

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

AND IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND IN THE MATTER OF COMPAQ COMPUTER CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick and Nova Scotia (the "Jurisdictions") has received an application from Compaq Computer Corporation ("Compaq" or the "Company") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that trades to, by, with or on behalf of employees (the "Employees") (including in certain circumstances former Employees and their representatives, and including Employees' immediate family members and related trusts "Permitted Transferees")) of Compaq or its affiliates (collectively, the "Compaq Companies") resident in the Jurisdictions in options ("Options") and stock appreciation rights ("SARs" and, together with Options, the "Awards") on shares of common stock of Compaq ("Common Shares") and Common Shares in connection with the Compaq 1985 Stock Option Plan, 1989 Equity Incentive Plan, 1998 Stock Option Plan and Employee Stock Purchase Plan (collectively, the "Plans"), including first trades in Common Shares acquired pursuant to the Plans, shall not be subject to the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") (collectively, the "Registration and Prospectus Requirements");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Nova Scotia Securities Commission is the principal regulator for this application;

AND WHEREAS Compaq has represented to the Decision Makers as follows:

1. Compaq is a corporation incorporated under the laws of the state of Delaware, is not a reporting issuer or its equivalent under the Legislation and has no present intention of becoming a reporting issuer or its equivalent under the Legislation. The majority of the directors and senior officers of Compaq reside outside of Canada.
2. Compaq currently has and in the future will have affiliates ("Affiliates") in Canada participating in the Plans. The current Affiliates are Compaq Canada Incorporated and Compaq Financial Services Canada. None of the Affiliates is a reporting issuer or its equivalent in any of the Jurisdictions nor has any present intention of becoming a reporting issuer or its equivalent.

3. The authorized share capital of Compaq consists of 3 billion Common Shares, par value US\$0.01 per share and 10 million shares of preferred stock ("the "Preferred Shares"), par value US\$0.01. As of June 30, 2000, there were 1,728 million Common Shares and no Preferred Shares issued and outstanding.

4. Compaq is subject to the requirements of the Securities Exchange Act of 1934, as amended, of the United States, including the reporting requirements. The Common Shares are listed for trading on the New York Stock Exchange.

5. Common Shares offered under the Plans are registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933.

6. The Compaq Companies will identify the Canadian Employees who will be granted Awards under the 1998 Stock Option Plan ("1998 SOP") and will distribute plan related materials to them.

7. Compaq proposes to use the services of an agent (the "Agent") in connection with the Plans. The current Agent under the Plans is Salomon Smith Barney, Inc. ("SSB"). The current Agent is, and, if replaced, will be, a corporation registered under applicable U.S. securities or banking legislation to trade in securities and has been or will be authorized by Compaq to provide services under the Plans. SSB is not a registrant in any of the Jurisdictions and, if replaced, the Agent is not expected to be a registrant in any of the Jurisdictions.

8. The Agent's role in the Plans will involve various administrative functions and may include: (i) assisting Employees, including former Employees ("Former Employees") and their representatives and Permitted Transferees with the exercise of Awards, including cashless exercises; (ii) holding Common Shares issued by Compaq upon the exercise of Awards or otherwise; and (iii) facilitating the resale of Common Shares acquired under the Plans outside of Canada.

9. Former Employees are Employees who participated in the Plans when employed by a Compaq Company but have left the employment of the Compaq Company.

10. Former Employees are permitted under the Plans to keep the Common Shares acquired under the Plans in the accounts maintained by the Agent and to use the services of the Agent to assist in the resale of Common Shares acquired under the Plans even though they are no longer employed by a Compaq Company.

11. As of October 18, 2000, there were approximately 1,703 Employees resident in Canada eligible to participate in the Plans.

12. The purpose of the 1998 SOP is to assist the Compaq Companies in attracting, retaining and motivating Employees. Employees eligible to participate in the 1998 SOP (the "Eligible Employees") will be granted Awards under the 1998 SOP.

13. Subject to the discretion of Compaq to permit transfers to Permitted Transferees, Awards are not transferable otherwise than by will or the laws of descent and distribution. Transfers to Permitted Transferees can only be made for estate planning purposes.

14. The consideration to be paid for Common Shares issued upon the exercise of Awards wanted under the 1998 SOP may consist of cash or its equivalent, including consideration received by the Company under a cashless exercise program implemented by the Company in connection with this Plan.

15. Eligible Employees may exercise their Awards and resell Common Shares acquired under the 1998 SOP through the Agent. Former Employees who voluntarily or involuntarily had their employment with the Compaq Companies terminated and whose Awards vest under the 1998 SOP may exercise their Awards and resell their Common Shares through the Agent.

16. Compaq has also made grants of options under two plans, the 1985 Stock Option Plan ("1985 SOP") and 1989 Equity Incentive Plan ("1989 EIP") which have now been discontinued in Canada. However, options are still outstanding and may be exercised to acquire Common Shares under the 1985 SOP and 1989 EIP. Common Shares obtained under the 1985 SOP and 1989 EIP will in the future be sold by Employees. Former Employees or their representatives and these sales may be made through the Agent.

17. The purpose of the Employee Stock Purchase Plan (the "ESPP") is to provide an opportunity for Employees eligible to participate in the ESPP (the "ESPP Participants") to purchase Common Shares at a discount and to provide an additional incentive to such Employees.

18. An ESPP Participant may authorize payroll deductions of 1% to 10% of eligible compensation; such payroll deductions will be credited to the ESPP Participant's account and will be used to purchase Common Shares at the end of each purchase period. The purchase price will generally be the lower of 85% of the fair market value of the Common Shares at the commencement of the purchase period and the purchase date.

19. All cash dividends paid with respect to Common Shares held in an ESPP Participant's account maintained by the Agent will be automatically reinvested to purchase additional Common Shares.

20. Rights to purchase Common Shares under the ESPP are not transferable other than by will or the laws of descent and distribution.

21. Canadian Employees, including Former Employees, and their representatives, who wish to sell Common Shares acquired under the ESPP may do so through The Agent.

22. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the 1998 SOP and ESPP will be delivered electronically to all Eligible Employees who are granted Awards under the 1998 SOP and to all ESPP Participants, respectively. The annual reports, proxy materials and other materials Compaq is required to file with the SEC will be provided or made available to all participants under the Plans (the "Plans Participants") who

become shareholders of Compaq at the same time and in the same manner as such materials are provided or made available to U. S. resident shareholders of Compaq.

23. Participation in the Plans is voluntary and the Plans Participants are not induced to participate in the Plans or acquire Common Shares under the Plans by expectation of employment or continued employment.

24. At the time of the grant or issuance, as the case may be, of Awards and Common Shares under the Plans, holders of Common Shares whose last address as shown on the books of Compaq was in Canada will not hold more than 10% of the Outstanding Common Shares and will not represent in number more than 10% of the total number of holders of Common Shares.

25. Because there is no market for the Common Shares in Canada and none is expected to develop, any resale of the Common Shares acquired under the Plans will be effected through the facilities of and in accordance with the rules and laws applicable to, a stock exchange or organized market outside of Canada on which the Common Shares may be listed or quoted for trading.

26. The Legislation of certain of the Jurisdictions does not contain exemptions from the Registration and Prospectus Requirements for certain trades in Awards and Common Shares to, by and on behalf of Canadian Employees, Former Employees, their representatives, and Permitted Transferees, including trades carried out with or through the Agent.

27. When the Agent sells Common Shares on behalf of holders of the Common Shares, such persons and the Agent, as applicable, are not able to rely on the exemption from the Registration Requirements contained in the Legislation for trades made by a person or company acting solely through a registered dealer under the Legislation.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

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

- a) the Registration and Prospectus Requirements shall not apply to: (i) the issuance by Compaq of Awards to Eligible Employees under the 1998 SOP; (ii) the issuance by Compaq of Common Shares on the exercise of Awards or otherwise under the Plans to Canadian Employees, Former Employees, their representatives or Permitted Transferees, as the case may be, including the exercise of Awards and other options by their holders directly to Compaq or through the Agent; and (iii) other trades, including the transfer of Awards by their holders to Permitted Transferees, which may be made in connection with (I) or (ii) above, provided that the first trade in Common Shares acquired pursuant to

this Decision shall be deemed a distribution or a primary distribution to the public under the Legislation unless such first trade is executed through the facilities of, and in accordance with the rules and laws applicable to, a stock exchange outside of Canada on which the Common Shares may be listed or quoted for trading or on the Nasdaq Stock Market; and

b) the Registration Requirements shall not apply to the Compaq Companies or the Agent in connection with trades in Awards and Common Shares under the Plans or to first trades in Common Shares acquired under the Plans made through the Agent.

DATED AT Halifax, Nova Scotia this 31st day of October, 2000.

"Robert B. MacLellan"
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