

Headnote

MRRS - 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 Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am.

Applicable Ontario Rule

OSC Rule 45-503 - *Trades to Employees, Executives and Consultants*

Applicable Instrument

Multilateral Instrument 45-102 - *Resale of Securities*

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA, SASKATCHEWAN AND NOVA SCOTIA**

AND

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

AND

**IN THE MATTER OF
ROHM AND HAAS COMPANY**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Ontario, Alberta, Saskatchewan and Nova Scotia (the “Jurisdictions”) has received an application from Rohm and Haas Company (“Rohm and Haas” 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 Requirement”) will not apply to certain trades in securities of Rohm and Haas that were acquired in connection with the Rohm and Haas Amended and Restated Stock Plan (the “Plan”); and (ii) 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 apply to certain acquisitions by the Company of Shares (as defined below) 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 Rohm and Haas has represented to the Decision Makers as follows:

1. Rohm and Haas is presently a corporation incorporated under the laws of the state of Delaware. The executive office of Rohm and Haas is located in Philadelphia, Pennsylvania.

2. Rohm and Haas and affiliates of Rohm and Haas (“Rohm and Haas Affiliates”) (Rohm and Haas and Rohm and Haas Affiliates are, collectively, the “Rohm and Haas Companies”) are manufacturers of specialty chemicals.
3. The Company 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. Rohm and Haas is not a reporting issuer in any Jurisdiction and has no present intention of becoming a reporting issuer in any Jurisdiction.
5. The authorized share capital of Rohm and Haas consists of 400,000,000 shares of common stock (“Shares”).
6. The Shares are listed for trading on the New York Stock Exchange (“NYSE”).
7. Rohm and Haas intends to use the services of one or more agents/brokers (each, an “Agent”) under the Plan. The current Agent for the Plan is Salomon Smith Barney, Inc. (“SSB”). SSB is registered in the U.S., but not in the Jurisdictions, and, if replaced, or if an additional Agent is appointed, such replacement Agent or additional Agent is not expected to be so registered in the Jurisdictions. The replacement Agent or additional Agent 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 Rohm and Haas to provide services under the Plan.
8. The Agent’s role in the Plan may include: (a) disseminating information and material to Participants in connection with the Plan; (b) assisting with the administration of the Plan, including record-keeping functions; (c) facilitating the exercise of Awards (as defined below) granted under the Plan (including cashless and stock-swap exercises); (d) holding Shares issued under the Plan on behalf of Participants (as defined below), Former Participants (as defined below) and Permitted Transferees (as defined below) in limited brokerage accounts; (e) facilitating the resale of Shares issued in connection with the Plan; (f) facilitating the reacquisition of Awards under the terms of the Plan; and (g) facilitating the payment of withholding taxes, if any, by cash or the tendering or withholding of Shares.
9. The Shares issued under the Plan will be previously authorized but unissued Shares or reacquired Shares, whether bought on the market or otherwise.
10. Subject to adjustment as provided in the Plan, the maximum number of Shares which may be issued pursuant to the Plan is 19 million.

11. Employees who participate in the Plan will not be induced to purchase Shares by expectation of employment or continued employment.
12. The Plan is administered by the board of directors ("Board") of the Company and/or a committee appointed by the Board ("Committee").
13. Under the Plan options exercisable for Shares ("Options") and restricted stock ("Restricted Stock") (collectively "Awards") may be granted to employees of Rohm and Haas and its affiliates ("Participants").
14. The purpose of the Plan is to attract and retain employees, to motivate Participants by means of appropriate incentive, to achieve long-range goals, to provide incentive compensation opportunities that are competitive with those of other similar companies and to further identify Participants' interests with those of the Company's other stockholders through stock compensation, thereby promoting the long-term financial interest of the Company and its stockholders.
15. The Committee may, in its sole discretion, grant Options to eligible Participants. Each Option granted under the Plan will be evidenced by an Option agreement ("Option Agreement").
16. As of March 1, 2002, there were 23 Participants in Canada eligible to receive Options under the Plan: 14 Participants in Ontario; 1 Participant in Alberta; 1 Participant in Saskatchewan; 6 Participants in Quebec; and 1 Participant in Nova Scotia.
17. Subject to the provisions of the Plan, 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.
18. Options shall be exercisable at such times and subject to such terms and conditions as the Committee may specify, provided that no Option shall be exercisable after the expiration of ten years and one month from the date of grant.
19. The exercise price ("Exercise Price") for Options will be specified in the Option Agreement and will be established at the discretion of the Committee, provided, however, that the Exercise Price per Share for an Option shall be not less than the Fair Market Value (as defined in the Plan) of a Share on the effective date of grant of the Option.
20. Generally, Fair Market Value for the purposes of the Plan shall equal the mean of the high and low price of the Shares on the NYSE on the date of grant.

21. 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 Rohm and Haas or 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.
22. The Notice of Exercise shall specify which of the following types of exercise will be used to pay the Exercise Price and other costs, if any:
 - (a) a regular Option exercise. If the Option holder requests a regular Option exercise, the Option holder shall deliver the full Exercise Price and applicable withholding taxes and transaction fees, if any (collectively, “Exercise Costs”) in cash or cash equivalents to the Agent or to Rohm and Haas at the time of exercise. Following receipt of the Exercise Price and applicable withholding taxes, Rohm and Haas shall issue the Shares underlying the Options to the Agent or directly to the Option holder;
 - (b) if permitted by the Committee, 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 of the Shares underlying the Option being exercised. Upon receipt of such direction, the Agent shall sell the Shares as soon as practicable and, upon settlement of the trade, transfer to Rohm and Haas 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) if permitted by the Committee, an Option exercise and sale of a sufficient number of Shares to cover the Exercise Costs of the Shares being purchased through the Option exercise, with the remainder of the Shares to be issued to the Option holder or the Agent on the holder’s behalf (“Cashless for Stock Exercise”). If the Option holder requests a Cashless for Stock Exercise, the Option holder shall deliver an irrevocable direction to the Agent to sell the portion of the Shares underlying the Option sufficient to pay the Exercise Costs. Upon receipt of such direction, the Agent shall sell the applicable number of Shares as soon as practicable and, upon settlement of the trade, transfer to Rohm and Haas an amount equal to the Exercise Price and withholding taxes for the Shares purchased. As soon as practicable thereafter, the remaining Shares (less the Shares sold to pay the Exercise Costs), shall be delivered to the Option holder or the Agent on his or her behalf, provided, however, that the Option holder shall receive cash in lieu of any fractional Shares;

- (d) if permitted by the Committee, an Option exercise and surrender of Shares already owned by the Option holder having a Fair Market Value equal to the Exercise Costs ("Stock-Swap Exercise"). If an Option holder requests a Stock-Swap Exercise, that Option holder must deliver to the Agent Shares owned by the Option holder 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;
 - (e) if permitted by the Committee, the Exercise Costs may be paid according to a deferred payment arrangement with the Option holder; and
 - (f) in any other form of legal consideration that may be acceptable to the Committee.
23. Unless otherwise determined by the Committee, Options shall not be transferable except by will or the laws of descent and distribution.
24. Following the termination of a Participant's relationship with the Rohm and Haas Companies for reasons of disability, retirement, "Change of Control" (as defined in the Plan), or any other reason ("Former Participant") and on the death of a Participant where the Option has been transferred by will or pursuant to the laws of intestacy ("Permitted Transferees") the Former Participants and Permitted Transferees will continue to have rights in respect of the Plan ("Post-Termination Rights"). Post-Termination Rights may include, among other things, the right of a Former Participant to exercise an Option for a period determined in accordance with the Plan following termination and the right to sell Shares acquired under the Plan through the Agent. Post-Termination Rights will only be issued when the right to receive them was earned by a Participant while that Participant still had a relationship with Rohm and Haas.
25. The sale of Shares acquired under the Plan may be made by Participants, Former Participants or Permitted Transferees through the Agent.
26. 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 Participants and Permitted Transferees of the Shares acquired under the Plan will be effected through the NYSE.
27. As at March 1, 2002, Canadian shareholders did not hold, directly or indirectly, more than 10% of the issued and outstanding Shares of the Company and did not constitute more than 10% of the shareholders of the Company. If at any time during the currency of the Plan Canadian shareholders of the Company 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 Plan.

28. All necessary securities filings have been made in the U.S. in order to offer the Plan to Participants of the Rohm and Haas Companies resident in the U.S.
29. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the Plan will be delivered to each employee who is granted an Option under the Plan. The annual reports, proxy materials and other materials Rohm and Haas is required to file with the SEC will be 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.
30. Rohm and Haas is authorized to withhold from any Award granted the amount of withholding taxes due in respect of the Award or payment under the Plan and to take such other action as may be necessary in the discretion of the Committee to satisfy all obligations for the payment of such taxes ("Share Withholding Exercises").
31. After a "Change in Control" (as defined in the Plan), the Committee has the discretion to permit a Participant holding certain Awards to elect to surrender all or part of the Awards of the Company and to receive a cash amount from the Company at a price equal to the Change of Control Price (as defined in the Plan) ("Award Repurchase Rights").
32. The Committee may, in its sole discretion, grant Restricted Stock to Participants which shall be evidenced by a restricted stock purchase agreement ("Restricted Stock Purchase Agreement") which shall be in such form and shall contain such terms and conditions as the Committee shall deem appropriate.
33. In the event a Participant's status terminates, the Company may repurchase or otherwise reacquire any or all of the Shares held by the Participant which have not vested as of the date of termination under the terms of the Restricted Stock Purchase Agreement ("Restricted Stock Acquisitions").
34. Pursuant to the Plan, the acquisition of Shares by the Company in the following circumstances may constitute an "issuer bid": Stock Swap Exercises, Award Repurchase Rights, Restricted Stock Acquisitions and Share Withholding Exercises.
35. 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.

36. 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.

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 shall not apply to the acquisition by Rohm and Haas of Shares and Awards from Participants, Former Participants or Permitted Transferees provided such acquisitions are made in accordance with the provisions of the Plan.

DATED October 15, 2002.

“Howard I. Wetston”

“Kerry D. Adams”