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Headnote

Mutual Reliance Review System for Exemptive Relief Application - registration relief for trades by former employees and permitted transferees of securities acquired under employee incentive plans - issuer bid relief for foreign issuer in connection with acquisition of shares under employee incentive plans

Applicable British Columbia Provisions

Securities Act, R.S.B.C.1996, c. 418, ss. 48 and 76

Multilateral Instrument 45-102 *Resale of Securities*

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

AND

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

AND

IN THE MATTER OF SCHERING-PLOUGH CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Ontario and British Columbia (the “Jurisdictions”) has received an application from Schering-Plough Corporation (“Schering-Plough” or the “Company”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that:

- (a) the requirements contained in the Legislation to be registered to trade in a security (the “Registration Requirement”), will not apply to certain trades of shares (as defined below) acquired under the Schering-Plough Corporation 1997 Stock Incentive Plan (the “1997 Plan”) and the Schering-Plough Corporation 2002 Stock Incentive Plan (the “2002 Plan”) (the 1997 Plan and the 2002 Plan are collectively the “Plans”) provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 - *Resale of Securities* are satisfied; and
- (b) 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, taking up and paying for

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securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration and collateral benefits together with the requirement to file a reporting form within 10 days of an exempt issuer bid and pay a related fee (the "Issuer Bid Requirements") will not apply to certain acquisitions by the Company of Shares pursuant to the Plans 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 Schering-Plough has represented to the Decision Makers as follows:

1. Schering-Plough is a corporation incorporated under the laws of the State of New Jersey. The executive offices of Schering-Plough are located in Kenilworth, New Jersey;
2. Schering-Plough and affiliates of Schering-Plough ("Schering-Plough Affiliates") (Schering-Plough and Schering-Plough Affiliates are collectively, the "Schering-Plough Companies") are primarily engaged in the discovery, development, manufacturing and marketing of new medical therapies and treatment programs;
3. Schering-Plough is registered with the Securities Exchange Commission ("SEC") in the U.S. under the U.S. Securities Exchange Act of 1934 ("Exchange Act") and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g 3-2 made thereunder;
4. Schering-Plough is not a reporting issuer in either of the Jurisdictions and has no present intention of becoming a reporting issuer in either of the Jurisdictions;
5. The authorized share capital of Schering-Plough consists of 2,400,000,000 shares of common stock ("Shares"), and 50,000,000 shares of preferred stock ("Preferred Shares"). As of December 31, 2001, there were 1,465,887,953 Shares and no Preferred Shares issued and outstanding;
6. The Shares are listed for trading on the New York Stock Exchange ("NYSE");
7. Schering-Plough intends to use the services of one or more agents / brokers ("Agent(s)") under the Plans. The current Agent for the Plans is Salomon Smith Barney Inc. The current Agent is not registered to conduct retail trades

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in the Jurisdictions and, if replaced, or if additional Agents are appointed, such replacement Agents or additional Agents are not expected to be so registered in the Jurisdictions. Replacement Agents or additional Agents will be registered under applicable U.S. securities or banking legislation to trade in securities, if required under such legislation, and will be authorized by Schering-Plough to provide services under the Plans;

8. The Agent's role in the Plans may include: (a) assisting with the administration of the Plans, including record-keeping functions; (b) facilitating the exercise of Options (as defined below) granted under the Plans (including cashless and stock-swap exercises) to the extent that they are exercisable for Shares; (c) facilitating the issuance of Shares; (d) facilitating the cancellation and surrender of Awards (as defined below) as permitted under the Plans; (e) holding Shares issued under the Plans on behalf of Participants, Former Participants (as defined below) and Permitted Transferees (as defined below); (f) facilitating the resale of Shares issued in connection with the Plans; and (g) facilitating the mechanisms as set out in the Plans for the payment of withholding taxes;
9. The Plans provide for grants of options exercisable for Shares ("Options"), deferred stock unit awards ("Deferred Stock Unit Awards"), and performance awards ("Performance Awards") (collectively, Shares, Options, Deferred Stock Unit Awards and Performance Awards, are "Awards") to the employees of Schering-Plough and its affiliates. Employees are herein referred to as the "Participants";
10. The Shares issued under the Plans will be previously authorized but unissued Shares or reacquired Shares, whether bought on the market or otherwise;
11. Employees who participate in the Plans will not be induced to purchase Shares by expectation of employment or continued employment;
12. The Plans are administered by the board of directors ("Board") of the Company and/or the Executive Compensation and Organization Committee appointed by the Board ("Committee");
13. All necessary securities filings will be made in the U.S. in order to offer the Plans to employees of the Schering-Plough Companies resident in the U.S.;
14. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the Plans will be delivered to each Canadian Participant who receives an Award under the Plans. The annual reports, proxy materials and other materials Schering-Plough is required to file with the SEC will be

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provided or made available to Canadian Participants at the same time and in the same manner as the documents are provided or made available to U.S. Participants;

15. Following the termination of a Participant's employment relationship with the Schering-Plough Companies for reasons of disability, retirement, termination (other than for cause), sale, divestiture, spin-off or Change of Control (as defined in the Plans), former employees ("Former Participants") will continue to have rights in respect of the Options as set forth in the Plans ("Post-Termination Rights"). The Plans also set forth certain rights in the event of a Participant's death. The Committee may grant Options that are transferable, or amend outstanding Options granted under the Plans to make them transferable by the optionee to one or more members of the optionee's immediate family (spouse, children and grandchildren) ("Permitted Transferees"), to a partnership to which the only partners are members of the optionee's immediate family, or to a trust established by the optionee for the benefit of one or more members of the optionee's immediately family. The Committee may in its discretion permit transfers to other persons or entities. Transferable Options shall become immediately exercisable upon transfer. Permitted Transferees will also have certain Post-Termination Rights. Post-Termination Rights may include, among other things, the right of a Former Participant or Permitted Transferee to exercise Options for a period determined in accordance with the Plans, the right to sell Shares acquired under the Plans through the Agent, and the right to acquire Shares in certain circumstances. Post-Termination Rights will only be issued where the right to receive them was earned by a Former Participant while the Former Participant had an employment relationship with Schering-Plough. Awards are otherwise non-transferable;
16. The sale of Shares acquired under the Plans may be made by Participants, Former Participants or Permitted Transferees through the Agent;
17. As of March 31, 2002, shareholders resident in Canada did not own, directly or indirectly, more than 10% of the issued and outstanding Shares and did not represent in number more than 10% of the shareholders of the Company. If at any time during the currency of the Plans shareholders resident in Canada hold, in aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders constitute more than 10% of all shareholders of the Company, the Company will apply to the relevant Jurisdiction for an order with respect to further trades to and by Participants in that Jurisdiction in respect of Shares acquired under the Plans;

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18. The maximum number of Shares that may be issued under the 1997 Plan is 72,000,000 and under the 2002 Plan is 72,000,000. The foregoing maximum amount is subject to adjustment as provided for in the Plans;
19. The Company may require any Participant to pay to the Company the amount of any taxes which the Schering-Plough Companies are required to withhold in connection with the exercise of Options and/or distributions from Awards. Such tax payments may be made to the Company in cash, in Shares, or in Shares withheld by Schering-Plough from Shares issuable upon exercise of the Option or distribution of the Awards (“Share Withholding Exercises”) or in such other consideration as shall be approved by the Committee;
20. The purposes of the Plans include aiding Schering-Plough in securing and retaining employees of outstanding ability and to provide additional motivation to such employees to exert their best efforts on behalf of the Company;
21. The Committee may, in its sole discretion, grant Options to eligible Participants. Each Option granted under the Plans will be evidenced by an Option Award Letter (“Option Award Letter”);
22. As of February 2002, there were 24 Participants in Canada eligible to receive Options under the Plans: 6 Participants in Ontario; 1 Participant in British Columbia; and 17 Participants in Québec;
23. Subject to the provisions of the Plans, the Committee has the sole authority to determine the number of Shares covered by each Option and the conditions and limitations applicable to the exercise of the Option. The Committee may delegate some or all of its authority under the Plans, pursuant to its terms;
24. Subject to provisions of the Plans, Options shall be exercisable at such times and subject to such terms and conditions as the Committee may specify. Generally, no Option shall be exercisable after the expiration of ten years from the date of grant;
25. The Option price (“Option Price”) for Options will be specified in the Option Award Letter and will be established at the discretion of the Committee; provided, however, that the Option Price per Share for an Option shall be not less than the Fair Market Value (as defined in the Plans) of a Share on the effective date of grant of the Option;
26. Generally, Fair Market Value for the purposes of the Plans shall equal the closing price of the Shares on the NYSE on the day of grant of the Option;

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27. The Committee shall establish procedures governing the exercise of Options. Generally, in order to exercise an Option, a Participant, Former Participant or Permitted Transferee must submit to Schering-Plough or to the Agent a notice of exercise in the form and manner prescribed by the Committee (“Notice of Exercise”) identifying the Option and number of Shares being purchased, together with full payment for the Shares, including applicable taxes, if any. No Option shall be exercised for less than the lesser of 100 Shares or the full number of Shares for which the Option is then exercisable;
28. The Notice of Exercise shall specify which of the following types of exercise will be used to pay the Option Price and other costs, if any including:
- (a) Cash Exercise. The Option holder shall deliver the full Option Price and applicable withholding taxes and transaction fees, if any (collectively, “Exercise Costs”) in cash or cash equivalents to the Agent or to Schering-Plough at the time of exercise. Following receipt of the Exercise Costs, Schering-Plough shall issue the Shares underlying the exercised portion of the Options to the Agent or directly to the Option holder;
 - (b) Cashless for Cash Exercise. If permitted by the Committee or the Option Award Letter, a Cashless for Cash Exercise is an Option exercise and sale of all Shares being purchased through the Option exercise (“Cashless for Cash Exercise”). If the Option holder requests a Cashless for Cash Exercise, the Option holder shall deliver an irrevocable direction to the Agent to sell all or part of the Shares underlying the Options being exercised. Upon receipt of such direction, the Agent shall sell the Shares as soon as practicable and, upon settlement of the trade, shall transfer to Schering-Plough from the proceeds of the sale an amount equal to the Exercise Price and withholding taxes for the Shares purchased. As soon as practicable thereafter, the proceeds from the sale of the Shares (less the Exercise Costs) shall be delivered to the Option holder;
 - (c) Stock Swap Exercise. If permitted by the Committee, an Option exercise and surrender of Shares already owned by an Option holder for at least six months before the date of payment having a Fair Market Value equal to the Exercise Costs (“Stock-Swap Exercise”). If the Option holder requests a Stock-Swap Exercise, that Option holder must deliver to the Agent Shares owned by the Option holder for at least six months before the date of payment having an aggregate Fair Market Value equal to the Exercise Costs. As soon as practicable thereafter, the applicable number of Shares will be delivered to the Option holder or to the Agent on behalf of the Option holder;

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- (d) The Committee may from time to time establish Option exercise procedures for purposes of permitting an Option holder to elect to defer receipt of all or a portion of the Shares subject to such Option and/or to receive cash at such later time or times in lieu of such deferred Shares in the event of a Cashless for Cash Exercise;
 - (e) in any other form of legal consideration that may be acceptable to the Committee;
- 29. During the 60-day period from and after a Change of Control (the "Exercise Period"), a Participant shall have the right to surrender all or part of the Participant's Options to the Company and to receive cash in exchange ("Option Surrenders");
- 30. Awards of Deferred Stock Units ("Units") may be made under the Plans in addition to or in lieu of Option grants. The number of Units allotted to a Participant shall be credited to a memorandum account maintained by the Company for the Participant. Shares equal in number to the number of Units awarded to the Participant shall be distributed to such Participant in a single lump sum on the second, third, fourth or fifth anniversary of the date on which such award of Units was made or in two, three, four or five equal or unequal annual installments commencing on a date not earlier than six months after such award date and on each anniversary thereafter for the duration of the installment period, all as specified in the award of such Units; provided, however, that the Committee may, in its sole discretion, accelerate the payment of any lump sum or installment in the event of the retirement or permanent disability of a Participant or for any other reason decided by the Committee;
- 31. Where a Participant ceases to be an employee of the Schering-Plough Companies for any reason other than retirement, permanent disability, or death, the total number of Units credited to the memorandum account shall be forfeited as of the date of such termination of employment unless the Committee, in its sole discretion waives such forfeiture ("Unit Forfeiture");
- 32. If a Participant or Former Participant dies, such number of Shares as is equal to the total number of Units credited to the memorandum account as of the date of death shall be distributed to designated beneficiaries as soon thereafter as practicable;
- 33. The Committee may, prior to or at the time of grant, designate an award of Units as a performance award ("Performance Award") in which event it shall

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condition the grant or vesting, as applicable, of such Units upon the attainment of Performance Goals (as defined in the Plans);

34. No Performance Award shall vest or be paid out except: (i) upon achievement of the applicable Performance Goals; (ii) upon the death or permanent disability of the Participant; or (iii) upon a Change of Control;
35. Pursuant to the Plans, the acquisition of Awards by the Company in the following circumstances may constitute an "issuer bid": Stock Swap Exercises, Share Withholding Exercises, Unit Forfeitures and Option Surrenders;
36. The issuer bid exemptions in the Legislation may not be available for such acquisitions by the Company 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 and may be made from Permitted Transferees;
37. When the Agents sell Shares on behalf of Former Participants and Permitted Transferees, the Agents, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration Requirement contained in the Legislation of the Jurisdictions;
38. There is no market for the Shares in Canada and none is expected to develop. It is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plans will be effected through the NYSE;

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;

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

- (a) the Registration Requirement shall not apply to trades in Shares by Former Participants or Permitted Transferees, including trades effected through the Agent, provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 - *Resale of Securities* are satisfied; and
- (b) the Issuer Bid Requirements will not apply to the acquisition by Schering-Plough of Awards or Shares from Participants, Former Participants or

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Permitted Transferees provided such acquisitions are made in accordance with the terms of the Plans.

DATED October 8th, 2002.

M. T. McLeod

R. L. Shirriff