

Motorola Solutions, Inc.  
Form 10-Q/A  
May 14, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q/A  
(Amendment No. 1)

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the period ended March 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-7221

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MOTOROLA SOLUTIONS, INC.  
(Exact name of registrant as specified in its charter)

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DELAWARE  
(State of Incorporation)  
1303 E. Algonquin Road,  
Schaumburg, Illinois  
(Address of principal executive offices)  
Registrant's telephone number, including area code:  
(847) 576-5000

36-1115800  
(I.R.S. Employer Identification No.)  
60196  
(Zip Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on March 31, 2012:

| Class | Number of Shares |
|-------|------------------|
|-------|------------------|

Common Stock; \$.01 Par Value

292,062,138

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EXPLANATORY NOTE

Motorola Solutions, Inc. (the "Company") is filing this Amendment No. 1 to its Form 10-Q for the quarter ended March 31, 2012, originally filed with the Securities and Exchange Commission on April 25, 2012. This Amendment is being filed solely for the purpose of correcting incorrect conformed signatures in the certifications filed as Exhibits 31.2 and 32.2 and correcting the referenced quarterly report date in the body of the certifications filed as Exhibits 32.1 and 32.2 to the original periodic report. In accordance with Compliance and Disclosure Interpretations published by the SEC Staff, the entire periodic report is included in this Amendment No. 1. Other than the corrections made to the conformed signatures and typographical errors described above, no other statement or amount has been changed from those presented in the Form 10-Q for the quarter ended March 31, 2012 originally filed by the Company on April 25, 2012.

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Part I—Financial Information  
 Motorola Solutions, Inc. and Subsidiaries  
 Condensed Consolidated Statements of Operations  
 (Unaudited)

| (In millions, except per share amounts)  | Three Months Ended |                  |   |
|--|--------------------|------------------|---|
|  | March 31,<br>2012  | April 2,<br>2011 |   |
| Net sales from products  | \$1,444            | \$1,374          |   |
| Net sales from services  | 512                | 460              |   |
| Net sales  | 1,956              | 1,834            |   |
| Costs of product sales   | 658                | 624              |   |
| Costs of services sales  | 325                | 286              |   |
| Costs of sales   | 983                | 910              |   |
| Gross margin   | 973                | 924              |   |
| Selling, general and administrative expenses                                       | 472                | 461              |   |
| Research and development expenditures  | 254                | 239              |   |
| Other charges  | 15                 | 55               |   |
| Operating earnings   | 232                | 169              |   |
| Other income (expense):  |                    |                  |   |
| Interest expense, net  | (14                | ) (20            | ) |
| Gain on sales of investments and businesses, net                                   | 17                 | 18               |   |
| Other  | 9                  | 5                |   |
| Total other income (expense)   | 12                 | 3                |   |
| Earnings from continuing operations before income taxes                            | 244                | 172              |   |
| Income tax expense (benefit)   | 85                 | (189             | ) |
| Earnings from continuing operations  | 159                | 361              |   |
| Earnings (loss) from discontinued operations, net of tax                           | (2                 | ) 130            |   |
| Net earnings   | 157                | 491              |   |
| Less: Loss attributable to noncontrolling interests                                | —                  | (6               | ) |
| Net earnings attributable to Motorola Solutions, Inc.                              | 157                | 497              |   |
| Amounts attributable to Motorola Solutions, Inc. common stockholders:              |                    |                  |   |
| Earnings from continuing operations, net of tax                                    | \$159              | \$367            |   |
| Earnings (loss) from discontinued operations, net of tax                           | (2                 | ) 130            |   |
| Net earnings   | \$157              | \$497            |   |
| Earnings (loss) per common share:  |                    |                  |   |
| Basic:   |                    |                  |   |
| Continuing operations  | \$0.51             | \$1.09           |   |
| Discontinued operations  | (0.01              | ) 0.38           |   |
|  | \$0.50             | \$1.47           |   |
| Diluted:   |                    |                  |   |
| Continuing operations  | \$0.50             | \$1.07           |   |
| Discontinued operations  | (0.01              | ) 0.37           |   |
|  | \$0.49             | \$1.44           |   |
| Weighted average common shares outstanding:  |                    |                  |   |
| Basic  | 311.3              | 337.4            |   |
| Diluted  | 317.7              | 344.2            |   |
| Dividends paid per share   | \$0.22             | —                |   |
| See accompanying notes to condensed consolidated financial statements (unaudited). |                    |                  |   |

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Motorola Solutions, Inc. and Subsidiaries  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

| (In millions)  | Three Months Ended |                  |   |
|--|--------------------|------------------|---|
|  | March 31,<br>2012  | April 2,<br>2011 |   |
| Net earnings   | \$157              | \$491            |   |
| Other comprehensive income   |                    |                  |   |
| Retirement benefits adjustments, net of tax of \$26 and \$18                       | 49                 | 32               |   |
| Foreign currency translation adjustment, net of tax of \$(4) and \$(3)             | (4                 | ) 50             |   |
| Net gain on derivative hedging instruments, net of tax of \$0 and \$2              | 4                  | —                |   |
| Total other comprehensive income   | 49                 | 82               |   |
| Comprehensive income   | 206                | 573              |   |
| Less: Loss attributable to noncontrolling interest                                 | —                  | (6               | ) |
| Comprehensive income attributable to Motorola Solutions, Inc. common shareholders  | \$206              | \$579            |   |
| See accompanying notes to condensed consolidated financial statements (unaudited). |                    |                  |   |

Motorola Solutions, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Unaudited)

| (In millions, except par value amounts)     | March 31,<br>2012 | December 31,<br>2011 |
|---|-------------------|----------------------|
| <b>ASSETS</b>                               |                   |                      |
| Cash and cash equivalents                   | \$1,720           | \$1,881              |
| Sigma Fund and short-term investments       | 2,047             | 3,210                |
| Accounts receivable, net                    | 1,717             | 1,866                |
| Inventories, net                            | 471               | 512                  |
| Deferred income taxes                       | 640               | 613                  |
| Other current assets                        | 772               | 676                  |
| Current assets held for disposition         | 10                | 10                   |
| Total current assets                        | 7,377             | 8,768                |
| Property, plant and equipment, net          | 874               | 896                  |
| Investments                                 | 168               | 166                  |
| Deferred income taxes                       | 2,318             | 2,375                |
| Goodwill                                    | 1,430             | 1,428                |
| Other assets                                | 274               | 294                  |
| Non-current assets held for disposition     | 2                 | 2                    |
| Total assets                                | \$12,443          | \$13,929             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                   |                      |
| Current portion of long-term debt           | \$404             | \$405                |
| Accounts payable                            | 594               | 677                  |
| Accrued liabilities                         | 2,573             | 2,721                |
| Current liabilities held for disposition    | 12                | 12                   |
| Total current liabilities                   | 3,583             | 3,815                |
| Long-term debt                              | 1,126             | 1,130                |
| Other liabilities                           | 3,624             | 3,710                |
| Stockholders' Equity                        |                   |                      |
| Preferred stock, \$100 par value            | —                 | —                    |
| Common stock, \$.01 par value:              | 3                 | 3                    |
| Authorized shares: 600.0                    |                   |                      |

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|  |          |          |
|--|----------|----------|
| Issued shares: 3/31/12—293.3; 12/31/11—320.0                                       |          |          |
| Outstanding shares: 3/31/12—292.1; 12/31/11—318.8                                  |          |          |
| Additional paid-in capital   | 5,800    | 7,071    |
| Retained earnings  | 1,109    | 1,016    |
| Accumulated other comprehensive loss   | (2,827   | ) (2,876 |
| Total Motorola Solutions, Inc. stockholders' equity                                | 4,085    | 5,214    |
| Noncontrolling interests   | 25       | 60       |
| Total stockholders' equity   | 4,110    | 5,274    |
| Total liabilities and stockholders' equity   | \$12,443 | \$13,929 |
| See accompanying notes to condensed consolidated financial statements (unaudited). |          |          |

Motorola Solutions, Inc. and Subsidiaries  
Condensed Consolidated Statement of Stockholders' Equity  
(Unaudited)

| (In millions)  | Shares | Common Stock and Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss), Net of Tax | Retained Earnings | Noncontrolling Interests |
|--|--------|---|---|-------------------|--------------------------|
| Balance at December 31, 2011   | 320.0  | \$ 7,074                                    | \$ (2,876   | ) \$1,016         | \$ 60                    |
| Net earnings   |        |   |   | 157               | —                        |
| Foreign currency translation adjustments, net of tax of \$(4)                      |        |   | (4  | )                 |                          |
| Amortization of retirement benefit adjustments, net of tax of \$26                 |        |   | 49  |                   |                          |
| Issuance of common stock and stock options exercised                               | 1.3    | 25  |   |                   |                          |
| Share repurchase program   | (28.0  | ) (1,365                                    | )   |                   |                          |
| Excess tax benefit from share-based compensation                                   |        | 6   |   |                   |                          |
| Share-based compensation expense   |        | 43  |   |                   |                          |
| Net gain on derivative hedging instruments   |        |   | 4   |                   |                          |
| Acquisition of noncontrolling interest from Japanese subsidiary                    |        | 20  |   |                   | (35                      |
| Dividends declared (\$0.22 per share)  |        |   |   | (64               | )                        |
| Balance at March 31, 2012  | 293.3  | \$ 5,803                                    | \$ (2,827   | ) \$1,109         | \$ 25                    |
| See accompanying notes to condensed consolidated financial statements (unaudited). |        |   |   |                   |                          |

Motorola Solutions, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| (In millions)  | Three Months Ended |               |
|--|--------------------|---------------|
|  | March 31, 2012     | April 2, 2011 |
| Operating  |                    |               |
| Net earnings attributable to Motorola Solutions, Inc.    | \$157              | \$497         |
| Loss attributable to noncontrolling interests            | —                  | (6            |
| Net earnings   | 157                | 491           |
| Earnings (loss) from discontinued operations, net of tax | (2                 | ) 130         |
| Earnings from continuing operations                      | 159                | 361           |

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|  |         |          |
|--|---------|----------|
| Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities: |         |          |
| Depreciation and amortization  | 53      | 91       |
| Non-cash other expense (income)  | 1       | (8       |
| Share-based compensation expense   | 43      | 39       |
| Gain on sales of investments and businesses, net   | (17     | ) (18    |
| Deferred income taxes  | 27      | (114     |
| Changes in assets and liabilities, net of effects of acquisitions and dispositions:                        |         |          |
| Accounts receivable  | 141     | 175      |
| Inventories  | 9       | (10      |
| Other current assets   | (100    | ) (13    |
| Accounts payable and accrued liabilities   | (249    | ) (221   |
| Other assets and liabilities   | 2       | (49      |
| Net cash provided by operating activities from continuing operations                                       | 69      | 233      |
| Investing  |         |          |
| Acquisitions and investments, net  | 92      | —        |
| Proceeds from (used for) sales of investments and businesses, net  | (54     | ) 52     |
| Capital expenditures   | (49     | ) (27    |
| Proceeds from sales of property, plant and equipment   | —       | 1        |
| Proceeds from sales of Sigma Fund investments, net   | 1,163   | 1,241    |
| Net cash provided by investing activities from continuing operations                                       | 1,152   | 1,267    |
| Financing  |         |          |
| Repayment of debt  | (1      | ) —      |
| Contributions to Motorola Mobility   | —       | (3,200   |
| Issuance of common stock   | 30      | 70       |
| Purchase of common stock   | (1,365  | ) —      |
| Excess tax benefits from share-based compensation  | 6       | —        |
| Payment of dividends   | (70     | ) —      |
| Distribution from (to) discontinued operations   | (11     | ) 209    |
| Net cash used for financing activities from continuing operations  | (1,411  | ) (2,921 |
| Discontinued Operations  |         |          |
| Net cash provided by operating activities from discontinued operations                                     | 2       | 189      |
| Net cash used for investing activities from discontinued operations  | —       | (6       |
| Net cash provided by (used for) financing activities from discontinued operations                          | 11      | (209     |
| Effect of exchange rate changes on cash and cash equivalents from discontinued operations                  | (13     | ) 26     |
| Net cash provided by (used for) discontinued operations  | —       | —        |
| Effect of exchange rate changes on cash and cash equivalents from continuing operations                    | 29      | (23      |
| Net decrease in cash and cash equivalents  | (161    | ) (1,444 |
| Cash and cash equivalents, beginning of period   | 1,881   | 4,208    |
| Cash and cash equivalents, end of period   | \$1,720 | \$2,764  |
| Cash Flow Information  |         |          |
| Cash paid during the period for:   |         |          |
| Interest, net  | \$8     | \$16     |
| Income and withholding taxes, net of refunds   | 38      | 16       |

See accompanying notes to condensed consolidated financial statements (unaudited).



Motorola Solutions, Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Dollars in millions, except as noted)  
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements as of March 31, 2012 and for the three months ended March 31, 2012 and April 2, 2011, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the condensed consolidated balance sheets, statements of operations, statements of comprehensive income, and statements of cash flows of Motorola Solutions, Inc. ("Motorola Solutions" or the "Company") for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2011. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the operating results to be expected for the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-12, which deferred the guidance on whether to require entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement where net income is presented and the statement where other comprehensive income is presented for both interim and annual financial statements, as required by ASU 2011-05. The Company adopted all other requirements of ASU 2011-05 effective January 1, 2012.

In December 2011, the FASB issued Accounting Standards Update No. 2011-11 "Disclosures about Offsetting Assets and Liabilities." The Standard requires additional disclosure to help the comparability of U.S. GAAP and IFRS financial statements. The new standards are effective for annual and interim periods beginning January 1, 2013. Retrospective application is required. The guidance concerns disclosure only and will not have an impact on the Company's consolidated financial position or results of operations.

2. Discontinued Operations

On January 1, 2012, the Company completed a series of transactions which resulted in exiting the amateur, marine and airband radio businesses. During the three months ended March 31, 2012, the Company recorded a pre-tax loss related to the exit of the amateur, marine, and airband businesses of \$7 million, net of closing costs, in its results from discontinued operations. The operating results of the amateur, marine and airband radio businesses, formerly included as part of the Government segment, are reported as discontinued operations in the consolidated statements of operations for all periods presented.

On October 28, 2011, the Company completed the previously announced sale of its Wireless Broadband businesses to Vector Capital. The operating results of the Wireless Broadband businesses, formerly included as part of the Enterprise segment, are reported as discontinued operations in the statements of operations for all periods presented. Certain corporate and general costs which have historically been allocated to these businesses remain with the Company after the sale.

On April 29, 2011 the Company completed the sale of certain assets and liabilities of its Networks business to Nokia Siemens Networks ("NSN"). The results of operations of the portions of the Networks business are reported as discontinued operations for all periods presented. Certain corporate and general costs which have historically been allocated to the Networks business remain with the Company after the sale.

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On January 4, 2011, the stockholders of record as of the close of business on December 21, 2010 received one (1) share of Motorola Mobility Inc. ("Motorola Mobility") common stock for each eight (8) shares of the Company's common stock held as of the record date ("the Distribution"), completing the separation of Motorola Mobility from Motorola Solutions. The Distribution was structured to be tax-free to Motorola Solutions and its stockholders for U.S. tax purposes (other than with respect to any cash received in lieu of fractional shares). The historical financial results of Motorola Mobility are reflected in the Company's condensed consolidated financial statements and footnotes as discontinued operations for all periods presented.

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | March 31,<br>2012  | April 2,<br>2011 |
| Net sales  | \$8                | \$898            |
| Operating earnings                                       | 1                  | 204              |
| Losses on sales of investments and businesses, net       | (7                 | ) —              |
| Earnings (loss) before income taxes                      | (2                 | ) 199            |
| Income tax expense                                       | —                  | 69               |
| Earnings (loss) from discontinued operations, net of tax | \$(2               | ) \$130          |

3. Other Financial Data

Statement of Operations Information

Other Charges

Other charges included in Operating earnings consist of the following:

|                                    | Three Months Ended |                  |
|------------------------------------|--------------------|------------------|
|                                    | March 31,<br>2012  | April 2,<br>2011 |
| Other charges (income):            |                    |                  |
| Amortization of intangible assets  | \$6                | \$50             |
| Reorganization of business charges | 9                  | 5                |
|                                    | \$15               | \$55             |

Other Income (Expense)

Interest expense, net, and Other, both included in Other income (expense), consist of the following:

|                                 | Three Months Ended |                  |
|---------------------------------|--------------------|------------------|
|                                 | March 31,<br>2012  | April 2,<br>2011 |
| Interest income (expense), net: |                    |                  |
| Interest expense                | \$(25              | ) \$(34          |
| Interest income                 | 11                 | 14               |
|                                 | \$(14              | ) \$(20          |
| Other:                          |                    |                  |
| Investment impairments          | \$(2               | ) \$(3           |
| Foreign currency gain           | 10                 | 5                |
| Other                           | 1                  | 3                |
|                                 | \$9                | \$5              |

Earnings Per Common Share

The computation of basic and diluted earnings per common share attributable to Motorola Solutions, Inc. common stockholders is as follows:

| Three Months Ended | Amounts attributable to Motorola Solutions, Inc.<br>common stockholders |                  |                   |                  |
|--------------------|---|------------------|-------------------|------------------|
|                    | Earnings from continuing<br>operations                                  |                  | Net Earnings      |                  |
|                    | March 31,<br>2012   | April 2,<br>2011 | March 31,<br>2012 | April 2,<br>2011 |
|                    |   |                  |                   |                  |

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Basic earnings per common share:

|  |        |         |        |         |
|--|--------|---------|--------|---------|
| Earnings                                   | \$ 159 | \$ 367  | \$ 157 | \$ 497  |
| Weighted average common shares outstanding | 311.3  | 337.4   | 311.3  | 337.4   |
| Per share amount                           | \$0.51 | \$ 1.09 | \$0.50 | \$ 1.47 |

Diluted earnings per common share:

|  |        |         |        |         |
|--|--------|---------|--------|---------|
| Earnings   | \$ 159 | \$ 367  | \$ 157 | \$ 497  |
| Weighted average common shares outstanding         | 311.3  | 337.4   | 311.3  | 337.4   |
| Add effect of dilutive securities:                 |        |         |        |         |
| Share-based awards and other                       | 6.4    | 6.8     | 6.4    | 6.8     |
| Diluted weighted average common shares outstanding | 317.7  | 344.2   | 317.7  | 344.2   |
| Per share amount                                   | \$0.50 | \$ 1.07 | \$0.49 | \$ 1.44 |

In the computation of diluted earnings per common share from both continuing operations and on a net earnings basis for the three months ended March 31, 2012 and April 2, 2011, the assumed exercise of 5.8 million and 9.5 million stock options, respectively, were excluded because their inclusion would have been antidilutive.

Balance Sheet Information

Cash and Cash Equivalents

The Company's cash and cash equivalents (which are highly-liquid investments with an original maturity of three months or less) were \$1.7 billion and \$1.9 billion at March 31, 2012 and December 31, 2011, respectively. Of these amounts, \$63 million at both March 31, 2012 and December 31, 2011, respectively, was restricted.

Sigma Fund

The Sigma Fund consists of the following:

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Cash   | \$1               | \$264                |
| Securities:  |                   |                      |
| U.S. government, agency, and government-sponsored enterprise obligations | 2,044             | 2,944                |
|  | \$2,045           | \$3,208              |

Investments

Investments consist of the following:

|   | Recorded Value |             | Less       |            | Cost     |
|---|----------------|-------------|------------|------------|----------|
|   | Short-term     | Investments | Unrealized | Unrealized | Basis    |
|   | Investments    |             | Gains      | Loss       |          |
| March 31, 2012  |                |             |            |            |          |
| Available-for-sale securities:  |                |             |            |            |          |
| U.S. government, agency and government-sponsored enterprise obligations | \$—            | \$ 16       | \$—        | \$—        | \$ 16    |
| Corporate bonds   | 2              | 10          | —          | —          | 12       |
| Mortgage-backed securities  | —              | 2           | —          | —          | 2        |
| Common stock and equivalents  | —              | 12          | 3          | (1         | ) 10     |
|   | 2              | 40          | 3          | (1         | ) 40     |
| Other securities, at cost   | —              | 106         | —          | —          | 106      |
| Equity method investments   | —              | 22          | —          | —          | 22       |
|   | \$2            | \$ 168      | \$3        | \$(1       | ) \$ 168 |
| December 31, 2011   |                |             |            |            |          |
| Available-for-sale securities:  |                |             |            |            |          |
| U.S. government, agency and government-sponsored enterprise obligations | \$—            | \$ 16       | \$—        | \$—        | \$ 16    |
| Corporate bonds   | 2              | 10          | —          | —          | 12       |

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|                              |     |       |     |      |         |
|------------------------------|-----|-------|-----|------|---------|
| Mortgage-backed securities   | —   | 2     | —   | —    | 2       |
| Common stock and equivalents | —   | 11    | 2   | (1   | ) 10    |
|                              | 2   | 39    | 2   | (1   | ) 40    |
| Other securities, at cost    | —   | 106   | —   | —    | 106     |
| Equity method investments    | —   | 21    | —   | —    | 21      |
|                              | \$2 | \$166 | \$2 | \$(1 | ) \$167 |

During the three months ended March 31, 2012, the Company recorded Gains on sales of investments primarily related to one of our equity investments.

Accounts Receivable, Net

Accounts receivable, net, consists of the following:

|                                      | March 31,<br>2012 | December 31,<br>2011 |
|--------------------------------------|-------------------|----------------------|
| Accounts receivable                  | \$1,768           | \$1,911              |
| Less allowance for doubtful accounts | (51               | ) (45                |
|                                      | \$1,717           | \$1,866              |

Inventories, Net

Inventories, net, consist of the following:

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Finished goods                           | \$307             | \$319                |
| Work-in-process and production materials | 334               | 363                  |
|  | 641               | 682                  |
| Less inventory reserves                  | (170              | ) (170               |
|  | \$471             | \$512                |

Other Current Assets

Other current assets consist of the following:

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Costs and earnings in excess of billings | \$339             | \$302                |
| Contract-related deferred costs          | 150               | 142                  |
| Tax-related refunds receivable           | 86                | 85                   |
| Other                                    | 197               | 147                  |
|  | \$772             | \$676                |

Property, Plant and Equipment, Net

Property, plant and equipment, net, consists of the following:

|                               | March 31,<br>2012 | December 31,<br>2011 |
|-------------------------------|-------------------|----------------------|
| Land                          | \$62              | \$69                 |
| Building                      | 761               | 774                  |
| Machinery and equipment       | 2,131             | 2,052                |
|                               | 2,954             | 2,895                |
| Less accumulated depreciation | (2,080            | ) (1,999             |
|                               | \$874             | \$896                |

Depreciation expense for the three months ended March 31, 2012 and April 2, 2011 was \$46 million and \$40 million, respectively.

Other Assets

Other assets consist of the following:

|                       | March 31,<br>2012 | December 31,<br>2011 |
|-----------------------|-------------------|----------------------|
| Intangible assets     | \$42              | \$48                 |
| Long-term receivables | 31                | 37                   |

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|       |       |       |
|-------|-------|-------|
| Other | 201   | 209   |
|       | \$274 | \$294 |

Accrued Liabilities

Accrued liabilities consist of the following:

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Deferred revenue                         | \$802             | \$774                |
| Billings in excess of costs and earnings | 400               | 250                  |
| Compensation                             | 337               | 471                  |
| Tax liabilities                          | 119               | 126                  |
| Customer reserves                        | 94                | 125                  |
| Distribution-related obligation          | 75                | 75                   |
| Dividend payable                         | 64                | 70                   |
| Networks purchase price adjustment       | 24                | 96                   |
| Other                                    | 658               | 734                  |
|  | \$2,573           | \$2,721              |

As part of the Distribution of Motorola Mobility, the Company had an obligation to fund an additional \$300 million, upon receipt of cash distributions as a result of future capital reductions of an overseas subsidiary, of which substantially all of the final \$75 million was paid to Motorola Mobility subsequent to March 31, 2012.

Other Liabilities

Other liabilities consist of the following:

|   | March 31,<br>2012 | December 31,<br>2011 |
|---|-------------------|----------------------|
| Defined benefit plans, including split dollar life insurance policies | \$2,591           | \$2,675              |
| Postretirement health care benefit plan                               | 297               | 295                  |
| Deferred revenue  | 273               | 275                  |
| Unrecognized tax benefits   | 112               | 112                  |
| Other   | 351               | 353                  |
|   | \$3,624           | \$3,710              |

Stockholders' Equity

Share Repurchase Program: On July 28, 2011, the Company announced that its Board of Directors approved a share repurchase program that allows the Company to purchase up to \$2.0 billion of its outstanding common stock through December 31, 2012. On January 30, 2012, the Company announced that its Board of Directors authorized up to \$1.0 billion in additional funds for use under the existing share repurchase program through the end of 2012. On February 26, 2012, the Company entered into a stock purchase agreement with Carl C. Icahn and certain of his affiliates to purchase 23,739,362 shares of its common stock. The Company paid an aggregate of \$1.4 billion during the first quarter of 2012, including transactions costs, to repurchase 28.0 million shares at an average price of \$48.81 per share. All repurchased shares have been retired.

Payment of Dividends: During the quarter ended March 31, 2012, the Company paid \$70 million in cash dividends to holders of its common stock.

Noncontrolling Interest: On January 1, 2012, the Company entered into a series of transactions which resulted in exiting the amateur, marine and airband radio businesses. One of those transactions was acquiring the remaining 20% of the land mobile radio business previously owned by our Japanese joint venture. The acquisition of the remaining 20% of this land mobile radio business, which the Company already had a controlling interest in, resulted in a decrease of \$35 million to the Company's noncontrolling interest, and an increase of \$20 million to the Company's additional paid in capital, which primarily represents the increase in deferred tax assets from the acquisition of the 20% of the land mobile radio business assets.

4. Debt and Credit Facilities

As of March 31, 2012, the Company had a \$1.5 billion unsecured syndicated revolving credit facility (the "2011 Motorola Solutions Credit Agreement") scheduled to mature on June 30, 2014. The 2011 Motorola Solutions Credit

Agreement includes a provision pursuant to which the Company can increase the aggregate credit facility size up to a maximum of \$2.0 billion by adding lenders or having existing lenders increase their commitments. The Company must comply with certain customary covenants, including maximum leverage and minimum interest coverage ratios as defined in the 2011 Motorola Solutions Credit Agreement. The Company was in compliance with its financial covenants as of March 31, 2012. The Company did not borrow under the 2011 Motorola Solutions Credit Agreement during the three months ended March 31, 2012.

## 5. Risk Management

### Derivative Financial Instruments

#### Foreign Currency Risk

At March 31, 2012, the Company had outstanding foreign exchange contracts with notional amounts totaling \$316 million, compared to \$524 million outstanding at December 31, 2011. The decrease in outstanding contracts is primarily related to the reduction of foreign assets due to repatriation activities. Management believes that these financial instruments should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should generally offset losses and gains on the underlying assets, liabilities and transactions, except for the ineffective portion of the instruments, which are charged to Other within Other income (expense) in the Company's condensed consolidated statements of operations.

The following table shows the five largest net notional amounts of the positions to buy or sell foreign currency as of March 31, 2012 and the corresponding positions as of December 31, 2011:

| Net Buy (Sell) by Currency | Notional Amount   |                      |
|----------------------------|-------------------|----------------------|
|                            | March 31,<br>2012 | December 31,<br>2011 |
| Chinese Renminbi           | \$(119 )          | \$(283 )             |
| British Pound              | 88                | 55                   |
| Brazilian Real             | (39 )             | (34 )                |
| Malaysian Ringgit          | 21                | 37                   |
| Polish Zloty               | 13                | 12                   |

#### Interest Rate Risk

At March 31, 2012, the Company had \$1.5 billion of long-term debt, including the current portion of long-term debt, which is primarily priced at long-term, fixed interest rates.

As part of its liability management program, one of the Company's European subsidiaries has outstanding interest rate agreements ("Interest Agreements") relating to Euro-denominated loans. The interest on the Euro-denominated loans is variable. The Interest Agreements change the characteristics of interest payments from variable to maximum fixed-rate payments. The Interest Agreements are not accounted for as a part of a hedging relationship and, accordingly, the changes in the fair value of the Interest Agreements are included in Other income (expense) in the Company's condensed consolidated statements of operations. As of March 31, 2012, the fair value of the Interest Agreements were in a liability position of \$4 million, compared to a liability position of \$3 million at December 31, 2011.

#### Counterparty Risk

The use of derivative financial instruments exposes the Company to counterparty credit risk in the event of non-performance by counterparties. However, the Company's risk is limited to the fair value of the instruments when the derivative is in an asset position. The Company actively monitors its exposure to credit risk. As of March 31, 2012, all of the counterparties have investment grade credit ratings. The Company is not exposed to material credit risk with any single counterparty. As of March 31, 2012, the Company was exposed to an aggregate net credit risk of approximately \$2 million with all counterparties.

The following tables summarize the fair values and location in the condensed consolidated balance sheets of all derivative financial instruments held by the Company, including amounts held for disposition, at March 31, 2012 and December 31, 2011:

| March 31, 2012 | Fair Values of Derivative Instruments |         |             |         |
|----------------|---------------------------------------|---------|-------------|---------|
|                | Assets                                |         | Liabilities |         |
|                | Fair                                  | Balance | Fair        | Balance |
|                |                                       |         |             |         |

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|   | Value | Sheet Location | Value | Sheet Location    |
|---|-------|----------------|-------|-------------------|
| Derivatives designated as hedging instruments:          |       |                |       |                   |
| Foreign exchange contracts                              | \$2   | Other assets   | \$1   | Other liabilities |
| Derivatives not designated as hedging instruments:      |       |                |       |                   |
| Foreign exchange contracts                              | 1     | Other assets   | —     | Other liabilities |
| Interest agreement contracts                            | —     | Other assets   | 4     | Other liabilities |
| Total derivatives not designated as hedging instruments | 1     |                | 4     |                   |
| Total derivatives                                       | \$3   |                | \$5   |                   |

Fair Values of Derivative Instruments

|   | Assets     |                        | Liabilities |                        |
|---|------------|------------------------|-------------|------------------------|
|   | Fair Value | Balance Sheet Location | Fair Value  | Balance Sheet Location |
| December 31, 2011                                       |            |                        |             |                        |
| Derivatives designated as hedging instruments:          |            |                        |             |                        |
| Foreign exchange contracts                              | \$—        | Other assets           | \$2         | Other liabilities      |
| Derivatives not designated as hedging instruments:      |            |                        |             |                        |
| Foreign exchange contracts                              | 1          | Other assets           | 3           | Other liabilities      |
| Interest agreement contracts                            | —          | Other assets           | 3           | Other liabilities      |
| Total derivatives not designated as hedging instruments | 1          |                        | 6           |                        |
| Total derivatives                                       | \$1        |                        | \$8         |                        |

The following table summarizes the effect of derivative instruments in our condensed consolidated statements of operations, including amounts related to discontinued operations, for the three months ended March 31, 2012 and April 2, 2011:

| Gain (Loss) on Derivative Instruments                   | Three Months Ended |               | Statement of Operations Location |
|---|--------------------|---------------|----------------------------------|
|   | March 31, 2012     | April 2, 2011 |                                  |
| Derivatives not designated as hedging instruments:      |                    |               |                                  |
| Interest rate contracts                                 | \$(4)              | \$(2)         | Other income (expense)           |
| Foreign exchange contracts                              | (4)                | (7)           | Other income (expense)           |
| Total derivatives not designated as hedging instruments | \$(8)              | \$(9)         |                                  |

The following table summarizes the gains and losses recognized in the condensed consolidated financial statements, including amounts related to discontinued operations, for the three months ended March 31, 2012 and April 2, 2011:

| Foreign Exchange Contracts   | Three Months Ended |               | Financial Statement Location         |
|--|--------------------|---------------|--------------------------------------|
|  | March 31, 2012     | April 2, 2011 |                                      |
| Derivatives in cash flow hedging relationships:                                      |                    |               |                                      |
| Gain recognized in Accumulated other comprehensive loss                              | \$3                | \$3           | Accumulated other comprehensive loss |
| Gain (loss) reclassified from Accumulated other comprehensive loss into Net earnings | (1)                | 1             | Cost of sales/Sales                  |

## 6. Income Taxes

At March 31, 2012 and December 31, 2011, the Company had valuation allowances of \$361 million and \$366 million, respectively, including \$333 million and \$336 million, respectively, relating to deferred tax assets for non-U.S. subsidiaries. During the three months ended April 2, 2011, the Company reassessed its valuation allowance requirements taking into consideration the Distribution of Motorola Mobility. The Company evaluated all available evidence in its analysis, including the historical and projected pre-tax profits generated by the Motorola Solutions U.S. operations. The Company also considered tax planning strategies that are prudent and can be reasonably implemented. As a result, in the three months ended April 2, 2011, the Company recorded a \$244 million tax benefit related to the

reversal of a significant portion of the valuation allowance established on U.S. deferred tax assets.

The U.S. valuation allowance as of March 31, 2012 relates primarily to state tax carryforwards. The valuation allowance relating to deferred tax assets of non-U.S. subsidiaries was reduced for tax attributes of a non-controlling interest disposed of during the quarter, partially offset by an increase for current year activity and exchange rate variances. The Company believes the remaining deferred tax assets are more-likely-than-not to be realized based on estimates of future taxable income and the implementation of tax planning strategies.

The Company had unrecognized tax benefits of \$196 million and \$191 million, at March 31, 2012 and December 31, 2011, respectively, of which \$153 million and \$150 million, respectively, if recognized, would affect the effective tax rate, net of resulting changes to valuation allowances.

Based on the potential outcome of the Company's global tax examinations or the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the unrecognized tax benefits will change within the next 12 months. The associated net tax impact on the effective tax rate, exclusive of valuation allowance changes, is estimated to be in the range of a \$50 million tax charge to a \$75 million tax benefit, with cash payments in the range of \$0 to \$25 million.

The Company has audits pending in several tax jurisdictions. Although the final resolution of the Company's global tax disputes is uncertain, based on current information, in the opinion of the Company's management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations. However, an unfavorable resolution of the Company's global tax disputes could have a material adverse effect on the Company's results of operations in the periods in which the matters are ultimately resolved.

## 7. Retirement Benefits

### Pension Benefit Plans

The Company's noncontributory pension plan (the "Regular Pension Plan") covers U.S. employees who became eligible after one year of service. The benefit formula is dependent upon employee earnings and years of service. Effective January 1, 2005, newly-hired employees were not eligible to participate in the Regular Pension Plan. The Company also provides defined benefit plans which cover non-U.S. employees in certain jurisdictions, principally the United Kingdom, Germany, and Japan (the "Non-U.S. Plans"). Other pension plans are not material to the Company either individually or in the aggregate.

The Company has a noncontributory supplemental retirement benefit plan (the "Officers' Plan") for its officers elected prior to December 31, 1999. The Officers' Plan contains provisions for vesting and funding the participants' expected retirement benefits when the participants meet the minimum age and years of service requirements. Elected officers who were not yet vested in the Officers' Plan as of December 31, 1999 had the option to remain in the Officers' Plan or elect to have their benefit bought out in restricted stock units. Effective December 31, 1999, newly elected officers are not eligible to participate in the Officers' Plan. Effective June 30, 2005, salaries were frozen for this plan.

The Company has an additional noncontributory supplemental retirement benefit plan, the Motorola Supplemental Pension Plan ("MSPP"), which provides supplemental benefits to individuals by replacing the Regular Pension Plan benefits that are lost by such individuals under the retirement formula due to application of the limitations imposed by the Internal Revenue Code. However, elected officers who are covered under the Officers' Plan or who participated in the restricted stock buy-out are not eligible to participate in MSPP. Effective January 1, 2007, eligible compensation was capped at the IRS limit plus \$175,000 (the "Cap") or, for those already in excess of the Cap as of January 1, 2007, the eligible compensation used to compute such employee's MSPP benefit for all future years will be the greater of: (i) such employee's eligible compensation as of January 1, 2007 (frozen at that amount), or (ii) the relevant Cap for the given year. Additionally, effective January 1, 2009, the MSPP was closed to new participants unless such participation was required under a prior contractual entitlement.

In February 2007, the Company amended the Regular Pension Plan and the MSPP, modifying the definition of average earnings. For the years ended prior to December 31, 2007, benefits were calculated using the rolling average of the highest annual earnings in any five years within the previous ten calendar year period. Beginning in January 2008, the benefit calculation was based on the set of the five highest years of earnings within the ten calendar years prior to December 31, 2007, averaged with earnings from each year after 2007. In addition, effective January 2008, the Company amended the Regular Pension Plan, modifying the vesting period from five years to three years.



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In December 2008, the Company amended the Regular Pension Plan, the Officers' Plan and the MSPP. Effective March 1, 2009, (i) no participant shall accrue any benefit or additional benefit on and after March 1, 2009, and (ii) no compensation increases earned by a participant on and after March 1, 2009 shall be used to compute any accrued benefit. Additionally, no service performed on and after March 1, 2009, shall be considered service for any purpose under the MSPP.

Beginning in 2012, for disclosure purposes, the Company has changed its presentation to include the Regular Pension Plan, the Officers' Plan and the MSPP as "U.S. plans."

The net periodic pension costs for the U.S. and Non-U.S. plans were as follows:

| Three Months Ended                | March 31, 2012 |             | April 2, 2011 |             |
|-----------------------------------|----------------|-------------|---------------|-------------|
|                                   | U.S.           | Non<br>U.S. | U.S.          | Non<br>U.S. |
| Service cost                      | \$—            | \$3         | \$—           | \$6         |
| Interest cost                     | 88             | 18          | 88            | 18          |
| Expected return on plan assets    | (106           | ) (19       | ) (98         | ) (20       |
| Amortization of:                  |                |             |               |             |
| Unrecognized net loss             | 68             | 5           | 48            | 3           |
| Unrecognized prior service credit | —              | (1          | )             |             |