

# WHITE PAPER

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## Compaq Workstation Division Compaq/Digital Merger Q&As - External

*The purpose of this paper is to provide answers to commonly asked questions regarding Compaq's new Workstation Division resulting from the merger of Compaq and Digital Equipment Corporation.*

*Additional information and answers will be forthcoming as Compaq's new Workstation Division organization takes shape and our strategies become more tightly defined.*

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## Compaq/Digital Merger Q's & A's White Paper

June 1998

**BACKGROUND****Q. What is the mission of Compaq's Workstation Division and how will it change as a result of the Digital merger?**

A. Compaq's Workstation Division mission has not changed - we will continue to focus on driving leadership share and customer satisfaction by providing powerful, cost effective industry standard workstations, options, and associated services to business/financial, creative and technical/engineering customers. These customers are designers, engineers, and financial traders who use powerful workstations as an integral part of their daily job function. Increasingly, these customers will count on Compaq to deliver the performance they need to reach critical time-to-solution project deadlines coupled with the services they need to confidently deploy these systems throughout their enterprise.

**Q. What does the combination of Compaq and Digital's capabilities bring to workstation customers?**

- A broad range of leadership products for Windows NT® and UNIX based on uncompromising performance, rock-solid engineering and quality manufacturing
- Complete line of high performance graphics offerings for entry 2D/3D, multi-monitor 2D, midrange 3D and enhanced 3D/visualization based on best-in-class 3rd party products and Digital's acclaimed PowerStorm graphics
- Strong partnerships with leading workstation application providers to ensure optimum performance and compatibility
- Comprehensive NT/UNIX interoperability capabilities to ease customer migration to industry standard systems
- Worldwide service and support programs and providers to ensure confident deployment in critical applications -- for Windows NT, even more certified professionals than Microsoft

**Q. Will the combination of Compaq and Digital's Workstation Division lead to market share increases for the combined company?**

A. The synergy of the combined divisions will lead to a market share increase as compared to the share realized by the two divisions operating independently. This is due to the strengths each company brings to the table. For example, Digital has expertise in high-end graphics and integration services. Compaq has expertise in design-to-cost product development and high-volume manufacturing.

**Q. What markets will the combined entity focus on?**

A. The new workstation division will focus on CAD/CAE/AEC, Electronic Design Automation (EDA), Finance, Digital Content Creation (DCC), and Geographic Information Systems (GIS). In addition, Compaq's Workstation Division will continue to align with Digital's existing leadership presence in High Performance Technical Computing Markets to drive workstation clusters for compute intensive applications such as simulation, rendering and analysis.

**Q. Will this allow you to lead in any market segments immediately and if so which ones?**

A. The synergy of the combined companies should allow Compaq to increase our share. For instance, according to IDC in their Worldwide Workstation Review and Forecast, 1997-2002 (May 1998), in 1997 Compaq and Digital had a combined market share of 24% of the engineering segment (CAD, CAE, AEC and EDA) compared to HP's 25%, and a combined share of 28% of the DCC segment equal to HP. Compaq is also firmly committed to enhancing Digital's already strong number 2 position in HPTC.

**Q. How does this affect your relationship with workstation partners such as PTC, Bentley and Synopsis?**

A. Both Compaq and Digital have developed relationships with leading ISVs in the markets that we are pursuing. These relationships are very complementary. Moving forward, the combined organization is even better positioned to offer ISVs a strong technical and go-to-market partnership particularly as it applies to Alpha and Intel systems running NT. With a broad, multi-line strategy, enhanced technology and field capabilities and more NT Solution Providers than anyone else in the world, the new Compaq Workstation Division offers ISVs a compelling platform as they add NT to their application arsenal.

## PRODUCTS

**Q. How will the Digital merger affect the new Division's product strategy?**

A. Individually each company has been focused on product strategies that capitalize on the workstation market shift towards NT. The merger affords the new Compaq the opportunity of taking the best attributes of both companies to deliver an extensive, multi-line product and services strategy in partnership with our key ISV and channel partners. Under the merged organization, we will offer an NT workstation product line that ranges from the most affordable desktop workstation systems, to the world's most powerful Alpha-based systems, all under the brand of the Compaq Professional Workstation family. With more trained NT certified professionals than even Microsoft, world-class service and support, and comprehensive NT and UNIX interoperability capabilities, Compaq's Workstation Division is poised to deliver compelling value to workstation customers worldwide.

**Q . When will customers see a unified roadmap?**

A. A unified roadmap is complete and available to Compaq & Digital customers under non-disclosure immediately.

**Q. What product lines will be included in the new Compaq Professional Workstation unified roadmap?**

A. Compaq's unified roadmap has already begun to take shape with the introduction of the first member of Compaq's new AP Line, the AP400 on June 8<sup>th</sup>. The AP400 is the first product in Compaq's new "Affordable Performance" line – part of a comprehensive, multi-line strategy to

offer customers the flexibility to choose workstation solutions based on the level of performance required. Additional members of Compaq's multi-line strategy will be introduced over the next several months delivering a complete range of performance capabilities for a variety of demanding workstation applications.

The AP line will be complemented by our "Scalable Performance" line of Intel based products specifically designed for those users requiring uncompromising levels of performance and scalability to run demanding applications. The SP line of products, based on the Intel Pentium II Xeon processor and using our innovative Highly Parallel System Architecture, will offer the performance and features expected by users who've made the strategic architectural decision to move from the RISC/UNIX world to Intel workstations running Windows NT.

Users requiring the highest levels of application performance will benefit from Compaq's new XP line of products based on the 64-bit Alpha processor. With extremely high levels of integer and floating point performance, coupled with an overall systems architecture tuned for speed and maximum throughput, our XP line of workstations give customers a choice of either the NT or UNIX operating environments with power to the perform in the extreme!

**Q. What type of users/customers do you anticipate will choose to buy Intel based systems vs. Alpha based products?**

A. Users who have a current install base of Intel workstations running NT will want to leverage the investments they've already made in third party SW and HW, support and training, etc., and continue to purchase high performance Intel systems. In addition, our research has shown that a number of customers have made – or are in the process of making - the strategic architectural decision to move to Windows NT-based Intel workstations from RISC/UNIX machines. These users have made this move for a number of reasons, including the availability of a wide range of software applications and third party hardware for Intel-based machines. Intel-based workstations provide an excellent combination of high system performance with the benefits that industry standard systems bring in terms of price, application availability and total cost of ownership.

A number of workstation users however, require systems that provide the best application performance available - period. These users are extremely sensitive to application performance – particularly in specialized application areas where reducing the time it takes to complete the task can be measured in terms of financial savings and/or deadline completion. Other customers are interested in utilizing a mix of NT and UNIX workstation within their environments. UNIX workstations may be required for particular specialized applications within an overall EDA design flows for instance. The XP line of products delivers Alpha-powered performance and the choice of utilizing either NT or UNIX allowing customers the performance they need in the application environment that best meets their needs.

**Q. How will your new workstation products be branded – what will they be called?**

A. New workstations from Compaq will use the Compaq Professional Workstation brand.

**Q. What does this mean for Digital's (Intel) NT workstation products?**

A. The last planned Digital-branded workstation will be launched in June, 1998. (This will be the Digital Personal Workstation 400i.) After the introduction of this product, no new Digital-branded

products will be introduced. However, existing Digital IA/ NT workstation systems (i-Series) launched prior to the merger along with the 400i will continue to ship under the DIGITAL brand until End Of Life (EOL). All EOL products will be serviced and have spares available for a minimum of 5 years

Workstation products introduced after the 400I will be branded with the Compaq "Professional Workstation" brand. Also, Compaq will invest in Digital's "PowerStorm" graphics brand, and will introduce new products using this brand name.

**Q. Will you continue to introduce NT Alpha-based workstations?**

A. Yes, NT Alpha-based products will continue to play a key role in Compaq's new multi-line Professional Workstation strategy moving forward. Existing Digital Alpha NT workstation systems (a-Series) launched prior to the merger will continue to ship under the DIGITAL brand until End Of Life (EOL). All EOL products will be serviced and have spares available for a minimum of 5 years. Future NT Alpha-based systems will carry the Compaq Professional Workstation brand.

**Q. Can I expect to see the Alpha 21264 (EV6) in future workstation products from the merged corporation?**

A. Yes. In fact, you can already purchase an Alpha 21264 upgrade to an existing Alpha-based workstation at a "not-to-exceed price" in a specified timeframe. More broadly, the merged corporation fully intends to have Alpha-based products, including the industry-leading Alpha 21264-based products, in its new multi-line product strategy.

**Q. What kind of upgrade path can I expect for my existing equipment?**

A. You can expect industry-leading enhancements or follow-on products to all products you currently own. For the existing Alpha-based workstations, for example, there is already a program in place that allows a customer to purchase an Alpha 21264 upgrade to an existing Alpha-based workstation at a "not-to-exceed price" in a specified timeframe. Similarly, for customers who have purchased a PowerStorm graphics accelerator, plans are in place to have a complete line of compatible, even higher performance, PCI- or AGP-bus, Open GL-compliant accelerators in the new product line.

**Q. What will the new divisions operating system strategy be moving forward?**

A. The primary operating system focus for the new workstation division will continue to be Windows NT. The clearest opportunity for growth is with NT and the combined Compaq/Digital is the industry leader in providing the most extensive enterprise-wide NT solutions – bar none. Compaq will also continue to support DIGITAL UNIX solutions in the enterprise and we will continue to offer UNIX on Alpha-based workstations.

**Q. There have been many conflicting stories in the press about Compaq's commitment to Digital UNIX, especially as far as clients go?**

A. The new Compaq is focused long-term on the explosive Windows NT environment, but is committed to support Digital UNIX in technical workstation environments, and to the interoperability of Digital UNIX with Windows NT 4.0.

**Q. Will your UNIX interoperability capabilities be strengthened by the merger and if so, how?**

A. Yes, both companies have been actively working with NT/UNIX interoperability partners such as Hummingbird Intl, MKS and Intergraph to test, certify and configure solutions for heterogeneous UNIX/NT environments. . We will also continue working with Microsoft to help define future interoperability requirements for NT. In addition, the merger will bring an impressive array of service capabilities to customers and Workstation Solution Provider partners designed to support customers in their efforts to integrate NT systems into a UNIX and or MAC environment

**Q. What are your plans to support customers still using VMS on Digital workstations?**

A. We will continue to support OVMS on the currently shipping DIGITAL Personal Workstation au-Series systems. As planned by DIGITAL before the merger, support for OVMS on the workstation family will continue until the year 2000. After that time, customers will be given a range of options that includes migration to NT, migration to an AlphaServer running OVMS or use of a custom solution that will be available to them on a contractual basis for an indefinite period of time.

**Q. Digital has a powerful set of graphics options in their PowerStorm Graphics. What are Compaq's plans to integrate these capabilities into the product line?**

A. Graphics is an area where the strategies of Compaq and Digital are very complementary. Compaq has been working with key industry providers such as 3D Labs, ELSA, and Evans & Sutherland to source 3<sup>rd</sup> party graphics adapters and insure thorough testing and certification, that they meet the demanding requirements Compaq places on technology partners in terms of quality, cost and performance. Digital was also pursuing this path with many of the same partners while providing additional added value in the 3D graphics area with their outstanding DIGITAL PowerStorm Graphics family of 3D adapters. Moving forward, the combined company will continue to work intensely with the industry, investing appropriately to deliver a range of entry 2D/3D, multi-monitor 2D, and high performance PowerStorm 3D products.

**Q. What is the new Division's manageability strategy for workstations moving forward?**

A. We will continue to support the existing Compaq Workstation Management Solutions strategy for all future Intel based workstation systems. Alpha-based systems will continue to support DMI and will migrate to support Compaq management frameworks in the future.

**Q. Will the Digital products, Intel and Alpha, be folded into Compaq's Optimized Delivery Model?**

A. DIGITAL is currently implementing a Channel Integration Program (CIP) that is designed to allow channel partners to purchase Intel or Alpha systems and options for assembly in the channel. Investigation is currently underway to share best practices from the CIP program with the Compaq CTO/BTO programs to achieve complete integration.

**COMPETITION****Q. How does the merger affect your ability to compete with SUN in the workstation market?**

A. The synergies of the merged companies will allow Compaq to more easily address perceived advantages Sun may carry in the marketplace. When augmented with the Alpha-based Digital workstation product line, Compaq will offer an array of products that surpasses the portfolio that Sun brings to the table. The new Compaq line should provide better price/performance in entry AP and mid-range SP lines and better absolute raw power with the high-end XP products. The combination of Digital and Compaq will create an entity with expertise in all key workstation technologies, including graphics, RISC and Intel processors, chipsets and system architectures, storage, UNIX and Microsoft Windows NT operating systems.

**Q. How does the merger affect your ability to compete with HP in the workstation market?**

A. The merger of Compaq and Digital will boost Compaq's ability to compete with Hewlett-Packard in two primary ways. On one hand, Compaq will gain enhancements to its business model that will create a more formidable competitor to HP by eliminating HP's historical global sales and services advantages over the smaller Compaq. Post-merger, Compaq will have the type of worldwide sales, service and support capabilities needed to satisfy demanding global workstation accounts—all augmented by Compaq's well refined and efficient development and delivery methodologies. On the other hand, Compaq gains expertise and instant credibility in key technologies that HP has previously used as differentiators. Combined with Digital, Compaq will offer leadership in graphics, RISC processors, UNIX/Windows NT interoperability and systems management—effectively gaining parity with HP and in some cases surpassing their capabilities in the market.

**Q. How does the merger affect your ability to compete with Dell in the workstation market?**

A. Compaq has traditionally offered stronger performance and a broader array of solutions than Dell's workstation product line. The merger between Compaq and Digital will only increase the advantage Compaq can offer customers. While Dell can only offer basic technology provided by Microsoft and Intel, Compaq can offer all that and more—including high powered 64-bit UNIX workstations and RISC-powered Windows NT solutions augmented by Digital's impressive graphics technology. And since Compaq has always been Dell's closest competitor in terms of price, the added volumes of the joined Compaq/Digital will allow Compaq to keep the pricing pressure on Dell going forward.

**Q. How does the merger affect your ability to compete with IBM in the workstation market?**

A. Compaq has been competing effectively against IBM since it launched its first workstation product roughly 18 months ago. There are three primary benefits to the merger that stand out at first glance. First, the integration of Compaq and Digital will allow the "New Compaq" to escalate its ability to compete with IBM by expanding Compaq's ability to sell and service "high touch" accounts where IBM has always excelled. Secondly, the addition of Digital's world-renowned services staff gives Compaq an ability to provide the type of worldwide service and support that only a global company such as IBM could provide before. Finally, Compaq will add to its current



product strengths by delivering a broad product line that scales from the highly affordable AP Line, all the way to the market leading performance of Alpha on NT or UNIX.

## **SUPPORT**

**Q. What is “the New Compaq” going to do to keep customers of Digital like myself as one of its own?**

A. Compaq is doing some very specific work to assure existing Digital customers that the merged company will honor prior agreements, so that current Digital customers remain Compaq customers. The plan is to do the following:

- Provide a path forward for all Digital products in the merged company’s integrated workstation and graphics product roadmap;
- Allow ample time for customers and partners to select, test, qualify and certify new products;
  
- Continue to support existing/shipping Digital products until these new products are certified by customers and partners;
- Give ample notice to customers and partners for products going “end-of-life”, and specifically allow time for final orders;
- For any “EOL products”, continue to provide add-ons, upgrades, peripherals and options as specified;
- Assure that all EOL products will be serviced and have available spares for 5 years at least beyond the EOL date;
- Continue providing technical support for these products.

**Q. What will happen to the warranty on my existing equipment, and who will service it?**

A. MCS (Digital’s Multivendor Customer Services division) will honor all warranty and service contract obligations that are in place.

**Q. What will happen to all pending orders?**

A. All orders currently in the system will be filled. Furthermore, customers will be able to place new orders through their existing sales representatives and channels.

**Q. Will my existing Digital special pricing remain the same as it has been?**

A. All customer contracts regarding special pricing will be honored until the expiration of the contract.

**Q. Who will be my new Account Representative, since both Compaq and Digital have representation today?**

A. Our plan is to ensure that no current customer is left without a sales representative. As Digital and Compaq merge, the expectation is that one account representative will be designated for “the New Compaq”, since this is what the vast majority of our customers want, and most likely it will be either the existing Digital or Compaq rep.

**Q. Who will be my contact person for application partner-related issues since both Compaq and Digital have representatives today?**

A. Our plan is to ensure that no current partner is left without a contact person. In the merged organization, the expectation is that one ISV relations manager will be designated as your prime contact. We should be able to communicate who will be your contact within the next 30 days. Until then, please continue to work with your current Compaq/Digital contact (s).

**Q. Who do I call for technical support on Digital products after the merger?**

A. The same number you call today.

**Q. What will happen to US Federal government accounts , which often have specific requirements, as well as special pricing?**

A. The merged corporation will continue to support government customers, with the unique and specialized requirements that they have, through the end of their existing contracts. When it is time for a new contract, or if new requirements or different special pricing issues arise, the merged corporation will address those requirements and considerations at that time. In any case, the government business has been critical to both Compaq's and Digital's success and it will remain so for the merged corporation.

**Q. Will my current reseller continue to be my reseller after the merger is completed?**

A. The current reseller partners will continue as partners in the merged company. If there is a change in the specific reseller who provides you with sales and service, we will give our customers adequate notice and options for evolution to a different sales and service partner.