

IN THE MATTER OF THE SECURITIES LEGISLATION  
OF BRITISH COLUMBIA, ALBERTA, MANITOBA,  
ONTARIO, QUEBEC AND NOVA SCOTIA

AND

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

AND

IN THE MATTER OF  
MOTOROLA, INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Manitoba, Ontario, Quebec and Nova Scotia (the "Jurisdictions") has received an application from Motorola, Inc. ("Motorola") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that certain trades in securities of Motorola made in connection with the Motorola Compensation/Acquisition Plan of 2000, as such plan may be amended, supplemented, superseded or re-enacted from time to time (the "Plan"), including shares of common stock of Motorola (the "Shares") to be acquired upon the optional reinvestment of dividends payable by Motorola (the "Dividend Reinvestments"):

(i) 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

(ii) shall not be subject to the requirements contained in the Legislation pertaining to bids to acquire or redeem securities of an issuer made by an issuer (the "Issuer Bid Requirements");

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

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

1. Motorola is a corporation incorporated under the laws of Delaware, is not a reporting issuer under the Legislation and has no present intention of being a reporting issuer under the Legislation.

2. The share capital of Motorola as at March 15, 2001 consisted of 4,200,000,000 Shares and 500,000 shares of Preferred Stock of which 2,196,061,916 Shares and no shares of Preferred Stock were issued and outstanding, excluding 349,427 Shares held in treasury.

3. Motorola is subject to the requirements of the *Securities Exchange Act of 1934*, as amended, of the United States, and the Shares are listed and posted for trading on the New York Stock Exchange ("NYSE"), Chicago Stock Exchange and Tokyo Stock Exchange.

4. The purpose of the Plan is (i) to make awards to employees of Motorola and its Subsidiaries (as defined under the Plan), excluding directors of Motorola and officers (the "Employees") in connection with Motorola's recruiting and retention efforts and (ii) to furnish incentive to those persons to improve operations and increase profits by providing them stock options and other incentives.

5. Under the Plan, eligible Employees are granted options ("Options"), which Options are non-transferable other than by will (or other death beneficiary designation) or the law of descent and distribution.

6. Types of benefits under the Plan consist of Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Stock, Performance Units and other Stock Awards, as described in the Plan.

7. The Plan will be administered by a committee of the Motorola board of directors consisting of two or more directors as the board may designate from time to time, each of whom shall qualify as a Non-Employee Director (as defined in the Plan) (the "Committee"). The Committee may delegate the administration of the Plan.

8. Motorola proposes to use the services of an agent (the "Plan Broker") in connection with the Plan and the Dividend Reinvestments, currently Salomon Smith Barney Inc., which is registered as a broker under applicable legislation in the United States.

9. The Plan Broker will administer the operation of the Plan, including the exercise of Options by Employees, former Employees and the legal representatives of Employees or former Employees, as the case may be (collectively, the "Participants"), and the sale by the Participants of any Shares acquired under the Plan or upon the Dividend Reinvestments.

10. The number of Shares reserved for issuance under the Plan is an aggregate of 40,000,000 Shares of Motorola common stock, subject to adjustment. However, the number of Shares that may be issued under the Plan for benefits other than Stock Options shall not exceed a total of 4,000,000, subject to adjustment.

11. Shares issued to Participants upon the exercise of Options granted under the Plan will be authorized and unissued Shares or issued Shares reacquired by Motorola.

12. The exercise price for each Option will be determined by the Committee but will not be less than 100% of the fair market value of Motorola's common stock on the date the Option is

granted. Currently, the Committee has determined that the fair market value corresponds to the closing price of the Shares on the last trading day before the day of grant as reported on the NYSE-Composite Transactions and printed in the Wall Street Journal, Midwest edition.

13. The exercise price, upon exercise of any Option, is payable to Motorola in full by (a) cash payment or its equivalent, (b) tendering previously acquired shares (held for at least six months) having a fair market value at the time of exercise equal to the Option price, (c) certification of ownership of such previously-acquired shares, (d) delivery of a properly executed exercise notice, together with irrevocable instructions to the Plan Broker to promptly deliver to Motorola the amount of sale proceeds from the option from the option shares or loan proceeds to pay the exercise price and any withholding taxes due to Motorola, and (e) such other methods of payment as the Committee, at its discretion, deems appropriate (a "Share Payment").

14. As at May 15, 2001, there were approximately 1276 Canadian Employees eligible to participate in the Plan, of which there were 297 Employees in British Columbia, 28 Employees in Alberta, 1 Employee in Manitoba, 663 Employees in Ontario, 274 Employees in Quebec and 13 Employees in Nova Scotia.

15. As at May 17, 2001, the aggregate number of Shares held by holders of record with addresses in any of the Jurisdictions represented less than one percent (1%) of the total number of outstanding Shares, and the aggregate number of holders of record with addresses in each of the Jurisdictions was less than one percent (1%) of the total number of holders of record.

16. No incentive stock option will be granted (i) more than ten (10) years after the date of adoption of the Plan by the Motorola board of directors, such date corresponding to November 7, 2000, or (ii) after a decision of the board of directors to terminate the Plan.

17. Employees will not be induced to participate in the Plan by expectation of employment or continued employment.

18. All disclosure material relating to Motorola that Motorola is required to file with the Securities and Exchange Commission in the United States will be provided or made available upon request to the Canadian Participants who acquire Shares upon the exercise of Options granted under the Plan, at the same time, and in the same manner, as such materials are provided or made available upon request to holders of Shares who are resident in the United States.

19. An exemption from the Prospectus Requirements is not available in all of the Jurisdictions for trades by Canadian Participants in Shares acquired upon the exercise of Options granted under the Plan, and an exemption from the Registration Requirements is not available in all of the Jurisdictions for trades by Canadian Participants in Shares acquired upon the exercise of Options granted under the Plan.

20. The purchase of Shares from a Canadian Participant by Motorola in connection with a Share Payment will constitute an "issuer bid" as defined under the Legislation of each of the Jurisdictions. Exemptions from the issuer bid provisions of the Legislation may not be available for such purchases, since the formula under the Plan for establishing market value will not

necessarily establish a price that is equal to or less than market value as prescribed under the Legislation. Furthermore, such exemptions are not available for purchases from legal representatives of Canadian Employees.

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

22. A French-language offering notice which describes in detail the operation of the Plan will be distributed to all Plan Participants in each jurisdiction which bylaw requires such distribution.

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:

1. the Registration and Prospectus Requirements shall not apply to:

- (i) the issuance by Motorola of Options to Canadian Participants under the Plan;
- (ii) the issuance by Motorola of Shares to the Plan Broker on behalf of Canadian Participants upon the exercise of Options granted under the Plan;
- (iii) trades of Shares acquired through the facilities of a stock exchange outside of Canada by the Plan Broker on behalf of Canadian Participants pursuant to the Dividend Reinvestments; or
- (iv) the activities of the Plan Broker in connection with the foregoing;

provided that the first trade in the Shares acquired in the manner described in paragraph 1(ii) above shall be subject to the Prospectus Requirements;

2. the first trade in Shares acquired by a Canadian Participant upon the exercise of Options granted under the Plan shall not be subject to the Prospectus Requirements, and the Registration Requirements shall not apply to the first trade in Shares acquired upon the exercise of Options granted under the Plan or pursuant to the Dividend Reinvestments where the first trade is made by a Canadian Participant through the Plan Broker, provided that:

- (i) at the time of the trade, Motorola is not a reporting issuer in any of the Jurisdictions;

(ii) such first trade is effected through the facilities of, and in accordance with the rules applicable to, a stock exchange or quotation system outside of Canada on which the Shares may be listed or quoted for trading; and

3. the Issuer Bid Requirements of the Legislation shall not apply to the purchase of Shares from a Canadian Participant by Motorola in connection with a Share Payment.

DATED October 12<sup>th</sup>, 2001.

"Paul M. Moore"

"R. Stephen Paddon"

#### Headnote

MRRS - Mutual Reliance Review System for Exemptive Relief Applications - relief from registration requirements for trades by plan broker on behalf of former employees and legal representatives - first trade relief for former employees and the plan broker on behalf of former employees and legal representatives, subject to certain conditions - relief from issuer bid requirements.

#### Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 25, 35(1)(1), 53, 74(1), 93(3)(d), and 104(2)(c).

#### Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s. 183.

#### Applicable Ontario Rules

Rule 45-502 Dividend or Interest Reinvestment and Stock Dividend Plans, Rule 45-503 - Trades to Employees, Executives and Consultants, Rule 72-501 - Prospectus Exemption for First Trade Over a Market Outside Ontario.