

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

AND

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

AND

IN THE MATTER OF PMC-SIERRA, INC., PMC-SIERRA LTD., PMC-SIERRA ULC AND
EXTREME PACKET DEVICES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Manitoba and Ontario (the "Jurisdictions") has received an application from PMC-Sierra, Inc. ("PMC"), PMC-Sierra Ltd. ("Ltd."), PMC-Sierra ULC ("Newco") and Extreme Packet Devices Inc. ("Extreme") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades of securities in connection with the combination (the "Combination") of the businesses of Ltd. and Extreme;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. PMC was incorporated under the laws of Delaware, is not a reporting issuer (or equivalent) under the Legislation, but is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended;
2. the authorized capital of PMC is 900,000,000 shares of PMC Common Stock (the "PMC Shares") and 5,000,000 shares of Preferred Stock, of which approximately 165,259,314 PMC Shares were outstanding as of November 19, 2001;
3. the PMC Shares are quoted on NASDAQ National Market;
4. Ltd. was incorporated by continuation under the laws of British Columbia, and is not a reporting issuer (or equivalent) under the Legislation;
5. Ltd.'s authorized capital is (a) 100,000,000 Ordinary shares (the "Ltd. Ordinary Shares"); (b) 2,557,838 Class 1 Special shares; (c) 2,100,000 Class 2 Special shares; (d) 342,162 Class 3

Special shares; and (e) 5,000,000 Class 4 Special shares (the Class 1, 2, 3 and 4 Special shares are collectively, the "Existing Ltd. Special Shares");

6. as at November 19, 2001, there were approximately 3,968,920 Ltd. Ordinary Shares and 4,794,853 Existing Ltd. Special Shares issued and outstanding, of which PMC holds all of the Ltd. Ordinary Shares;

7. Newco was incorporated as an unlimited liability corporation under the laws of Nova Scotia to hold certain rights and obligations related to the Combination and is a wholly-owned subsidiary of PMC;

8. Extreme was incorporated by continuation under the laws of British Columbia and is not a reporting issuer (or equivalent) under the Legislation;

9. Extreme's authorized capital is 2,619,940 common shares, 10,000,000 ordinary shares (the "Extreme Ordinary Shares") and 10,000,000 special shares (the "Extreme Special Shares");

10. as of November 19, 2001, there was 1 Extreme Ordinary Share and approximately 1,646,346 Extreme Special Shares issued and outstanding, of which Ltd. holds the 1 Extreme Ordinary Share and approximately 1,196,229 Extreme Special Shares;

11. the Extreme Special Shares:

(a) have economic attributes, including voting, dividend rights and liquidation entitlements which are, as nearly as practicable, equivalent to those of PMC Shares; and

(b) are exchangeable into PMC Shares on a one-for-one basis in certain circumstances;

12. the Combination will be effected by:

(a) Ltd. creating the Ltd. Special shares (the "Ltd. Special Shares") with substantially the same characteristics as the Extreme Special Shares;

(b) Ltd. offering to acquire (the "Exchange Offer") all Extreme Special Shares in exchange for Ltd. Special Shares (the "Exchange");

(c) Extreme transferring all of its assets and liabilities to Ltd.;

(d) Ltd. exercising its existing liquidation call right to acquire all Extreme Special Shares not acquired under the Exchange Offer in exchange for PMC Shares; and

(e) Extreme being voluntarily dissolved;

13. after the Exchange, holders of Extreme Special Shares who accept the Exchange Offer will hold securities with terms substantially equivalent to those held before the Exchange, except that with respect to the payment of dividends and amounts in the event of the liquidation, winding up or dissolution of Ltd. the Ltd. Special Shares will rank behind the Existing Ltd. Special Shares, but holders of Ltd. Special Shares will receive the benefit of covenants given by PMC and Ltd. under the Support Agreement and Trust Agreement (defined below);

14. the Exchange and the Ltd. Special Shares may allow Canadian resident shareholders of Extreme to defer the capital gains tax otherwise payable if they received PMC Shares in exchange for their Extreme Special Shares as part of the Combination;

15. the Ltd. Special Shares:

(a) do not entitle holders to receive notice of or vote at meetings of shareholders of Ltd., but under the Trust Agreement (defined below), PMC will deposit with the Trustee, PMC Shares equal to the number of Ltd. Special Shares outstanding to enable holders of Ltd. Special Shares to vote at meetings of holders of PMC Shares;

(b) entitle holders to receive dividends from Ltd. at the same time and in the same amount as dividends paid by PMC on PMC Shares;

(c) with respect to the distribution of assets in the event of a liquidation, dissolution or winding-up of Ltd.:

(i) rank ahead of Ltd. Ordinary Shares to the extent that the holders of Ltd. Special Shares shall receive one PMC Share in such event;

(ii) rank behind Existing Ltd. Special Shares which have a preference in an amount equal to the fair market value of the PMC Shares into which such Existing Ltd. Special Shares are exchangeable (this should be satisfied by the delivery of PMC Shares);

(d) are exchangeable into PMC Shares on a one-for-one basis, from PMC, Newco or Ltd. on the:

(i) liquidation, dissolution or winding-up of Ltd.;

(ii) retraction or redemption of the Ltd. Special Shares; or;

(iii) compulsory sale of the Ltd. Special Shares under exercise of call rights by PMC or Newco;

16. the number of PMC Shares exchangeable for each Ltd. Special Share will be adjusted, in certain events involving PMC, including capital reorganization, stock dividend and disposition of

all or substantially all of the property and assets;

17. prior to the closing of the Exchange Offer, PMC, Newco and Ltd. will enter into a support agreement (the "Support Agreement") under which, PMC will ensure that:

(a) Ltd. declares simultaneous and equivalent dividends on the Ltd. Special Shares as are paid by PMC on the PMC Shares, and that Ltd. has sufficient assets to pay such dividends;

(b) Newco and Ltd. are able to fulfil their obligations in respect of the put, redemption and retraction rights and the dissolution entitlements upon liquidation that are attributes of the Ltd. Special Shares and the exchange rights provided under the Trust Agreement (defined below);

18. at the closing of the Exchange Offer, PMC, Newco and Ltd., the holders of Ltd. Special Shares and a trust company, as trustee (the "Trustee") for the holders of Ltd. Special Shares, will enter into a voting trust and exchange agreement (the "Trust Agreement") under which:

(a) PMC will deposit with the Trustee, PMC Shares equal to the number of Ltd. Special Shares outstanding to enable holders of the Ltd. Special Shares to vote at meetings of holders of PMC Shares;

(b) holders of Ltd. Special Shares will be entitled to exchange their Ltd. Special Shares into PMC Shares from PMC or Newco:

(i) at the election of the holder of Ltd. Special Shares on the insolvency of Ltd.;

(ii) on the exercise of an exchange put right by holders of Ltd. Special Shares at any time; or

(iii) automatically, in the event of liquidation, winding-up or dissolution of PMC, or if PMC enters into any transaction where all or substantially all of its property and assets become the property of another person or successor company who is not bound by the Trust Agreement and the Support Agreement;

19. the steps under the Combination and the attributes of the Ltd. Special Shares, the Support Agreement and the Trust Agreement involve certain trades and possible trades in securities (collectively, the "Trades") where no registration and prospectus exemptions may be available under the Legislation;

20. if all of the Ltd. Special Shares were exchanged for PMC Shares immediately after the completion of the Exchange, all persons and companies resident in Canada would not in the aggregate own directly or indirectly more than 10% of the total number of issued and

outstanding PMC Shares or represent more than 10% of the total number of holders of PMC Shares;

21. there is no market for the PMC Shares in any province or territory of Canada and none is expected to develop;

22. on completing the Combination, none of PMC, Newco or Ltd. will become reporting issuers (or the equivalent) in any province or territory of Canada;

23. all disclosure material furnished to holders of PMC Shares in the United States will be provided to holders of Ltd. Special Shares and PMC Shares resident in the Jurisdictions; and

24. so long as any outstanding Ltd. Special Shares are held by any person other than PMC or its affiliates, PMC will remain the direct or indirect beneficial owner of all the outstanding voting shares of Newco and Ltd.;

AND WHEREAS under 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 under the Legislation is that the Registration and Prospectus Requirements shall not apply to the Trades, provided that,

1. the first trade in Ltd. Special Shares, other than in exchange for PMC Shares, shall be a distribution or primary distribution to the public; and

2. the first trade in any PMC Shares acquired on exchange of Ltd. Special Shares shall be a distribution or primary distribution to the public unless the trade is made through an exchange, or a market, outside of Canada, or to a person or company outside of Canada.

DATED December 14, 2001.

Brenda Leong
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the registration and prospectus requirements for a variety of trades and possible trades in connection with a business combination of two subsidiaries previously involved in an exchangeable share transaction

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c.418, ss. 34(1)(a), 48, 61, 76

Multilateral Instrument 45-102 *Resale of Securities*