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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements for trades in securities under an equity investment plan - First trade relief, including registration relief, for trades by designated beneficiaries - Issuer bid relief for acquisition by issuer of securities in connection with exercise mechanisms under equity investment plan.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48, 76, and 114(2)(c)

Multilateral Instrument 45-102 *Resale of Securities*

IN THE MATTER OF THE SECURITIES LEGISLATION OF ONTARIO, BRITISH COLUMBIA AND ALBERTA

AND

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

AND

IN THE MATTER OF THE PROCTER & GAMBLE COMPANY

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Ontario, British Columbia and Alberta (the “Jurisdictions”) has received an application from The Procter & Gamble Company (“P&G” or the “Company”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that (i) the requirement contained in the Legislation to be registered to trade in a security (the “Registration Requirements”) will not apply to certain trades in securities of P&G made in connection with The Procter & Gamble 2001 Stock and Incentive Compensation Plan (the “Plan”); (ii) the Registration Requirements will not apply to first trades of shares (“Shares”) acquired under the Plan executed on an exchange or market outside of Canada; and (iii) the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up and payment for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, financing, identical consideration, collateral benefits, together with the requirement to file a reporting form within ten (10) days of an exempt issuer bid and pay a related fee (the “Issuer Bid Requirements”) will not

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apply to certain acquisitions by the Company of Shares pursuant to the Plan in each of the Jurisdictions;

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

AND WHEREAS P&G has represented to the Decision Makers as follows:

1. P&G is presently a corporation incorporated under the laws of the State of Ohio.
2. P&G is registered with the Securities and Exchange Commission (the “SEC”) in the United States under the United States Securities Exchange Act of 1934 (the “Exchange Act”) and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2 made thereunder.
3. The authorized share capital of P&G consists of 5,000,000,000 shares of common stock (“Shares”), 600,000,000 shares of Class A Preferred Stock and 200,000,000 shares of Class B Preferred Stock, of which as of February 28, 2002, there were 1,298,790,995 Shares, 51,883,755 shares of Series A Class A Preferred Stock, 36,184,836 shares of Series B Class A Preferred Stock and no Class B Preferred Stock issued and outstanding.
4. The Shares are listed on the New York Stock Exchange (the “NYSE”) and on exchanges in Cincinnati, Amsterdam, Paris, Basle, Geneva, Lausanne, Frankfurt, Antwerp, Brussels and Tokyo (collectively, the “Exchanges”).
5. P&G is not a reporting issuer in any of the Jurisdictions and P&G does not have a present intention of becoming a reporting issuer in any of the Jurisdictions.
6. P&G uses the services of an agent for the Plan (an “Agent”). Initially, Merrill Lynch & Co., Inc. (“Merrill Lynch”) has been appointed as an Agent for the Plan. Merrill Lynch is, and any Agent appointed in addition to or in replacement of Merrill Lynch is expected to be, a corporation registered under applicable U.S. securities or banking legislation and has been, or will be, authorized by P&G to provide services as an Agent under the Plan. Merrill Lynch is not and any replacement or additional Agent is not expected to be a registrant in any of the Jurisdictions.
7. The role of the Agent may include: (a) assisting with the general administration of the Plan and providing various record keeping services; (b)

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holding Shares on behalf of Participants, former Participant who have undergone Retirement or a Special Separation as defined by the Plan (“Former Employees”) and, in the case of the death of a Participant, the approved recipient of an Option Award under a will or pursuant to the laws of intestacy (a “Beneficiary”), in the Plan; (c) facilitating exercises of options over Shares (“Options”) (including cashless exercises) under the Plan; (d) maintaining record keeping and brokerage accounts on behalf of Participants, Former Employees and Beneficiaries under the Plan; (e) holding Shares acquired under the Plan on behalf of Participants, Former Employees and Beneficiaries in limited purpose brokerage accounts; (f) facilitating the payment of withholding taxes; and (g) facilitating the resale of Shares acquired under the Plan through the Exchanges or such other stock exchange or market upon which the Shares may be listed.

8. The Shares to be issued under the Plan will be previously authorized but unissued Shares or treasury Shares.
9. The purposes of the Plan are to strengthen the alignment of interests between those Participants who are largely responsible for the success of the business and P&G’s shareholders through ownership behaviour and increased ownership of Shares, and to encourage the Participants to remain in the employ of the P&G Companies.
10. As of February 28, 2002, the distribution of Participants in the Jurisdictions was as follows: 156 Participants in Ontario, 4 Participants in Alberta and 3 Participants in British Columbia.
11. Under the Plan, Options, stock appreciation rights (“SARs”), performance related awards (“Performance Awards”) and restricted or unrestricted Shares (collectively, “Awards”) may be issued to those Participants selected by the Compensation Committee (the “Committee”) of P&G’s board of directors (the “Board”), or such other committee as is designated by the Board.
12. Options and SARs granted to Participants under the Plan are not transferable other than by will or the laws of intestacy and shall be exercisable, during a recipient Participant’s lifetime, only by the Participant or, in the event of legal incompetence of the Participant, his or her legal guardian.
13. Generally, except in the case of death, Retirement or certain Special Separations, when a Participant holding an Award ceases to be an employee of the P&G Companies, outstanding Options or SARs will be void regardless of whether such Options or SARs were exercisable or unexercisable on the date upon which the Participant ceased to be an employee. In the case of

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Retirement or a Special Separation, Former Employees may continue to have rights in respect of the Plan ("Post-Termination Rights"). In addition, in the event of a Participant's death, a Beneficiary may have Post-Termination Rights. Post-Termination Rights may include, among other things, the right to exercise an Option or SAR and to receive Shares underlying an Award for a period determined in accordance with the Plan following termination and the right to sell Shares acquired under the Plan through the Agent.

14. The Committee shall establish procedures governing the exercise of Options and SARs. Generally, in order to exercise an Option or SAR, the Participant, Former Employee or Beneficiary must submit to P&G a written notice of exercise in the form prescribed by the Committee from time to time ("Notice of Exercise").
15. Upon exercise of a SAR, the Participant, Former Employee or Beneficiary will be entitled to receive a redemption differential for each SAR being exercised which will be calculated as the difference between the then fair market value of a Share and the exercise price of the SAR. The Committee, in its sole discretion, may determine to pay a SAR in Shares, cash or a combination of Shares and cash.
16. Upon the exercise or granting of any Award, P&G shall have the right to deduct an appropriate amount of cash in order to satisfy any applicable withholding tax obligations or to take such other action as may be necessary in the opinion of P&G or the Committee to satisfy all obligations for the withholding of such taxes.
17. The Committee may authorize any Participant to convert cash compensation otherwise payable to such Participant into Options or Shares under the Plan upon such terms and conditions as the Committee, in its discretion, shall determine. Notwithstanding the foregoing, in any such conversion the Shares shall be valued at no less than one hundred percent (100%) of their fair market value.
18. Canadian resident shareholders of P&G do not own, directly or indirectly, more than 10% of the issued and outstanding Shares and do not represent in number more than 10% of the total number of shareholders of P&G. If at any time, during the duration of the Plan, Canadian shareholders own, in the aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders represent in number more than 10% of all shareholders of P&G, P&G will not grant further Awards without first applying to the regulators in the relevant Jurisdictions for a decision with respect to such further grants under the Plan.

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19. A prospectus prepared in accordance with U.S. securities laws describing the terms and conditions of the Plan will be delivered to each Participant who is granted an Award under the Plan. The annual report, proxy materials and other materials, which P&G is required to file with the SEC will be provided or made available to Canadian resident Participants at the same time and in the same manner as the documents are provided or made available to U.S. resident Participants.
20. Participants, Former Employees or Beneficiaries may exercise Options and sell Shares acquired under the Plan through the Agent.
21. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Employees or Beneficiaries of Shares acquired under the Plan will be effected through the NYSE or one of the other Exchanges.
22. The Legislation of certain of the Jurisdictions does not contain exemptions from the Registration Requirements for Award exercises by Employees, Former Employees or Beneficiaries through the Agent where the Agent is not a registrant.
23. Where the Agent sells Shares on behalf of Employees, Former Employees or Beneficiaries, none of the Employees, Former Employees, Beneficiaries or the Agent is able to rely on the exemption from the Registration Requirements contained in the Legislation of certain Jurisdictions to effect such sales.
24. The exemptions in the Legislation from the Issuer Bid Requirements are not available for certain acquisitions by the Company of its Shares from Employees, Former Employees or Beneficiaries in accordance with the terms of the Plan, since acquisitions relating to Share Reacquisitions may occur at a price that is not calculated in accordance with the "market price," as that term is defined in the Legislation; under the Plan, the Company will acquire such Shares at their fair market value, as determined in accordance with the Plan.

AND WHEREAS pursuant to the System, this 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;

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

- (a) the Registration Requirements shall not apply to any trade or distribution of Shares or Awards made in connection with the Plan, including trades or distributions involving P&G or its affiliates, the Agent, Employees, Former Employees or Beneficiaries, provided that the first trade in Shares acquired under the Plan pursuant to this Decision shall be deemed a distribution unless the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 “Resale of Securities” are satisfied;
- (b) the first trade by Employees, Former Employees or Beneficiaries in Shares acquired pursuant to this Decision, including first trades effected through the Agent, shall not be subject to the Registration Requirements, provided such first trade is executed through a stock exchange or market outside of Canada; and
- (c) the Issuer Bid Requirements shall not apply to the acquisition by P&G of Shares from Employees, Former Employees and Beneficiaries in connection with the Plan provided such acquisitions are made in accordance with the provisions of the Plan.

DATED this 7th day of May, 2002.

Robert W. Korthals

H. Lorne Morphy