

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from prospectus and registration requirements for spin-off by a publicly traded US company to investors by issuing shares of spun off entity as dividends – reorganization technically not covered by prescribed reorganization exemptions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)(12)(i), 35(12)(ii), 35(1)(13), 53, 72(1)(f)(i), 72(1)(f)(ii), 72(1)(g), 74(1).

December 7, 2004

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUÉBEC, NEW BRUNSWICK AND NOVA SCOTIA (the Jurisdictions)

AND

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

AND

IN THE MATTER OF MOTOROLA, INC.

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from Motorola, Inc. (Motorola or the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting Motorola from the dealer registration requirement and the prospectus requirement in connection with the proposed Distribution (as defined below) by Motorola of shares of Class B Common Stock of Freescale Semiconductor Inc. (Freescale) that it currently holds (the Freescale Shares) to holders of Motorola common stock (the Motorola Shareholders) resident in the Jurisdictions by way of a pro rata dividend in kind (the Requested Relief), subject to certain terms and conditions.

Under the Mutual Reliance Review System for Exemptive Relief Applications (the System):

(a) the Ontario Securities Commission is the principal regulator for this application, and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

This decision is based on the following facts represented by the Filer:

1. Motorola is a corporation constituted pursuant to the laws of Delaware. Motorola is a global leader in wireless, broadband and automotive communications technologies. Motorola's principal executive offices are located in Schaumburg, Illinois. Motorola's principal Canadian subsidiary is Motorola Canada Limited and is located in Ontario.

2. Motorola is not a reporting issuer under the securities laws of any province or territory of Canada and Motorola has no intention of becoming a reporting issuer under the securities laws of any province or territory of Canada.

3. The common shares of Motorola (the Motorola Shares) are listed on the New York Stock Exchange (the NYSE). The Motorola Shares are not listed on any Canadian stock exchange and Motorola has no intention of listing its securities on any Canadian stock exchange.

4. Freescale was incorporated on December 3, 2003 as a wholly-owned subsidiary of Motorola and currently comprises the operations, assets and liabilities that were previously the semiconductor products segment of Motorola. Freescale is a leading global semiconductor company focused on providing embedded processing and connectivity products to large, high-growth markets. Freescale's principal Canadian subsidiary is Freescale Semiconductor Canada Inc., and is also located in Ontario.

5. Freescale is not a reporting issuer under the securities laws of any province or territory of Canada and Freescale has no intention of becoming a reporting issuer under the securities laws of any province or territory of Canada.

6. The Freescale Shares are not listed on any Canadian stock exchange and Freescale has no intention of listing its securities on any Canadian stock exchange.

7. On April 4, 2004, Motorola and Freescale entered into a Master Separation and Distribution Agreement, providing for the transfer of the assets and liabilities of Motorola's semiconductor products segment to Freescale, the initial public offering of Freescale's Class A common stock, and the distribution of the Freescale Shares.

8. In May 2004, Motorola completed the transfer of the assets and liabilities of the semiconductor products segment of Motorola to Freescale.

9. On July 21, 2004, Freescale sold 121,621,622 shares of its Class A common stock in its initial public offering. After the completion of the initial public offering and the subsequent exercise of a portion of the over-allotment option in the offering, Motorola owned approximately 67.5% of the outstanding common stock of Freescale and approximately 92% of the total voting power of Freescale's common stock.

10. Freescale has filed a Form 8 A with the U.S. Securities and Exchange Commission (the SEC) for registration of the Freescale Shares and a final prospectus regarding its Class A Common Stock and is therefore the equivalent of a reporting issuer in the United States.

11. On November 9, 2004, after consultation with financial and other advisors and as anticipated at the time of the initial public offering, the Motorola Board of Directors approved the distribution to Motorola common shareholders of the outstanding Freescale Shares held by Motorola and declared a dividend on Motorola common stock consisting of 269,978,659 Freescale Shares.

12. As of November 8, 2004, Motorola had 261 Canadian shareholders of record (158 in Ontario, 55 in Québec, 45 in British Columbia, 29 in Alberta, 9 in Nova Scotia, 4 in Manitoba, 2 in New Brunswick, and 1 in Saskatchewan), which constituted approximately 0.3% of the approximately 86,800 holders of record of Motorola Shares worldwide. As of November 8, 2004, persons resident in Canada collectively held 258,825 Motorola shares, constituting approximately 0.1% of the approximately 2,380,580,581 issued and outstanding Motorola Shares on November 8, 2004, which includes 3,432 shares of restricted stock held by a Canadian resident Motorola employee. As such, the proportion of issued and outstanding Motorola Shares held by Canadian residents is de minimis.

13. The separation of Motorola and Freescale will be accomplished through a pro rata distribution of all of the Freescale Shares to Motorola Shareholders (the Distribution). The Distribution consists of the following steps:

(a) The general terms and conditions relating to the distribution are set forth in the Master Separation and Distribution Agreement between Motorola and Freescale;

(b) As a result of the distribution, each Motorola shareholder will receive approximately 0.11 of a Freescale Share for each outstanding Motorola Share that the Motorola shareholder owns on the record date, which is November 26, 2004;

(c) Motorola Shareholders will not be required to pay for Freescale Shares received in the distribution or to surrender or exchange Motorola Shares in order to receive Freescale Shares or to take any other action in connection with the distribution; and

(d) Fractional shares of a Freescale Share will be distributed to all Motorola Shareholders entitled to receive at least one Freescale Share. Where registered holders of Motorola Shares are entitled to receive less than one Freescale Share, the transfer and disbursing agent will aggregate such fractional shares and sell them through a broker-dealer that is unaffiliated with either Motorola or Freescale in the open market at the then-prevailing prices on behalf of such holders. Such Motorola Shareholders will then receive a cheque in the amount equal to their pro rata share of the total net proceeds of the sale of aggregate fractional Freescale Shares.

14. After the Distribution, Motorola Shares will continue to be listed and traded on the NYSE and the Freescale Shares will be separately traded on the NYSE.

15. It is not intended that Freescale will become a reporting issuer in any province of Canada.

16. The dividend and Distribution will be effected in compliance with the laws of Delaware.

17. Motorola will be sending to all Motorola Shareholders an information statement regarding the Distribution and Shareholders in the Jurisdiction will receive a copy of this document (the Information Statement)

18. Because the Distribution of Freescale Shares will be by way of dividend to the Motorola Shareholders, no shareholder approval of the proposed transaction is required under the laws of Delaware.

19. All materials relating to the Distribution, sent by or on behalf of Motorola or Freescale in the United States and in other jurisdictions (including the Information Statement) have and will be sent concurrently to the Motorola Shareholders in the Jurisdictions.

20. Following the Distribution, each of Freescale and Motorola will send or continue to send to the Motorola and Freescale Shareholders resident in the Jurisdictions the same disclosure materials that it sends to holders of Freescale Shares and Motorola Shares with addresses shown on the books of the corporation to be in the United States.

21. The Motorola Shareholders resident in the Jurisdictions who receive Freescale Shares as a dividend pursuant to the Distribution will have the same rights and remedies in respect of the disclosure documentation received in connection with Distribution that are available under the laws of the United States to Freescale Shareholders and Motorola Shareholders with addresses in the United States.

22. In all of the Jurisdictions except Québec, the proposed distribution of the Freescale Shares to Motorola Shareholders would be exempt from the Registration and Prospectus Requirements if Freescale were a reporting issuer or equivalent under the Legislation.

23. In Québec, an exemption from the Registration and Prospectus Requirements would be available upon the filing of the prescribed information and the non-objection of the Autorité des

market financiers within 15 days of filing such information. A final exemption from the Registration and Prospectus Requirements would be available in Québec for the alienation of the Freescale Shares by the Freesale Shareholders if Freescale were a reporting issuer in Québec.

Decision

This MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the Decision).

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met.

The Decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that

(a) except in Québec, the first trade of Freescale Shares acquired under this Decision in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public under the Legislation of such Jurisdiction unless the conditions in section 2.6 of Multilateral Instrument 45-102 Resale of Securities are satisfied; and

(b) in Québec, the alienation of Freescale Shares acquired pursuant to this Decision shall be deemed a distribution unless such alienation is made between the subscribers or among them and persons to whom they are related or:

(i) at the time of the alienation, the issuer is and has been a reporting issuer in Québec for the four months preceding the alienation;

(ii) no unusual effort is made to prepare the market or to create a demand for the Freescale Shares;

(iii) no extraordinary commission or consideration is paid to a person or company in respect of the alienation; and

(iv) if the seller of the Freescale Shares is an insider of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of the Legislation of Québec;

Notwithstanding the foregoing, the alienation of Freescale Shares can occur without a prospectus or an exemption from the prospectus requirement outside of Québec on an exchange or an organized market providing that Motorola, Inc. is not a reporting issuer in Québec.

"Paul Moore"
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