HEWLETT PACKARD CO
Form 11-K
June 24, 2002

June 24, 2002

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Compaq Computer Corporation
Commission File No. 1-4423
Annual Report on Form 11-K for
The Compaq Computer Corporation 401(k) Investment Plan

Ladies and Gentlemen:

Pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, I am transmitting on behalf of Compaq Computer Corporation its Annual Report on Form 11-K for the Compaq Computer Corporation 401(k) Investment Plan for the fiscal year January 1, 2001 to December 31, 2001.

Very truly yours,

/s/ Ann O. Baskins

ANN O. BASKINS
Vice President
and Secretary

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

for the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from
____________ to ____________
Commission File Number: 1-4423

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

COMPAQ COMPUTER CORPORATION 401(k) INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

COMPAQ COMPUTER CORPORATION
3000 HANOVER STREET
PALO ALTO, CALIFORNIA 94304

REQUIRED INFORMATION

COMPAQ COMPUTER CORPORATION
401(k) INVESTMENT PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2001 AND 2000 AND FOR THE YEAR ENDED DECEMBER 31, 2001

Page

REPORT OF INDEPENDENT AUDITORS

Participants and Administrative Committee of the
Compaq Computer Corporation
401(k) Investment Plan

We have audited the accompanying statements of net assets available for benefits of Compaq Computer Corporation 401(k) Investment Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young, LLP

ERNST & YOUNG, LLP

Houston, Texas

May 6, 2002

COMPAQ COMPUTER CORPORATION
401 (K) INVESTMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31, 2001	DECEMBER 31, 2000
ASSETS		
Investments	$ 3,030,777,096	$ 3,310,800,451
Contribution receivable:		
Employer	112,722	114,816
Participant	-	151,721
Net assets available for benefits	$ 3,030,889,818	$ 3,311,066,988

See accompanying notes.

COMPAQ COMPUTER CORPORATION
401(k) INVESTMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED
DECEMBER 31, 2001

Additions:	
Participant contributions	$ 208,310,362
Employer contributions	123,045,148
Rollovers	10,028,456
Dividends and interest	72,574,120
Total additions	413,958,086
Deductions:	
Net depreciation in fair value of investments	459,749,170
Benefit payments	237,384,752
Total deductions	697,133,922
Transfer to other qualified plan	(1,554,886)
Transfer from other qualified plans	4,553,552
Net decrease	(280,177,170)
Net assets available for benefits:	
Beginning of year	3,311,066,988
End of year	$ 3,030,889,818

See accompanying notes.

COMPAQ COMPUTER CORPORATION
401(K) INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. DESCRIPTION OF PLAN

GENERAL

The following description of the Compaq Computer Corporation 401(k) Investment Plan (the "Plan") is provided for general information only. The Plan, established April 1, 1985, is a defined contribution plan covering all eligible employees of Compaq Computer Corporation and certain of its subsidiaries (the "Company"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions, a copy of which is available from the Company.

The Plan was restated in its entirety effective January 1, 2001 to amend the Plan to comply with tax legislation acts and to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001.

Effective September 4, 2001, the Company entered into an agreement and plan of reorganization with Hewlett-Packard Company ("HP") and Heloise Merger Corporation. Effective May 3, 2002, the Company became a wholly owned subsidiary of HP.

Effective January 2, 2001, in connection with certain divestitures, net assets of approximately $1.6 million representing individual account balances of certain participants were transferred to the B2E Solutions 401(k) Plan.

Effective December 31, 2001, individual account balances from B2E Solutions 401(k) Plan of approximately $1.6 million were returned to the Plan.

Effective December 31, 2001, net assets of approximately $2.9 million representing individual account balances returned to the Plan from Ranier Technology, Inc. 401(k) Plan.

CONTRIBUTIONS

Participants may contribute from 1% to 19% of pretax annual compensation, as defined in the plan document. Participants may also rollover amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Company contributes an amount equal to the participant's contribution which does not exceed 6% of $170,000 of base compensation for all participants except certain former employees of Digital Equipment Corporation ("Digital"). For those former Digital employees who had elected to earn employer pay credits in another company-sponsored benefit plan, so long as they remain eligible, the Company contributes an amount equal to the lesser of (i) 33 1/3% of such participant's contributions or (ii) 2% of the participant's compensation, not to exceed $170,000 of base compensation, to the 401(k) plan and contributes the remaining 4% as an employer credit in the other company-sponsored benefit plan.

Participants direct the investment allocation of all contributions.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, and (b) Plan earnings or losses, and is charged with an allocation of administrative expenses, if any. Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions or pay eligible plan expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account, net of any outstanding loans against those vested amounts.

VESTING

Participants are immediately vested in their deferral and rollover contributions plus actual earnings thereon. Vesting in the Company contribution portion of their accounts plus actual earnings thereon is based on years of service. Effective January 1, 1999, participants vest 20% per year in the employer contributions with 100% vesting after 5 years of credited service. The Plan document provides the vesting provisions for a participant's interest in their employer contribution account prior to January 1, 1999.

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PARTICIPANT LOANS

Participants may borrow from their fund accounts up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan terms range from 1 - 5 years or up to 30 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a fixed rate of 1% above the prime rate for the term of the loan. Principal and interest is paid ratably through payroll deductions. A participant can have no more than three loans outstanding at any given time.

PAYMENT OF BENEFITS

On termination of service or death, a participant or beneficiary may elect to receive Plan benefits in either a lump-sum distribution or in periodic installments. In addition, a participant who has attained age 59 1/2 may make withdrawals of his or her account while employed by the Company. The Plan also allows for hardship withdrawals.

ADMINISTRATIVE EXPENSES

The Company pays certain administrative expenses of the Plan.

PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Benefits are recorded when paid.

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INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's investments are stated at fair value, which represents the quoted market price on the last business day of the Plan year. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The Company stock is valued at its quoted market price. Investments in common collective trust funds are based on the quoted market value as determined by the issuer based on the fair value of the underlying investments. The participant loans are valued at their outstanding balances, which approximates fair value.

The Stable Value Fund is stated at fair value, which approximates contract value. It is expected that each unit of the Stable Value Fund will maintain a constant net asset value of $1. However, there is no assurance that this will be the case. Contract value represents contributions made plus interest accrued at the contract rate, less withdrawals. Insurance contracts and bank contracts are nontransferable, but provide for benefit-responsive withdrawals by Plan participants at contract value in accordance with Statement of Position 94-4. The Stable Value Fund invests in both guaranteed investment contracts and alternative investment contracts. The guaranteed investment contracts are promises by an insurance company or bank to repay principal plus accrued income at contract maturity subject to the credit worthiness of the issuer. Alternative investment contracts consist of investments together with contracts under which a bank or other institution provides for benefit responsive withdrawals by Plan participants at contract value. In determining fair value, the Board of Directors of the Vanguard Fiduciary Trust Company considers such factors as the benefit responsiveness of the investment contracts, the ability of the parties to perform in accordance with the terms of the contracts, and the likelihood that plan-directed withdrawals would cause payments to Plan participants to be at amounts other than contract value. There are no limitations on liquidity guarantees and no valuation reserves are being recorded to adjust contract amounts.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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RISK AND UNCERTAINTIES

The Plan provides for various investments in common stock, mutual funds, and the Stable Value Fund. In general, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits and participant account balances.

3. INVESTMENTS

The Plan's investments are held by Vanguard Fiduciary Trust Company. Individual investments that represent 5% or more of net assets available for benefits at year end are as follows:

	December 31	
	2001	2000

Compaq Computer Corporation common stock	$ 297,575,020	$ 432,074,249
Compaq Computer Corporation Stable Value Fund	616,237,472	631,185,879
Vanguard 500 Index Fund	600,928,759	502,477,388
Vanguard Primecap Fund	583,842,804	683,230,825
Vanguard Growth and Income Fund	324,084,769	457,833,888
Franklin Small - Mid Cap Growth Fund, Class A	137,365,252	197,662,444

During 2001, the Plan's investments (including investments bought, sold, and held during the year) appreciated/(depreciated) in value as follows:

Mutual funds	$ (316,030,212)
Common collective trusts	11,489,674
Common stock	(155,208,632)
	$ (459,749,170)

The average yield of the Stable Value Fund for 2001 and 2000 was 6.24% and 6.86%, respectively. The crediting interest rates at December 31, 2001 and 2000 range from 4.50% to 7.84% and 5.64% to 7.84%, respectively. Investment contracts typically mature between 2 and 5 years after the date of initial deposit. The interest rate paid by the issuer or contract rate may be fixed over the life of the contract or adjusted periodically. Contract rates should not fall below -0-%.

4. INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service ("IRS") dated January 3, 1995, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan document was completely restated subsequent to its submission for a determination letter. On February 25, 2002, the Company submitted a request to the IRS for a determination on the restated plan document. The Company has indicated that it will take the necessary steps, if any, to maintain the Plan's qualified status.

5. SUBSEQUENT EVENTS

Effective May 3, 2002, any active employee of the Company and any former employee who had an account balance under the Plan as of May 3, 2002 was made fully vested in any unvested and unforfeited balance they may have had under the Plan as of this date.

In addition, any former employee (including a beneficiary or alternate payee of a former employee) with an account balance in the Plan as of May 3, 2002 is prohibited from further investments in the Compaq Stock Fund (which became the Hewlett-Packard Stock Fund effective May 3, 2002), and any dividend payments or loan repayment that would have been invested in the Hewlett-Packard Stock Fund will be invested in the Stable Value Fund.

SUPPLEMENTAL SCHEDULE

COMPAQ COMPUTER CORPORATION
401(K) INVESTMENT PLAN
EIN: 76-0011617   PN: 001

SCHEDULE H, LINE 4(I) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT	CURRENT VALUE

*	Compaq Computer Corporation	Common stock	$ 297,575,0
	Franklin	Small - Mid Cap Growth Fund, Class A	137,365,2
	Capital Guardian	International Equity Fund	105,195,4
	T. Rowe Price	Small-Cap Stock Fund	4,681,8
*	The Vanguard Group	LifeStrategy Conservative Growth Fund	34,948,9
*	The Vanguard Group	LifeStrategy Growth Fund	103,968,2
*	The Vanguard Group	LifeStrategy Moderate Growth Fund	100,411,3
*	The Vanguard Group	Total Bond Market Index Fund	18,165,9
*	The Vanguard Group	500 Index Fund	600,928,7
*	The Vanguard Group	PrimeCap Fund	583,842,8
*	The Vanguard Group	Growth and Income Fund	324,084,7
	The Vanguard Group	Compaq Computer Corporation Stable	
*	The Vanguard Group	Value Fund**	616,237,4
*	The Vanguard Group	Extend Market Index Fund	30,091,0
*	Wells Fargo Bank, N.A.	S&P 500 Index Fund	216,0
*	Wells Fargo Bank, N.A.	Stable Return Fund	397,8
	Goldman Sachs	Government Income Fund Service Class	375,8
	Dreyfus	Dreyfus Technology Growth Fund	663,8
	Janus Funds	Janus Investment Growth & Income Fund	285,2
	MFS	New Discovery Fund Class A	559,6
*	Wells Fargo Bank, N.A.	International Equity Fund Institutional Class	114,4
*	Wells Fargo Bank, N.A.	Large Company Growth Fund Institutional Class	246,6
	Janus Funds	Janus Investment Fund Balanced Fund	23,5
*	The Vanguard Group	Equity Income Fund	23,0
*	The Vanguard Group	International Group Fund	104,4
*	The Vanguard Group	Small Cap Index Fund	134,9
*	The Vanguard Group	Retirement Savings Trust	194,9
*	Participant loans	Loans with varying maturing dates and interest rates ranging from 5.75% to 10%	69,939,6
			$ 3,030,777,0

* Party-in-interest
** See attached for detail of underlying investments

IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	INTEREST RATE	MATURITY DATE	CURREN VALUE
COMPAQ COMPUTER CORPORATION STABLE VALUE FUND:			
AIG Financial Products 245258:	6.23	N/A	
Wrapper			$ (2,027,
*Vanguard Total Bond Market Institutional Index			59,274,
			$ 57,246,
AIG Life Assurance 1104	7.60	8/15/2003	13,776,

Allstate Life Insurance 6210	7.15	7/1/2003	32,006,
Bankers Trust 175570	6.32	5/1/2002	386,
Bayerische Landesbank BLB00005B	7.84	5/15/2005	10,494,
Bayerische Landesbank 00-005	7.53	2/15/2005	11,361,
Canada Life Insurance P45973	7.13	1/2/2002	3,814,
CDC Financial Products FA 423-01:	4.50	11/21/2004	
Wrapper			(1,762,
RASC 1999-KS4 AI6 - Amstel Commercial Paper			26,883,
			25,121,
CDC Financial Products 423-02:	6.72	12/25/2004	
Wrapper			(611,
AMLT 1997-3 A7 - Motorola Commercial Paper			18,324,
			17,713,
CDC Financial Products 423-03:	6.78	10/15/2003	
Wrapper			(78,
GTHEL 1999-D A6 - TASMAN Commercial Paper			10,218,
			10,139,

CDC Financial Products 423-04:	7.09	10/15/2005	
Wrapper			$(825,
RFMS2 1999-H18 AI4			5,918,
CF AB 1999-2 IA5			13,206,
GTHEL 1999-D A6			1,991,
			20,291,
GE Life and Annuity Assurance 3435	7.66	5/15/2005	22,339,
Jackson National Life Insurance 1205	6.14	4/1/2002	3,383,
John Hancock Life Insurance 15119	6.47	7/15/2005	10,299,
John Hancock Life Insurance 8915	7.02	1/2/2002	3,814,
John Hancock Life Insurance 9656	6.30	10/1/2002	10,001,
John Hancock Life Insurance 9779	6.18	7/1/2003	13,197,
Massachusetts Mutual Life Insurance 35056	7.21	8/15/2005	10,908,
Metropolitan Life Insurance 25234	7.04	10/1/2002	25,004,
New York Life Insurance 270071:	7.06	3/15/2005	
Wrapper			(405,
GSI Collective Investment Trust			11,318,
			10,912,
New York Life Insurance 30261-2	6.26	1/2/2003	13,613,
New York Life Insurance 31257-001	6.24	2/28/2006	5,268,
Principal Life Insurance 4-19159-3	6.35	3/31/2002	10,922,
Principal Life Insurance 4-191594	6.08	11/30/2005	10,493,
Rabobank Nederland CPQ090001:	5.41	N/A	
Wrapper			(265,
*VFTC Corporate Bond Trust			14,783,
*VFTC Intermediate-Term Bond Trust			21,040,

			35,558,

Rabobank Nederland CPQ119901:	6.88	9/30/2004	
Wrapper			$ (2,778,
*Vanguard Targeted Return Trust (4-03)			12,148,
*Vanguard Targeted Return Trust (3-04)			12,252,
*Vanguard Targeted Return Trust (2-04)			12,229,
*Vanguard Targeted Return Trust (1-04)			12,196,

			46,049,
State Street Bank & Trust 100003:	6.23	9/30/2006	
Wrapper			(2,422,
*Vanguard Targeted Return Trust (1-04)			12,311,
*Vanguard Targeted Return Trust (3-06)			9,956,
*Vanguard Targeted Return Trust (2-04)			12,330,
*Vanguard Targeted Return Trust (1-06)			10,818,
*Vanguard Targeted Return Trust (2-05)			11,623,
*Vanguard Targeted Return Trust (2-06)			10,850,

			65,467,
Travelers Life Insurance 17149	5.67	4/1/2002	6,147
Travelers Life Insurance 17412	7.16	7/1/2003	10,001
UBS Warburg 2752:	7.14	9/30/2005	
Wrapper			(4,171
*Vanguard Targeted Return Trust (2-03)			6,044
*Vanguard Targeted Return Trust (4-04)			13,573
*Vanguard Targeted Return Trust (3-04)			12,384
*Vanguard Targeted Return Trust (3-05)			11,284
*Vanguard Targeted Return Trust (1-03)			6,006
*Vanguard Targeted Return Trust (3-03)			12,196

			57,319
*Vanguard Prime Money Market Institutional	2.32	N/A	$ 43,850

		Totals	616,90
Pending Trades			(66
Total Compaq Computer Corporation Stable Value Fund			----------
			$ 616,23
			==========

* Party-in-interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934. The trustees (or other persons who administer the employee benefits plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Date: June 24, 2002

COMPAQ COMPUTER CORPORATION
401(K) INVESTMENT PLAN

/s/ Ann O. Baskins

ANN O. BASKINS
Vice President,
and Secretary

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EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-87742) pertaining to the Compaq Computer Corporation 401(k) Investment Plan of our report dated May 6, 2002, with respect to the financial statements and schedule of the Compaq Computer Corporation 401(k) Investment Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2001.

/s/ Ernst & Young LLP

ERNST & YOUNG, LLP

Houston, Texas
June 17, 2002

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