

Policy on ARRIS Business Ethics and Conduct

I. Introduction

This policy sets forth the basic guidelines that ARRIS expects its officers, directors, management and other employees to follow in dealing on behalf of the Company with governmental entities, the general public, the Company's customers, creditors, suppliers and competitors, and with fellow Company personnel.

No policy can be complete in all respects. Good judgment based upon an understanding of the laws and regulations of ethics is the best safeguard against improper or unethical conduct. Each employee is expected to attain a level of understanding of this Policy that will permit the proper exercise of such judgment. In those circumstances where such judgment could be questioned, employees should seek advice from their supervisors, Human Resources or the CFO/EVP.

The Company's internal auditors and legal staff will monitor compliance with this Policy to assure that the Company conducts itself in a manner consistent with its obligations to society and its stockholders. In addition, those with management responsibilities by this Policy will periodically be required to complete the "Business Ethics and Conduct Policy" - a written assurance of compliance with the legal and ethical principles set forth in this Policy.

A. General Policy

The Company and its personnel will at all times transact business in full compliance with the law and in accordance with the highest principles of business ethics and conduct.

These policies are to be strictly adhered to at all times and under all circumstances. Policy violations may result in disciplinary action, including, if appropriate, discharge from employment.

B. Scope

The guidelines set forth in this policy apply to all ARRIS personnel and all Company-related transactions. Each director, officer and employee must be familiar with this policy and its applicability in his or her particular function. Moreover, those with supervisory responsibilities must ensure that employees under their direction or control are acquainted with applicable portions of the policy. Company officers and directors should also be aware that there are special legal requirements not covered by this policy that apply to corporate fiduciaries.

The Company's commitment to full compliance applies to all applicable laws, regulations and judicial decrees of the United States (federal, state and local) and of other countries where the Company transacts its business. Portions of the policy concentrate on laws and regulations that are particularly relevant to our business activities; however, this special emphasis on relevant areas of law does not limit the general policy requiring full compliance with all applicable laws and regulations. In addition to compliance with all legal requirements, each officer, director and employee must adhere to the overriding ethical and professional standards generally governing the conduct of business. The Company's interests are not served by any unethical practice or activity, even though not in technical violation of the law.

C. Effect of Policy Violation

Any knowing violation of the laws, regulations or principles of ethics set forth in this policy may result in disciplinary action up to and including termination of employment and may subject the employee or former employee to civil liability and/or criminal prosecution. Any employee who knowingly authorizes or permits another to engage in a violation will also be subject to disciplinary action, dismissal and other penalties. Those who receive these guidelines shall be considered informed, and violation of clearly covered areas will be considered "knowing."

D. Employee Responsibilities and Rights Under Policy

Every employee is obliged to strictly adhere to this policy at all times and under all circumstances. Any employee who is aware of violations or potential violations has a duty to advise his supervisor, Human Resources or the CFO/EVP. Further, any uncertainties regarding legal or ethical issues involving Company affairs require the employee to seek the advice of the General Counsel's office for clarification. An error in failing to secure advice or report policy violations could be costly to the individual and to the Company. Each employee should also be aware that the legal implications arising from each of his acts, as well as everything that he writes, may be scrutinized at some future date by government officials or third parties.

It is the right of every employee to report policy violations or seek the advice of counsel without risk to the employee's job status or position by reason of such report or inquiry. To secure this right, each person to whom a report is made or from whom advice is sought shall use every reasonable means available to keep confidential the identity of any employee who requests such protection.

E. Definitions

As used herein, the terms "ARRIS" and the "Company" include ARRIS Group, Inc. and all of its locations. The terms "personnel" and "employee" apply to all Company officers, directors, managers and other employees.

F. Additional Information

Additional copies of this policy are available from the Internal Audit Department. Any employee in doubt about whether this policy applies to a particular transaction or uncertain about the proper course of conduct to follow should contact the CFO/EVP who is available to answer questions and provide guidance.

II. Conflicts of Interest or Violations of Trust

A. General

All employees shall avoid any conflict between their personal interests and the interest of the Company in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Company.

Similarly, employees in a position to control or influence action by the Company that will beneficially affect other companies should be aware that any investment by them in such other companies could disqualify the employees from performing their jobs. All personnel should avoid outside business activities that may conflict with their ability to devote their efforts full time to the business of the Company, unless those activities have been approved by their supervisor.

In many cases, a potential conflict of interest or violation of trust may be avoided by making a full disclosure of the facts prior to any transaction, thereby permitting the Company to make an informed, independent decision regarding the transaction. Such disclosure should be made to the CFO/EVP's office or an employee designated by him.

B. Specific Examples of Conflicts or Violations

It may be considered to be in conflict with the Company's interest or a violation of trust for a director, officer or employee or any immediate member or his/her family:

1. To have an undisclosed interest in or involvement with any organization that has business dealings with the Company where there is an opportunity for preferential treatment to be given or received, except where such comprises securities and/or mutual funds in widely-held corporations that are quoted and sold on the open market, and the interest is not material (less than one percent of the outstanding securities or \$50,000, whichever is lower);

2. To buy, sell or lease any kind of property, facilities or equipment from or to the Company or to any company, firm or individual who is or is seeking to become a contractor, supplier or customer;
3. To accept commissions, a share in profits (other than dividends or interest on securities of widely-held corporations) or other payments, loans (other than with established banking or financial institutions), services, excessive entertainment and travel or gifts of more than nominal value from any individual or organization doing or seeking to do business with the Company; or
4. To take advantage of any opportunity for personal gain that rightfully belongs to the Company. This would include business opportunities of which an employee becomes aware because of his employment by the Company. Such opportunities must be offered to the Company before an employee may pursue them.

C. Effect of Violations

As with any other violation of policy, a violation of the above conflict of interest provisions may result in disciplinary action up to and including termination of employment and may subject the employee or former employee to civil liability and/or criminal prosecution. Even so, not every potential conflict of interest is a policy violation - under some circumstances following a full disclosure by the employee, the Company may independently determine to engage in a particular transaction that is beneficial to the Company notwithstanding the potential conflict. In such a case, the above conflict of interest provisions are not violated. Therefore, the effect of a particular conflict of interest or violation of trust will depend upon the nature of the conflict or violation, its disclosure by the employee, its effect upon the Company, the severity of the violation and the means available to recompense loss or prevent future injury.

III. Antitrust and Trade Regulation

A. General

Every officer, director and employee of ARRIS shall at all times abide by the antitrust laws and trade regulations of the United States. Violations of the antitrust laws or trade regulations may subject the Company to fines, injunctions and substantial monetary damages. Moreover, violations of certain antitrust laws are now considered felonies, exposing an employee to the risk of fine and/or imprisonment.

B. U.S. Operations

The antitrust laws of the United States apply to all business operations in the United States. Accordingly, the guidelines set forth herein will govern all Company operations in the United States.

C. International Operations

The United States antitrust laws apply to any international Company operations to the extent that competition within the United States is affected by a particular business transaction. Although differences in antitrust laws or the absence of such laws in some countries might prevent application of these guidelines to the worldwide Company operations, the cautious approach to foreign antitrust compliance requires that the Company comply with the antitrust laws of the United States in all its international operations. If exceptions in particular circumstances appear appropriate due to the local laws of another country, such exceptions should be discussed with the CFO/EVP.

D. Specific Laws and Regulations

The Company sells its services and products in markets in which there is active competition and the Company aggressively competes in these markets. The following guidelines set forth specific types of conduct or business practices that relate to antitrust laws and trade regulations where special care must be exercised and where active consultation with the CFO/EVP is necessary:

1. Discussions with Competitors. It is forbidden for any employee to discuss or communicate with any competitor of the Company about any internal or unpublished business information (past, present or future) or any other matter inconsistent with the Company's ability to conduct its business independently from its competitors. Examples of forbidden subjects include: purchasing costs or terms, selling/leasing prices or pricing policies, bids or quotes, terms or conditions of sale/lease, credit information, customers or customer-account data, territorial markets or market shares, marketing strategies or product plans, promotions, market surveys, production data, inventories, costs, profits or profit margins, and other similar subjects. In some industries, sub-contracting, joint venturing or particular customer or supplier relationships may create circumstances where discussions with a competitor are necessary and proper. When this occurs, it should be done pursuant to the advice of the General Counsel's office.
2. Agreements with Competitors. There must never be any agreement with a Company competitor concerning the forbidden subjects set forth in the previous paragraph. This prohibition on agreements with competitors includes not only formal written

contracts, but oral agreements, "gentlemen's agreements," tacit approvals, side letters, informal so-called "off-the-record" understandings, and even "knowing winks." Price-fixing agreements, agreements not to compete or to divide up markets, and concerted refusals to deal or boycotts are criminal offenses that are illegal per se. This means that a court will not consider any excuse or justification for the offense, such as ignorance of the law, good faith, or reasonableness. Such antitrust violations are illegal whether or not they were successful or actually harmed anyone. In those instances where a competitor is also a customer, supplier or participant in a joint venture, agreements and the negotiations leading up to the agreements should be engaged in only after consultation with the CFO/EVP.

3. Pricing Policies and Decisions. The Company's pricing policies and decisions should be independently determined in light of current relevant economic factors, market conditions and competitive information obtained from non-competitive sources. Such policies and decisions may never be based upon any communication or agreement with a competitor.

4. Trade Associations. Employees who are members of industry-specific trade associations must be careful that the operations of their trade association and their own involvement in the group avoid any activities prohibited by this Policy, such as discussions or agreements among competitors. Before providing statistics or other information to a trade association or any of its committees, careful consideration should be given to possible conflicts. Similarly, any participation in, or adoption of standards that create hardship for any segment of the industry should be carefully reviewed.

5. Refusals to Deal. Although the Company is free to select its own customers and suppliers, it must do so independently. The CFO/EVP should be consulted before the Company refuses to sell to any customer or prospective customer for other than valid credit reasons or agrees with any other firm to do or refrain from doing business with a third party.

6. Reciprocity. No favorable treatment may be granted to any Company supplier on the basis that the supplier is also a customer of the Company. The purchase of products or services shall be on the basis of price, quality, service, and the financial responsibility of the seller without consideration as to a supplier's status as a Company customer.

7. Price Discrimination. The Company's products and services are to be made available to customers on a fair and equitable basis, without discrimination in price, unless a lower price is justified by a demonstrable cost savings to the Company (and then only to that extent) or unless a lower price is believed in good faith to be necessary to meet an equally low price of a competitor. Similarly, there shall be no discrimination or preferential treatment in scheduled delivery dates, contract terms, services and facilities for similarly situated customers buying in similar situations and markets. Any other special price, discount, allowance, service, facility, contract term, or "side agreement" must be approved in advance by the CFO/EVP.

8. Inducing Preferential Price. Company buyers must never induce or attempt to induce a preferential price from a supplier if there is reason for the buyer to know that the price is discriminatory (i.e., better than those otherwise received by competitors in similar circumstances) and cannot be justified by lower costs to the supplier or by the need for the supplier to meet competition. No services or facilities should be accepted from a supplier under circumstances which would lead the buyer to believe that the services or facilities are not commonly offered by the supplier to similarly situated customers.

9. Commission or Brokerage. Commission or brokerage shall not be paid directly or indirectly to a customer on purchases for its own account. All agreements appointing brokers must contain an express provision prohibiting the broker from passing on any part of its commission to a customer.

10. Marketing Communications. All Company advertising or other marketing communications must be carefully reviewed in their entirety, and those found to be in any way deceptive may not be published or distributed.

11. Trade Disparagement. Competing products or services shall not be inaccurately disparaged orally, in writing, by advertising, or by any other means of communications. Generally, market communiqués should emphasize the merits of the Company's own products and services rather than the negative aspects of a competitor's. Comments on the merits of a competing product or service are permissible whenever the commentary is supported by full facts that can be proven.

12. Unfair Competition. The Company shall not engage in any improper pricing or other unfair competitive practice, either alone

or with others, for the purpose of reducing or destroying competition, eliminating a competitor, blocking the market entry of a potential competitor, or otherwise acting contrary to established business ethics, public values or public interest.

13. Tying Contracts. The sale or lease of a product, service or facility or the granting of an allowance or discount shall not be made on the condition that the purchaser also buy or lease another product, service or facility from the Company.

IV. Governmental Regulations

A. Compliance with Governmental Authority

The Company shall comply with the laws, regulations, decrees and orders of every governmental agency, regulatory authority and judicial body having jurisdiction over it. The Company shall cooperate with governmental agencies in the proper performance of their duties to the fullest extent permissible under this Policy, even when not mandated by law or judicial decree. To ensure the Company's compliance and cooperation commitment is met, the CFO/EVP should be immediately informed of any governmental request or inquiry.

B. Prohibition on Contributions in Federal Elections

No Company funds, property, time or any other thing of value shall be contributed, expended or reimbursed for any campaign purpose or to any candidate in connection with any election, primary election, political convention or caucus in which a candidate or nominee for the office of President, Vice President, Senator or Representative of Congress is to be voted upon or otherwise selected, nor under such circumstances shall the Company provide any indirect payment or support, in any form or through any means, such as through consultants, suppliers, customers, employees or other third parties.

C. Other Company Activity or Contributions

The above prohibitions on Company disbursements shall not prevent the Company from advocating a position, expressing a view, or taking other appropriate action with respect to any legislative or political matters affecting the Company or its interests. In those cases where political contributions or other support are permitted by law, no Company funds, property, time or any other thing of value shall be given except upon the advice of the CFO/EVP and the prior written authorization of a corporate officer.

D. No Prohibition on Individual Activity

Individual officers, directors and employees, acting in their individual capacity and at their own expense, are not constrained by this Policy from

engaging in political activity, making political contributions, expressing views or taking other appropriate action on any political or legislative matter.

E. Relationships with Government Officials

Payments (regardless of amount), entertainment (other than meals where Company-related work activities are conducted) or gifts (of more than nominal value) to government officials and other government personnel of the United States and other domestic or foreign jurisdictions, regardless of motive, are viewed by the Company as improper and are not permitted. The Company's relationship with public officials shall in all respects be of such a nature that the integrity and reputation of the officials and the Company will not be impugned in the event the full details of the relationship, including any gifts or entertainment, become a matter of public discussion.

In those rare cases where a facilitating payment is required to be made to foreign government functionary whose duties are essentially of a minor ministerial or clerical nature, such payment must be insubstantial in amount, customary and legal where made, necessary to prevent a normal and fully legitimate transaction from being impeded, and properly reported and recorded as such in the Company's books and records. Approval of any such facilitating payment must be obtained from the General Counsel's office prior to the payment of any funds.

V. Employment and Personnel Practices

A. General

Every officer, director and employee of the Company shall at all times abide by the strict legal requirements governing employment practices and employee relations. In addition, every person coming in contact with the Company as an employee, customer, supplier, candidate for employment or other third party, shall be treated fairly, courteously and respectfully.

B. Non-Discrimination

The Company shall not discriminate against any person on the basis of race, color, religion, sex, national origin, ancestry, age, sexual orientation, disability or veteran's status or any other characteristic protected by federal, state or local law. This prohibition on discrimination applies to practices in recruiting, employment, training, promotion, working conditions, compensation, benefits, job rules, discipline and all other aspects of employment and employee relations. [See Section 1: Policy Against Sexual and Other Harassment]

C. Harassment

Every employee shall be free to perform his or her job duties and responsibilities and participate in the benefits of employment with the Company without harassment or interference from any co-worker. All employees shall conduct themselves in a dignified manner toward their fellow employees. The Company will not tolerate undue influence, offensive behavior, sexual harassment, intimidation or other disrespectful conduct from one employee toward another nor will the Company tolerate harassment by any other co-worker, manager, employee, supplier, customer or others while working. [See Section 1: Harassment: Sexual, Non-Sexual and Discrimination]

D. Employment Contracts

The Company shall not enter into any contract of employment without the prior written approval of the CFO/EVP.

E. Employee Record Confidentiality

The personnel records of all Company employees shall be treated as the confidential information of the Company. No Company officer, director or employee shall copy or release any personnel or salary record to any third party, nor shall any private personal information contained in any personnel record be disclosed to any third party without the prior written approval of the Vice President of Human Resources. Employees with authorized access to personnel or salary records shall institute measures to prevent the disclosure of any such records under their control.

VI. Transactions in Securities

A. Trading in ARRIS Securities

Employees are prohibited from trading in Company securities when they have material information which is not publicly known. Information is considered material if it is important enough to affect a decision by anyone to buy, sell or hold securities. A separate insider trading document details Company policy and can be found in the employee information manual.

Even when an employee lacks undisclosed material information, it is a prudent practice to trade only when it is unlikely there is any unannounced material information anywhere within the Company. Generally, such a time is the 30-day period commencing one week after the mailing of a Company annual or quarterly report to stockholders. If an employee is in doubt about whether or not trading is permissible, he should discuss the proposed trade with the CFO/EVP.

An employee should not engage in short-term speculation in Company securities nor should an employee engage in any transaction where he profits if the value of the Company securities falls.

B. Trading in the Securities of Other Companies

Employees should not trade in securities of a company which has been targeted for acquisition or is being reviewed as an acquisition candidate or which is being considered for or has just been awarded an important contract or relationship with the Company without first checking with the CFO/EVP.

C. Transactions by Others

No employee shall in any way encourage any third party to engage in any transaction in which the employee himself cannot engage.

VII. Proper Recording of Funds, Assets and Disbursements**A. General**

All funds, assets and disbursements of the Company shall be properly recorded in the appropriate records and books of account. To assure the Company's financial statements are maintained in accordance with Generally Accepted Accounting principles or such other standards as may be appropriate, the following policies are specifically adopted:

1. Full Disclosure of Accounts. No secret or unrecorded fund of monies or other assets of the Company shall be established or maintained, and all payments and disbursements shall be properly recorded on the books and records of the Company.
2. Accurate Entries to Accounts. The making of false or fictitious entries on the books and records of the Company and the issuance of false or misleading reports pertaining to the Company and its operations are prohibited, and no employee or officer shall engage in any transaction that requires or contemplates such prohibited activities on the part of the Company.
3. Accurate Expense Accounts. All employees who seek re-imbursement from the Company for expenses shall keep and submit to the Company complete and accurate records of such expenditures and their business purpose.

VIII. Disclosure or Use of Company Information**A. General**

Each employer shall safeguard and keep private all Company proprietary and confidential information. The disclosure of such Company information shall be permitted only when required by law or when disclosure would be in the best interest of the Company or its personnel. In such case, the approval of the CFO/EVP shall be obtained prior to the

release of such information. Absent such approval, it should be considered a violation of trust for any director, officer or employee:

1. To use or release to a competitor, or any other third party, any data on decisions, plans, competitive bids or any other information concerning the Company which might be prejudicial to the interest of the Company;
2. To appropriate, for his/her own use or for the unauthorized use by a third party, any Company technology, software, trade secrets, written materials or inventions (whether or not copy righted or patented), business information including, but not limited to, contracts, sales or customer information, marketing or other plans, system design information, manuals, computer tapes, discs, data processing records, financial data or any other confidential or proprietary matters of any nature whatsoever;
3. To copy, use or release to a third party any employee data, personnel records or any other private information concerning the Company's employees; or
4. To use or release any undisclosed material information concerning the Company, its plans or its performance or any unpublished facts bearing upon the Company's business, plans or performance where disclosure would harm, threaten, prejudice or unfairly disadvantage the Company, its personnel or any third party.

B. Outside Inquiries and Requests for Information

If any third party makes contact with any Company personnel requesting an interview or seeking information concerning any Company-related proprietary or confidential matter, or if any media representative requests an interview or seeks information or opinions concerning any Company-related matter, whether or not the matter is confidential or proprietary, the requester should be instructed to address its inquiry directly to the CFO/EVP so that questions can be answered with appropriate care by authorized personnel.

IX. Computer Software Licensing

A. General

Federal Copyright Laws require that all employees use software only in accordance with the software license agreement. Any duplication of licensed software except for backup or archival purposes is a violation of the law. Any unauthorized duplication of copyrighted computer software violates the law and is contrary to this organization's standard of conduct.

Illegal reproduction of software can be subject to civil damages of as much as \$100,000 per copyright violated if the infringement was willful.

B. Code of Ethics

1. All software is to be used in accordance with license agreements.
2. Legitimate software will promptly be provided to all employees who need it. No employee of the company will make any unauthorized copies of any software under any circumstances. Anyone found copying software other than for backup purposes is subject to appropriate sanctions.
3. ARRIS will not condone the use of any unauthorized copies of software in our company. Any person illegally reproducing software may be subject to civil and criminal penalties including fines and imprisonment. ARRIS does not allow anyone to illegally copy software under any circumstances and anyone who makes, uses, or otherwise acquires unauthorized software shall be appropriately disciplined.
4. No employee shall give software to any outsiders (including clients, customers and others).
5. Any employee who determines that there may be a misuse of software within the company shall notify his or her supervisor.
6. All software used by the organization on company computers will be properly purchased through appropriate procedures.

Legal Policy On Securities Trades by ARRIS Personnel

Our Business Ethics and Conduct Policy which is distributed to you annually details our prohibition against buying or selling securities of the Company or securities of other companies when you have information not generally known which could reasonably affect the price of these securities. This policy is also a federal law. Individuals who willfully trade on non-public information or assist others to do so are now subject not only to company imposed sanctions such as dismissal, but also to:

- a civil penalty of up to three times the profit gained or loss avoided;
- a criminal fine (no matter how small the profit) of up to \$1 million; and
- a jail term of up to ten years.

Company Policy

If you have material non-public information relating to our Company, it is our policy that neither that person nor any person may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. This Policy also applies to securities of any other company when you have information that company is being considered by us as a candidate for acquisition or for any other important business transaction.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

Material Information

Material information is any information that a reasonable investor would consider important in a decision to buy, hold or sell stock; in short, any information which could reasonably affect the price of the stock.

Examples

Common examples of information that will frequently be regarded as material are: projections of future earnings or losses, news of a pending or proposed merger, acquisition or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies or the declaration of a stock split or the offering of additional securities; changes in management; significant new products or discoveries; impending financial liquidity problems; and the gain or loss of a substantial customer or supplier. Either positive or negative information may be material.

Twenty/Twenty Hindsight

Remember, if your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction, you should carefully consider how regulators and others might view your transaction in hindsight.

Transactions by Family Members

The very same restrictions apply to your family members and others living in your household. Employees are expected to be responsible for the compliance of their immediate family and personal household.

Tipping Information to Others

Whether the information is proprietary information about our Company or information that could have an impact on our stock price or the stock prices of other companies, employees must not pass the information on to others. The above penalties apply, whether or not you derive any benefit from another's actions.

When Information is Public

As you can appreciate, it is also improper for an officer, director or employee to enter a trade immediately after the Company has made a public announcement of material information, including earnings releases. Because the Company's shareholders and the investing public should be afforded the time to receive the information and act upon it, as a general rule, you should not engage in any transactions until the third business day after the information has been released to the public. Thus, if an announcement is made on a Monday, Thursday generally would be the first day on which you should trade. If an announcement is made on a Friday, Wednesday would be the first day.

Company Assistance

If you have any questions about specific transactions, you may obtain additional guidance from the CFO/EVP. Remember, however, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

What is Insider Trading?

Take the following test to see if you understand insider trading regulations. The answers are on page 40.

An ARRIS Corporation Insider Trading Policy can be found on the following pages. Your acknowledgment of receipt of this Information Manual recognizes your understanding of and agreement to comply with this policy.

1. A neighbor called you because he read in a trade publication that the company planned to expand its international sales effort and expected to double sales in 1995. You had not read the article, but had seen a summary of a report to stockholders that carried the same information. You tell your neighbor that the company does anticipate a doubling of international sales. He buys 100 shares. Did you provide him insider information?
2. You know as an employee that a significant new product is being developed by ARRIS. You have heard about it from coworkers who visited the research lab where it was being developed. Plans are to announce the development in two months, once manufacturing begins. You attend a family function and in a discussion about ARRIS describe this new product. Your cousin buys 50 shares of ARRIS stock. Did you violate the insider trading laws?
3. You overhear a conversation in the lunchroom about a company ARRIS is attempting to acquire. Negotiations with the company are not public information. You tell your brother what you heard and he buys 200 shares of stock two days later. The acquisition never materializes. Is that insider trading?

4. A Business Week cover story (December 9, 1994) on insider trading mentioned that one of the stock exchange monitoring groups used a software program to track by zip code people who traded a certain stock during a specific period. The search revealed that an unusually large number of trades occurred by people living on the same block as an employee of the company. If these people all traded based on insider information, who would be subject to penalties under insider trading laws-the employee or the neighbors, or all of the buyers?

Answers to 1,2,3, & 4

1. No. The information had been publicly disclosed.
2. Yes. Any product development information that could affect the stock price is considered insider information.
3. Yes. It doesn't matter whether the deal occurred or not.
4. Everyone who had access to the insider information and traded the stock, as well as the company and the employee who passed on the information, could be in violation of the law, if they trade.

Policy on Insider Trading

The Policy

ARRIS' policy regarding trading in ARRIS shares is as follows:

1. If any employee has material non-public information relating to ARRIS or any of its subsidiaries, it is our policy that neither that person nor any related person living in his or her household may buy or sell our shares or engage in any other actions to take advantage of, or pass on to others, that information.

2. The ultimate responsibility for following this policy and avoiding improper transactions rests with the individual.
3. Questions regarding this policy should be directed only to the Secretary of the Company.

Definitions

The policy on insider trading prohibits buying or selling shares of ARRIS while in possession of "material non-public" information, or passing on such information ("tipping") to others.

Material information is any information that a reasonable investor would consider important in a decision to buy, sell or hold ARRIS shares. In other words, any information (good news or bad news) which reasonably could be expected to affect the price of ARRIS shares is "material" information.

Some examples of material information are:

- Projections which show changes from prior earnings trends;
- News of a pending or proposed merger, acquisition, divestiture or tender offer;
- Changes in dividend policy or stock splits;
- Significant new products or services or contracts;
- Gain or loss of a substantial customer or supplier.

Information is public when it has been released by ARRIS or its subsidiaries through appropriate channels, such as a press release, government filing or public statement from a senior officer. Enough time (usually two or three days) must be allowed after such a release for the investing public to evaluate the information. At that point—and not before—the information is considered "public."

Tipping is the passing along of material non-public information to others. The disclosure of any of ARRIS' confidential information is prohibited.

A Word of Caution

Remember, any transaction which becomes the subject of an insider trading inquiry will be viewed by the SEC and the courts with twenty-twenty hindsight. Therefore, we must consider the appearances of the transaction both now and in the future. If you have any questions at all about the propriety of a transaction, contact the CFO/EVP for advice before buying or selling shares.