

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

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

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

(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

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

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)

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
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Common Stock; \$.01 Par Value

292,062,138

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, 2012	April 2, 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, 2012	April 2, 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, 2012	December 31, 2011
ASSETS		
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
LIABILITIES AND STOCKHOLDERS' EQUITY		
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, 2012	April 2, 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, 2012	April 2, 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, 2012	April 2, 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. common stockholders			
	Earnings from continuing operations		Net Earnings	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 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, 2012	December 31, 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		
	Short-term	Investments	Unrealized	Unrealized	Cost
	Investments		Gains	Loss	Basis
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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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, 2012	December 31, 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 U.S.	U.S.	Non 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	) —	(2
Settlement/curtailment loss	—	—	1	—
Net periodic pension cost	\$50	\$6	\$39	\$5

During the three months ended March 31, 2012, contributions of \$60 million were made to the Company's U.S. plans, and \$15 million to the Company's Non-U.S. plans.

Postretirement Health Care Benefit Plans

Net postretirement health care expenses consist of the following:

	Three Months Ended	
	March 31, 2012	April 2, 2011
Service cost	\$1	\$1
Interest cost	5	6
Expected return on plan assets	(3	) (4
Amortization of:		
Unrecognized net loss	3	3
Net postretirement health care expense	\$6	\$6

The Company made no contributions to its postretirement healthcare fund during the three months ended March 31, 2012.

Defined Contribution Plans

The Company and certain subsidiaries have various defined contribution plans, in which all eligible employees participate. In the U.S., the 401(k) plan is a contributory plan. Matching contributions are based upon the amount of the employees' contributions. Beginning January 1, 2012, the Company may make an additional discretionary 401(k) plan matching contribution to eligible employees.

8. Share-Based Compensation Plans

Compensation expense for the Company's employee stock options, stock appreciation rights, employee stock purchase plans, restricted stock and restricted stock units ("RSUs") was as follows:

Share-based compensation expense included in:	Three Months Ended	
	March 31, 2012	April 2, 2011
Costs of sales	\$6	\$3
Selling, general and administrative expenses	26	29
Research and development expenditures	11	7
Share-based compensation expense included in Operating earnings	43	39

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Tax benefit	13	11
Share-based compensation expense, net of tax	\$30	\$28
Decrease in basic earnings per share	\$(0.10) \$(0.08
Decrease in diluted earnings per share	\$(0.09	) \$(0.08
Share-based compensation expense in discontinued operations	\$—	\$9

Employee Stock Purchase Plan

The employee stock purchase plan allows eligible participants to purchase shares of the Company's common stock through payroll deductions of eligible compensation on an after-tax basis. During the three months ended March 31, 2012, the Company increased the maximum purchase from 10% to 20% of eligible compensation. Plan participants cannot purchase more than \$25,000 of stock in any calendar year.

9. Fair Value Measurements

The Company holds certain fixed income securities, equity securities and derivatives, which are recognized and disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value is measured using the fair value hierarchy and related valuation methodologies as defined in the authoritative literature. This guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3—Valuations derived from valuation techniques, in which one or more significant inputs are unobservable. The fair values of the Company's financial assets and liabilities by level in the fair value hierarchy as of March 31, 2012 and December 31, 2011 were as follows:

	Level 1	Level 2	Total
March 31, 2012			
Assets:			
Sigma Fund securities:			
U.S. government, agency and government-sponsored enterprise obligations	\$—	\$2,044	\$2,044
Foreign exchange derivative contracts	—	3	3
Available-for-sale securities:			
U.S. government, agency and government-sponsored enterprise obligations	—	16	16
Corporate bonds	—	10	10
Mortgage-backed securities	—	2	2
Common stock and equivalents	3	9	12
Liabilities:			
Foreign exchange derivative contracts	\$—	\$1	\$1
Interest agreement derivative contracts	—	4	4
December 31, 2011	Level 1	Level 2	Total
Assets:			
Sigma Fund securities:			
U.S. government, agency and government-sponsored enterprise obligations	\$—	\$2,944	\$2,944
Foreign exchange derivative contracts	—	1	1
Available-for-sale securities:			
U.S. government, agency and government-sponsored enterprise obligations	—	16	16

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Corporate bonds	—	10	10
Mortgage-backed securities	—	2	2
Common stock and equivalents	3	8	11
Liabilities:			
Foreign exchange derivative contracts	\$—	\$5	\$5
Interest agreement derivative contracts	—	3	3

The Company had no level 3 holdings as of March 31, 2012 and December 31, 2011.

The following table summarizes the changes in fair value of our Level 3 assets:

	Three Months Ended April 2, 2011
Beginning balance	\$ 15
Transfers to Level 3	21
Payments received and securities sold	(18)
Gain (loss) on Sigma Fund investments included in Other income (expense)	3
Ending balance	\$ 21

At March 31, 2012, the Company had \$430 million of investments in money market mutual funds classified as Cash and cash equivalents in its condensed consolidated balance sheet, compared to \$437 million at December 31, 2011.

The money market funds have quoted market prices that are equivalent to par.

Using quoted market prices and market interest rates, the Company determined that the fair value of long-term debt at March 31, 2012 was \$1.6 billion (Level 2), compared to a face value of \$1.5 billion. Since considerable judgment is required in interpreting market information, the fair value of the long-term debt is not necessarily indicative of the amount which could be realized in a current market exchange.

All other financial instruments are carried at cost, which is not materially different than the instruments' fair values.

10. Long-term Customer Financing and Sales of Receivables

Long-term Customer Financing

Long-term receivables consist of trade receivables with payment terms greater than twelve months, long-term loans and lease receivables under sales-type leases. Long-term receivables consist of the following:

	March 31, 2012	December 31, 2011
Long-term receivables	\$150	\$177
Less allowance for losses	(3)	(10)
	147	167
Less current portion	(116)	(130)
Non-current long-term receivables, net	\$31	\$37

The current portion of long-term receivables is included in Accounts receivable and the non-current portion of long-term receivables is included in Other assets in the Company's condensed consolidated balance sheets.

Certain purchasers of the Company's products and services may request that the Company provide long-term financing (defined as financing with a term of greater than one year) in connection with the sale of products and services. These requests may include all or a portion of the purchase price of the products and services. The Company's obligation to provide long-term financing may be conditioned on the issuance of a letter of credit in favor of the Company by a reputable bank to support the purchaser's credit or a pre-existing commitment from a reputable bank to purchase the long-term receivables from the Company. The Company had outstanding commitments to provide long-term financing to third parties totaling \$47 million at March 31, 2012, compared to \$138 million at December 31, 2011. The majority of the outstanding commitments at March 31, 2012 are related to a variety of government and public safety customers.

The Company had retained the funded portion of the financing arrangements related to the Networks business following

the sale to NSN, which totaled a net amount of \$110 million at March 31, 2012. These receivables have an allowance for uncollectable accounts of \$7 million classified as current, and \$3 million classified as non-current. As of

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March 31, 2012, \$31 million of net receivables are classified as long-term. The remainder of the long-term receivables are current and included in Accounts receivable, net.

Sales of Receivables

From time to time the Company sells accounts receivables and long-term receivables on a non-recourse basis to third parties under one-time arrangements while others are sold to third parties under committed facilities that involve contractual commitments from these parties to purchase qualifying receivables up to an outstanding monetary limit. Committed facilities may be revolving in nature and, typically, must be renewed annually. The Company may or may not retain the obligation to service (billing and collecting only) the sold accounts receivable and long-term receivables. The Company had no committed facilities for the sale of accounts receivable or long-term receivables at March 31, 2012 or at December 31, 2011.

The following table summarizes the proceeds received from non-recourse sales of accounts receivable and long-term receivables for the three months ended March 31, 2012 and April 2, 2011:

	Three Months Ended	
	March 31, 2012	April 2, 2011
Cumulative quarterly proceeds received from one-time sales:		
Accounts receivable sales proceeds	\$5	\$13
Long-term receivables sales proceeds	67	6
Total proceeds from one-time sales of accounts receivable	\$72	\$19

At March 31, 2012, the Company had retained servicing obligations for \$317 million of long-term receivables, compared to \$263 million of long-term receivables at December 31, 2011. Servicing obligations are limited to collection activities related to the non-recourse sales of accounts receivables and long-term receivables.

At March 31, 2012, the Company was subject to a recourse obligation related to the sale of \$141 million of accounts receivables sold during 2011 and the first quarter of 2012 generated by the Networks business and retained after the sale to NSN. This obligation is only triggered upon the insufficiency of a third party legally binding support letter backing the sold receivables. The conditions which must occur in order for the Company to be required to make a payment under this obligation are deemed remote and the fair value of this obligation at the outset of the arrangement and as of March 31, 2012, is zero.

Credit Quality of Customer Financing Receivables and Allowance for Credit Losses

An aging analysis of financing receivables at March 31, 2012 and December 31, 2011 is as follows:

	Total Long-term Receivable	Current Billed Due	Past Due	Past Due
			Under 90 Days	Over 90 Days
March 31, 2012				
Municipal leases secured tax exempt	\$4	\$ —	\$—	\$—
Commercial loans and leases secured	59	1	—	2
Commercial loans unsecured	87	—	—	—
Total gross long-term receivables, including current portion	\$150	\$ 1	\$—	\$2
December 31, 2011				
Municipal leases secured tax exempt	\$14	\$ —	\$—	\$—
Commercial loans and leases secured	61	1	2	—
Commercial loans unsecured	102	—	—	—
Total gross long-term receivables, including current portion	\$177	\$ 1	\$2	\$—

The Company uses an internally developed credit risk rating system for establishing customer credit limits. This system is aligned with and comparable to the rating systems utilized by independent rating agencies.

The Company's policy for valuing the allowance for credit losses is to review for collectability on an individual receivable basis. All customer financing receivables are reviewed for collectability. For those receivables where collection risk is probable, the Company calculates the value of impairment based on the net present value of expected future cash flows from the customer less the fair value of any collateral.

The Company did have financing receivables past due over 90 days as of March 31, 2012 in relation to a loan related to the funded portion of the financing arrangements from the Networks business following the sale to NSN. The Company is no longer accruing interest on this loan as of December 31, 2011. A \$10 million reserve was established for this loan due to collectability issues at December 31, 2011, of which \$7 million is classified as current, and \$3 million is classified as non-current at March 31, 2012.

11. Commitments and Contingencies

Legal

The Company is a defendant in various suits, claims and investigations that arise in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations. However, an unfavorable resolution could have a material adverse effect on the Company's results of operations in the periods in which the matters are ultimately resolved.

Other

The Company is a party to a variety of agreements pursuant to which it is obligated to indemnify the other party with respect to certain matters. Some of these obligations arise as a result of divestitures of the Company's assets or businesses and require the Company to hold the other party harmless against losses arising from the settlement of these pending obligations. The total amount of indemnification under these types of provisions is \$251 million, of which the Company accrued \$2 million at March 31, 2012 for potential claims under these provisions.

In addition, the Company may provide indemnifications for losses that result from the breach of general warranties contained in certain commercial and intellectual property agreements. Historically, the Company has not made significant payments under these agreements. However, there is an increasing risk in relation to patent indemnities given the current legal climate.

In indemnification cases, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. Further, the Company's obligations under these agreements for indemnification based on breach of representations and warranties are generally limited in terms of duration, and for amounts not in excess of the contract value, and, in some instances, the Company may have recourse against third parties for certain payments made by the Company.

In addition, pursuant to the Master Separation and Distribution Agreement and certain other agreements with Motorola Mobility, Motorola Mobility agreed to indemnify the Company for certain liabilities, and the Company agreed to indemnify Motorola Mobility for certain liabilities, in each case for uncapped amounts.

12. Segment Information

The following table summarizes the Net sales by segment:

	Three Months Ended	
	March 31, 2012	April 2, 2011
Government	\$1,301	\$1,167
Enterprise	655	667
	\$1,956	\$1,834

The following table summarizes the Operating earnings by segment:

	Three Months Ended	
	March 31, 2012	April 2, 2011
Government	\$150	\$99
Enterprise	82	70
Operating earnings	232	169
Total other income (expense)	12	3
Earnings from continuing operations before income taxes	\$244	\$172

13. Reorganization of Businesses

The Company maintains a formal Involuntary Severance Plan (the “Severance Plan”), which permits the Company to offer eligible employees severance benefits based on years of service and employment grade level in the event that employment is involuntarily terminated as a result of a reduction-in-force or restructuring. The Company recognizes termination benefits based on formulas per the Severance Plan at the point in time that future settlement is probable and can be reasonably estimated based on estimates prepared at the time a restructuring plan is approved by management. Exit costs consist of future minimum lease payments on vacated facilities and other contractual terminations.

At each reporting date, the Company evaluates its accruals for employee separation and exit costs to ensure the accruals are still appropriate. In certain circumstances, accruals are no longer needed because of efficiencies in carrying out the plans or because employees previously identified for separation resigned from the Company and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were initiated. In these cases, the Company reverses accruals through the condensed consolidated statements of operations where the original charges were recorded when it is determined they are no longer needed.

2012 Charges

During the three months ended March 31, 2012, the Company recorded net reorganization of business charges of \$9 million, primarily under Other charges in the Company’s condensed consolidated statements of operations. Included in the aggregate \$9 million are charges of \$12 million for employee separation costs, and \$1 million for building impairment charges, partially offset by \$4 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by segment:

March 31, 2012	Three Months Ended
Government	\$ 7
Enterprise	2
	\$ 9

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2012 to March 31, 2012:

	Accruals at January 1, 2012	Additional Charges	Adjustments	Amount Used	Accruals at March 31, 2012
Exit costs	\$14	\$—	\$—	\$(2)	\$12
Employee separation costs	30	12	(4)	(13)	25
	\$44	\$12	\$(4)	\$(15)	\$37

Exit Costs

At January 1, 2012, the Company had an accrual of \$14 million for exit costs attributable to lease terminations. During the three months ended, March 31, 2012, there were no additional charges related to the exit of leased facilities. The \$2 million used reflects cash payments. The remaining accrual of \$12 million, which is included in Accrued liabilities in the Company’s condensed consolidated balance sheets at March 31, 2012, primarily represents future cash payments for lease termination obligations that are expected to be paid over a number of years.

Employee Separation Costs

At January 1, 2012, the Company had an accrual of \$30 million for employee separation costs, representing the severance costs for: (i) severed employees who began receiving payments in 2011, and (ii) approximately 100 employees who began receiving payments in 2012. The 2012 additional charges of \$12 million represent severance costs for approximately 200 indirect employees. The adjustment of \$4 million reflects reversals of accruals no longer needed. The \$13 million used reflects cash payments. The remaining accrual of \$25 million, which is included in Accrued liabilities in the Company’s condensed consolidated balance sheets at March 31, 2012, is expected to be paid, generally, within one year to approximately 600 employees, who have either been severed or have been notified of their severance and have begun or will begin receiving payments.

2011 Charges

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During the three months ended April 2, 2011, the Company recorded net reorganization of business charges of \$8 million, including \$5 million of charges under Other charges and \$3 million of charges in Costs of sales in the Company's condensed consolidated statements of operations. Included in the \$8 million are charges of \$9 million for employee separation costs, partially offset by \$1 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by segment:

April 2, 2011	Three Months Ended
Government	\$ 8
Enterprise	—
	\$ 8

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2011 to April 2, 2011:

	Accruals at January 1, 2011	Additional Charges	Adjustments	Amount Used	Accruals at April 2, 2011
Exit costs	\$17	\$—	\$—	\$—	\$17
Employee separation costs	50	9	(1)	(14)	44
	\$67	\$9	\$(1)	\$(14)	\$61

During the three months ended April 2, 2011, approximately 400 employees, of whom substantially all were indirect employees, were separated from the Company, resulting in charges of \$9 million. These charges were offset by adjustments of \$1 million, reflecting reversals of accruals no longer needed, and \$14 million used for cash payments. At April 2, 2011, the Company had accruals of \$17 million and \$44 million, for exit costs attributable to lease terminations and employee separation costs, respectively.

14. Intangible Assets and Goodwill

Intangible Assets

Amortized intangible assets were comprised of the following:

	March 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Completed technology	\$635	\$628	\$635	\$627
Patents	277	277	277	277
Customer-related	137	108	137	103
Licensed technology	23	18	23	18
Other intangibles	90	89	90	89
	\$1,162	\$1,120	\$1,162	\$1,114

Amortization expense on intangible assets was \$6 million for the three months ended March 31, 2012 and \$50 million for the three months ended April 2, 2011. As of March 31, 2012, annual amortization expense is estimated to be \$25 million in 2012, \$10 million in 2013, \$8 million in 2014, \$3 million in 2015 and \$2 million in 2016.

Amortized intangible assets, excluding goodwill, by segment:

	March 31, 2012		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Government	\$53	\$48	\$53	\$48
Enterprise	1,109	1,072	1,109	1,066
	\$1,162	\$1,120	\$1,162	\$1,114

Goodwill

The following table displays a rollforward of the carrying amount of goodwill by segment from January 1, 2012 to March 31, 2012:

Government	Enterprise	Total
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Balances as of January 1, 2012:			
Aggregate goodwill acquired/disposed	\$350	\$2,642	\$2,992
Accumulated impairment losses	—	(1,564	) (1,564)
Goodwill, net of impairment losses	\$350	\$1,078	\$1,428
Goodwill acquired	—	3	3
Goodwill disposed	(1) —	—
Balance as of March 31, 2012:			
Aggregate goodwill acquired/disposed	\$349	\$2,645	\$2,994
Accumulated impairment losses	—	(1,564	) (1,564)
Goodwill, net of impairment losses	\$349	\$1,081	\$1,430

2

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This commentary should be read in conjunction with the condensed consolidated financial statements and related notes thereto of Motorola Solutions, Inc. ("Motorola Solutions" or the "Company," "we," "our," or "us") for the three months ended March 31, 2012 and April 2, 2011, as well as our consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations in our Annual Report on Form 10-K for the year ended December 31, 2011.

Executive Overview

We are a leading provider of mission-critical communication infrastructure, devices, software and services. Our communications-focused products and services help government and enterprise customers improve their operations through increased effectiveness and efficiency of their mobile workforces. Our customers benefit from our global footprint and thought leadership. We are positioned for success with sales in more than 100 countries, an industry leadership position, an unmatched portfolio of products and services and a strong patent portfolio.

We report financial results for two operating segments:

Government: Our Government segment includes sales of public safety mission-critical communications systems, commercial two-way radio systems and devices, software and services. In the first quarter of 2012, the segment's net sales were \$1.3 billion, representing 67% of our consolidated net sales.

Enterprise: Our Enterprise segment includes sales of rugged and enterprise-grade mobile computers and tablets, laser/imaging/Rfid-based data capture products, wireless local area network ("WLAN") and integrated digital enhanced network ("iDEN") infrastructure, software and services. In the first quarter of 2012, the segment's net sales were \$655 million, representing 33% of our consolidated net sales.

Recent Developments

On January 1, 2012, we completed a series of transactions which resulted in exiting the amateur, marine and airband radio businesses. 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. The assets and liabilities of these businesses have not been reclassified as held for disposition for all periods presented as the balances are not material to our consolidated balance sheets.

First Quarter Summary

We increased net sales by 7% to \$2.0 billion in the first quarter of 2012, compared to net sales of \$1.8 billion in the first quarter of 2011, driven by strong demand in our Government segment.

We generated operating earnings of \$232 million in the first quarter of 2012, compared to \$169 million in the first quarter of 2011, driven by higher sales. Operating margin was 11.9% of net sales in the first quarter of 2012, compared to 9.2% of net sales in the first quarter of 2011.

We had earnings from continuing operations, net of tax, of \$159 million, or \$0.50 per diluted common share, in the first quarter of 2012, compared to earnings from continuing operations, net of tax, of \$367 million, or \$1.07 per diluted common share, in the first quarter of 2011. The decrease in net earnings from continuing operations was primarily driven by lower income tax benefits, as we had a \$244 million benefit from a valuation allowance reversal in the first quarter of 2011, compared to a tax expense in the first quarter of 2012.

We generated cash from operating activities of \$69 million during the three months ended of 2012, compared to \$233 million in the first quarter of 2011. The decrease was driven primarily by the timing of certain annual bonus payments to employees, as approximately \$150 million was paid out in the first quarter of 2012, while these comparable payments were made in the second quarter of 2011. In addition, we made a \$50 million payment related to a legal settlement in the first quarter of 2012.

We returned \$1.4 billion in cash to shareholders through share repurchases during the first quarter of 2012, and paid \$70 million in cash dividends.

Highlights for each of our segments are as follows:

Government: Net sales were \$1.3 billion in the first quarter of 2012, an increase of 11% compared to net sales of \$1.2 billion during the first quarter of 2011. On a geographic basis, net sales increased in all regions compared to the year-ago quarter.

Enterprise: Net sales were \$655 million in the first quarter of 2012, a decrease of 2% compared to net sales of \$667 million in the first quarter of 2011, driven by a \$31 million decline in iDEN sales. On a geographic basis, net sales

increased in North America and Asia, and decreased in Latin America, due to the decline in iDEN, and Europe, Middle East and Africa region ("EMEA"), primarily driven by foreign currency fluctuations, compared to the year-ago quarter.

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Results of Operations

(Dollars in millions, except per share amounts)	Three Months Ended		April 2, 2011	% of	
	March 31, 2012	% of Sales**		2011	% of Sales**
Net sales from products	\$1,444		\$1,374		
Net sales from services	512		460		
Net sales	1,956		1,834		
Costs of products sales	658	45.6 %	624	45.4 %	
Costs of services sales	325	63.5 %	286	62.2 %	
Costs of sales	983		910		
Gross margin	973	49.7 %	924	50.4 %	
Selling, general and administrative expenses	472	24.1 %	461	25.1 %	
Research and development expenditures	254	13.0 %	239	13.0 %	
Other charges	15	0.8 %	55	3.0 %	
Operating earnings	232	11.9 %	169	9.2 %	
Other income (expense):					
Interest expense, net	(14)	(0.7 %)	(20)	(1.1 %)	
Gains on sales of investments and businesses, net	17	0.9 %	18	1.0 %	
Other expense	9	0.5 %	5	0.3 %	
Total other income	12	0.6 %	3	0.2 %	
Earnings from continuing operations before income taxes	244	12.5 %	172	9.4 %	
Income tax expense (benefit)	85	4.3 %	(189)	(10.3 %)	
	159	8.1 %	361	19.7 %	
Less: Loss attributable to noncontrolling interests	—	— %			