MOTOROLA

Letter of Comment No: 15
File Reference: FSP123RBU
Date Received:

September 13, 2005

Mr. Lawrence Smith
Director of Technical Application and
Implementation Activities and EIFT Chair
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT

Dear Mr. Smith:

I am writing this letter on behalf of Motorola, Inc. and in support of the August 30 letter sent to you by the National Association of Stock Plan Professionals.

Share-based payment awards are an integral part of Motorola's compensation philosophy and strategy. We have offered stock options to more than 50,000 employees in over 65 countries. In order to do so in a cost effective and time efficient manner, we have made significant investments in software that allow us to electronically notify and deliver award information to managers and employees once board approval has been obtained. We have also invested significant time and money in manager and employee communications. These investments in software and communications make it possible for us to effectively deliver thousands of award documents around the globe within one to two weeks. These investments have also increased Motorola's return on its rewards' equity: managers have timely tools to assist them in linking employee performance and behavior to the company's financial results. Manager communications of equity grants to employees have greater impact when the grant date and price are known and communicated together with share amounts. In our opinion, separating those messages (share amount from grant date and price) will dilute the impact of the communication.

Motorola will expend significant time, staff and money to comply with the recent decision by FASB to make the grant date and price effective upon employee notification. Compliance will involve changes in our software, communications, Sarbanes-Oxley procedures, and grant processing. We estimate the software changes alone will take three to four months to complete. The software changes will include separate logic for insiders who could be advised of grant date and price at a different time from all other employees. If our auditors rule that we must keep an actual copy of all employee notifications, our expenses will include incremental fixed costs for server storage space. We will need to revamp all communications to managers and employees. The communications effort will be complex, as we will need to explain technical U.S. FASB accounting rules to a diverse, international employee population. We will also need to re-write and re-test Sarbanes-Oxley procedures. As we are currently in our compliance testing phase, this change in procedure will likely cause a three month delay and, at a minimum, will make timely compliance difficult. We will need to completely change our internal grant

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processes and communicate those changes to our global human resource community. These efforts will involve the time and efforts of six to eight professionals in information systems, human resources, communications, accounting, audit and legal staffs. We are concerned that we may not have sufficient time to have all these necessary changes implemented by January 1, 2006.

We foresee software and market related problems for companies using software to track grant delivery dates. What grant date and price would accounting use if the employee communications (and dependent grant date) are delayed due to a power outage, a simple technical issue or a computer virus? Any one of these problems could disrupt email delivery or server memory, resulting in a delay of electronic notifications. What additional issues arise for accounting if, in addition to the delivery delay, the company price significantly increases or decreases during the delay? Hardware and software problems occur more often than we would like. When combined with a volatile stock price, they could result in significant problems in valuing equity for expensing.

We are confident that our current processes and procedures governing grant approvals and acceptance fulfill accounting and reporting needs for accurate price, valuation, and expensing purposes. Our board of directors does not rescind grants once they are approved. Once approved, the company is obligated to issue the grants. Employees do not have the ability to negotiate the terms of their grants once the grants are approved. (Even the most senior executives who may have the ability to negotiate some terms and conditions are not able to negotiate the grant date and price.) Employees rarely reject grants. Generally, rejected grants are due to country tax laws where grants were taxed at grant. (Note: some countries have or are changing tax laws to tax option grants at exercise or vest.) Our electronic delivery processes also represent an efficient and effective means of providing grant information to our global managers and employees, generally within one to two weeks of board approval.

We support the NASPP recommendation that FASB provide practical counsel to its ruling. Specifically, companies may use the board approval date as the grant date and price as long as they make a good faith effort to communicate the terms and conditions of share awards to employees in a timely fashion.

Sincerely,

Ron T. Miller
Corporate Vice President
Team Global Rewards