mutual directly. If you are receiving an income benefit from Prudential, that income benefit will cease if you access your pension benefit in a form other than a rollover to an IRA or another qualified plan.

The termination of your employment does not impact any unexercised stock options that you might have. You may exercise your vested options at any time until they expire. If you have accrued vacation, you will receive payment within two weeks of your termination date.

If you are eligible to retire on the date of your termination, i.e., you are at least 55 years old with 10 or more years of service, the status of your benefits is as follows:

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You will continue to receive medical, dental, and life insurance coverage provided by Compaq for as long as you continue to receive a disability income benefit. When your disability income benefit ceases, you will then be eligible for health care and dental coverage as a retiree. You will be required to pay the retiree premiums in place at the time your coverage under these plans becomes effective. Please note that there is no retiree life insurance coverage.

Compaq will be implementing a process to review and monitor those claims where an income benefit is not being paid by an insurance carrier either due to a benefit payment limitation or to the employee not having purchased LTD coverage. The purpose of this review is to ensure that those individuals in this category continue to meet the eligibility requirements for disability. If this applies to you, you will receive more information about this review process within the next few weeks. If you do not comply with the process, your eligibility for medical, dental, and life insurance benefits will cease (other than as may be available on a continuing basis as a retired employee).

If you have questions about any of your benefits including your pension and SAVE account balances, please contact Benefits Express at 1-800-890-3100. For questions regarding your termination, 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