

Headnote

MRRS B Relief from registration and prospectus requirements for trades involving employees, former employees and designated beneficiaries pursuant to equity investment plan B Relief from issuer bid requirements for acquisition by issuer of securities in connection with exercise mechanisms under equity investment plan B Issuer with *de minimis* Canadian presence.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53, 35(1)(12)(iii), 72(1)(f)(iii), 74(1) and 144

Policies Cited

Rule 45-503 B Trades to Employees, Executives and Consultants

IN THE MATTER OF THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK,
NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA, ONTARIO,
QUEBEC AND SASKATCHEWAN

AND

IN THE MATTER OF

THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF

HEWLETT-PACKARD COMPANY

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **ADecision Maker@**, and collectively, the **ADecision Makers@**) in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan (the **AJurisdictions@**) has received an application (the **AApplication@**) from Hewlett-Packard Company (**AHP@** or the **AFiler@**) for a decision under the securities legislation of the Jurisdictions (the **ALegislation@**) that:

- (a) the requirements contained in the Legislation to be registered to trade in a security (the **ARegistration Requirements@**) and to file and obtain a receipt for a preliminary prospectus and a prospectus (the **AProspectus Requirements@**) (collectively, the **ARegistration and Prospectus Requirements@**) shall not apply to distributions and/or certain trades in common shares (the **ACommon Shares@**) in the capital of the Filer and in options for Common Shares made in connection with the HP 2000 Employee Stock Purchase Plan (**AHP SOP@**), the HP 2000 Stock Plan (**AHP 2000 SP@**) and certain other plans; and
- (b) the requirements contained in the Legislation pertaining to bids to acquire or redeem securities of an issuer made by an issuer, including requirements relating to the filing of forms (the **AIssuer Bid Requirements@**), shall not apply to certain acquisitions by the Filer of Common Shares pursuant to the HP SOP, the HP 2000 SP and certain other plans;

AND WHEREAS the Filer was previously granted a decision document dated October 24, 2000 (the **APrevious MRRS Decision@**) under the Mutual Reliance Review System for

Exemptive Relief Applications (the **ASystem@**), decisions of the Commission des valeurs mobilières du Québec (the **ACVMQ@**) dated September 29, 2000 and a decision dated May 31, 2000 by the Decision Maker in New Brunswick, that provided relief from the Registration and Prospectus Requirements in respect of certain distributions and/or trades in securities of the Filer arising from the HP SOP and the HP 2000 SP;

AND WHEREAS the Filer is also requesting a decision under the Legislation that revokes the Previous MRRS Decision;

AND WHEREAS under the System, Ontario is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. HP is a corporation incorporated under the laws of Delaware and is not a reporting issuer in Canada under the Legislation. HP is subject to the reporting requirements of the U.S. Securities Exchange Act of 1933, as amended (the **A1933 Act@**), and the U.S. Securities Exchange Act of 1934, as amended (the **A1934 Act@**). The Common Shares are listed and posted for trading on the New York Stock Exchange, Inc. (the **ANYSE@**) and the Pacific Exchange.
2. The authorized share capital of HP consists of 9,600,000,000 Common Shares with a par value of US\$0.01 each and 300,000,000 shares of preferred stock with a par value of US\$0.01 each. As at January 28, 2002, there were 1,941,391,000 Common Shares and no preferred stock of HP issued and outstanding.
3. Hewlett-Packard (Canada) Ltd. (**AHP Canada@**), currently a wholly-owned subsidiary of HP, is a corporation incorporated under the federal laws of Canada. HP Canada is not a reporting issuer or its equivalent under the Legislation and has no present intention of becoming a reporting issuer or its equivalent in any of the Jurisdictions.
4. HP and Compaq Computer Corporation (**ACompaq@**) have agreed that, subject to certain conditions, HP will acquire Compaq pursuant to an Agreement and Plan of Reorganization, dated as of September 4, 2001 (the **AMerger@**).
5. HP and Indigo N.V. (**AIndigo@**) have agreed that, subject to certain conditions, HP will acquire Indigo pursuant to an Offer Agreement, dated as of September 6, 2001 (the **AIndigo Acquisition@**).
6. Compaq is a corporation incorporated under the laws of the state of Delaware and is not a reporting issuer or its equivalent under the Legislation except under the Securities Act (Quebec) (the "QSA"). The CVMQ granted exemptive relief to Compaq on January 14, 2000 from the continuous disclosure obligations under the QSA (decision no. 2000-C-0029). Compaq is subject to the reporting requirements of the 1933 Act and

the 1934 Act. An effect of the Merger is that HP will be a reporting issuer under the QSA. HP intends to apply for exemptive relief from the continuous disclosure obligations under the QSA similar to the above relief provided to Compaq by the CVMQ.

7. The authorized share capital of Compaq consists of 3,000,000,000 common shares with a par value of US\$0.01 per share and 10,000,000 shares of preferred stock with a par value of US\$0.01. As of January 28, 2002, there were 1,704,636,432 common shares and no preferred stock of Compaq issued and outstanding.
8. Compaq Canada Corp. (ACompaq Canada@) and Compaq Financial Services Canada Corporation (ACompaq Financial Canada@), both wholly-owned subsidiaries of Compaq, are corporations incorporated under the laws of Nova Scotia. Neither corporation is a reporting issuer or its equivalent under the Legislation and neither has any present intention of becoming a reporting issuer or its equivalent in any of the Jurisdictions.
9. Indigo is a corporation incorporated under the laws of The Netherlands and is not a reporting issuer or its equivalent under the Legislation and has no present intention of becoming a reporting issuer or its equivalent in any of the Jurisdictions.
10. The authorized share capital of Indigo consists of 240,000,000 common shares with a par value of NLG 0.04 per share. As of September 5, 2001, there were 113,676,895 issued and outstanding common shares. Indigo is subject to the reporting requirements of the 1933 Act and the 1934 Act.
11. Indigo Canada, Inc., currently a wholly-owned subsidiary of Indigo, is a corporation incorporated under the laws of Ontario. Indigo Canada, Inc. is not a reporting issuer or its equivalent under the Legislation and has no present intention of becoming a reporting issuer or its equivalent in any of the Jurisdictions.
12. After the Merger, it is expected that current Compaq employees in Canada will initially continue to be employed by Compaq Canada or Compaq Financial Canada, which will become indirect, wholly-owned subsidiaries of HP. Such employees may subsequently be transferred to and become employed by a newly incorporated Canadian entity, which will also be an indirect, wholly-owned subsidiary of HP (ANew HP Canada@).
13. After the Indigo Acquisition, it is expected that current Indigo employees in Canada will be initially employed by HP Canada but they may also subsequently be transferred to and become employed by New HP Canada. In addition, current HP Canada employees may also be subsequently transferred to New HP Canada.
14. HP will assume (a) the Compaq options (ACompaq Options@) previously provided by Compaq to eligible employees resident in Canada (ACompaq Option Holders@) pursuant to Compaq's 1985 Stock Option Plan, 1989 Equity Incentive Plan, 1995

Equity Incentive Plan, 1998 Stock Option Plan and/or 2001 Stock Option Plan (collectively, the ACompaq Option Plans@), and (b) the Indigo options (AIndigo Options@) previously provided by Indigo to eligible employees resident in Canada (AIndigo Option Holders@) pursuant to Indigo's 1996 United States Stock Option Plan (the AIndigo SOP@).

15. On the effective date of the Merger, all then outstanding Compaq Options will be assumed by HP (AAssumed Options@) and the terms of such options will be amended to provide for the issuance of Common Shares upon their exercise instead of Compaq common shares. The number of Common Shares to be subject to each such Assumed Option and the exercise price per share under each such Assumed Option will be adjusted according to a predetermined formula. The duration and other material terms of such Assumed Options will remain unamended.
16. On the effective date of the Indigo Acquisition, all then outstanding Indigo Options will be assumed by HP as Assumed Options and the terms of such options will be amended to provide for the issuance of Common Shares upon their exercise instead of Indigo common shares. The number of Common Shares to be subject to each such Assumed Option and the exercise price per share under each such Assumed Option will be adjusted according to a predetermined formula. The duration and other material terms of such Assumed Options will remain unamended.
17. Compaq Option Holders and Indigo Option Holders will be provided with all the disclosure documentation that HP employees resident in the United States who receive HP Options are entitled to receive.
18. Participation in the Compaq Option Plans and the Indigo SOP is voluntary and the option holders under such plans are not induced to participate or acquire Common Shares under such plans by expectation of employment or continued employment.
19. Employees of Compaq Canada, Compaq Financial Canada or Indigo Canada, Inc. who become employees of HP Canada, New HP Canada or another Canadian incorporated HP affiliate as a result of the Merger or the Indigo Acquisition (ANew HP Group Employees@) will be respectively invited to participate in the HP SOP and the HP 2000 SP shortly after the effective date of the Merger and the effective date of the Indigo Acquisition.
20. The HP SOP was made effective as of November 1, 2000. The HP SOP allows eligible employees (AStock Eligible Employees@) to acquire Common Shares. All regular full-time and regular part-time employees of HP Canada or of any other Canadian incorporated affiliate of HP are Stock Eligible Employees.
21. Participation in the HP SOP by Stock Eligible Employees is voluntary and the Stock Eligible Employees have not been and will not be induced to participate in the HP SOP by expectation of employment or continued employment with HP, HP Canada or any

other affiliated entity of HP.

22. Termination for any reason immediately cancels a Stock Eligible Employee's option and participation in the HP SOP. In such event the payroll deductions credited to the Stock Eligible Employee's account will be returned without interest to him or her, or in the case of death to his or her heirs or estate.
23. Stock Eligible Employees who purchase Common Shares under the HP SOP will be provided with all the disclosure documentation that HP employees resident in the United States who purchase Common Shares under the HP SOP are entitled to receive.
24. Options to acquire Common Shares (AHP Options[®]) are awarded pursuant to the HP 2000 SP to various employees of HP Canada or of any other Canadian incorporated affiliate of HP eligible to participate (AOption Eligible Employees[®]). In addition, stock awards and cash awards may be granted under the HP 2000 SP. All HP Options granted are determined by the Compensation Committee of the Board of HP and its delegates.
25. Participation in the HP 2000 SP is voluntary and the Option Eligible Employees have not been and will not be induced to exercise HP Options by expectation of employment or continued employment with HP, HP Canada or any other affiliated entity of HP.
26. The HP Options are non-transferable during an Option Eligible Employee's life. An Option Eligible Employee's legal representative may exercise his or her HP Options in full within one (1) year following his or her death.
27. Option Eligible Employees who are issued HP Options under the HP 2000 SP will be provided with all the disclosure documentation that HP employees resident in the United States who receive HP Options are entitled to receive.
28. HP uses the services of agents (each as listed or as replaced, an AAgent[®], and collectively, the AAgents[®]) in connection with the HP 2000 SP and the HP SOP and may use the services of Agents in connection with the Compaq Option Plans and the Indigo SOP. The current Agents under the HP 2000 SP are UBS Paine Webber, Salomon Smith Barney, Inc., Morgan Stanley and First Bank and Trust. The current Agent under the HP SOP is Mellon Investor Services. The current Agent in connection with the Compaq Option Plans is Salomon Smith Barney, Inc. The Agents are, and, if replaced will be, corporations registered under applicable U.S. securities legislation to trade in securities and have been or will be authorized to provide services under the above plans.
29. Subject to the discretion of the applicable Agent to permit transfers to permitted transferees neither Compaq Options nor Indigo Options are transferable otherwise than by will or the laws of descent and distribution.

30. Because there is no market for the Common Shares in Canada and none is expected to develop, any trades of the Common Shares by Stock Eligible Employees, Option Eligible Employees or New HP Group Employees will be effected through the facilities of and in accordance with the rules of a stock exchange or recognized market outside of Canada on which the Common Shares are traded and in accordance with all laws applicable to such trading.
31. As at January 28, 2002, residents of Canada did not own, directly or indirectly, more than 10 percent of the outstanding Common Shares and did not represent in number more than 10 percent of the total number of owners, directly or indirectly, of Common Shares.
32. An exemption from the Registration and Prospectus Requirements is not available in all of the Jurisdictions for all of the above distributions and/or trades in Common Shares acquired under the HP 2000 SP, the HP SOP, the Compaq Option Plans and the Indigo SOP.
33. In connection with options granted under the HP 2000 SP, the Compaq Option Plans and the Indigo SOP, HP may make acquisitions of Common Shares in connection with the surrender of Common Shares pursuant to the exercise by an option holder of an option granted under such plans. The exemptions in the Legislation from the Issuer Bid Requirements may not be available for such acquisitions by HP since such acquisitions may occur at a price that is not calculated in accordance with the *market price*, as that term is defined in the Legislation, as the market value of the Common Shares acquired may be calculated on less than a 20 day trailing period, and acquisitions may be made from persons other than employees or former employees.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of the Decision Makers (collectively, the *Decision*);

THE DECISION of the Decision Makers pursuant to the Legislation is that:

1. the Registration and Prospectus Requirements shall not apply to:
 - (i) the granting of options, the exercising of such options, the distribution of Common Shares and any other trade or distribution made in connection with the HP SOP, except in Quebec;
 - (ii) the granting of options and the distribution of stock awards, the exercising of such options, the distribution of Common Shares and any other trade or distribution made in connection with the HP 2000 SP, except in Quebec;
 - (iii) the assumption and exercising of Assumed Options, the distribution of Common Shares pursuant to such exercise and any other trade or distribution made in

connection therewith; or

- (iv) the activities of Agents in connection with the foregoing which, for Quebec, will include the activities in connection with subparagraphs (i) and (ii);

provided that the first trade in Common Shares acquired pursuant to this Decision in a Jurisdiction shall be deemed a distribution or a primary distribution to the public;

2. except in Quebec, the first trade by Stock Eligible Employees, Option Eligible Employees, New HP Group Employees, former Stock Eligible Employees, former Option Eligible Employees, former New HP Group Employees, Compaq Option Holders, Indigo Option Holders, former Compaq Option Holders, former Indigo Option Holders or the legal representatives or permitted transferees of any of the foregoing in Common Shares acquired pursuant to this Decision, including first trades effected through the Agents, shall not be subject to the Registration and Prospectus Requirements, provided that:

- (i) at the time of the trade, HP is not a reporting issuer in any of the Jurisdictions except in Quebec;
- (ii) at the time of the acquisition of the Common Shares, residents of Canada (a) did not own, directly or indirectly, more than 10 percent of the outstanding Common Shares and (b) did not represent in number more than 10 percent of the total number of owners, directly or indirectly, of Common Shares;
- (iii) such first trade is effected through the facilities of, and in accordance with the rules applicable to, a stock exchange or quotation system outside of Canada on which the Common Shares may be listed or quoted for trading;

3. in Quebec, the first trade by Stock Eligible Employees, Option Eligible Employees, New HP Group Employees, former Stock Eligible Employees, former Option Eligible Employees, former New HP Group Employees, Compaq Option Holders, Indigo Option Holders, former Compaq Option Holders, former Indigo Option Holders or the legal representatives or permitted transferees of any of the foregoing (collectively, the **AQuebec Holders**) in Common Shares acquired pursuant to this Decision, including first trades effected through the Agents after the date of the Decision, shall not be subject to the Registration and Prospectus Requirements, provided that:

- (i) the first trade is effected outside Canada, through the facilities of, and in accordance with the rules applicable to, a stock exchange or quotation system on which the Common Shares may be listed or quoted for trading; or
- (ii) the first trade is effected among the Quebec Holders, or among the Quebec Holders and persons to whom the Quebec Holders are related; and

4. the Issuer Bid Requirements of the Legislation shall not apply to the acquisition by HP

of Common Shares from the applicable participants in connection with the exercising of options granted pursuant to the HP 2000 SP, the Compaq Option Plans and the Indigo SOP.

THE FURTHER DECISION of the Decision Makers is that the Previous MRRS Decision be revoked.

DATED this 3rd day of April, 2002.

APaul M. Moore@

AH. Lorne Morphy@
