Compaq/DIGITAL Merger

Communications and Engagement Kit for DIGITAL Services Managers

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6 March 1998

Dear DIGITAL Services Colleagues,

The winds of change are definitely upon us, and in times of accelerated change, communication is central.

Communicate. Communicate. Communicate. This is the one action that we, as managers, can take to help our employees through the current change. This *Communications and Engagement Kit for DIGITAL Services Managers* was designed for that very purpose – to assist you in communicating with your employees about the Compaq/DIGITAL merger.

It was our intention to create a kit that would allow you to deliver accurate information to your employees without diverting significant research time from your other management responsibilities. Much of the content of this kit comes from existing materials located on several web sites within our DIGITAL Intranet, and sources are noted as such. Additionally, we have created and included several tools which we hope will assist you in dealing with some of the more personal issues that arise when change is imposed, rather than chosen.

There are many detailed strategy, operational and structural issues that are currently being discussed as merger integration work continues. It is our intention to inform you and your employees as soon as new, validated information becomes available.

If you should have questions or comments on the contents of this kit, please do not hesitate to contact me at DTN 276-9839 or 978-496-9839. Also, if you have ideas or recommendations for future communications, please let me know.

Best Regards,

Pam

Pam Kenney
DIGITAL Services Change Management

Contents of This Kit

The materials in this kit will help you to create a context for initiating employee discussion and dialogue around the Compaq/DIGITAL Merger.

How to Use This Kit..... Tab 1

- Background – This provides background notes about the Compaq/DIGITAL merger.
- Recommendations for Engaging Employees – This section is designed to help managers conduct an effective employee engagement session. It will focus on two areas of discussion: change management and communications. It contains a process cycle, sample agenda, and facilitation tips.
- Legal Guidelines for Engagement – This summarizes the legal guidelines for what one can and cannot legally discuss prior to the merger being closed.
- Legal Guidelines for Communications – This is information concerning the legal restrictions regarding the merger provided by the DIGITAL Law Department.
- The Basics of Managing Change – This booklet provides a manager and/or leader with fundamental information on change and how to manage yourself and others through change.
- The Basics of Managing Change Reference Card – This contains web addresses and information for managers, facilitators, and participants.

Presentations..... Tab 2

- *Leading the Enterprise Computing Revolution* – These are speaker notes and color transparencies of a presentation that has been created by Compaq and distributed by DIGITAL Corporate Communications to help you accurately present the key elements of the proposed Compaq/DIGITAL merger and the potential for DIGITAL Services.
- *Compaq/DIGITAL Competitive Landscape* – This presentation was created by DIGITAL Sales and Marketing and provides industry leader perspectives about the merger and the impact of the merger on the competition. This presentation can also be used with your local customers.
- Diskettes – These two diskettes contain the source files (in Microsoft PowerPoint) of the presentations including an instruction sheet for reading/writing the files. These may be useful to you when customizing the materials.

Employee Handouts..... Tab 3

- Compaq/DIGITAL Merger Communications – This provides high-level messages about the proposed Compaq/DIGITAL merger.
- Who is Compaq Computer Corporation? – This is a fact sheet about Compaq.
- Who is Tandem Computers, Inc? – This is a fact sheet about Tandem.
- Compaq/DIGITAL Merger Quotes from Opinion Leaders – This contains analyst and press reaction to the announcement of the proposed Compaq/DIGITAL merger.
- The Basics of Managing Change Reference Cards – This contains web addresses and information for managers, facilitators, and participants.

Background

The purpose of this Communications and Engagement Kit is to help you to initiate dialogue with your employees about the significant impact of the Compaq/DIGITAL merger.

Creating enthusiasm and engaging our employees in the implementation of this integration will be an ongoing process. Initially, you may encounter some resistance or fear, but the best way to address employee concerns is to provide as much information as possible and openly discuss the impact on our success – both locally, and as a company.

In the discussions we had with the Compaq Computer Corporation, we acknowledged the phenomenal contributions that many of our businesses can make to each other. DIGITAL Services brings global, lifecycle service capability necessary to deliver networked business solutions to enterprise customers. Our alliances and partnerships with industry leaders, our breakthrough performance in professional services, strength in multivendor lifecycle services, leadership in outsourcing, and worldwide delivery capability have established us as an acclaimed leader in the IT Services market.

As a combined entity, we become the number two force in the world in storage, with a much faster growth rate in a market where customers want networked storage. With the power of Alpha, and Compaq's commitment to it, Alpha has much more muscle in the marketplace. With DIGITAL's customer base, our direct sales force organization, and the enterprise level selling skills Compaq acquired from Tandem Computers, Compaq has a much broader base of sales coverage. Great benefit and synergy can come from this agreement which moves the combined entity into the second or third place in the IT industry.

Our merger agreement initiates an involved process of review by the United States government, the Federal Trade Commission (FTC), the Securities Exchange Commission (SEC), and the European Union. Until this process is completed, both companies will pursue their existing business models.

There may be circumstances in which our Services organizations can work with Compaq, either in areas in which we already collaborate, or in areas in which we do not compete. Any such activity should be cleared at the highest level of each Services business unit. The business unit managers have guidelines for directing any such efforts.

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Recommendations for Engaging Employees

Introduction

The purpose of this section is to provide suggestions for ways to initiate employee discussion and dialogue around the Compaq/DIGITAL merger.

During this time of uncertainty, we all have many questions that range from broad business-related issues to specific daily work concerns. Gradually, we are receiving answers to some of our questions, but many questions remain unanswered during this period prior to the completion of the merger.

Even though we do not have all the answers, it is still *critical* to have face-to-face dialogue with employees and acknowledge what we do and do not know at this time. A simple "I do not know, but expect to know by X date" can build employee confidence and trust in management, as well as increase productivity and focus. We encourage you to communicate what you know, help others find the information they need, and continue to meet with employees, in face-to-face exchanges, frequently.

It may seem somewhat uncomfortable to meet with employees when we do not have all the answers ourselves, or are cautious about communicating incorrect information. This Communications and Engagement Kit includes guidelines for what we can and cannot communicate during this quiet period.

Leading an Open Dialogue: Process Cycle

Purpose

The purpose of this engagement session is to increase clarity, focus, support, and trust within the organization during the period prior to the completion of the merger.

Results

As a result of participating in this session, participants will gain:

- Greater understanding of the dynamics of change, on a personal and organizational level, and how we can help ourselves and others through the stages of change.
- Increased understanding of the key elements of the Compaq/DIGITAL merger.
- Insight into industry leaders' perspectives on the potential impact of the Compaq/DIGITAL merger on the competition.
- Clear guidelines for finding additional information and for finding answers to questions.

Steps

1. Preparation

The following are preparation guidelines:

- Review all of the material in this Communications and Engagement Kit and customize your presentations to meet your employee needs and local business requirements. *Remember to keep your presentations brief to ensure that there is ample time for dialogue and questions/answers.*
- If you have additional information about the implications of the merger on your local business, it would be good to include that in order to help people understand what this might mean for their day-to-day work.
- Prior to the meeting, it is recommended that local managers determine a strategy for answering employee questions for the next few months. For example, what are the appropriate channels for different types of local questions that are not addressed on existing web sites? How will ongoing questions and answers be communicated? On-line? Face-to-face with managers and work groups, etc.?
- Copy handouts for all participants. You may have additional local material to include.

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2. Sample Agenda

This is a sample agenda for a 1½ to 2 hour session. Your agenda may be customized to meet your employee needs and business requirements.

10-15 minutes	Welcome and Opening Remarks	Local Leader
30-40 minutes	Presentations	Local Leader
60 minutes	Dialogue on Local Impact Q & A (see *Tips for Leading the Dialogue*)	
10 minutes	Closing Remarks and Wrap-Up	Local Leader

3. Tips for Leading the Dialogue

The following are guidelines for leading and wrapping up the dialogue:

- Encourage participants to ask questions and express concerns about the merger. Also encourage people to talk about potential opportunities.
- If you do not know the answer to a question, remember that an honest "I do not know" can help build trust. Provide support by letting people know what procedure you recommend for getting answers – where they should go, or to whom they should talk to get more information.

Capabilities

- Accurate and timely materials.
- Participants with open minds who are willing to ask questions, express concerns and opportunities, and share observations.
- An environment that fosters active dialogue about the information presented.

Feedback

- Do you feel more informed about the Compaq/DIGITAL merger after attending this meeting?
- Do you understand the channels for finding information and answering questions? What are your recommendations?
- What are your recommendations for future engagement sessions?
- What are your suggestions for next steps in creating energy and shared responsibility for implementing change?

Support Material

The materials in this Communications and Engagement Kit will help you create a forum for engaging employees.

1. Change Management Information:
   - The Basics of Managing Change
2. Presentations:
   - Leading the Enterprise Computing Revolution
   - Compaq/DIGITAL Competitive Landscape
3. Handouts for Employees:
   - Compaq/DIGITAL Merger Communications 26 January 1998
   - Who is Compaq Computer Corporation?
   - Who is Tandem Computers, Inc.?
   - Compaq/DIGITAL Merger Quotes from Opinion Makers
   - The Basics of Managing Change Reference Card with pointers for information and web sites

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Legal Guidelines for Engagement

The following information is from Tom Siekman, General Counsel, DIGITAL.

As these matters proceed we will continue to provide guidance of this type in response to arising or anticipated needs. Questions which any of your people have may be directed to Tom Grilk at DTN 223-5500 or (978) 493-5500. Please distribute this note as appropriate through your organization.

Coordination Activities with Compaq Prior to Closing

Each of us and the people who work for us are now confronting daily questions as to what we can and cannot do with Compaq. I write to provide some further context setting and guidance in specific areas.

Merger Planning

We want to be as open and cooperative as we can with Compaq going forward. The relevant antitrust and competition laws do not prevent planning for the integration of the businesses following the merger.

What those laws do prohibit is taking steps to actually implement those plans prior to government approval of the merger. In no event should either DIGITAL or Compaq take actions to actually implement any integration plans prior to closing. This would include jointly made decisions in areas such as facility closings, staff reductions, product or service offerings, pricing, etc.

This does not mean that ordinary business actions may not be taken; they simply must be made unilaterally. Therefore, for example, workforce reductions which we decide unilaterally are permissible. As we do our planning, we can of course anticipate the merger. We do not need to plan as if DIGITAL were to remain a separate company.

In the event that regulatory officials come to review any of these matters they may focus as much on the appearance of whether we have acted unilaterally as on the reality of it, and we should keep that in mind. But we should not feel precluded from taking actions which we, in our own best judgment, determine to be necessary to meet our business objectives.

As a general matter, it would be best to have all merger planning discussions involving your people take place as part of a well organized process within your group. These can, in turn, be coordinated with our overall integration efforts with Compaq. The guidelines concerning *Information Exchanges with Compaq*, already sent out, provide general guidance for all of these discussions. In addition, as these processes are initiated, each group which will engage in these discussions should review their plans with the Law Department in advance so that specific issues likely to arise may be addressed early.

Specific Issues

As we have worked with Compaq in recent days, a number of questions have arisen as to the implementation of the various guidelines. Some examples follow.

Selling and Marketing Our Products and Services

Everyone should be clear that the pendency of the merger does not prevent us from aggressively marketing and selling our products and services. We are as free as we ever were to highlight our competitive strengths on all fronts. In addition, we are also quite free in our interactions with individual customers to emphasize strongly the statements which Compaq has made committing full investment and support to offerings such as Alpha, DIGITAL UNIX and OpenVMS, as in Eckhard Pfieffer's letter to DIGITAL customers of January 26, 1998. We are similarly free to use any other public Compaq statements offering commitments to protect DIGITAL's customers' investments in DIGITAL products and services.

The Sales & Marketing web site (**http://dsm.mro.dec.com/compaq**) contains a substantial amount of supporting material including customer letters and presentations, and Q & A which can be used in specific support of sales of all products (Intel, Alpha, NT, DIGITAL UNIX, OpenVMS, Storage and AltaVista) and services. These offer considerable, targeted support in responding to a variety of objections which may be raised by competitors or encountered from customers, including answers to questions as pointed as "Why should I buy DIGITAL's Intel based products?"

Product Planning

We can meet with Compaq to review our respective product and service offerings in order to "map" them and identify areas of complementary and overlap.

What we may not do is significantly alter any product plans, pricing, offerings or the like as a result of those discussions. One of the worst things that could happen from a competition law perspective would be for either company to terminate certain product or service offerings prior to antitrust approval of the merger.

Along those lines, we should refrain from exchanging forecasts of operating results, current or future price, cost, or order information and other highly sensitive information. In addition, in a further exercise of caution all product planning discussions should be "walled off" from people with customer responsibilities.

Channel Architecture and Engagement

We can have high level discussions with Compaq concerning our approach to channels and the overall approach which will be taken to channels business.

However, there should be no discussion concerning anticipated sales to or activities with specific channels partners, pricing information, order rates, sales plans, or forecasts of expenses or revenue.

Compaq Contact with DIGITAL Customers

Suppose a particular DIGITAL customer wants further assurances from Compaq concerning Compaq's continuing support for Alpha, DIGITAL UNIX or OpenVMS. In these situations Compaq is free to speak with or write directly to DIGITAL customers in order to give such assurances along these lines as it is willing to give. Requests of this nature should be escalated through the appropriate Sales and Marketing or Service organization.

However, these contacts should be limited to individual customer situations. Compaq will not be able to issue broad statements of assurance to all DIGITAL customers because of the securities laws restrictions limiting each company's ability to speak publicly about the merger transaction.

Joint Sales Calls

As a general matter there should not be sales calls made jointly by DIGITAL and Compaq except in those areas in which such activity has taken place in the past – i.e., a very limited set of circumstances involving some of our service offerings.

There may be occasional circumstances in which both DIGITAL and Compaq would be willing to take the risk of doing this in the interest of preserving important business, but such instances will be rare and should be initiated only at the highest levels of our Sales and Marketing and Services organizations.

Local Meetings with Compaq Counterparts

Any number of DIGITAL people at all levels of the organization, whether they are functional managers, local geography managers, country managers, etc. – are either receiving requests to meet with their Compaq counterparts or wondering whether they should initiate such contact. As an overall matter it would be best to have any such discussions fit within the overall integration efforts. At the same time, individual managers should feel comfortable having high level professional exchanges with their Compaq counterparts along the same lines that they might have discussions with people from other companies at the meeting of a professional association. These may be a good vehicle by which the two organizations and their people get to know one another

Organizational Planning

Our planning discussions with Compaq can include various organization design possibilities. It may even be that planning teams will identify organization structures in certain circumstances which they would like to implement following the closing of the merger. We may do that. What we may not do is (a) begin to implement any such structure prior to closing or (b) publish externally or internally what any such future organizational structures will be. Such information should be kept at the very highest levels, shared only by senior executives with an important need to know it.

Joint Advertising

Prior to the closing of the merger, DIGITAL and Compaq will only engage in limited joint advertising. Such activity is sensitive from a legal perspective, and should only be undertaken or approved at the highest levels of Services or Sales and Marketing, and only with prior legal review.

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Legal Guidelines for Communications

Please note, that the following materials can also be found online at:

http://www-hr.ecom.dec.com/merger.info/guidelines-communications

General

The merger between DIGITAL and Compaq is not final. In addition to approval by various government authorities, it requires the approval of our DIGITAL common shareholders.

Shareholder approval requires a vote of all common shareholders, which in turn invokes the operation of U.S. securities laws and regulations. The federal securities laws require that both parties refrain from comment regarding all communications about the transaction until the mailing of definitive proxy materials to our shareholders. You will be notified when these rules no longer apply and communications are no longer restricted.

In general, customary, factual communications regarding the companies and their products are permissible, as long as they do not refer to the pending merger. Both companies should proceed with their ordinary business operations until the merger is completed, and employees of each company should refrain as much as possible from discussing the pending merger.

In addition, information concerning the proposed merger provided to the financial community, shareholders, customers, channel partners, and others must be reviewed and approved by legal counsel before being disseminated. Please contact either the attorney who supports your group, or Tom Grilk in the Law Department, with any questions.

Compliance with these restrictions is very important. The Securities and Exchange Commission could take action adverse to DIGITAL, Compaq, and/or the transaction if it concludes that either company has violated the securities laws by advertising or publicly disclosing certain information during this period. This subject matter is of particular interest to the Commission, and it conducts independent investigations of publicity to confirm compliance.

Field Engagement

Customary business practices can continue, so long as the pending merger, its terms, or its potential benefits are not discussed. A separate Field Engagement Guidelines memo addresses what that means. In addition, please consult with counsel whenever you have any questions and when taking any significant actions regarding the upcoming merger.

Newspaper Ads

- Until further notice, no print ads regarding the combination should be placed in any publications. This restriction includes all information, including terms of the transaction as well as joint future products. (Customary product advertisements in accordance with existing programs are not affected by these restrictions.)

Web Site

- Until further notice, no references to the pending merger, other than the initial press releases made on the day of announcement, should be included on DIGITAL's external web site. The same is true for Compaq.
- Until further notice, there should be no hyperlink between the DIGITAL and Compaq web sites. Each company can provide the address of the other company's web site, but these two sites cannot be linked (this is the SEC position).

Financial Analyst/Shareholder Audience

- This is the most sensitive audience from a legal point of view.
- Do not solicit contacts with financial analysts or shareholders about the transaction. Customary factual communications with analysts by those employees who ordinarily deal with the analyst community are not restricted provided they deal with typical business issues and not with the merger.
- Responses to unsolicited inquiries should be limited to information included in the initial press release and other factual information.
- Avoid predictions, projections, forecasts, estimates, and opinions concerning revenues, earnings, the value of company stock, or the value of the combined businesses.
- Do not speculate about government approval or timing of the transaction.
- Do not distribute written materials about the transaction. Any questions from or about the financial analyst/shareholder audience should immediately be directed to the Investor Relations Department.

Media Audience

- Do not solicit contacts with the financial or other media about the transaction. Customary communications with the media are not restricted.
- No advertisements about the merger should be placed until further notice.
- Response to unsolicited inquiries should be limited to information included in the initial press release and other factual information.
- Contacts with trade media and industry analysts should be limited to themes from the initial publicity period and be specific to the issue.

Media Audience (continued)

- Do not speculate about governmental approval or timing of the transaction.
- Do not distribute written materials about the transaction.

Channel/Customer Audience

- Content of calls and meetings should be limited to issues directly related to the audience (i.e., how the transaction affects them, not how the transaction will benefit shareholders).
- Do not provide company-wide financial projections.
- Participation in large-scale events should be discussed with legal counsel in advance.
- Do not speculate about government approval or timing of the transaction.
- Do not distribute written materials about the transaction.

Employee Audience

- Limit communications to employee-related issues and how the transaction affects employees – recognizing that in the short term we will be unable to provide specific guidance in many areas which are very important to people.
- Limit initial discussion of the merger to information previously disclosed (from the initial press release).
- The HR organization is working to gather and disseminate as much information as possible bearing on employees' questions, and will continue to do so throughout the days ahead.

Next Steps

You will be notified when the restrictions on comment concerning the merger no longer apply.

Questions

Questions may be directed to Tom Grilk in the Law Department at DTN 223-5500 or outside (978) 493-5500.

Compaq/DIGITAL Merger

Communications and Engagement Kit for DIGITAL Services Managers

The Basics of Managing Change

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Table of Contents

Preface 1
- Purpose 1
- Results 1
- Steps 1
- Capabilities 1

The Basics of Change 2
- What is Change? 2
  - Change by Choice 2
  - Change by Chance 2
- Transition Process 3
  - Predictable Collective Reactions 3
  - Stages and Speed of Change 4
  - Personal Reactions to Change 4
  - Supporting Employees 5

Managing Others Through Change 6
- General Guidelines 6
- Resource Tools 6
- Tips for Managing and Providing Support 7

Managing Yourself Through Change 8
- Stress Reduction Tips 8

Appendix 9
- Skillful Dialogue 10
- Active Listening 11
- Affinity Diagramming 12
  - Purpose 12
  - Benefits 12
  - Steps 12
- Introduction to Change Activities 13
- Change Activity 1 13
  - Discussion 14
- Change Activity 2 – Scenario 15
  - Discussion 16
- Recommended References 17

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Preface

Purpose

The purpose of this booklet is to provide you, a manager and/or leader, with fundamental information on change and how to manage yourself and others through change.

Results

As a result of using this booklet, you will understand:

- The basics of change
- Tips to manage your employees through change
- Tips to manage yourself through change

Steps

1. Read this booklet.
2. Try the activities located in the appendix.
3. Determine where you and your employees are in understanding change.
4. Identify how you can apply this information to your employees and to yourself.
5. Do IT!

Capabilities

- Employees that ask about the merger.
- Desire or willingness to understand the dynamics of change.
- Desire or willingness to understand how we can help ourselves and others through the stages of change.

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The Basics of Change

What is Change?

Change is a process not an event. It occurs when something old ends and something new begins. With any change, there are benefits, adjustments and challenges you will experience in the change process. This re-orientation process is called *transition.* Transition takes time and that time will differ depending on individual factors.

Our personal experiences with change throughout our life come in many ways. In this document, we will primarily discuss two categories: changes we choose and those that happen by chance to us or someone we love.

Change by Choice

Change by choice is one in which we make an active and conscious decision to do something. When the change has been our personal decision, we have the opportunity to consider the benefits and challenges that are part of that decision. This table provides you with an example and the adjustments we may experience.

CHANGE BY CHOICE	THE TRANSITION	
	BENEFITS	CHALLENGES
You interview for and accept a challenging position in the company.	• You are excited to be working in a challenging position.	• You know the challenges will include the need to learn more. This will take more time.
	• You have a plan for adjusting to the new work and environment.	• You leave a position in which you are considered an "expert" for one where you will not have all the answers.
	• You make more money and move to a larger office.	• You will leave a comfortable office environment for an unknown one.

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Change by Chance

Change by chance is an occurrence that happens without us consciously deciding to make that change. That change sometimes shocks us before we have time to prepare for or think about how we will adjust to that change.

CHANGE BY CHANCE	THE TRANSITION	
	BENEFITS	CHALLENGES
Your company decides to merge functions and reorganize	• You have new opportunities. • You will have a new role with new staff.	• You do not know what the new opportunities will be. • You do not know what that role will be or who your staff is.

Transition Process

Predictable Collective Reactions

Although we cannot *predict* when "change by chance" will happen in our work environment, there are predictable transitions that the collective organization will experience when change does occur. Not every individual experiences these transitions the same way. Some employees will feel extreme emotions; others very little.

- Typically, when change first occurs, there is a state of confusion, with more questions than answers.

  "What will happen to me? How will I pay my bills? Will I lose benefits, stock, pension? How long will this take? Where can I go to get answers?"

- There is a sense of loss.

  "How could they do this to me? How dare they do this after all the effort and energy I have put into making this work? Do I have the skills to fit into the new organization? What if I fail?"

- There is a loss of trust, a sense of self preservation, and an increase in competitiveness.

  "Are they telling me everything they know? How come we are reading what is happening to the company in the newspaper? How come Suzy knew that before me? I better look out for myself."

The impact of these reactions, in a business context, is a drop in productivity. The rumors will abound, fueled by the need to have answers to questions. This drop in productivity typically looks like a "U." The encouraging news is after the initial drop in productivity, called the transition state, productivity will again improve as decisions are made and questions answered. Focusing on critical priorities helps to limit the duration of the productivity dip.

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Stages and Speed of Change

In addition, people adapt to change in three stages presented here from first to last stage.

- *Physical* – This is described as the time it takes for a person to comply with the behavioral requirement of the change. This is the fastest acceptance of change.
- *Intellectual* – This is described as the time it takes for a person to comprehend why a change has taken place or is necessary.
- *Emotional* – This is the time it takes for a person to feel comfortable with the result of the change, the new state.

For example, let us say you are told to move your office to another location.

- *Physical* – You determine the activities [behaviors] required, including packing your office, connecting with systems employees to set up your new office, changing your business card and so on.
- *Intellectual* – You then determine how to set-up your new office to optimize your space and conduct business comfortably.
- *Emotional* – Finally, you accept your new location and environment.

Personal Reactions to Change

The typical personal reactions to change at the beginning of the transition state are similar to the stages of loss. Each individual will react differently depending on personal factors such as skill level, availability of time, or having a clear understanding of the purpose of the change.

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The table below provides you with the stages of loss and what you might hear from an employee.

REACTION TO CHANGE	EXAMPLE
Denial and Anger	*What do they think they are doing? After all the work I have done to move us in this direction and "they" [management] do this!* *Yeah, right! This is the "flavor of the month"...this won't last.* *I don't think I have the skills to do what they want...this is ridiculous!*
Resistance	*I have enough on my plate and they give me more? No WAY!!* *I am not going to support this decision...it doesn't make sense to me.* *I will "wait and see" whether this will actually happen or not.*
Searching	*I understand the change will happen. I wonder how I will fit into the new organization? How can I use my skills and what new skills will I need?* *I am interested in that new opportunity and I will need some training or a mentor. I will ask for the resources and support to accomplish this.*
Solution	*I have my plan to meet this goal. I will present it to my manager and start that today! I am committed to making this work and want her support.*

Each person will move through these dynamic stages of transition at his/her own pace.

- Some employees are "early adopters," accepting the change and its impact very quickly. It takes very little time for them to move to the Solution stage.
- Others will "wait and see," waiting for assurances before committing to the change. These employees may shift back and forth between Denial and Searching stages.
- And finally some employees are "resistors," denying the reality of the change. These employees may shift back and forth between Anger and Denial.

As a manager, it is important to understand that the transition process is dynamic...that is, an employee will not stay static in his/her pace of change. You may be an early adopter but your employees may exhibit "wait and see" behaviors. Have empathy, provide as many facts as possible, and keep focused on priorities.

Supporting Employees

Use the guidelines presented in the next section, *Managing Others Through Change*, for tips on how to support employees.

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Managing Others Through Change

General Guidelines

General guidelines to manage people, manage productivity, and manage revenue are listed below.

- ***Seek and share information***

  Promote two-way communication with your employees through frequent meetings, one-on-ones, and electronic memos. Providing information to employees, even when all the answers are not in place, will result in a stronger feeling of trust.

- ***Focus on priorities***

  Use the information you receive from your management to help your staff focus on critical priorities during the time of change. This, plus frequent and timely information, will help to each employee to manage themselves, maintain their level of productivity, and move through the stages of loss.

- ***Move forward***

  Continue the momentum of focused activity. Do not let the uncertainty stop you from taking action and moving forward. Use the information and priorities to drive action. Remind employees that they continue to build skills every day.

Resource Tools

There are several quality tools that will assist you in managing others. A few of the tools that are provided included in the Appendix are listed below.

- ***Skillful Dialogue***

  Skillful Dialogue is a free-flow of meaning between people in communication. To accomplish this, we need to create a situation where we can suspend our opinions and judgments in order to be able to listen to each other. The end is not known.

- ***Active Listening***

  The ability to hear "between the words" is a great skill and an asset in the success of Skillful Dialogue. We call this ability "active listening."

- ***Affinity Diagramming***

  The purpose of Affinity Diagramming is to:

  - Identify and group problems or defects.
  - Gain a common view or consensus on groupings such as issues, problems, defects, or ideas.
  - Organize these ideas or content into like categories.

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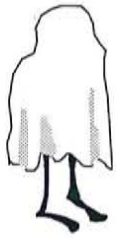
Managing Others Through Change (continued)

Tips for Managing and Providing Support

REACTION	EMPLOYEE AND TEAM NEEDS	CAUTION
Denial, anger, shock 	• Provide facts and continually articulate the reality of change. • Provide information in meetings, one-on-ones, and follow-up memos. • Create a safe place to vent anger. Recognize the feelings and assist in getting emotion out. • Help focus the individual on priorities.	• Avoid taking personal responsibility for the individual's reactions. • Understand that logical and rational discussion is not the goal.
Resistance 	• Continue to articulate the reality of the change to keep employees well-informed. Help focus the individual. • Listen actively. • Explain logically the reasoning for the change. • Attend to expressed resistance – verbal and non-verbal. Identify unmet needs and tap energy into the change. • Assist the individual's effort to reconcile personal frame of reference to the new reality. • Provide formal ways to say good-bye and have closure on the past.	Understand that you will have questions as well. Share that with the person along with whatever information you do have. Do not speculate or "make up" reality as you go along.
Searching: **ambiguity** **immobility** **uncertainty** 	• Listen actively. • Create a climate to discuss the future and new possibilities. • Provide resources, time and support to help individual try new and realistic alternatives. • Give appropriate recognition and appreciation for ideas that work and explanation as to why others do not. • Help focus on priorities.	• Be sure to discuss realistic options for the future. • Do not mistake Searching for liking the change. The individual may still exhibit Anger and Denial.
Solution 	• Listen actively. • Reward the individual and the team for focusing on implementing the change. • Encourage risk-taking that supports change. • Identify learnings and look ahead. • Stay involved.	

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Managing Yourself Through Change (continued)

Stress Reduction Tips

1. Learn and practice relaxation techniques like deep breathing, slow stretching, meditation, yoga, or other means to help you have short, restful periods of time.
2. Practice these health habits:
   - Maintain a healthy diet. Try to do this away from "stress" factors such as the office, telephone. or work environment.
   - Rest. Get sufficient amounts of sleep.
   - Cut down on stimulants such as caffeine and chocolate. Limit alcohol intake.
   - Exercise regularly. Try to walk for a half hour before you have lunch.
3. Practice these emotional habits:
   - Use humor to lighten your emotional load. Laughing and smiling feels good.
   - Treat yourself to having fun. Set time aside for relaxation and enjoyment. This will energize you.
   - Practice making a daily list of five things for which you are thankful.
4. Practice focusing your priorities:
   - Make a list of your personal and business values. Keep these in mind as you complete activities and make decisions throughout the day.
   - Practice time management habits. Consider what your personal goals and values are first, then determine what that means on a daily basis.
   - Practice writing a list of your next day activities at the end of the day. Revisit the list first thing in the morning and determine the 3-5 items that are a priority to accomplish. Identify how you might delegate or simplify other items.
   - Set a personal goal for yourself and identify what you will do each day to accomplish that goal. If your goal is long term, try to break it into short term, three month goals to start.
   - Reward yourself for accomplishing your personal goals.
5. Practice looking at any change situation as one in which "problems create opportunities."

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Appendix

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Skillful Dialogue

One of the reasons that dialogue is so important is that it allows an articulation of a unique vision of team learning, reflection, and inquiry – skills that are essential to realizing that vision and building an effective team.

Some ground rules for engaging in Skillful Dialogue are described below.

1. Create a safe environment
   - Act and treat each other as colleagues. Leave your job title and position outside the dialogue. Dialogue happens when people are "for" each other, not when they are adversaries. Everyone's perception is valid. We are engaged in mutual exploration.
2. Make openness and trust the rule, not the exception
   - Participants must feel secure that they can talk freely without fear of being the target of negative outbursts, ridicule, criticism, and retribution.
   - Everyone must continue to act in a trustworthy manner for trust to develop and be sustained.
3. Suspend assumptions
   - Do not avoid or suppress them, but hold them up for examination. They are linked to your deepest beliefs and values. Using inquiry will help you to be open and examine your own beliefs.
4. Prepare for meetings
   - Plan a meeting agenda, time, and context to allow for concentrated discussion and assure a single focus. Gain agreement of the agenda in advance.
5. Hold the context of dialogue
   - Until the team masters the art of dialogue, a skilled facilitator can help keep the focus on the process and demonstrate dialogue in action.

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Active Listening

Just as important as engaging in Skillful Dialogue is learning how to **listen** during Skillful Discussions. Here are some guidelines to follow to increase you and your employees ability to **listen**.

- Stop talking to others and yourself. You cannot listen if you are talking.
- Imagine the other person's point of view. Picture yourself in their position, doing their work, facing their problems, having their values.
- Look, act, and be interested.
- Observe non-verbal behavior to understand what is not being said to you.
- Do not interrupt.
- Read between the lines and listen for things left unsaid or unexplained, connotations, or figures of speech. Ask about these.
- Speak affirmatively when listening. Resist the temptation to evaluate, be critical, or comment disparagingly at the moment the remark is made.
- To insure understanding, paraphrase and summarize key points in the conversation. Stop talking. All other techniques of listening depend on it.

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Affinity Diagramming

Purpose

Note: This tool assists with ideas and action planning. Be cautious of when you will use this during the official merger quiet period.

The purpose of Affinity Diagramming in managing change is to help:

- Identify and group problems or ideas.
- Gain a common view or consensus on groupings such as issues, problems, defects, or ideas.
- Organize these ideas or content into like categories.

Benefits

The benefits of using Affinity Diagramming include:

- Quickly generating, clarifying, and categorizing ideas into meaningful groups.
- Gaining involvement and commitment in a team by building a common view of issues and relationships.
- Overcoming "team paralysis" which can happen when the array of options and the lack of consensus feels overwhelming.
- Building a common awareness of details related to a central issue or idea, while reinforcing clarity and ownership of issue in individuals.
- Identifying connections or commonalities and differences among issues or content.

Steps

To create an Affinity Diagram, complete the following steps:

1. Begin by clearly stating the theme of the affinity in a single sentence.
2. Brainstorm using clear, easy-to-read statements.
3. Organize the issues, facts, and ideas. Identify meaningful groupings and create clear, insightful labels for the groups.
4. Organize the issues, facts, and ideas into titles for the groups.
5. Identify the dynamics among the groups.
6. Summarize the results. Clearly state the team learnings on the diagram.

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Introduction to Change Activities

In this booklet are two activities that you may wish to facilitate with your employees. These activities illustrate how change feels both when it is a simple change and when it is a more impactful change.

Change Activity 1

This is part one of a two-part *Change Experience*. Try this activity to experience your personal response to short term change.

Directions

1. In the space below, write your name as many times as you can in one minute with your preferred writing hand.

2. Write three words to describe how you felt doing that.

3. In the space below, write your name as many times as you can in one minute with the opposite hand.

4. Write three words to describe how that felt.

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Discussion

This is a simple activity to illustrate that change will feel awkward and uncomfortable, even when it is a simple change.

In Step 1, you probably felt comfortable with the skill of writing but a little pressure from being timed.

In Step 2, you probably felt annoyed and frustrated with both trying to complete the skill while being timed. Perhaps you even skipped Step 2 altogether, resisting the activity because its purpose was unclear to you.

Let us move on to part two of this Change Experience. This time we will raise the "stakes" by adding the elements of *long term change* that has a *direct impact on your performance compensation.*

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Change Activity 2 – Scenario

Directions

1. For this activity, you are an employee of AXB Company. Read this Announcement about your company's new goals and then go to Step 2.

> ***ANNOUNCEMENT***
>
> Dear Employee:
>
> We at AXB Company have set a new customer-satisfaction goal to achieve. Our goal is to have everyone ambidextrous within one month from this announcement.
>
> This is an important goal because being ambidextrous is **THE** symbol of an AXB employee's "flexibility" to meet customers needs. The CEO has committed to this with our customers and our competitors. As of today, being ambidextrous is part of your critical path to success in your job.
>
> We have implemented a daily schedule of required one hour classes in which you will practice writing with the opposite hand and then be tested for Certification. Within the month, you must pass five levels of competence to receive your ***Ambidextrous Certification***:
>
> Level 1: Write your name
>
> Level 2: Write a paragraph
>
> Level 3: Write a one page memo
>
> Level 4: Write a two page contract
>
> Level 5: Write a 10 page proposal
>
> Please schedule yourself to participate in these writing classes. Your Manager will be provided with additional information and will monitor your progress. We look forward to our new flexible culture demonstrated by our ambidextrous employees.

2. Write your reactions, as an AXB employee, to this announcement. Be candid. What comes to mind immediately, and what reactions and questions do you have for your AXB CEO?

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Discussion

Your reactions to this announcement from the AXB CEO probably range from Anger to Solution depending on your current skill level, available time, and whether you understand the "big picture" of why this change needs to occur. Continue on the next page to gain additional insights into the reactions to a change such as this.

Some of your reactions will be influenced with your current skill level.

- For those who are naturally ambidextrous, the new goal is not a great skill challenge. You are likely to react with a solution – when can you take the test?
- For those who have developed the skill at another time, maybe due to a broken arm, this also is not a great skill challenge. You may need to practice a bit but that will be easy to do and meet the one month goal. Your reaction might be Searching or Solution – to develop a plan to meet the goal.
- For those who have a hard enough time writing with your preferred hand, let alone the opposite hand, this represents a tremendous skill challenge in a very short amount of time. You are likely to react with Anger, Denial and Resistance!

Some of your reactions will be influenced by time pressure:

> *When will I have time to get certified when I am doing three jobs now? How will I get the rest of my work completed with this additional goal in place?*

Some of your reactions will be resistance influenced by logic and reason:

> *What is the purpose of this goal? How does this demonstrate our ability to meet customer needs?*

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More Tips for Managing Change

- **Seek and share information** – Promote two-way communication with frequent meetings, one-on-ones, and electronic memos.
- **Focus on priorities** – Help your staff focus on critical priorities.
- **Move forward** – Use the information and priorities to drive action.

Where to Find Information

Access all these sites directly from our internal DSD site:
http://services.ogo.dec.com/

- Merger Web Site
  - Compensation Benefits and Employment Information

  http://www-hr.ecom.dec.com/mergerinfo/
- Sales & Marketing Site
  - Information related to customer and partner issues

  http://dsm.mro.dec.com/compaq
- Web IR Site
  - Press related merger information including analyst reports, news articles, press releases, stock quotes, etc.

  http://weblib.ako.dec.com/clg/cos/acquisition/acquisition
- Compaq Computer Compay Web Site

  http://www.compaq.com
- Tandem Computers, Inc. Web Site

  http://www.tandem.com
- Legal questions and counsel

  Contact Tom Grilk at DTN 223-5500 or (978) 493-5500

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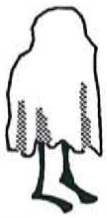
Tips for Managing Change

Where are you in the change process?

REACTION	EMPLOYEE & TEAM NEEDS
Denial, anger, shock	• Provide facts and continually articulate the reality of change. • Provide information in meetings, one-on-ones, and follow-up memos. • Create a safe place to vent anger. Recognize the feelings and assist in getting emotion out. • Help focus the individual on priorities.
Resistance 	• Continue to articulate the reality of the change to keep employees well-informed. Help focus the individual. Listen actively. • Explain logically the reasoning for the change. • Attend to expressed resistance – verbal and non-verbal. Identify unmet needs and tap energy into the change.
Searching: ambiguity immobility uncertainty	• Listen actively. • Create a climate to discuss the future and new possibilities. • Provide support to help individuals try new, realistic ideas. • Give recognition and appreciation for ideas that work, and explanation to others that do not. • Help focus on priorities.
Solution	• Listen actively. • Reward the individual and the team for focusing on implementing the change. • Encourage risk-taking that supports change.

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Compaq/DIGITAL Merger

Communications and Engagement Kit for DIGITAL Services Managers

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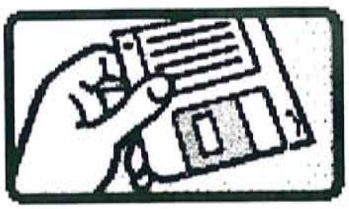


Diskette Directions

There are four diskettes included with this Communications and Engagement Kit. In order to edit/print these files, you ***must*** have Microsoft Word and PowerPoint (any version) already installed on your system.

Diskette 1 – Employee Handouts

This diskette contains a Word V6.0 file that you can read-edit-print.

Diskette 2 – Compaq/DIGITAL Merger Competitive Landscape Presentation

This diskette contains the PowerPoint V4.0 presentation that you can read-edit-print.

Diskettes 3 and 4 – Compaq/DIGITAL Merger Leading the Enterprise Computing Revolution Presentation (1 of 2) (2 of 2)

These diskettes contain the PowerPoint V4.0 presentation in a self-extracting format so that you can read-edit-print them. Because these files are so large, they had to be compressed. Follow the simple instructions below to view them from your desktop (it not recommended to download these onto a laptop).

1. Create a folder on your C: drive (or network drive) that has a lot of space and name it something like "Merger."
2. Insert the diskette into your A: drive. Copy the file (LEAD1.EXE) into the folder you created on your C: drive. Close the A: drive window. From your C: drive, simply double-click on the icon and it will self-extract.

   Note: A black (DOS) window will appear that shows the file self-extracting. When it is finished (at the top of window it will read **Finished**), close the window. This should take about 15 seconds.
3. You will now see the following file in your MERGER folder:

   LEAD1.PPT (Slides 1-8)
   LEAD1.EXE

   Double click on LEAD1.PPT and you are ready to start working in the file. Delete the LEAD1.EXE file.

   Repeat the procedure for LEAD2.EXE (Slides 9-19)

Note: In the event, while you are working, you get a pop-up window that warns you that your C: drive is completely full, do the following:

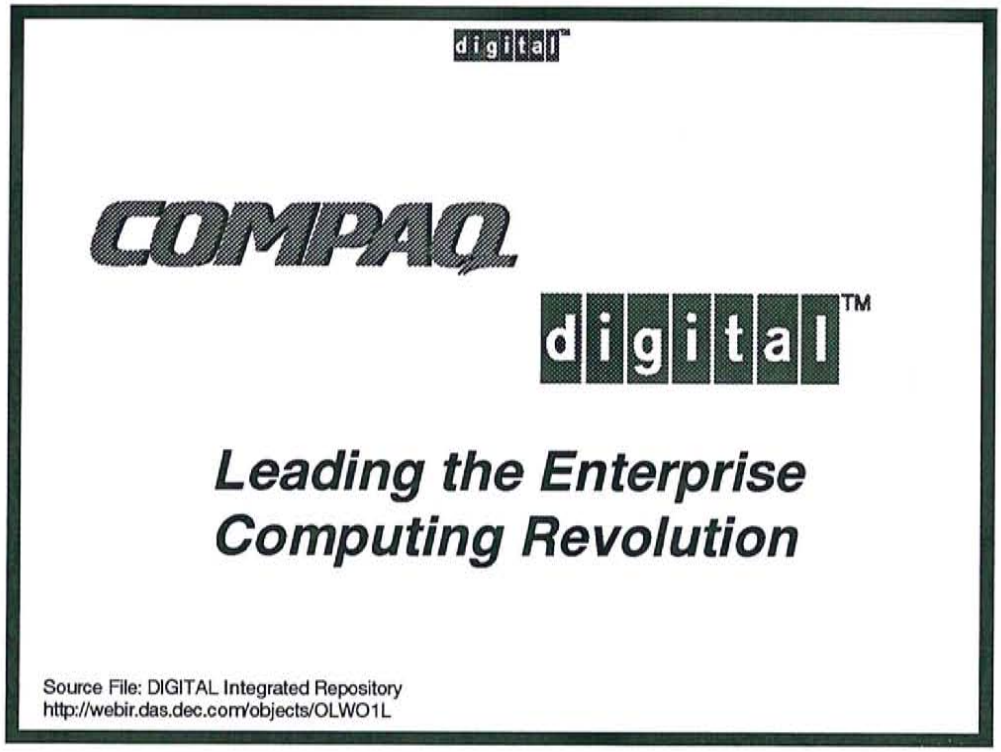
1. Delete the LEAD1.EXE file from your C: drive. (You will get a message warning you that by deleting it off your system you are removing a program, THIS IS OK!)
2. Go into: C:\windows\temp and delete ANY files in there.

Leading the Enterprise Computing Revolution Speaker Notes

This presentation has been created to help you accurately present, with minimal speculative data, the key elements of the proposed Compaq/DIGITAL merger.

Before you begin this presentation, please take the time to review the following background materials:

- The DIGITAL Services Compaq News Update
  http://services.ogo.dec.com
- Key talking points for each slide
- Legal Guidelines for Engagement
- Information Exchange with Compaq
- Recommendations for Engaging Employees



"Leading the Enterprise Computing Revolution"

On January 26, 1998, Compaq and DIGITAL announced a proposed merger representing the largest computer merger in history. The deal is valued at $9.6B.

The merger creates a dynamic new global IT company, offering tremendous value to its customers.

The resulting organization composed of Compaq, DIGITAL, and Tandem represents one of the top three computing companies in the world committed to meeting complete Global Enterprise customer requirements.

"Combined Strengths"

This merger combines the strengths of three significant players:

- Compaq brings commitment to open standards.
- Tandem brings mission-critical technology and solutions.
- DIGITAL brings its significant presence as an established provider of enterprise-wide solutions.

The merged company will redefine the customer value chain as we focus on delivering a leadership portfolio of products, solutions and services to enable our customers' success.

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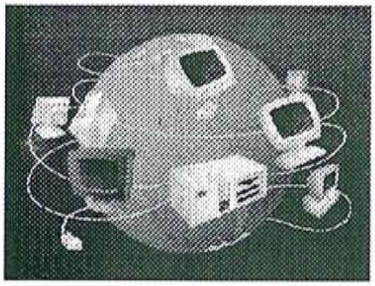
DELIVERING ON COMPAQ'S BUSINESS STRATEGY

The Leading Global Computing Company

- $50 billion by the year 2000
- 50% of revenue from Enterprise Solutions sales



"Delivering on Compaq's Business Strategy"

Compaq has set a very clear direction - to become a leading, global computing company.

By the year 2000, Compaq projects that half its revenues will come from Enterprise Solutions sales.

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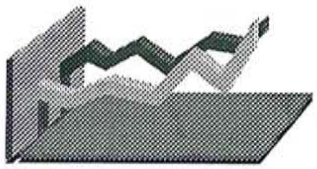
DELIVERING ON COMPAQ'S BUSINESS STRATEGY

Key Elements of Strategy

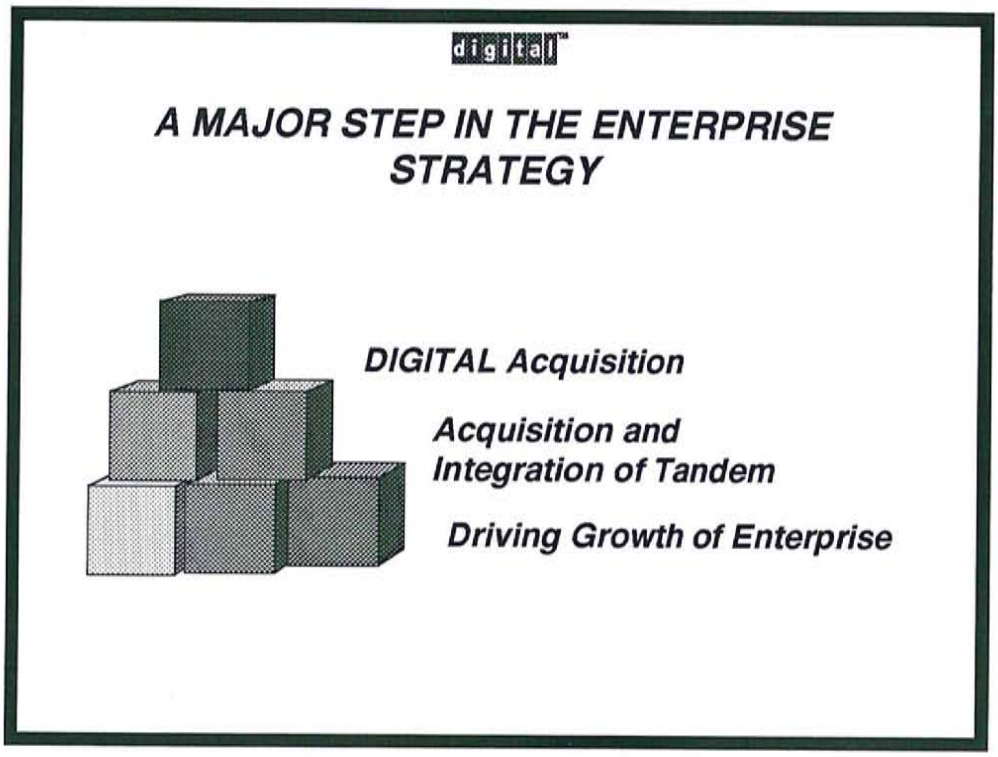
- Customer Focus
- Broad Product Range
- Continual Technology Innovation
- Vertical and Horizontal Solutions
- Strong Alliances and Partnerships



"Delivering on Compaq's Business Strategy"

The key elements of growth for Compaq/DIGITAL/Tandem include:

- Customer focus through sales, service, and support
- Breadth of product offerings – desktop to data center
- Technology refresh and innovation
- Expertise in vertical and horizontal solutions



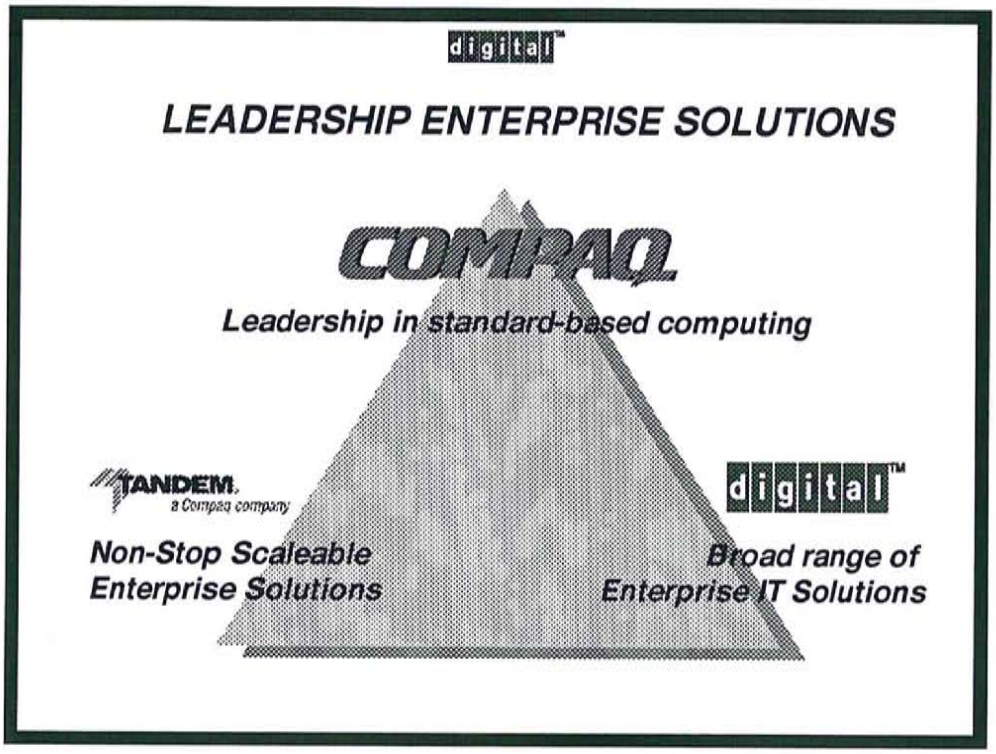
"A Major Step in the Enterprise Strategy"

The Compaq Enterprise Strategy:

- The next step in Compaq's transformation to IT industry leader.
- Planned investment strategy, commencing with internal investments.
- Investments have resulted in competitive positioning of servers, storage, and professional workstations.

The momentum of the strategy was accelerated during the summer of 1997, with the acquisition of Tandem:

- The Tandem contribution includes the Himalaya and Integrity platforms, NonStop Software, and ServerNet.
- The merger with DIGITAL represents the next phase of the long-term enterprise strategy.



"Leadership Enterprise Solutions"

The strengths of the three merged companies provide one of the broadest ranges of products and solutions for our Global Enterprise customers.

- Tandem brings expertise in fault-tolerant, scaleable solutions designed for the Finance and Telecommunications industries.
- DIGITAL adds further depth and breadth with solutions, services, products, and leading-edge technology and innovation.
- Compaq leads in open systems standards and holds a leadership standing in the IT industry.

"The Right Partnership at the Right Time"

The time is right for this partnership!

- DIGITAL has been successfully structured to provide key values to it enterprise customers.
- DIGITAL has demonstrated operational performance and revenue momentum.

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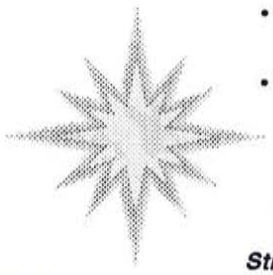
DIGITAL'S INDUSTRY STRENGTHS

Technology and Platform Leadership

- 64-bit technology Alpha, Open VMS, DIGITAL, UNIX
- Enterprise Software
- Enterprise Storage



Services and Support

- Global Lifecycle Enterprise Service and Support
- Leadership in Systems Integration and Client/Server Outsourcing

Enterprise Solutions

- NT Infrastructure and Internet
- Communications, Manufacturing, Finance

Strategic Alliances

- Microsoft, Oracle
- Computer Associates, SAP, MK

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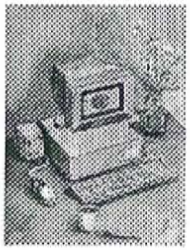
PRESERVING CUSTOMER INVESTMENT

- Before completion of the merger, DIGITAL and Compaq will continue to operate as separate companies, supporting their individual customers.
- The combined company will preserve the value and assets of DIGITAL, protect and extend customers investment, and continue the momentum of both companies.



"Preserving Customer Investment"

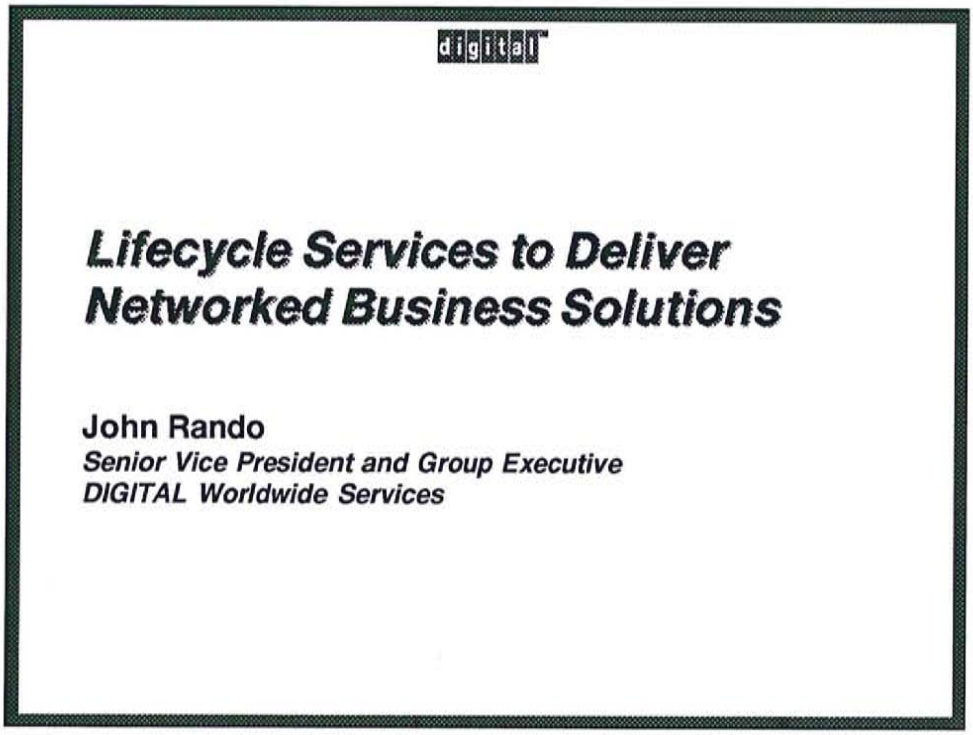
"Business as usual!"

Until the merger is approved, both companies will continue to operate as competitors.

Hardware and software sales and support will continue to be fulfilled in accordance with current policies in both Compaq and DIGITAL.

DIGITAL will be a wholly-owned subsidiary of Compaq. The plan is to fully integrate DIGITAL over a period of time, in a manner that will ensure:

- No disruption of market momentum
- Preservation of DIGITAL's value and assets
- Maintenance of strong customer satisfaction

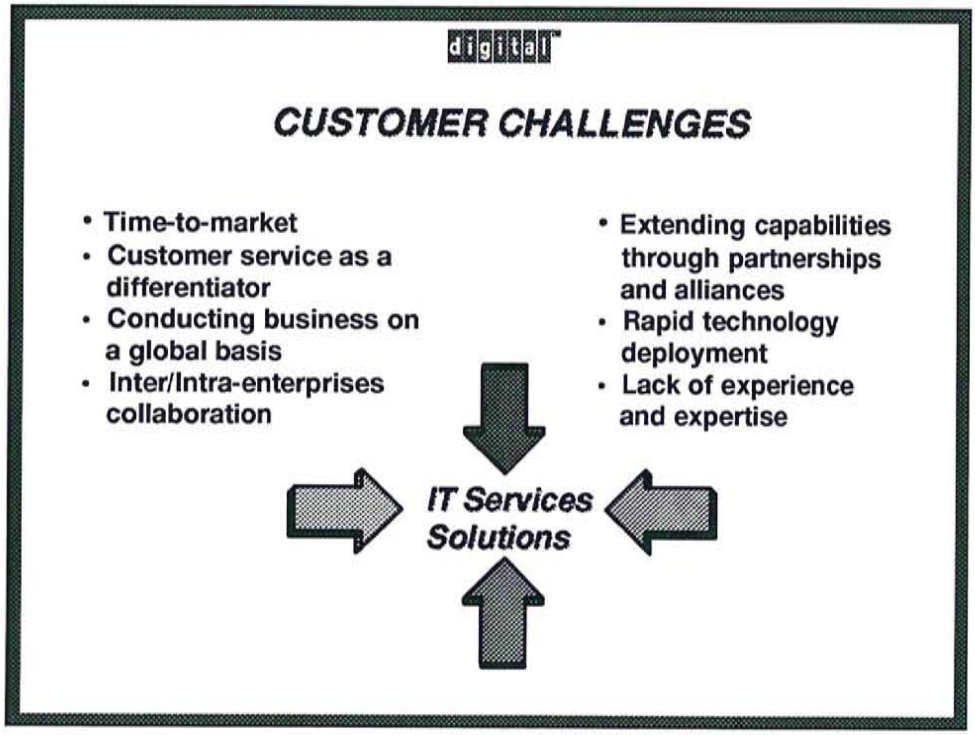


"Lifecycle Services to Deliver Networked Business Solutions"

Note: The next seven slides (11-18) are a subset of John Rando's February 1998 analyst briefing.

Where does Services fit into the new company?

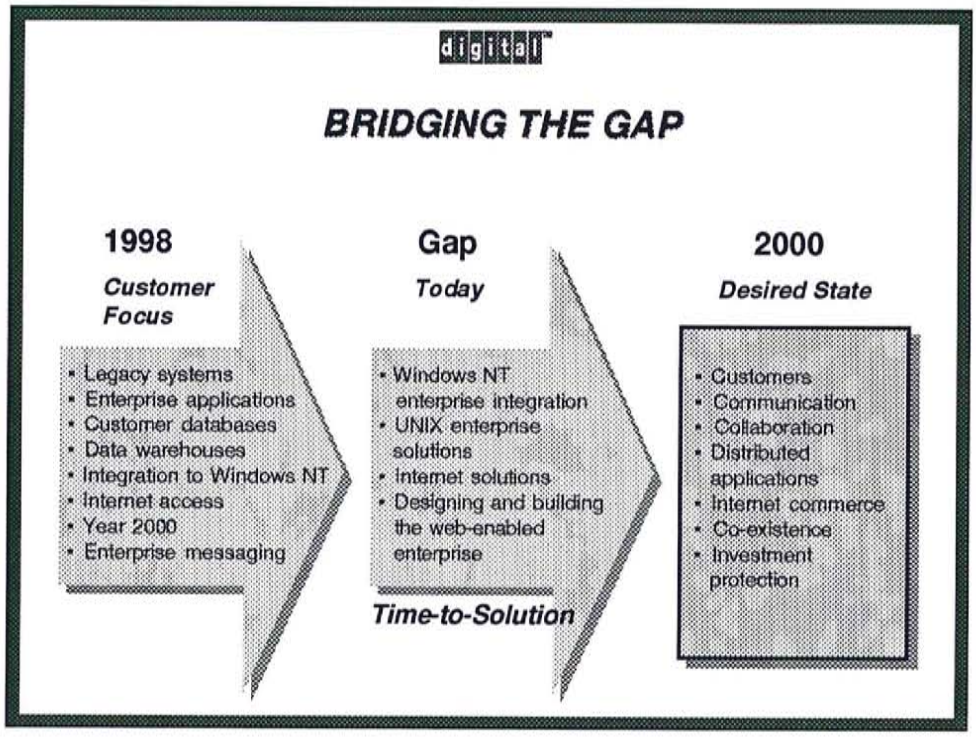
With our combined capabilities and areas of expertise and solid growth strategy, we will continue on our path to becoming the premier Tier 1 provider of integrated lifecycle services.



"Customer Challenges"

Our customers face the same kinds of challenges that we do.

- We are increasingly pressured for rapid time-to-market services products/solution sets.
- We have a need to link our global teams.
- We need to collaborate with partners and customers.
- We have to deploy our technology solutions rapidly.
- Skilled technical resources are at a premium.



"Bridging the Gap"

How do we get to our desired state by the year 2000 so that we can better serve our customers?

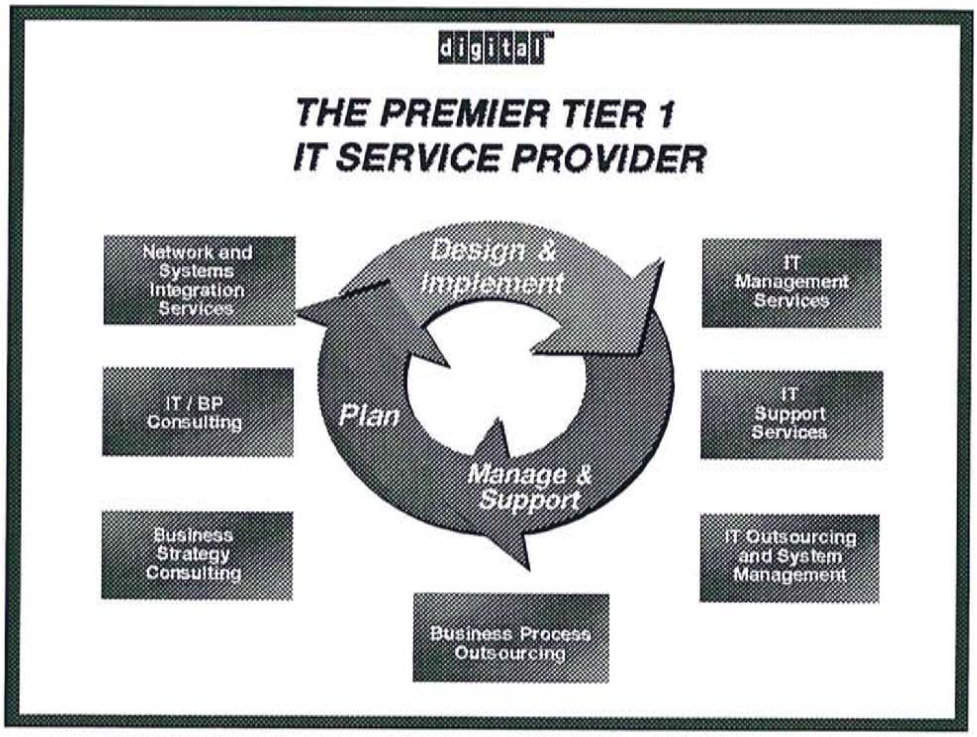
- Time to solution is critical – but attainable – with clear goals and superior technology.
- Our solutions approach, with Windows NT integration, UNIX enterprise solutions, Internet and Intranet solutions, and the ability to build the web-enabled enterprise, position us to become steward/ partners of our customers IT infrastructures.
- What does that scenario look like?
  - Customer partnership, where communication and collaboration around enterprise solutions is central; customer investment is protected and secure.

"Key Elements of Our Growth Strategy"

The premier Tier 1 Service Provider spans a broad range of services across the spectrum.

Elements include focus on:

- Multivendor, integrated lifecycle services for Windows NT, UNIX and Internet
- IT infrastructure services expertise to deploy solutions in targeted industry and cross-industry segments
- A robust partners and channel strategy
- Capabilities enhanced by acquisitions, joint ventures and aggressive hiring of skilled resources
- Leverage of Microsoft alliance to develop new markets



"The Premier Tier 1 IT Service Provider"

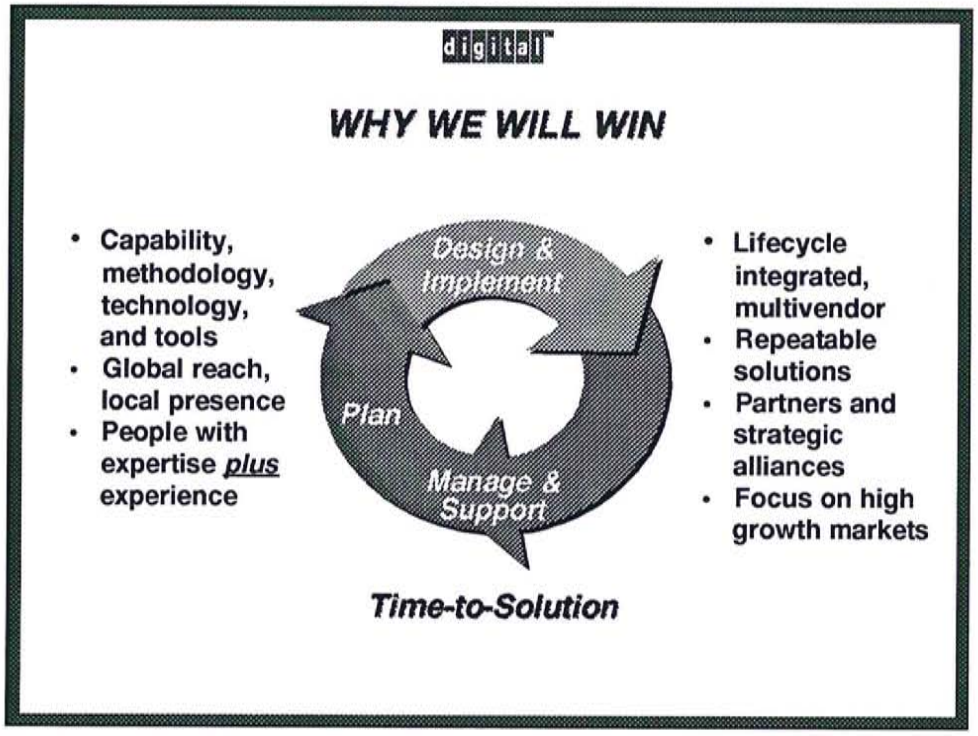
To become this premier provider, our strategy must include:

- A solid plan.
- Collaborative design and implementation across all services segments.
- Ongoing management inspection, support, and intervention to keep on track.

"The Future for Tier 1 IT Services Providers"

The future is bright.

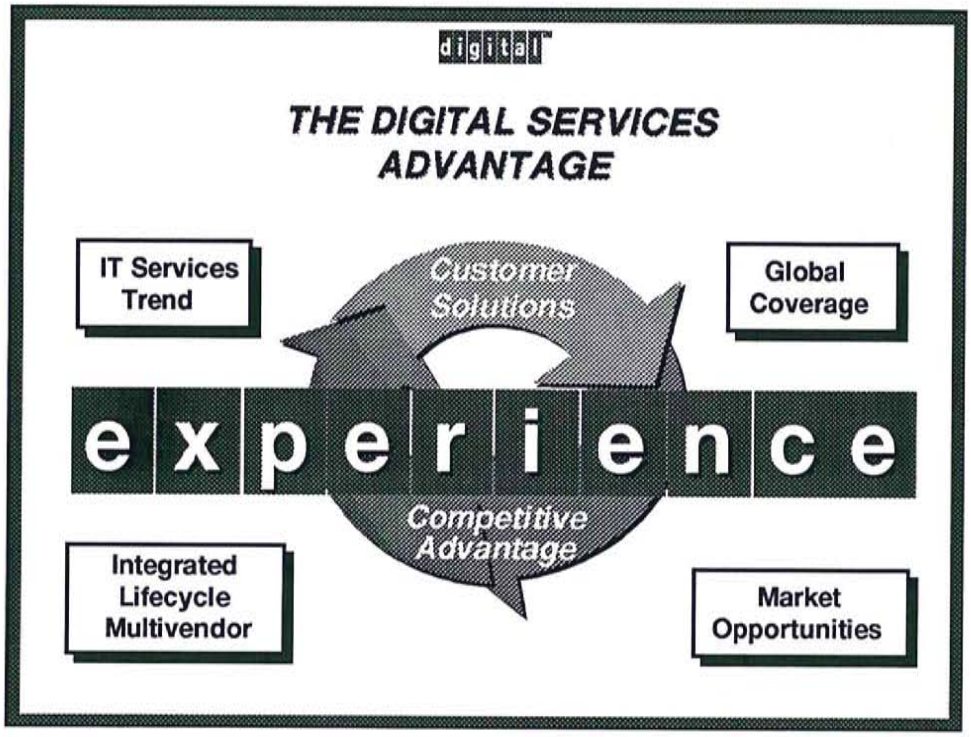
- Customer demand is accelerating.
- Microsoft technology enables an increasingly profitable opportunity.
- We have adapted our business to support global, multivendor requirements of our customers.
- Growth will demand that we:
  - Attract skilled, customer-focused resources
  - Develop methods to constantly improve our operational performance
  - Continue to develop middleware, tools, and our partner network



"Why We Will Win"

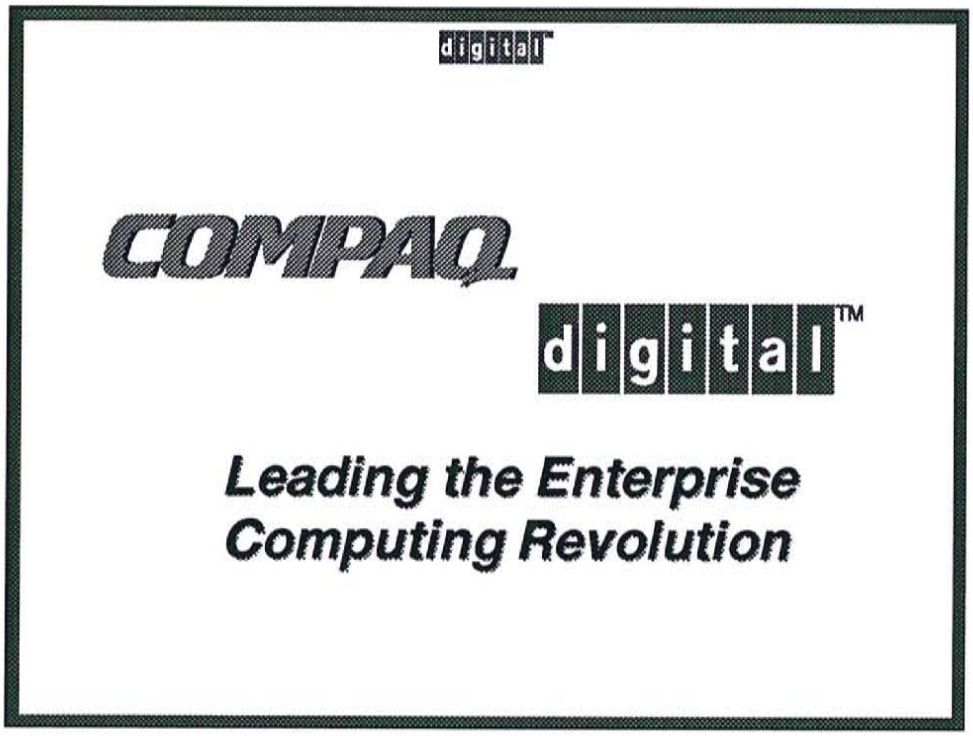
We have in place today significant elements to WIN in this arena:

- Capability, methods and tools
- Global presence – 140 locations in over 100 countries
- People with expertise and years of Services experience
- Multivendor bias
- Replicable solutions
- Strong partner and Alliance network
- FOCUS on GROWTH: our customer's success is our success



"The DIGITAL Services Advantage"

Our competitive advantage is based on 40 years of experience, coupled with an agile workforce that can respond to rapidly changing customer demands to provide integrated, multivendor enterprise-wide IT solutions, spanning the services lifecycle – and we can do it anywhere in the world.



"Leading the Computing Revolution"

Summary:

- The newest "force" in the industry – watch out IBM!
- Second/third largest global computer company.
- Tremendous added-value for our customers.
- Unsurpassed range of products and services.
- Building and complementing the successful integration of Tandem.

Welcome to the Revolution!!!

Compaq/DIGITAL Merger

Communications and Engagement Kit for DIGITAL Services Managers

Employee Handouts

DIGITAL Internal Use Only

Compaq/DIGITAL Merger Communications
26 January 1998

Please note, that the following materials can also be found online at:

http://dsm.mro.dec.com/compaq/talking/

- This is an historic day for DIGITAL and the information technology industry.
- We are announcing the merger of DIGITAL by Compaq.
- This is the largest merger in the history of the computer industry and will create one of the three largest global computer companies, with $38 billion in 1997 revenues.
- This is a tremendous opportunity for DIGITAL and its people – one that will build on our 40-year history of innovation and success.
- It will also have positive, long-term benefits for our customers, partners, and shareholders.
- As part of Compaq, DIGITAL will achieve the goal we have been working so hard to achieve during the past few years – global leadership in enterprise computing solutions.
- Together, we will be a much stronger competitor than we were separately, with the following characteristics:
  - Broader customer base
  - In-depth experience in key vertical markets, especially communications, manufacturing, and finance
  - A technology and solutions portfolio that is unrivaled
  - World-class service and support
  - Largest channel network and expanded global account structure
- Our combined resources will enable us to provide customers with a range of products, services, and solutions unmatched in the industry.
- DIGITAL products and services are an essential part of that portfolio.
- This merger was possible because of DIGITAL's significant strengths – the accelerating momentum in our strategic business – and the talent and dedication of DIGITAL employees.

DIGITAL Internal Use Only

- It validates our key advantages:
  - Differentiated enterprise platforms, including Alpha and Intel as well as Windows NT, DIGITAL UNIX and OpenVMS
  - Worldwide service and support
  - Enterprise solutions
  - Global deployment and delivery
  - Skilled and talented people
- This combination is good for DIGITAL in many ways:
  - Viability questions will no longer be an obstacle to our success with customers.
  - Increases likelihood of getting on customers' short lists.
  - Opportunity to build on our existing service partnership with Compaq and to create new synergies around network and systems integration and client/server outsourcing.
  - Broader customer base to leverage research and development efforts.
  - Powerful endorsement of Alpha and committed support for DIGITAL UNIX and OpenVMS customers.
  - Builds on our strengths in Windows NT solutions – hardware, software and services.
  - Creates broad new opportunities for our enterprise storage business.
  - Also creates new opportunities to expand the market for our AltaVista Internet software portfolio.
- The prospect of this merger should give our customers an even more compelling reason to continue to buy DIGITAL products and services.
- This gives us an even better opportunity to win against such industry leaders as HP, Sun, IBM, and Dell.
- The success of this merger depends upon the ability of both organizations to stay focused on their business goals and objectives.
  - For us, that means meeting the growth and profit commitments we have made for Q3 and Q4.
- We will continue with our key product and service announcements.
  - They are critical to our continued success.

DIGITAL Internal Use Only

- Many of the details of the merger have yet to be worked out, but both organizations will focus on these over the coming months.
- Compaq has a track record of integrating acquisitions in an effective and thoughtful way.
  - They know that your participation and support is very important to making this merger a success.
- One of the key details that must be worked out is field engagement.
  - We must make sure that there is no disruption to our market momentum by maintaining the highest level of customer focus.
  - Therefore:
    * **The companies will continue to operate as separate entities until the merger is complete and continue to compete aggressively as before.**
    * **There will be no integration of business activities until further notice.**
    * **The two sales organizations will maintain their current customer contacts for account management and support.**
- Obviously this represents a significant change for our company.
- I know you have questions about your future – what this means for your business in general and your job in particular.
- Our goal is to build the strongest company possible.
- We are committed to keep you informed about the details of the merger as we have more information.
- In the end, I believe this merger is in the long-term best interests of DIGITAL, its employees, customers, partners and shareholders.
- Together we will offer the best and broadest computer experience to customers around the world.

DIGITAL Internal Use Only

COMPAQ

Who Is Compaq Computer Corporation?

Compaq Computer Corporation, a Fortune 100 company, is the fifth largest computer company in the world and the largest global supplier of personal computers, delivering useful innovation through products that connect people with people and people with information. Compaq products are sold and supported in more than 100 countries through a network of authorized Compaq marketing partners.

- FY 1997 Revenue: $24.6B
- Employees: 33,000
- Headquarters: Houston, Texas USA

Business Focus

As the worldwide leader in the PC industry, Compaq is moving aggressively to address the evolving challenges of today's commercial and consumer customers while maintaining the quality hallmark it has established. Compaq is uniquely qualified to play a strong role in delivering leadership technology solutions – from the Internet to the distributed enterprise, from corporate IT users and small businesses to consumers – further establishing the PC as the centerpiece of the new information age.

Product/Services Categories

PC and Consumer Products

- Desktop PCs
- Portable PCs
- Small and medium-sized business consulting
- Presario family of consumer PCs
- PC Theatre

Enterprise Computing and Communications

- Compaq ProLiant[5] RISC UNIX Servers
- Internet server functionality, web-based management, web hosting
- Database solutions
- End-to-end networking solutions and remote-access products

DIGITAL Internal Use Only

COMPAQ

Customer Service and Support

- Professional Services
- Online & Telephony
- TSANet
- Info Messenger
- COLINQPlus

Market Differentiator

Compaq's commitment to customer satisfaction is a top priority that has enabled Compaq to establish service and support as a key differentiator among computer vendors.

- Compaq leads in open systems standards, and holds a leadership standing in the IT industry.
- Compaq is the world's number one supplier of standards-based servers.

Web Address: http://www.compaq.com

TANDEM
a Compaq company

Who Is Tandem Computers Inc.?

For more than 22 years, Tandem has been a leading global supplier of online transaction processing (OLTP) computer products and solutions for businesses whose information systems demand the highest standards for performance, reliability, and availability. Tandem Computers became a division of Compaq Computer Corporation in August, 1997. Tandem is headquartered in Cupertino, CA USA.

Business Focus

Tandem – an established leader in enterprise computing – is bringing its strengths of robustness, scaleability, business-critical solutions, and services to the new world of networked computing and the Internet/Intranet explosion. Through partnerships with key industry leaders, Tandem is extending the fundamentals embodied in its Himalaya® servers and UNIX system-based Integrity® servers into the rapidly growing market for Windows NT Server-based solutions. To execute this strategy rapidly, Tandem has reengineered its core business functions to align itself around new, high-growth markets.

Product/Services Categories

- Enterprise Servers
- NonStop® Himalaya open parallel processing servers
- Windows NT Server-based systems
- UNIX system-based Integrity fault-tolerance products
- ServerNet® system area network (SAN) products and services
- ServerWare software
- Internet transaction processing (iTP) solutions
- Atalla security products
- Industry Partnerships for comprehensive business solutions

Market Differentiator

Tandem has established itself as the acknowledged leader in scaleable, reliable computing for high-performance, business-critical applications.

- Tandem brings expertise in fault-tolerant, scaleable solutions designed for the finance and telecommunications industries, among others.
- Tandem servers process approximately 90% of the world's security transactions, 66% of the credit card transactions, 80% of automated teller machines (ATM) transactions, and two-thirds of all 911 emergency calls.

Web Address: http://www.tandem.com

Compaq/DIGITAL Merger Quotes from Opinion Leaders

Please note that the following materials can also be found online at:

http://dsm.mro.dec.com/compaq/publicity/quotes/

AECII Announcement, January 28, 1998

John Rose, vice president and general manager of Compaq's Enterprise Computing group said, "Compaq places tremendous value on the customer relationships that DIGITAL has cultivated over the past 40 years. We are committed to supporting customer investments in DIGITAL's NT products and services, including PC products."

John Olstik of Forrester Research

"Compaq plus DIGITAL equals: The best enterprise NT offering a leadership role in the emerging UNIX-for-Intel market and a one-stop shop for building Server Cooperatives."

International Data Corporation

International Data Corporation reported that the combined company would be the number one supplier of disk storage systems.

Joyce Tompsett Becknell of the Business Research Group

"The Winner is Compaq and DIGITAL customers. BRG believes that long term this merger will be good for customers."

The Chicago Tribune, January 27, 1998 by Jon Bigness

"The purchase would make Compaq, already America's biggest maker of personal computers, the No. 2 computer company in the world, behind International Business Machines Corp. and ahead of Japan's Fujitsu Ltd. The Compaq/DIGITAL merger would create a company that would have had 1997 revenues of $37.6 billion."

Financial Times, January 27, 1998 by Louise Kehoe in San Francisco (European Press Clippings)

"With combined 1997 revenues of $37.5B, Compaq edges out Hewlett Packard, which sells other products apart from computers, to take second place in the world computer company rankings."

DIGITAL Internal Use Only

The Boston Globe, January 29, 1998 by Joann Muller

Finlaw, the Compaq spokesman, reiterated his company's plan to support DIGITAL's Alpha-based technology as well as its UNIX and OpenVMS operating systems.

"What we're thoroughly committed to, and what is very important to this deal, is the customer relationships that DIGITAL has nurtured over the years," Finlaw said. "We're committed to supporting these customer relationships by investing in DIGITAL's strategic assets, one of which is the Alpha microprocessor."

"This is exactly why Compaq bought DIGITAL, because DIGITAL's Microsoft skills are head and shoulders above everyone else's," said Forrester Research analyst John Olstik.

Wall Street Journal, January 27, 1998

By acquiring DEC with its large corporate customer base and 22,000 services employees, Compaq now gains the credibility and muscle it needs to compete head-on against IBM and others in the Windows NT server business.

Inter@ctive Week, February 2, 1998

"The combination of Compaq's own server line and the equipment acquired from Tandem and DIGITAL will make the company a more formidable challenger to other companies, such as Hewlett-Packard Co., IBM Corp. and Sun Microsystems Inc., that offer a wide range of server equipment," said Greg Garry, an analyst at Dataquest Inc.

VAR Business, February 2, 1998 by Jan Stafford

The acquisition scores a perfect 10 in one category: taking DIGITAL off the endangered species list. "Compaq's market share leadership will build customers' confidence in DIGITAL," says Amy Rao, president of $30 million Integrated Archive Systems, a DIGITAL VAR in Mill Valley, California.

Wall Street Journal, January 29, 1998

Clouds in the forecast for Sun Microsystems Inc. Fewer openings for Gateway 2000 Inc. And suddenly IBM doesn't look quite so formidable anymore. With its $8.55 billion agreement to buy Digital Equipment Corp., Compaq Computer Corp. will place new pressures on computer makers of all sizes. The deal will combine Compaq's No. 1 franchise in personal computers with DIGITAL's worldwide reach in customers and technology services, providing special challenges to International Business Machines Corp., and Hewlett-Packard Co., the current leaders among companies that sell big computers to other companies.

Wall Street Journal, January 29, 1998 (continued)

Computer buyers say DIGITAL's long standing corporate relationships and service network – with 22,000 employees and $6 billion in sales – position the new Compaq especially well against rivals Gateway and Dell in the battle for high-volume personal computer sales, which often rely on the ability to provide after-sale support.

They will be able to say to Intel, for example, "Here is the price point that we want to hit with this new computer. We would like to use your microprocessor. Can you help us?"

At the same time, the acquisition is a great help to the Wintel camp, which sees the midrange and high-end corporate market as its next big growth area.

Many analysts see the move as a potential blow to both IBM and HP, the leaders not only in selling hardware to the biggest U.S. companies but also in providing high-profit consulting services. Because of its roots as a PC company, Compaq has relatively low operating costs. Yet it now has the breadth of product line and the sort of high-level consulting operations that big corporate computer users demand. In addition, computer companies fear Compaq because of what they consider the company's deft management and skillful execution.

Computerworld, February 9, 1998

"The combination of DIGITAL, Tandem, and Compaq is formidable in any setting," said Joseph Pollizzi, president of the Digital Equipment Computer Users Society.

"Taken together, the vendors' merged product lines could provide just about any technology a customer could want," said Pollizzi, who heads up the science and engineering systems division at the Space Telescope Science Institute in Baltimore.

"I think DIGITAL's technologies [such as its Alpha servers, 64-bit UNIX and OpenVMS] will give Compaq more leverage in the enterprise," said Warren Smith, director of information technology at the Victor Reinz Division of Dana Corp., an automotive manufacturer in Lisle, Ill.

VARBusiness, February 2, 1998

But the real outlook is far brighter. Compaq's enterprise strategy holds rich opportunities for resellers who can deliver high-quality application development, systems integration, service, support or training. The successful resellers won't fight Compaq to the death on such issues as selling direct or account ownership, but will realize that Compaq may, in different situations, be a competitor, a prime or subcontractor, or an ally. Overall, 62% of those polled expect the buyout to help rather than hurt them.

DIGITAL Internal Use Only

PC Week, February 2, 1998, *"Deal Leaves Dell on Desktop Island"* by Anne Knowles

Direct marketer Dell Computer Corp., a bee in the bonnet of channel-driven computer makers, could lose some of its sting in the wake of the Compaq-DIGITAL merger.

Compaq Computer Corp.'s proposed acquisition of Digital Equipment Corp. promises to give Compaq the soups-to-nuts product and services pitch that Dell, its chief rival in the corporate PC market, lacks.

"Compaq will raise fear, uncertainty and doubt in terms of the enterprise," said Bruce Stephen, vice president of worldwide PC research at International Data Corp., in Framingham, Mass. "[They'll say], 'We can offer a range of services while Dell's menu looks skimpy.'"

PC Week Labs, Lab's Advice: Take Advantage of Alpha by Michael Caton and Michael Surkan

For Compaq Computer Corp. to get the most from the technology it has acquired with Digital Equipment Corp., the company should focus on DIGITAL's Alpha processor and the DIGITAL UNIX operating system as well as its Windows NT expertise.

PC Week Labs has found the biggest problem with DIGITAL's Alpha-based servers and workstations to be their limited choice of native applications when used as NT platforms. However, the Alpha CPU does provide better performance than X86-based systems, especially when running transaction-based applications on clustered systems running 64-bit DIGITAL UNIX. Compaq can now deliver to demanding customers solutions that run on a reliable operating system and a high-performance processor.

DIGITAL's NT expertise has also been proven in PC Week Labs' tests, where we have seen the company enhance NT's capabilities on everything from laptop PCs to servers. In particular, only DIGITAL has brought to market a Windows NT notebook with power management and Plug-and-Play capabilities.

To address the dearth of native Alpha applications, DIGITAL developed one of the best products we evaluated last year, FX32, a dynamic translator and binary recompiler that Microsoft plans to build into NT 5.0.

On large systems, DIGITAL has stayed ahead of its competition by being among the first to offer failover clustering with its DIGITAL Clusters for Windows NT software.

Tapping this expertise should give Compaq a new capability, providing consulting and customization services to corporations moving their entire enterprise to NT.

Merger

Communications and Engagement Kit for DIGITAL Services Managers

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COMPAQ

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Leading the Enterprise Computing Revolution

Source File: DIGITAL Integrated Repository
http://webir.das.dec.com/objects/OLWO1L

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COMBINED STRENGTHS

World Leadership in Open Standards Technology

- Servers, storage, workstations desktops, and portables
- Solutions integration
- Total ownership costs
- Global distribution network
- Mission critical solutions for Finance and Telecommunications

Premier Global IT Solutions Company

- Worldwide customer service and support organization
- Enterprise systems integration, IT management and support
- Global enterprise sales force
- Leadership technology and platforms

Global Enterprise Solutions Company

Customer focused – meeting complete customer requirements for products, technology, services and solutions.

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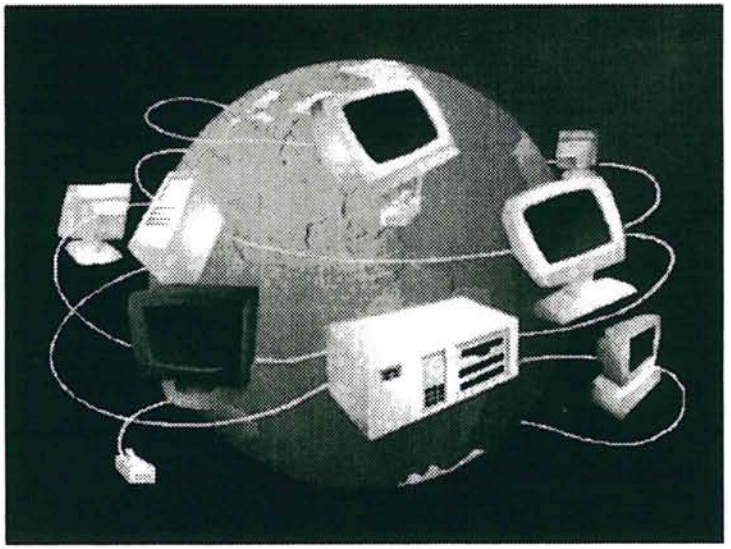
DELIVERING ON COMPAQ'S BUSINESS STRATEGY

The Leading Global Computing Company

- $50 billion by the year 2000
- 50% of revenue from Enterprise Solutions sales



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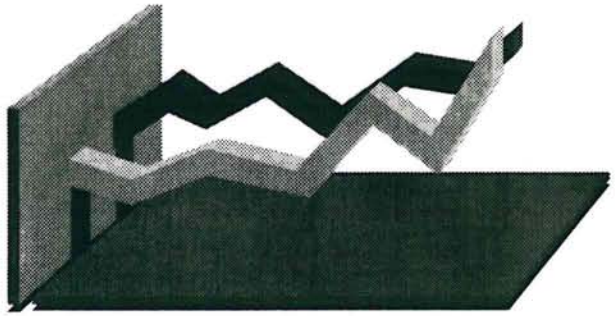
DELIVERING ON COMPAQ'S BUSINESS STRATEGY

Key Elements of Strategy

- Customer Focus
- Broad Product Range
- Continual Technology Innovation
- Vertical and Horizontal Solutions
- Strong Alliances and Partnerships



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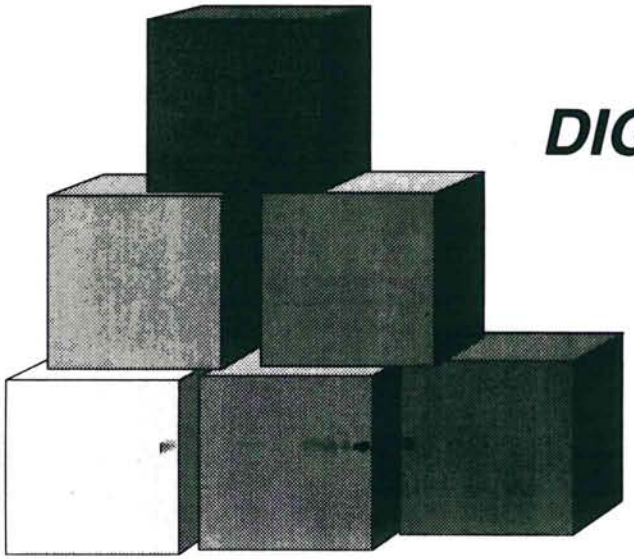
A MAJOR STEP IN THE ENTERPRISE STRATEGY



DIGITAL Acquisition

Acquisition and Integration of Tandem

Driving Growth of Enterprise

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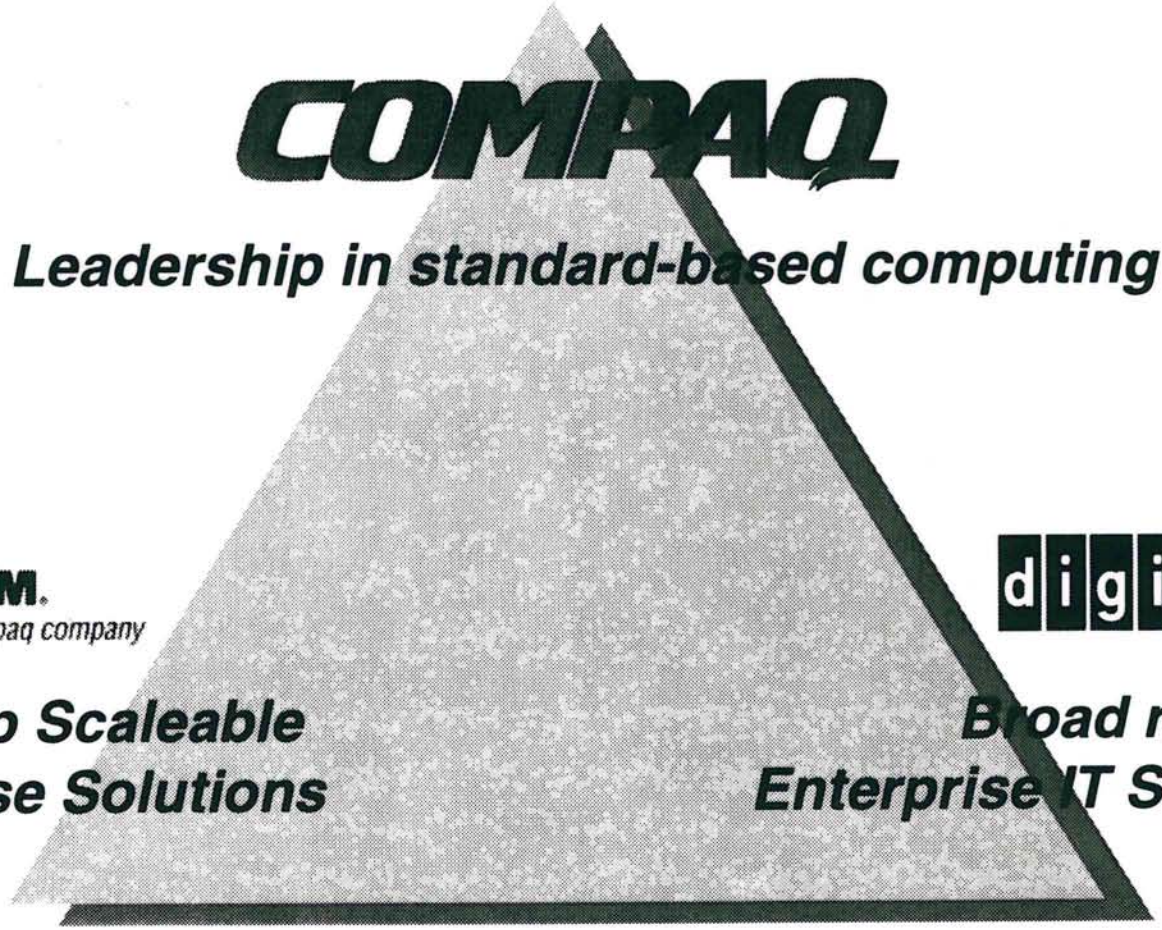
LEADERSHIP ENTERPRISE SOLUTIONS



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THE RIGHT PARTNERSHIP AT THE RIGHT TIME

Adds Key Value

- Leading-Edge Customers
- Experience in Key Vertical Markets
- Technology and Solutions Portfolio
- First Class Global Service and Support
- Highly Skilled and Dedicated Workforce

Operational Momentum

- Focused Enterprise Strategy
- Dramatic Growth in Target Markets
- Significant Earnings Growth

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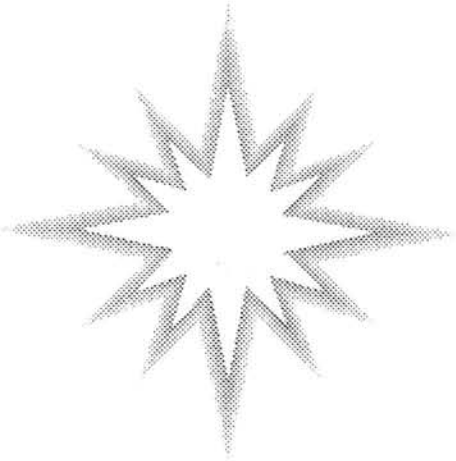
DIGITAL'S INDUSTRY STRENGTHS

Technology and Platform Leadership

- 64-bit technology Alpha, Open VMS, DIGITAL, UNIX
- Enterprise Software
- Enterprise Storage



Services and Support

- Global Lifecycle Enterprise Service and Support
- Leadership in Systems Integration and Client/Server Outsourcing

Enterprise Solutions

- NT Infrastructure and Internet
- Communications, Manufacturing, Finance

Strategic Alliances

- Microsoft, Oracle
- Computer Associates, SAP, MK

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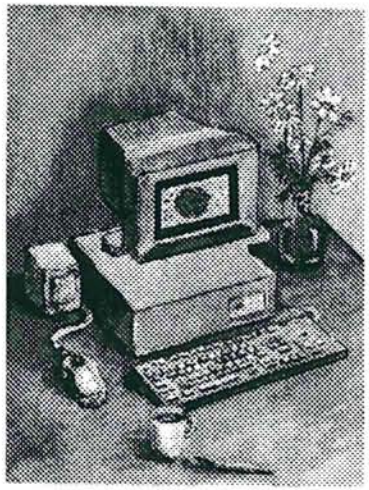
PRESERVING CUSTOMER INVESTMENT

- Before completion of the merger, DIGITAL and Compaq will continue to operate as separate companies, supporting their individual customers.
- The combined company will preserve the value and assets of DIGITAL, protect and extend customers investment, and continue the momentum of both companies.



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Lifecycle Services to Deliver Networked Business Solutions

John Rando
Senior Vice President and Group Executive
DIGITAL Worldwide Services

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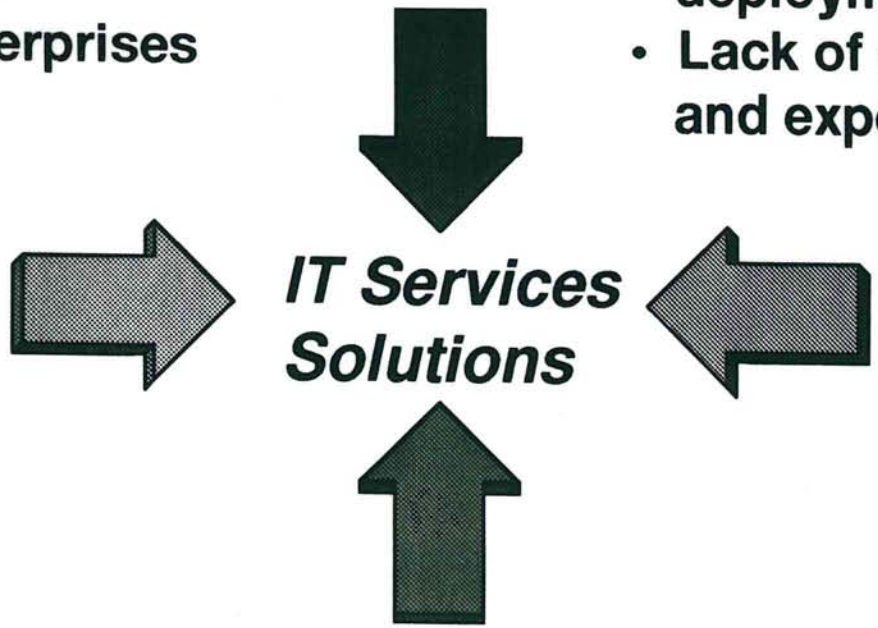
CUSTOMER CHALLENGES

- Time-to-market
- Customer service as a differentiator
- Conducting business on a global basis
- Inter/Intra-enterprises collaboration

- Extending capabilities through partnerships and alliances
- Rapid technology deployment
- Lack of experience and expertise



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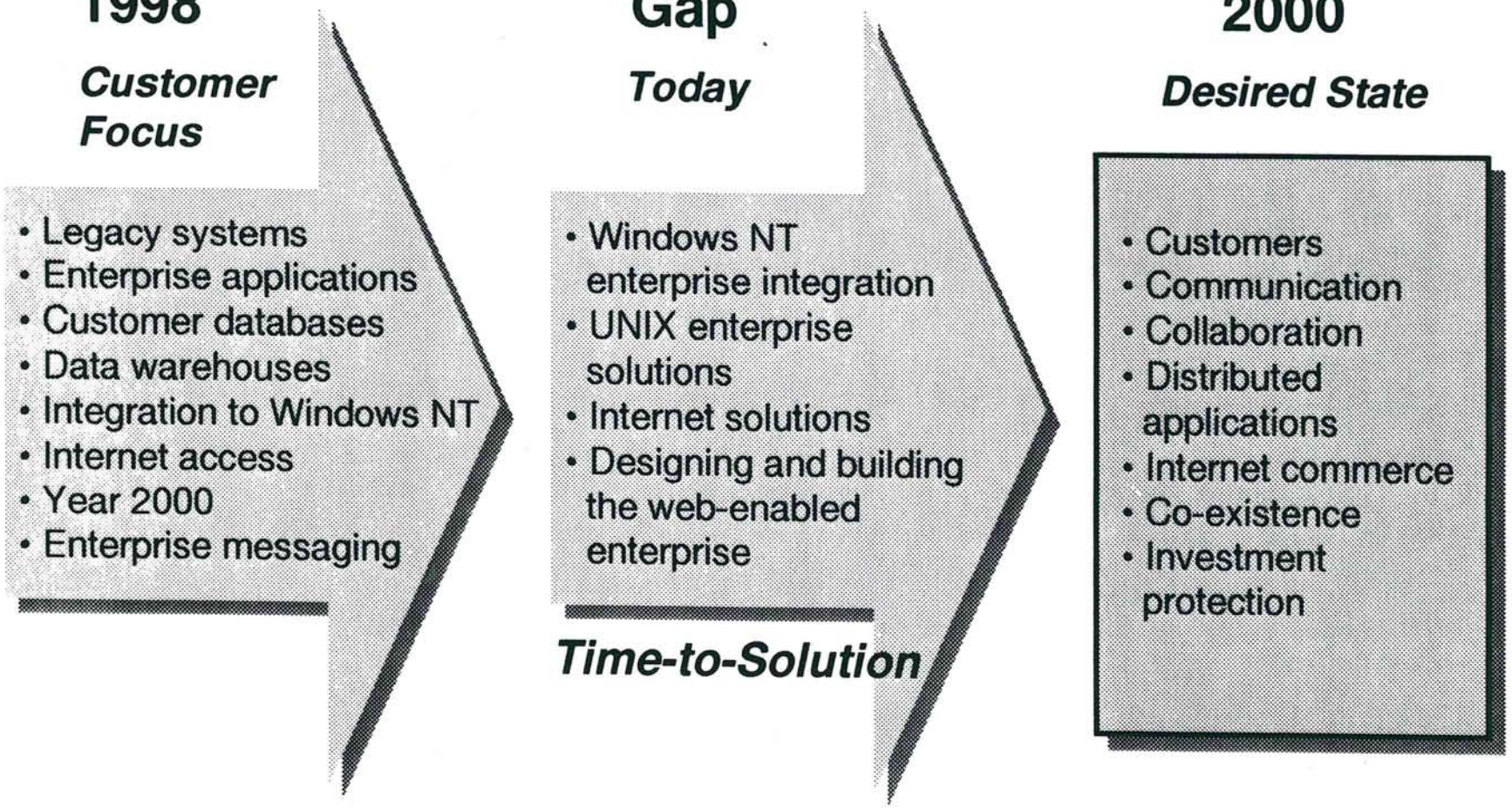
BRIDGING THE GAP



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KEY ELEMENTS OF OUR GROWTH STRATEGY

- **Multivendor, integrated lifecycle services for Windows NT, UNIX, and Internet technologies**
- **Broad spectrum of services**
- **Use IT infrastructure services expertise in deploying solutions in selected industry and cross-industry segments**
- **Extended coverage with partners and channels**
- **Extended capabilities through joint ventures, acquisitions, and aggressive hiring**
- **Leveraging Microsoft alliance to develop new markets**

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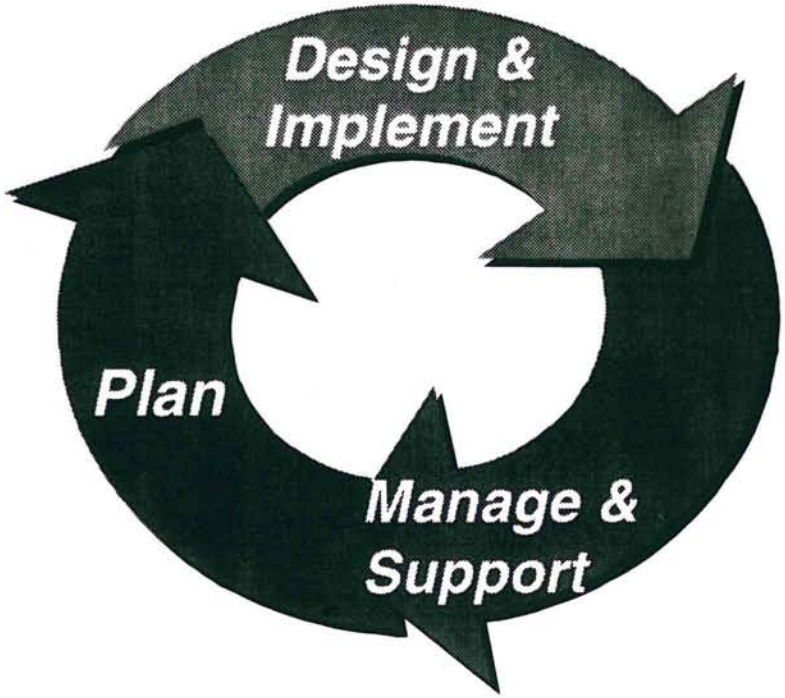
THE PREMIER TIER 1 IT SERVICE PROVIDER



- Network and Systems Integration Services
- IT / BP Consulting
- Business Strategy Consulting
- IT Management Services
- IT Support Services
- IT Outsourcing and System Management
- Business Process Outsourcing

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THE FUTURE FOR TIER 1 IT SERVICES PROVIDERS

- *Demand for IT* services is growing steadily and will accelerate through the year 2000
- *Microsoft technology* represents a large and increasingly profitable opportunity
- *Winners* will need to deliver broad, multivendor capability and expertise worldwide
- *Growth* will be the direct result of success in attracting ***skills***, developing ***methodology***, and having ***middleware***, ***tools***, and ***partners***

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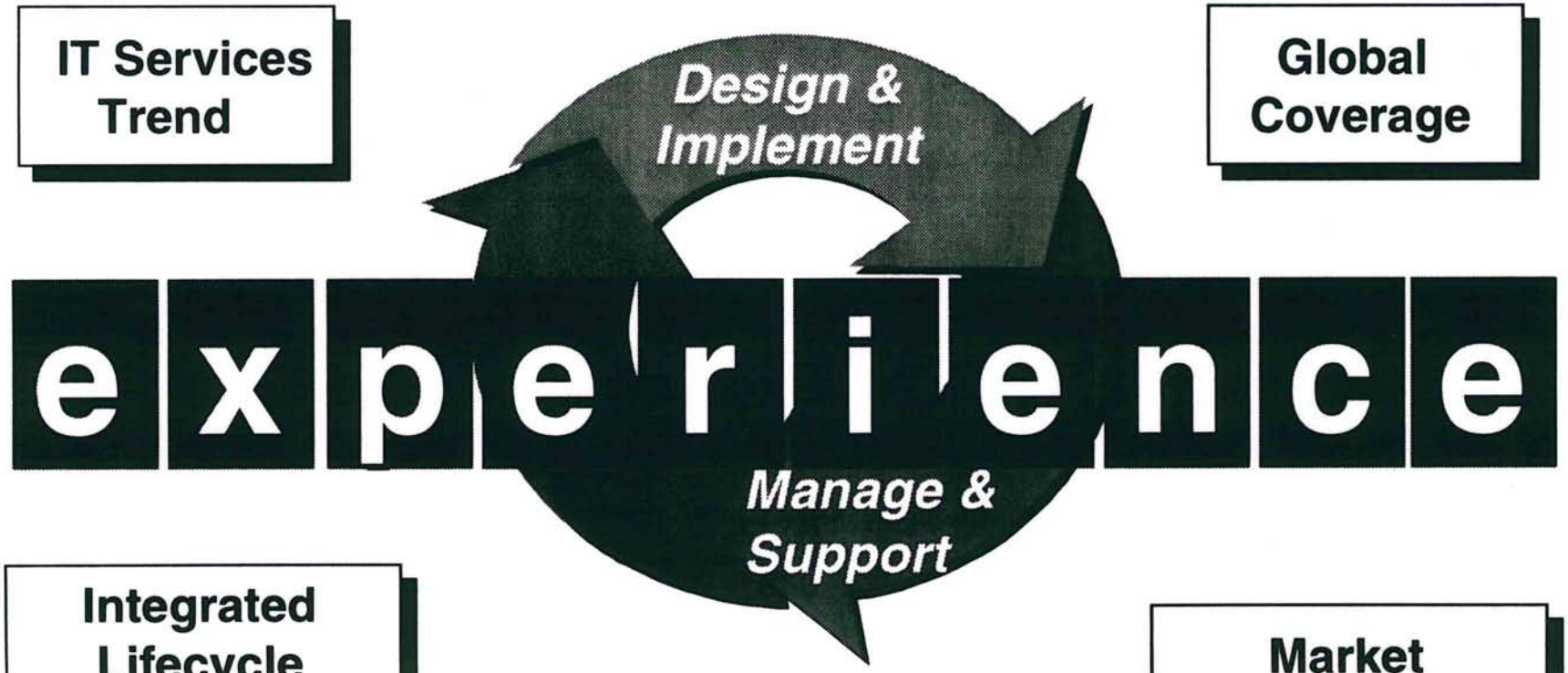
THE DIGITAL SERVICES ADVANTAGE



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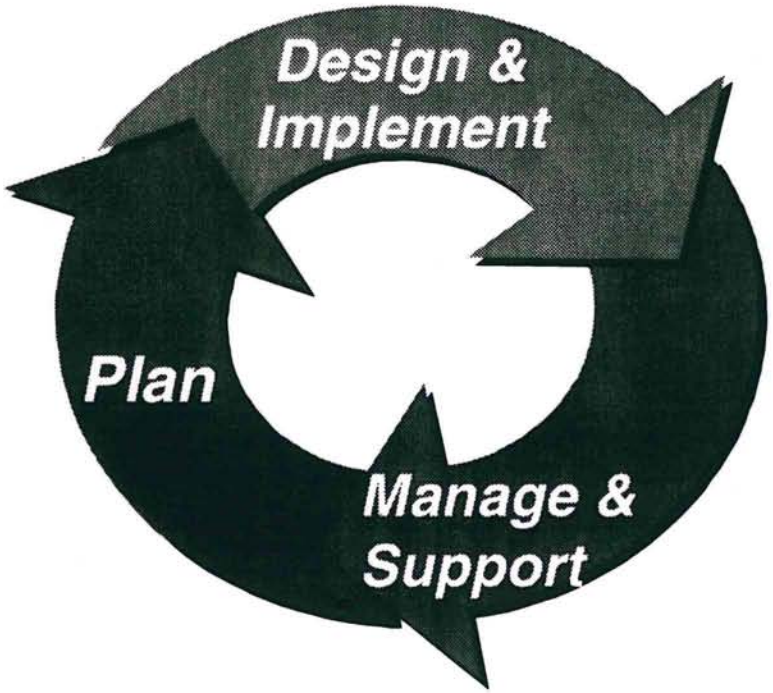
WHY WE WILL WIN

- Capability, methodology, technology, and tools
- Global reach, local presence
- People with expertise ***plus*** experience



- Lifecycle integrated, multivendor
- Repeatable solutions
- Partners and strategic alliances
- Focus on high growth markets

Time-to-Solution

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COMPAQ

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Leading the Enterprise Computing Revolution

digital

This presentation was created by DIGITAL Sales and Marketing as a tool to position the combined strength of the new company and to address customer concerns about their investments in DIGITAL Products and Services.

It is an excellent presentation to share with your local customers. We also recommend that you include it in your Employee Engagement session to help employees understand the positive market reaction to the merger, and the tremendous opportunities that lie ahead for the combined company.

NOTE: This kit contains black and white slides, however, using the enclosed diskette and a color printer, you can create color slides.

digital

digital

COMPAQ

Competitive Landscape

Source File: DIGITAL Sales & Marketing Web Site
http://dsm.mro.dec.com/compaq/

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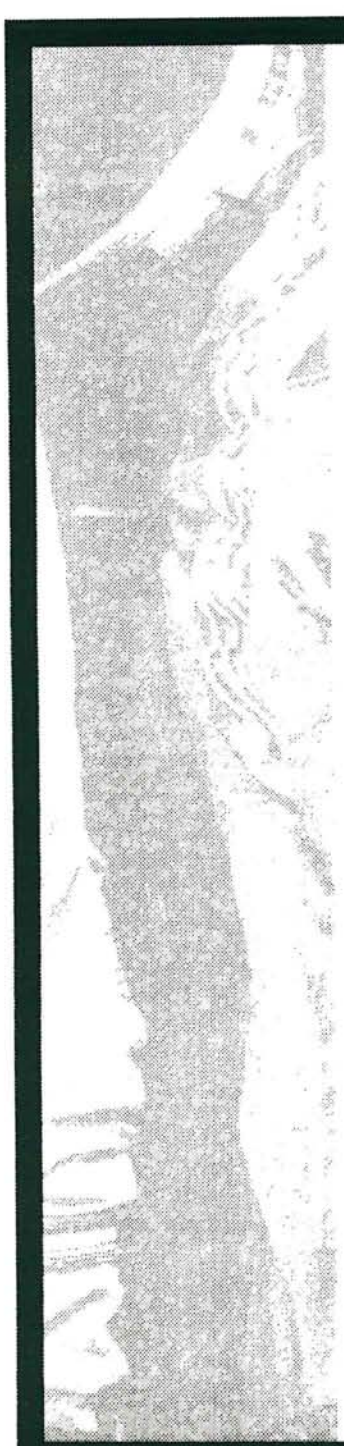
The Facts

"What we really value in this is the (DIGITAL) customer base, the service and support capability and the enterprise computing products and solutions, and the people behind it."

Eckhard Pfeiffer
CEO, Compaq



digital

The Facts

"When the merger is completed, Compaq will be absolutely committed to the continued success of the DIGITAL leadership in 64-bit technology with Alpha microprocessors, DIGITAL UNIX and OpenVMS."

Eckhard Pfeiffer
CEO, Compaq
in letter to DIGITAL customers

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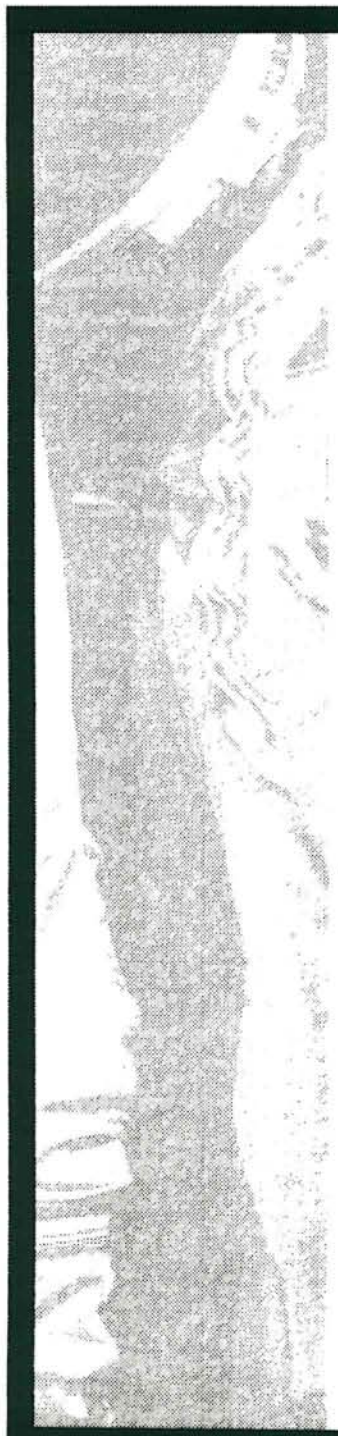
The Facts

"This merger gives DIGITAL tremendous reach and credibility in the marketplace. It gives us the scale and resources to make continued investments in our key technologies and services."

Robert Palmer
DIGITAL Chairman



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The Facts

"This is a good fit. The end result will strengthen the acceptance of Windows NT in the enterprise. And it will provide customers with enhanced Windows NT and BackOffice solutions and integration expertise."

Bill Gates
Chairman and CEO, Microsoft

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The Facts

"This merger will combine the top producer of PC hardware and Intel-based servers with the breadth and depth of a true enterprise solutions force."

Jerry Sheridan
Director and Principal Analyst, Dataquest

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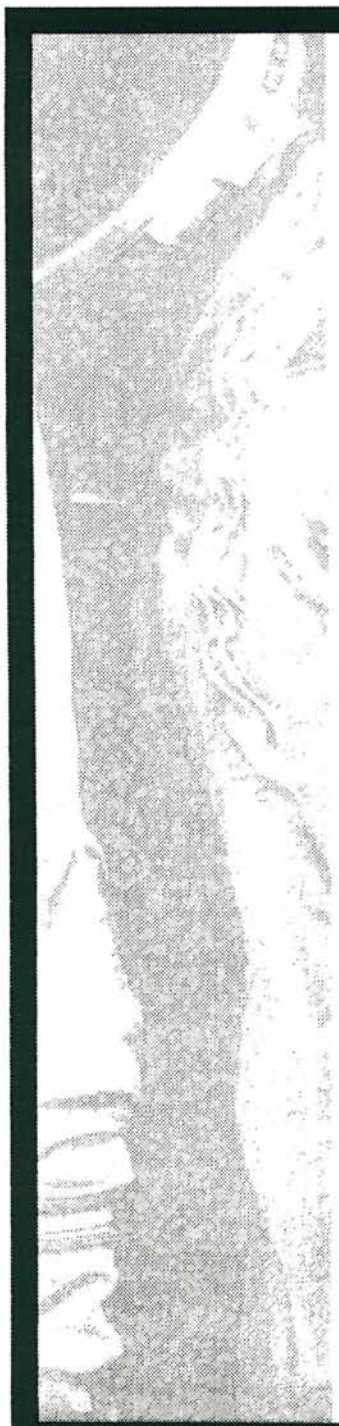
The Facts

"DIGITAL was the first to see that NT was an opportunity. Our polls show DIGITAL as number one in Windows NT services."

Lucinda Frink

Research Analyst, Gartner Group



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The Facts

"The deal gives Compaq one of the largest and best service and support organizations in the industry. Nobody knows these customers better than DIGITAL does."

Richard Doherty
Founder, Envisioneering Inc.

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The Facts

"This absolutely puts pressure on competitors. Independent computer manufacturers in particular are now at one more competitive disadvantage."

Stephen Smith
Managing Director, Broadview Associates

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The Facts

"This is exactly why Compaq bought DIGITAL, because DIGITAL's Microsoft skills are head and shoulders above everyone else's."

John Oltsik

Analyst, Forrester Research

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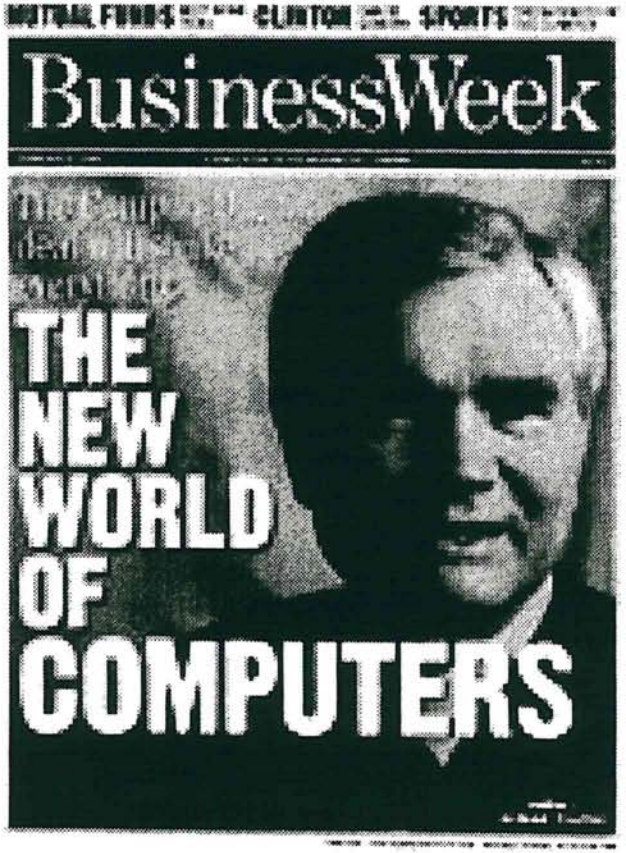
The Facts



"Armed with DIGITAL's products – not to mention its vaunted service and support staff – Compaq will bring its own low-cost, take-no-prisoners PC economics into high-end corporate markets long dominated by HP and IBM."

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What This Means to Customers

No competitor can match the combined strengths of Compaq, DIGITAL, and Tandem.

- Compaq is the market leader in the PC market, the PC server market, in NT workstations, and is among the market leaders in enterprise storage.
- DIGITAL is a strong player in the PC market and the market leader in lifecycle support and services and 64-bit technologies, including Alpha, OpenVMS and DIGITAL UNIX.
- Tandem is the market leader in the fault tolerant server market with nearly 70% of its revenue focused in the finance and communications industries.

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What This Means to IBM

- IBM must slash costs, particularly in PCs. Its overhead is 27% of revenues compared with 15% at Compaq.
- Compaq and DIGITAL will provide leading solutions in the core of IBM's corporate business.
- IBM will face more competition in its services business.

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What this Means to HP

- HP's NT expertise cannot compare to Compaq-DIGITAL.
- HP will be facing a lean, aggressive competitor with a broad range of skills and products.
- The merger will significantly fortify the relationships Compaq-DIGITAL has with Microsoft and Intel.
- DIGITAL UNIX becomes even more attractive to HP UNIX customers.

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What this Means to SUN

- SUN's revenue will be less than a quarter the sales of a combined Compaq and DIGITAL.
- SUN becomes a niche player.
- SUN will have to convince customers that using UNIX-only machines is the right strategy.
- SUN will have to dramatically boost its service skills.

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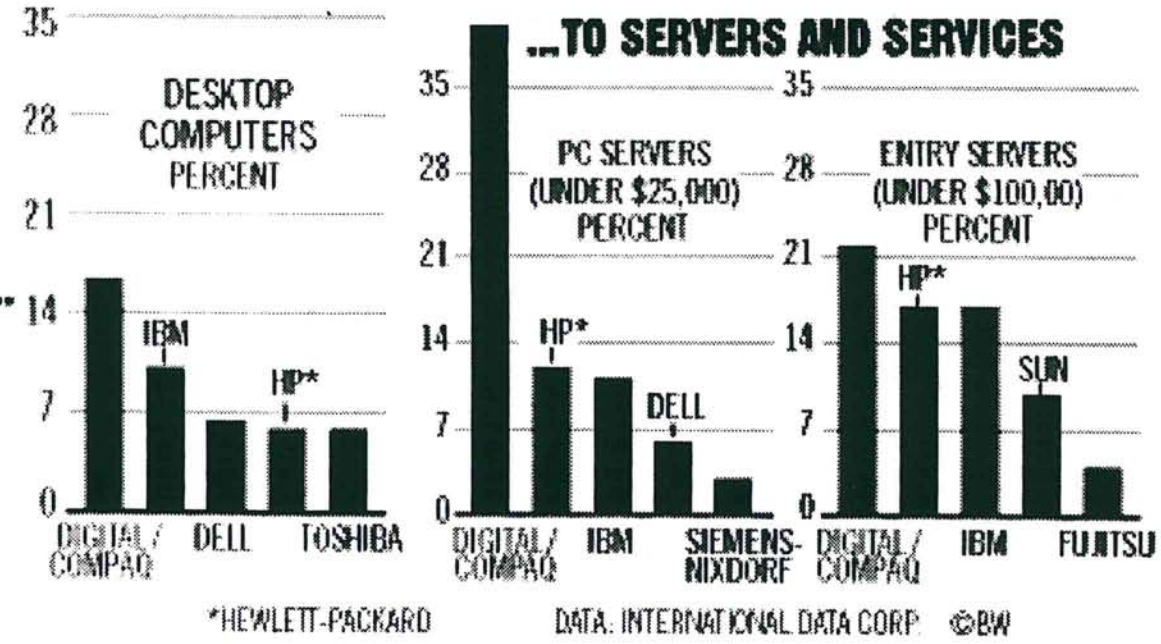
The New Colossus

THE NEW COLOSSUS: FROM DESKTOPS AND WORKSTATIONS...

NOTE: ALL NUMBERS ARE WORLDWIDE SHARE BASED ON REVENUES IN 1997 EXCEPT WHERE NOTED



*HEWLETT-PACKARD

DATA: INTERNATIONAL DATA CORP. ©BW

BusinessWeek, February 9, 1998

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Preserving Customer Investment

Before completion of the merger, DIGITAL and Compaq will continue to operate as *separate companies*, supporting their individual customers.

The combined company will preserve the value and assets of DIGITAL, protect and extend customers' investments, and continue the momentum of both companies.