



Form 10-Q

MOTOROLA INC - mot

Filed: May 07, 2008 (period: March 29, 2008)

Quarterly report which provides a continuing view of a company's financial position

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the period ended March 29, 2008

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, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

1303 E. Algonquin Road
Schaumburg, Illinois
(Address of principal
executive offices)

60196
(Zip Code)

Registrant's telephone number, including area code:
(847) 576-5000

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 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 (Do not check if a smaller reporting company)

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 29, 2008:

Class	Number of Shares
Common Stock; \$3 Par Value	2,255,223,887

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

	<i>Three Months Ended</i>	
	<i>March 29, 2008</i>	<i>March 31, 2007</i>
<i>(In millions, except per share amounts)</i>		
Net sales	\$ 7,448	\$ 9,433
Costs of sales	5,303	6,979
Gross margin	2,145	2,454
Selling, general and administrative expenses	1,183	1,313
Research and development expenditures	1,054	1,117
Other charges	177	390
Operating loss	(269)	(366)
Other income (expense):		
Interest income (expense), net	(2)	41
Gain (loss) on sales of investments and businesses, net	19	(1)
Other	(9)	(1)
Total other income (expense)	8	39
Loss from continuing operations before income taxes	(261)	(327)
Income tax benefit	(67)	(109)
Loss from continuing operations	(194)	(218)
Earnings from discontinued operations, net of tax	—	37
Net loss	\$ (194)	\$ (181)
<i>Earnings (loss) per common share:</i>		
Basic:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.01
	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>
Diluted:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.01
	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>
<i>Weighted average common shares outstanding:</i>		
Basic	2,257.0	2,372.3
Diluted	2,257.0	2,372.3
Dividends paid per share	\$ 0.05	\$ 0.05

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

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

<i>(In millions, except per share amounts)</i>	<i>March 29, 2008</i>	<i>December 3 2007</i>
ASSETS		
Cash and cash equivalents	\$ 2,693	\$ 2,752
Sigma Fund	3,890	5,242
Short-term investments	465	612
Accounts receivable, net	4,770	5,324
Inventories, net	2,941	2,836
Deferred income taxes	1,951	1,891
Other current assets	3,773	3,565
Total current assets	<u>20,483</u>	<u>22,222</u>
Property, plant and equipment, net	2,577	2,480
Sigma Fund	673	—
Investments	801	837
Deferred income taxes	2,679	2,454
Goodwill	4,517	4,499
Other assets	2,403	2,320
Total assets	<u>\$ 34,133</u>	<u>\$ 34,812</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable and current portion of long-term debt	\$ 174	\$ 332
Accounts payable	3,660	4,167
Accrued liabilities	7,942	8,001
Total current liabilities	<u>11,776</u>	<u>12,500</u>
Long-term debt	4,074	3,991
Other liabilities	3,103	2,874
<i>Stockholders' Equity</i>		
Preferred stock, \$100 par value	—	—
Common stock, \$3 par value	6,767	6,792
Issued shares: 03/29/08 — 2,255.8; 12/31/07 — 2,264.0		
Outstanding shares: 03/29/08 — 2,255.2; 12/31/07 — 2,263.1		
Additional paid-in capital	749	782
Retained earnings	8,269	8,579
Non-owner changes to equity	(605)	(706)
Total stockholders' equity	<u>15,180</u>	<u>15,447</u>
Total liabilities and stockholders' equity	<u>\$ 34,133</u>	<u>\$ 34,812</u>

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

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

	Shares	Common Stock and Additional Paid-in Capital	Non-Owner Changes to Equity			Retained Earnings	Compreh Loss
			Fair Value Adjustm to Availabl for Sale Securitie Net of Tax	Foreign Currenc y Translati Adjustme Net of Tax	Retireme nt Benefits Adjustme Net of Tax		
<i>(In millions, except per share amounts)</i>							
Balances at December 31, 2007 (as reported)	2,264.0	\$ 7,574	\$ (59)	\$ 16	\$ (663)	\$ 8,579	
Cumulative effect — Postretirement Insurance Plan					(41)	(4)	
Balances at January 1, 2008	2,264.0	7,574	(59)	16	(704)	8,575	
Net loss						(194)	\$ (194)
Net unrealized loss on securities (net of tax of \$16)			(31)				(31)
Foreign currency translation adjustments (net of tax of \$3)				170			170
Amortization of retirement benefit adjustments (net of tax of \$3)					3		3
Issuance of common stock and stock options exercised	0.8	12					
Share repurchase program	(9.0)	(138)					
Excess tax benefits from share-based compensation		1					
Stock option and employee stock purchase plan expense		67					
Dividends declared (\$0.05 per share)						(112)	
Balances at March 29, 2008	2,255.8	\$ 7,516	\$ (90)	\$ 186	\$ (701)	\$ 8,269	\$ (52)

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

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

<i>(In millions)</i>	<i>Three Months Ended</i>	
	<i>March 29, 2008</i>	<i>March 31, 2007</i>
Operating		
Net loss	\$ (194)	\$ (181)
Less: Earnings from discontinued operations	—	37
Loss from continuing operations	(194)	(218)
Adjustments to reconcile loss from continuing operations to net cash provided by (used for) operating activities:		
Depreciation and amortization	204	219
Non-cash other charges	(1)	112
Share-based compensation expense	78	73
Loss (gain) on sales of investments and businesses, net	(19)	1
Deferred income taxes	(278)	(181)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	627	1,095
Inventories	(46)	146
Other current assets	(166)	62
Accounts payable and accrued liabilities	(636)	(1,471)
Other assets and liabilities	88	170
Net cash provided by (used for) operating activities from continuing operations	(343)	8
Investing		
Acquisitions and investments, net	(140)	(4,131)
Proceeds from sales of investments and businesses	21	50
Capital expenditures	(111)	(92)
Proceeds from sales of property, plant and equipment	5	54
Proceeds from sales of Sigma Fund investments, net	631	6,787
Proceeds from sales (purchases) of short-term investments	147	(181)
Net cash provided by investing activities from continuing operations	553	2,487
Financing		
Net proceeds from (repayment of) commercial paper and short-term borrowings	(54)	59
Repayment of debt	(114)	(163)
Issuance of common stock	6	46
Purchase of common stock	(138)	(2,360)
Payment of dividends	(114)	(119)
Distribution to discontinued operations	(4)	—
Other, net	3	8
Net cash used for financing activities from continuing operations	(415)	(2,529)
Effect of exchange rate changes on cash and cash equivalents from continuing operations	146	(45)
Discontinued Operations		
Net cash used for operating activities from discontinued operations	(4)	—
Net cash provided by (used for) investing activities from discontinued operations	—	—
Net cash provided by financing activities from discontinued operations	4	—
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	—	—
Net cash provided by (used for) discontinued operations	—	—
Net decrease in cash and cash equivalents	(59)	(79)
Cash and cash equivalents, beginning of period	2,752	2,816
Cash and cash equivalents, end of period	\$ 2,693	\$ 2,737
Cash Flow Information		
Cash paid during the period for:		
Interest, net	\$ 19	\$ 56
Income taxes, net of refunds	161	104

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

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

1. Basis of Presentation

The condensed consolidated financial statements as of March 29, 2008 and for the three months ended March 29, 2008 and March 31, 2007, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Company's consolidated financial position, results of operations and cash flows 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, 2007. The results of operations for the three months ended March 29, 2008 are not necessarily indicative of the operating results to be expected for the full year. Certain amounts in prior period financial statements and related notes have been reclassified to conform to the 2008 presentation.

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.

2. Other Financial Data**Statements of Operations Information*****Other Charges***

Other charges included in Operating loss consist of the following:

<i>Three Months Ended</i>	<i>March 29, 2008</i>	<i>March 3 2007</i>
Other charges:		
Amortization of intangible assets	\$ 83	\$ 95
Reorganization of businesses	74	85
Legal settlement	20	115
In-process research and development charges	—	95
	<u>\$ 177</u>	<u>\$ 390</u>

[Table of Contents](#)**Other Income (Expense)**

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

<i>Three Months Ended</i>	<i>March 2 2008</i>	<i>March 31, 2007</i>
Interest income (expense), net:		
Interest expense	\$ (78)	\$ (93)
Interest income	76	134
	<u>\$ (2)</u>	<u>\$ 41</u>
Other:		
Investment impairments	\$ (22)	\$ (19)
Foreign currency gain	1	15
Gain on interest rate swaps	24	—
Other	<u>(12)</u>	<u>3</u>
	<u>\$ (9)</u>	<u>\$ (1)</u>

During the three months ended December 31, 2007, the Company concurrently with the issuance of debt entered into several interest rate swaps to convert the fixed rate interest cost of the debt to a floating rate. At the time of entering into these interest rate swaps, the swaps were designated as fair value hedges and qualified for hedge accounting. The swaps were originally designated as fair value hedges of the underlying debt, including the Company's credit spread. During the three months ended March 29, 2008, the swaps were no longer considered effective hedges because of the volatility in the price of Motorola's fixed-rate domestic term debt and the swaps were de-designated. Motorola was able to redesignate the same interest rate swaps as fair value hedges of the underlying debt, exclusive of the Company's credit spread. For the period of time during the quarter that the swaps were deemed ineffective hedges, Motorola recognized a gain of approximately \$24 million.

Loss Per Common Share

Basic and diluted loss per common share from both continuing operations and net loss, which includes discontinued operations is computed as follows:

<i>Three Months Ended</i>	<u><i>Continuing Operations</i></u>		<u><i>Net Loss</i></u>	
	<i>March 29, 2008</i>	<i>March 31, 2007</i>	<i>March 29, 2008</i>	<i>March 31, 2007</i>
Basic loss per common share:				
Loss	\$ (194)	\$ (218)	\$ (194)	\$ (181)
Weighted average common shares outstanding	2,257.0	2,372.3	2,257.0	2,372.3
Per share amount	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>
Diluted loss per common share:				
Loss	\$ (194)	\$ (218)	\$ (194)	\$ (181)
Weighted average common shares outstanding	2,257.0	2,372.3	2,257.0	2,372.3
Diluted weighted average common shares outstanding	2,257.0	2,372.3	2,257.0	2,372.3
Per share amount	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>

For the three months ended March 29, 2008 and March 31, 2007, the Company was in a net loss position and, accordingly, the basic and diluted weighted average shares outstanding are equal because any increase to the basic shares would be antidilutive. In the computation of diluted loss per common share from both continuing operations and on a net loss basis for the three months ended March 29, 2008 and March 31, 2007, the assumed exercise of 175.8 million and 85.9 million stock options, respectively, would have been excluded because their inclusion would have been antidilutive.

Balance Sheet Information

Sigma Fund and Investments

Sigma Fund and Investments consist of the following:

	Recorded Value				Less		Cost
	Sigma Fund	Sigma Fund	Short-term	Investments	Unrealized	Unrealized	
<i>March 29, 2008</i>	<i>Current</i>	<i>Non-current</i>	<i>Investments</i>	<i>Investments</i>	<i>Gains</i>	<i>Losses</i>	<i>Basis</i>
Cash	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7
Certificates of deposit	36	—	385	—	—	—	421
Available-for-sales securities:							
Commercial paper	886	—	—	—	—	—	886
Government and agencies	39	—	—	—	—	—	39
Corporate bonds	2,525	549	—	—	—	(83)	3,157
Asset-backed securities	258	75	—	—	—	(10)	343
Mortgage-backed securities	139	49	—	—	—	(6)	194
Common stock and equivalents	—	—	—	320	24	(68)	364
Other	—	—	80	—	—	—	80
	3,890	673	465	320	24	(167)	5,491
Other securities, at cost	—	—	—	393	—	—	393
Equity method investments	—	—	—	88	—	—	88
	\$ 3,890	\$ 673	\$ 465	\$ 801	\$ 24	\$ (167)	\$ 5,972

	Recorded Value			Less		Cost
	Sigma Fund	Short-term	Investments	Unrealized	Unrealized	
<i>December 31, 2007</i>	<i>Current</i>	<i>Investments</i>	<i>Investments</i>	<i>Gains</i>	<i>Losses</i>	<i>Basis</i>
Cash	\$ 16	\$ —	\$ —	\$ —	\$ —	\$ 16
Certificates of deposit	156	509	—	—	—	665
Available-for-sales securities:						
Commercial paper	1,282	—	—	—	—	1,282
Government and agencies	25	19	—	—	—	44
Corporate bonds	3,125	1	—	1	(48)	3,173
Asset-backed securities	420	—	—	—	(5)	425
Mortgage-backed securities	209	—	—	—	(5)	214
Common stock and equivalents	—	—	333	40	(79)	372
Other	9	83	—	—	—	92
	5,242	612	333	41	(137)	6,283
Other securities, at cost	—	—	414	—	—	414
Equity method investments	—	—	90	—	—	90
	\$ 5,242	\$ 612	\$ 837	\$ 41	\$ (137)	\$ 6,787

As of March 29, 2008, the fair market value of the Sigma Fund was \$4.6 billion, of which \$3.9 billion has been classified as current and \$673 million has been classified as non-current, as compared to \$5.2 billion at December 31, 2007, all classified as current. For the three months ended March 29, 2008, the Company recorded a \$42 million reduction in the available-for-sale securities held in the Sigma Fund, reflecting a decline in the fair value of the securities. The total unrealized loss on the Sigma Fund portfolio at the end of March 29, 2008 is \$99 million, of which \$28 million relates to the securities classified as current and \$71 million relates to securities classified as non-current. As of December 31, 2007, the unrealized loss on the Sigma Fund portfolio was \$57 million, all classified as current. The unrealized losses have been reflected as a reduction in Non-owner changes to equity. During the three months ended March 29, 2008, there have been no significant changes to the underlying securities held in the Sigma Fund investment portfolio.

During the three months ended March 29, 2008, the Company classified \$673 million of Sigma Fund investments as non-current because they have maturities greater than 12 months, the market values are below cost and the Company plans to hold the securities until they recover to cost or until maturity. The Company believes this decline is temporary,

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primarily due to the recent disruptions in the capital markets. The majority of these securities have investment grade ratings. Accordingly, the Company believes it is probable that it will be able to collect all amounts it is owed under these securities according to their contractual terms, which may be at maturity. If it becomes probable that the Company will not collect the amounts in accordance with the contractual terms of the security, the Company considers the decline other-than-temporary. For the three months ended March 29, 2008, the Company recorded \$4 million of other-than-temporary declines in the Sigma Fund investments as investment impairment charges in the condensed consolidated statements of operations.

The Company recorded investment impairment charges of \$22 million and \$19 million for the three months ended March 29, 2008 and March 31, 2007, respectively, representing other-than-temporary declines in the value of its Sigma Fund and investment portfolio.

Accounts Receivable

Accounts receivable, net, consists of the following:

	<i>March 2</i>	<i>December 3</i>
	<i>2008</i>	<i>2007</i>
Accounts receivable	\$ 4,951	\$ 5,508
Less allowance for doubtful accounts	<u>(181)</u>	<u>(184)</u>
	<u>\$ 4,770</u>	<u>\$ 5,324</u>

Inventories

Inventories, net, consist of the following:

	<i>March 2</i>	<i>December 3</i>
	<i>2008</i>	<i>2007</i>
Finished goods	\$ 1,799	\$ 1,737
Work-in-process and production materials	<u>1,532</u>	<u>1,470</u>
	<u>3,331</u>	<u>3,207</u>
Less inventory reserves	<u>(390)</u>	<u>(371)</u>
	<u>\$ 2,941</u>	<u>\$ 2,836</u>

Other Current Assets

Other current assets consists of the following:

	<i>March 2</i>	<i>December 3</i>
	<i>2008</i>	<i>2007</i>
Costs and earnings in excess of billings	\$ 1,265	\$ 995
Contract related deferred costs	839	763
Contractor receivables	590	960
Value added tax refunds receivable	364	321
Other	<u>715</u>	<u>526</u>
	<u>\$ 3,773</u>	<u>\$ 3,565</u>

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Property, Plant, and Equipment

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

	<i>March 29</i> <i>2008</i>	<i>December 3</i> <i>2007</i>
Land	\$ 158	\$ 134
Building	2,045	1,934
Machinery and equipment	5,821	5,745
	8,024	7,813
Less accumulated depreciation	(5,447)	(5,333)
	\$ 2,577	\$ 2,480

Depreciation expense for the three months ended March 29, 2008 and March 31, 2007 was \$121 million and \$124 million, respectively.

Other Assets

Other assets consist of the following:

	<i>March 2</i> <i>2008</i>	<i>December 3</i> <i>2007</i>
Intangible assets, net of accumulated amortization of \$901 and \$819	\$ 1,201	\$ 1,260
Prepaid royalty license arrangements	407	364
Contract related deferred costs	165	180
Long-term receivables, net of allowances of \$3 and \$5	75	68
Other	555	448
	\$ 2,403	\$ 2,320

Accrued Liabilities

Accrued liabilities consist of the following:

	<i>March 2</i> <i>2008</i>	<i>December 3</i> <i>2007</i>
Deferred revenue	\$ 1,497	\$ 1,235
Compensation	934	772
Customer reserves	818	972
Contractor payables	590	875
Customer downpayments	449	509
Warranty reserves	358	416
Tax liabilities	240	234
Other	3,056	2,988
	\$ 7,942	\$ 8,001

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Other Liabilities

Other liabilities consist of the following:

	<i>March 2</i>	<i>December 3</i>
	<i>2008</i>	<i>2007</i>
Unrecognized tax benefits	\$ 971	\$ 933
Defined benefit plan obligations	675	562
Deferred revenue	400	393
Royalty license arrangement	308	282
Postretirement health care benefit plans	145	144
Other	604	560
	<u>\$ 3,103</u>	<u>\$ 2,874</u>

Stockholders' Equity Information

Share Repurchase Program

During the three months ended March 29, 2008 and March 31, 2007, the Company repurchased 9 million and 121 million of its common shares at an aggregate cost of \$138 million and \$2.4 billion, respectively. Since the inception of its share repurchase program in May 2005, the Company has repurchased a total of 394 million common shares for an aggregate cost of \$7.9 billion. All repurchased shares have been retired. As of March 29, 2008, the Company remained authorized to purchase an aggregate amount of up to \$3.6 billion of additional shares under the current repurchase program.

3. Income Taxes

The Company had unrecognized tax benefits of \$1.5 billion and \$1.4 billion, at March 29, 2008 and December 31, 2007, respectively, of which approximately \$670 million and \$590 million, if recognized, would affect the effective tax rate.

The Company is currently contesting significant tax adjustments related to transfer pricing for the 1996 through 2003 tax years at the appellate level of the Internal Revenue Service ("IRS"). The Company disagrees with all of these proposed transfer pricing-related adjustments and intends to vigorously dispute them through applicable IRS and judicial procedures, as appropriate. However, if the IRS were to ultimately prevail on these matters, it could result in: (i) additional taxable income for the years 1996 through 2000 of approximately \$1.4 billion, which could result in additional income tax liability for the Company of approximately \$500 million, and (ii) additional taxable income for the years 2001 and 2002 of approximately \$800 million, which could result in additional income tax liability for the Company of approximately \$300 million. The IRS is currently reviewing a claim for additional research tax credits for the years 1996-2003. The IRS is conducting its field examination of the Company's 2004 and 2005 tax returns. Although the final resolution of these matters is uncertain, based on current information, in the opinion of the Company's 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 consolidated financial position, liquidity or results of operations in the periods in which the matter is ultimately resolved.

The Company has several other non-U.S. income tax audits pending and while the final resolution is uncertain, in the opinion of the Company's management, the ultimate disposition of the audits will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations.

Based on the potential outcome of the Company's global tax examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the unrecognized tax benefits will decrease within the next 12 months. The associated net tax benefits, which would favorably impact the effective tax rate, are estimated to be in the range of \$20 million to \$150 million with no significant net cash tax payments.

4. Retirement Benefits

Defined Benefit Plans

The net periodic pension cost for the Regular Pension Plan, Officers' Plan, the Motorola Supplemental Pension Plan ("MSPP"), and Non-U.S. plans was as follows:

<i>Three Months Ended</i>	<i>March 29, 2008</i>			<i>March 31, 2007</i>		
	<i>Regular Pension</i>	<i>Officers' and MSPP</i>	<i>Non U.S.</i>	<i>Regular Pension</i>	<i>Officers' and MSPP</i>	<i>Non U.S.</i>
Service cost	\$ 26	\$ 1	\$ 13	\$ 29	\$ 2	\$ 10
Interest cost	81	2	32	77	2	21
Expected return on plan assets	(98)	(1)	(29)	(85)	(1)	(18)
Amortization of:						
Unrecognized net loss	13	1	—	29	1	5
Unrecognized prior service cost	(8)	—	—	(7)	—	—
Settlement/curtailment loss	—	3	—	—	2	—
Net periodic pension cost	\$ 14	\$ 6	\$ 16	\$ 43	\$ 6	\$ 18

During the three months ended March 29, 2008, aggregate contributions of \$13 million were made to the Company's Non-U.S. plans. The Company contributed \$60 million to its Regular Pension Plan subsequent to the three months ended March 29, 2008.

Postretirement Health Care Benefit Plans

Net postretirement health care expenses consist of the following:

<i>Three Months Ended</i>	<i>March 2 2008</i>	<i>March 3 2007</i>
Service cost	\$ 3	\$ 2
Interest cost	6	7
Expected return on plan assets	(5)	(4)
Amortization of:		
Unrecognized net loss	1	2
Unrecognized prior service cost	(1)	(1)
Net postretirement health care expense	\$ 4	\$ 6

The Company contributed \$5 million to its postretirement healthcare fund subsequent to the three months ended March 29, 2008.

The Company maintains a number of endorsement split-dollar life insurance policies that were taken out on now-retired officers under a plan that was frozen prior to December 31, 2004. The Company had purchased the life insurance policies to insure the lives of employees and then entered into a separate agreement with the employees that split the policy benefits between the Company and the employee. Motorola owns the policies, controls all rights of ownership, and may terminate the insurance policies. To effect the split-dollar arrangement, Motorola endorsed a portion of the death benefits to the employee and upon the death of the employee, the employee's beneficiary typically receives the designated portion of the death benefits directly from the insurance company and the Company receives the remainder of the death benefits.

The Company adopted the provisions of EITF 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("EITF 06-4") as of January 1, 2008. EITF 06-4 requires that a liability for the benefit obligation be recorded because the promise of postretirement benefit had not been settled through the purchase of an endorsement split-dollar life insurance arrangement. As a result of the adoption of EITF 06-4, the Company recorded a liability representing the actuarial present value of the future death benefits as of the employees' expected retirement date of \$45 million with the offset reflected as a cumulative-effect adjustment to January 1, 2008 Retained earnings and Non-owner changes to equity in the amounts of \$4 million and

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\$41 million, respectively, in the Company's condensed consolidated statement of stockholders' equity. Additionally, as of January 1, 2008, the cash surrender value of these endorsement split-dollar policies is \$103 million, and is included in Other assets in the Company's condensed consolidated balance sheets. It is currently expected that no further cash payments are required to fund these policies.

5. Share-Based Compensation Plans

A summary of share-based compensation expense related to restricted stock, restricted stock units, employee stock options and employee stock purchases was as follows (in millions, except per share amounts):

<i>Three Months Ended</i>	<i>March 2 2008</i>	<i>March 3 2007</i>
Share-based compensation expense included in:		
Costs of sales	\$ 8	\$ 8
Selling, general and administrative expenses	47	43
Research and development expenditures	23	22
Share-based compensation expense included in Operating loss	78	73
Tax benefit	24	22
Share-based compensation expense, net of tax	\$ 54	\$ 51
Increase in Basic loss per share	\$ (0.02)	\$ (0.02)
Increase in Diluted loss per share	\$ (0.02)	\$ (0.02)

6. Fair Value Measurements

The Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157") on January 1, 2008 for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS 157 does not change the accounting for those instruments that were, under previous GAAP, accounted for at cost or contract value. In February 2008, the FASB issued staff position No. 157-2 ("FSP 157-2"), which delays the effective date of SFAS 157 one year for all non-financial assets and non-financial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis. There are no non-financial assets and liabilities that are required to be measured at fair value on a recurring basis as of March 29, 2008. Under FSP 157-2, the Company will measure the remaining assets and liabilities no later than the first quarter of 2009.

The Company holds certain fixed income securities, equity securities and derivatives, which must be measured using the SFAS 157 prescribed fair value hierarchy and related valuation methodologies. SFAS 157 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.

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The fair value of the Company's financial assets and liabilities was as follows:

<i>March 29, 2008</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets:				
Sigma Fund:				
Commercial paper	\$ —	\$ 886	\$ —	\$ 886
Government and agencies	—	39	—	39
Corporate bonds	—	3,035	39	3,074
Asset-backed securities	—	333	—	333
Mortgage-backed securities	—	188	—	188
Common stock and equivalents	320	—	—	320
Derivative assets	—	161	—	161
Liabilities:				
Derivative liabilities	—	67	—	67

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

	<i>2008</i>
Balance at January 1	\$ 35
Transfers in to Level 3	10
Unrealized losses included in Non-owner changes to equity	(2)
Loss recognized as Investment impairment in Other income (expense)	(4)
Balance at March 29	<u>\$ 39</u>

Valuation Methodologies

Quoted market prices in active markets are available for investments in common stock and equivalents, and as such, these investments are classified within Level 1.

The fixed income securities classified above as Level 2 are those that are professionally managed within the Sigma Fund. The pricing methodology applied includes a number of standard inputs to the valuation model including benchmark yields, reported trades, broker/dealer quotes where the party is standing ready and able to transact, issuer spreads, benchmark securities, bids, offers and other reference data. The valuation model may prioritize these inputs differently at each balance sheet date for any given security, based on the market conditions. Not all of the standard inputs listed will be used each time in the valuation models. For each asset class, quantifiable inputs related to perceived market movements and sector news may be considered in addition to the standard inputs.

In determining the fair value of the Company's interest rate swap derivatives, the Company uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument and the credit default swap market to reflect the credit risk of either the Company or the counterparty. For foreign currency derivatives, the Company's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. Since the Company only uses observable inputs in its valuation of its derivative assets and liabilities, they are considered Level 2.

Level 3 fixed income securities are debt securities that do not have actively traded quotes on the date the Company presents its condensed consolidated balance sheets and require the use of unobservable inputs, such as indicative quotes from dealers and qualitative input from investment advisors, to value these securities.

At March 29, 2008, the Company has \$618 million of investments in money market mutual funds classified as Cash and cash equivalents in its condensed consolidated balance sheets. The money market funds have quoted market prices that are generally equivalent to par.

7. 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:

	<i>March 2</i> 2008	<i>December 3</i> 2007
Long-term receivables	\$ 110	\$ 123
Less allowance for losses	(3)	(5)
	107	118
Less current portion	(32)	(50)
Non-current long-term receivables, net	\$ 75	\$ 68

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. Interest income recognized on long-term receivables was \$1 million and \$2 million for the three months ended March 29, 2008 and March 31, 2007, respectively.

Certain purchasers of the Company's infrastructure equipment continue to request that suppliers provide long-term financing, defined as financing with terms greater than one year, in connection with equipment purchases. These requests may include all or a portion of the purchase price of the equipment. However, the Company's obligation to provide long-term financing is often 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 \$385 million and \$610 million at March 29, 2008, and December 31, 2007, respectively. Of these amounts, \$335 million and \$454 million were supported by letters of credit or by bank commitments to purchase long-term receivables at March 29, 2008, and December 31, 2007, respectively.

In addition to providing direct financing to certain equipment customers, the Company also assists customers in obtaining financing directly from banks and other sources to fund equipment purchases. The Company had committed to provide financial guarantees relating to customer financing totaling \$33 million and \$42 million at March 29, 2008 and December 31, 2007, respectively (including \$24 million and \$23 million at March 29, 2008 and December 31, 2007, respectively, relating to the sale of short-term receivables). Customer financing guarantees outstanding were \$3 million at March 29, 2008 and December 31, 2007 (including \$0 million at both March 29, 2008 and December 31, 2007 relating to the sale of short-term receivables).

Sales of Receivables

The Company sells accounts receivables and long-term receivables to third parties in transactions that qualify as "true-sales." Certain of these accounts receivables and long-term receivables are sold to third parties on a one-time, non-recourse basis, 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 on an annual basis. The Company may or may not retain the obligation to service the sold accounts receivables and long-term receivables.

In the aggregate, at March 29, 2008, these committed facilities provided for up to \$1.3 billion to be outstanding with the third parties at any time, as compared to up to \$1.4 billion provided at December 31, 2007. As of March 29, 2008, \$524 million of the Company's committed facilities were utilized, compared to \$497 million utilized at December 31, 2007. Certain events could cause one of these facilities to terminate. In addition, before receivables can be sold under certain of the committed facilities, they may need to meet contractual requirements, such as credit quality or insurability.

Total accounts receivables and long-term receivables sold by the Company were \$745 million and \$1.5 billion during the three months ended March 29, 2008 and March 31, 2007, respectively. As of March 29, 2008, there were \$863 million of receivables outstanding under these programs for which the Company retained servicing obligations (including \$430 million of accounts receivables), compared to \$978 million outstanding at December 31, 2007 (including \$587 million of accounts receivables).

Under certain receivables programs, the value of the receivables sold is covered by credit insurance obtained from independent insurance companies, less deductibles or self-insurance requirements under the policies (with the Company retaining credit exposure for the remaining portion). The Company's total credit exposure to outstanding short-term receivables that have been sold was \$24 million and \$23 million at March 29, 2008 and December 31, 2007, respectively. Reserves of \$1 million were recorded for potential losses on sold receivables at both March 29, 2008 and December 31, 2007.

8. Commitments and Contingencies

Legal

Iridium Program: The Company has been named as one of several defendants in putative class action securities lawsuits arising out of alleged misrepresentations or omissions regarding the Iridium satellite communications business which, on March 15, 2001, were consolidated in the federal district court in the District of Columbia under *Freeland v. Iridium World Communications, Inc., et al.*, originally filed on April 22, 1999. In April 2008, the parties reached an agreement in principle, subject to court approval, to settle all claims against Motorola in exchange for Motorola's payment of \$20 million. A charge of \$20 million was recorded in the three months ended March 29, 2008 to reserve this amount.

The Company was sued by the Official Committee of the Unsecured Creditors of Iridium (the "Committee") in the United States Bankruptcy Court for the Southern District of New York (the "Iridium Bankruptcy Court") on July 19, 2001. *In re Iridium Operating LLC, et al. v. Motorola* asserts claims for breach of contract, warranty and fiduciary duty and fraudulent transfer and preferences, and seeks in excess of \$4 billion in damages. The parties have reached an agreement in principle to settle the matter and on April 22, 2008, Iridium submitted the settlement to the Bankruptcy Court for approval. If approved, the settlement would provide Motorola with a release ending all bankruptcy litigation with no payment required of Motorola, and in turn Motorola would not receive payment from the Iridium estate.

Other: The Company is a defendant in various other suits, claims and investigations that arise in the normal course of business. In the opinion of management, the ultimate disposition of the Iridium program matters and other matters will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations.

Other

The Company is also 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 \$194 million, of which the Company accrued \$123 million as of March 29, 2008 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, intellectual property and divestiture 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 all 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, typically not more than 24 months, 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.

The Company's operating results are dependent upon its ability to obtain timely and adequate delivery of quality materials, parts and components to meet the demands of our customers. Furthermore, certain of our components are available only from a single source or limited sources. Even where alternative sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which may have an adverse effect on the Company's operating results.

9. Segment Information

Business segment Net sales and Operating earnings (loss) from continuing operations for the three months ended March 29, 2008 and March 31, 2007 are as follows:

<i>Three Months Ended</i>	<i>March 2 2008</i>	<i>March 3 2007</i>	<i>% Chang</i>	
Segment Net Sales:				
Mobile Devices	\$ 3,299	\$ 5,408	(39)%	
Home and Networks Mobility	2,383	2,337	2	
Enterprise Mobility Solutions	1,806	1,717	5	
	7,488	9,462		
Other and Eliminations	(40)	(29)		
	\$ 7,448	\$ 9,433	(21)	
	<i>March 2 9, 2008</i>	<i>% of Sales</i>	<i>March 3 1, 2007</i>	<i>% of Sale</i>
Segment Operating Earnings (Loss):				
Mobile Devices	\$ (418)	(13)%	\$ (233)	(4)%
Home and Networks Mobility	153	6	167	7
Enterprise Mobility Solutions	250	14	131	8
	(15)		65	
Other and Eliminations	(254)		(431)	
Operating loss	(269)	(4)	(366)	(4)
Total other income	8		39	
Loss from continuing operations before income taxes	\$ (261)		\$ (327)	

Other and Eliminations is primarily comprised of: (i) amortization of intangible assets, (ii) acquisition-related in-process research and development charges, (iii) general corporate related expenses, including stock option and employee stock purchase plan expenses, (iv) various corporate programs representing developmental businesses and research and development projects, which are not included in any major segment, and (v) the Company's wholly-owned finance subsidiary. Additionally, included in Other and Eliminations during the three months ended March 29, 2008, the Company recorded a charge of \$20 million for a legal settlement, partially offset by a gain of \$24 million related to several interest rate swaps not designated as hedges. Included in Other and Eliminations during the three months ended March 31, 2007, the Company recorded a net charge of \$115 million for the settlement of a class action lawsuit relating to Telsim, partially offset by estimated insurance recoveries.

10. 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. Each separate reduction-in-force has qualified for severance benefits under the Severance Plan. 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 exit costs and employee separation costs to ensure the accruals are still appropriate. In certain circumstances, accruals are no longer required 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. The Company reverses accruals through the income statement line item where the original charges were recorded when it is determined they are no longer required.

2008 Charges

During the three months ended March 29, 2008, the Company committed to implement various productivity improvement plans aimed at achieving long-term, sustainable profitability by driving efficiencies and reducing operating costs. During the three months ended March 29, 2008, the Company recorded net reorganization of business charges of \$109 million, including \$35 million of charges in Costs of sales and \$74 million of charges under Other charges in the Company's condensed consolidated statements of operations. Included in the aggregate \$109 million are charges of \$113 million for employee separation costs and \$5 million for exit costs, partially offset by \$9 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by business segment:

<i>Three Months Ended</i>	<i>March 29 2008</i>
Mobile Devices	\$ 71
Home and Networks Mobility	20
Enterprise Mobility Solutions	9
	<u>100</u>
Corporate	9
	<u>\$ 109</u>

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2008 to March 29, 2008:

	<i>Accruals at January 2008</i>	<i>2008 Addition Charges</i>	<i>2008(1) Adjustme Adjustme</i>	<i>2008 Amou Used</i>	<i>Accruals at March 29 2008</i>
Exit costs	\$ 42	\$ 5	\$ 2	\$ (5)	\$ 44
Employee separation costs	<u>193</u>	<u>113</u>	<u>(1)</u>	<u>(74)</u>	<u>231</u>
	<u>\$ 235</u>	<u>\$ 118</u>	<u>\$ 1</u>	<u>\$ (79)</u>	<u>\$ 275</u>

(1) Includes translation adjustments.

Exit Costs

At January 1, 2008, the Company had an accrual of \$42 million for exit costs attributable to lease terminations. The 2008 additional charges of \$5 million are primarily related to contractual termination costs of a planned exit of outsourced design activities. The \$5 million used in 2008 reflects cash payments. The remaining accrual of \$44 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 29, 2008, represents future cash payments primarily for lease termination obligations.

Employee Separation Costs

At January 1, 2008, the Company had an accrual of \$193 million for employee separation costs, representing the severance costs for approximately 2,800 employees. The 2008 additional charges of \$113 million represent severance costs for approximately an additional 2,600 employees, of which 1,300 are direct employees and 1,300 are indirect employees.

The adjustments of \$1 million reflect \$9 million of reversals of accruals no longer needed, partially offset by \$8 million of translation adjustments. The \$9 million of reversals represent approximately 100 employees.

During the three months ended March 29, 2008, approximately 1,500 employees, of which 800 were direct employees and 700 were indirect employees, were separated from the Company. The \$74 million used in 2008 reflects cash payments to these separated employees. The remaining accrual of \$231 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 29, 2008, is expected to be paid to approximately 3,800 separated employees in 2008.

2007 Charges

During the three months ended March 31, 2007, the Company committed to implement various productivity improvement plans aimed principally at reducing costs in its supply-chain activities, as well as reducing other operating expenses, primarily relating to engineering and development costs. During the three months ended March 31, 2007, the Company recorded net reorganization of business charges of \$78 million, including \$7 million of reversals in Costs of sales and \$85 million of charges under Other charges in the Company's condensed consolidated statements of operations. Included in the aggregate \$78 million are charges of \$109 million for employee separation costs and \$5 million for exit costs, partially offset by \$36 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by business segment:

<i>Three Months Ended</i>	<i>March 3 2007</i>
Mobile Devices	\$ 29
Home and Networks Mobility	34
Enterprise Mobility Solutions	8
	71
Corporate	7
	\$ 78

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2007 to March 31, 2007:

	<i>Accruals at January 2007</i>	<i>2007 Addition Charges</i>	<i>2007(1)(2) Adjustmen</i>	<i>2007 Amou Used</i>	<i>Accruals at March 31 2007</i>
Exit costs	\$ 54	\$ 5	\$ 2	\$ (15)	\$ 46
Employee separation costs	104	109	(34)	(44)	135
	\$ 158	\$ 114	\$ (32)	\$ (59)	\$ 181

(1) Includes translation adjustments.

(2) Includes accruals assumed through business acquisitions.

Exit Costs

At January 1, 2007, the Company had an accrual of \$54 million for exit costs attributable to lease terminations. The 2007 additional charges of \$5 million were primarily related to the planned exit of certain manufacturing activities in Ireland. The 2007 adjustments of \$2 million represent accruals for exit costs assumed through business acquisitions. The \$15 million used in 2007 reflects cash payments. The remaining accrual of \$46 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 31, 2007, represents future cash payments for lease termination obligations.

Employee Separation Costs

At January 1, 2007, the Company had an accrual of \$104 million for employee separation costs, representing the severance costs for approximately 2,300 employees. The 2007 additional charges of \$109 million represent severance costs for approximately an additional 2,000 employees, of which 600 were direct employees and 1,400 were indirect employees.

The adjustments of \$34 million reflected \$36 million of reversals of accruals no longer needed, partially offset by \$2 million of accruals for severance plans assumed through business acquisitions. The \$36 million of reversals represented 1,000 employees, and primarily related to a strategic change regarding a plant closure and specific employees previously identified for separation who resigned from the Company and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were approved. The \$2 million of accruals represented 300 employees assumed through business acquisitions.

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During the three months ended March 31, 2007, approximately 1,500 employees, of which 800 were direct employees and 700 were indirect employees, were separated from the Company. The \$44 million used in 2007 reflects cash payments to these separated employees. The remaining accrual of \$135 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 31, 2007, relates to 2,100 employees. Since that time, \$101 million has been paid to approximately 1,500 separated employees and \$28 million was reversed.

11. Acquisition-related Intangibles

Intangible Assets

Amortized intangible assets, excluding goodwill were comprised of the following:

	<u>March 29, 2008</u>		<u>December 31, 2007</u>	
	<i>Gross Carryin Amount</i>	<i>Accumulate Amortizatio</i>	<i>Gross Carryin Amount</i>	<i>Accumulate Amortizatio</i>
Intangible assets:				
Completed technology	\$ 1,245	\$ 532	\$ 1,234	\$ 484
Patents	292	83	292	69
Customer related	267	70	264	58
Licensed technology	130	110	123	109
Other intangibles	168	106	166	99
	<u>\$ 2,102</u>	<u>\$ 901</u>	<u>\$ 2,079</u>	<u>\$ 819</u>

Amortization expense on intangible assets, which is presented in Other and Eliminations, was \$82 million and \$95 million for the three months ended March 29, 2008 and March 31, 2007, respectively. As of March 29, 2008 amortization expense is estimated to be \$322 million for 2008, \$291 million in 2009, \$272 million in 2010, \$259 million in 2011, and \$66 million in 2012.

Amortized intangible assets, excluding goodwill by business segment:

<i>Segment</i>	<u>March 29, 2008</u>		<u>December 31, 2007</u>	
	<i>Gross Carryin Amount</i>	<i>Accumulate Amortizatio</i>	<i>Gross Carryin Amount</i>	<i>Accumulate Amortizatio</i>
Mobile Devices	\$ 47	\$ 37	\$ 36	\$ 36
Home and Networks Mobility	722	473	712	455
Enterprise Mobility Solutions	1,333	391	1,331	328
	<u>\$ 2,102</u>	<u>\$ 901</u>	<u>\$ 2,079</u>	<u>\$ 819</u>

The following table displays a rollforward of the carrying amount of goodwill from January 1, 2008 to March 29, 2008, by business segment:

<i>Segment</i>	<u>January 2008</u>	<u>Acquired</u>	<u>Adjustments(1)</u>	<u>March 29, 2008</u>
Mobile Devices	\$ 19	\$ 15	\$ —	\$ 34
Home and Networks Mobility	1,576	3	1	1,580
Enterprise Mobility Solutions	2,904	—	(1)	2,903
	<u>\$ 4,499</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ 4,517</u>

(1) Includes translation adjustments.

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

This commentary should be read in conjunction with the Company's condensed consolidated financial statements for the three months ended March 29, 2008 and March 31, 2007, as well as the Company's consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations in the Company's Form 10-K for the year ended December 31, 2007.

Executive Overview

Our Business

We report financial results for the following business segments:

- The **Mobile Devices** segment designs, manufactures, sells and services wireless handsets with integrated software and accessory products, and licenses intellectual property. In the first quarter of 2008, the segment's net sales represented 44% of the Company's consolidated net sales.
- The **Home and Networks Mobility** segment designs, manufactures, sells, installs and services: (i) digital video, Internet Protocol ("IP") video and broadcast network interactive set-tops ("digital entertainment devices"), end-to-end video delivery solutions, broadband access infrastructure systems, and associated data and voice customer premise equipment ("broadband gateways") to cable television and telecom service providers (collectively, referred to as the "home business"), and (ii) wireless access systems ("wireless networks"), including cellular infrastructure systems and wireless broadband systems, to wireless service providers. In the first quarter of 2008, the segment's net sales represented 32% of the Company's consolidated net sales.
- The **Enterprise Mobility Solutions** segment designs, manufactures, sells, installs and services analog and digital two-way radio, voice and data communications products and systems for private networks, wireless broadband systems and end-to-end enterprise mobility solutions to a wide range of enterprise markets, including government and public safety agencies (which, together with all sales to distributors of two-way communication products, are referred to as the "government and public safety market"), as well as retail, utility, transportation, manufacturing, health care and other commercial customers (which, collectively, are referred to as the "commercial enterprise market"). In the first quarter of 2008, the segment's net sales represented 24% of the Company's consolidated net sales.

First-Quarter Summary

- *Net Sales were \$7.4 Billion:* Our net sales were \$7.4 billion in the first quarter of 2008, down 21% from \$9.4 billion in the first quarter of 2007. Net sales decreased 39% in the Mobile Devices segment, increased 2% in the Home and Networks Mobility segment and increased 5% in the Enterprise Mobility Solutions segment.
- *Loss from Continuing Operations was \$194 Million, or \$0.09 per Share:* We incurred a loss from continuing operations of \$194 million, or \$0.09 per diluted common share, in the first quarter of 2008, compared to a loss from continuing operations of \$218 million, or \$0.09 per diluted common share, in the first quarter of 2007.
- *Handset Shipments were 27.4 Million Units:* We shipped 27.4 million handsets in the first quarter of 2008, a 40% decrease compared to shipments of 45.4 million handsets in the first quarter of 2007.
- *Global Handset Market Share Estimated at 9.5%:* We estimate our share of the global handset market in the first quarter of 2008 to be 9.5%, a decrease of approximately 8 percentage points versus the first quarter of 2007 and a sequential decrease of approximately 3 percentage points versus the fourth quarter of 2007, reflecting a significant decline in North America.
- *Digital Entertainment Device Shipments were 4.2 million:* We shipped 4.2 million digital entertainment devices in the first quarter of 2008, a decrease of 15% compared to shipments of 4.9 million units in the first quarter of 2007.

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Net sales for each of our business segments were as follows:

- *In Mobile Devices:* Net sales were \$3.3 billion in the first quarter of 2008, a decrease of \$2.1 billion, or 39%, compared to the first quarter of 2007, primarily driven by a 40% decrease in unit shipments and a 2% decrease in average selling price ("ASP"). The decrease in unit shipments resulted primarily from gaps in the segment's product portfolio, including limited offerings of 3G products and products for the Multimedia segment.
- *In Home and Networks Mobility:* Net sales were \$2.4 billion in the first quarter of 2008, an increase of \$46 million, or 2%, compared to the first quarter of 2007. This increase was primarily driven by: (i) higher net sales of digital entertainment devices, due to higher ASPs driven by a favorable shift in product mix, and (ii) higher net sales of broadband gateways, partially offset by lower net sales of wireless networks, primarily driven by the absence of net sales by the embedded communication computing business that was divested at the end of 2007.
- *In Enterprise Mobility Solutions:* Net sales were \$1.8 billion in the first quarter of 2008, an increase of \$89 million, or 5%, compared to the first quarter of 2007, reflecting: (i) a 9% increase in net sales in the commercial enterprise market, and (ii) a 4% increase in net sales in the government and public safety market, primarily driven by net sales by Vertex Standard Co., Ltd., a business the Company took a controlling interest of in January 2008.

Looking Forward

In March 2008, the Company announced it is pursuing the creation of two independent, publicly traded companies: one comprised of our Mobile Devices business and the other comprised of our Home and Networks Mobility and Enterprise Mobility Solution businesses. Based on our current plans, the transaction would take the form of a tax-free distribution to Motorola's shareholders, resulting in stockholders holding shares of two independent, publicly traded companies. A leadership team and working groups are performing the financial, tax and legal analyses necessary to create the new companies. We expect that creating two separate entities will position all of our businesses for success and enhance shareholder value. If consummated, we expect that the separation would occur in 2009.

In our Mobile Devices business, the overall global market remains strong and intensely competitive. Our primary focus is on enhancing our product portfolio. To this end, we are optimizing our use of silicon providers and improving our software platforms to deliver the most desirable set of experiences to consumers. Our portfolio enhancement objectives include a broad array of cost-effective products at multiple price points in each of our product segments. We expect our products to continue to demonstrate unique design and innovative features and functions around experiences like messaging, music, imaging, video, audio and touch. We expect our product portfolio enhancement efforts to demonstrate progress this year and continue in 2009.

In our Home and Networks Mobility business, we are focused on delivering personalized media experiences to consumers at home and on-the-go and enabling service providers to operate their networks more efficiently and profitably. We will leverage our market leading positions in digital entertainment devices and end-to-end video, voice and data network solutions as we capitalize on strong underlying demand for high definition and video-on-demand services, as well as the convergence of services and applications across delivery platforms. We will also continue our efforts to position ourselves as a leading infrastructure provider of next-generation wireless technologies, including WiMAX and LTE. For our wireless networks business, we expect the environment to remain highly competitive and challenging. Our Home and Networks Mobility segment is poised to grow profitably in emerging technologies, including video and wireless broadband, and maintain profitability in mature technologies.

In our Enterprise Mobility Solutions business, our key objective is profitable growth in enterprise markets around the world. We will leverage our leadership position in mission-critical communications solutions and develop next-generation products and solutions for our government and public safety customers around the world. We have a very strong presence in the commercial enterprise market, including retail, transportation, utility, manufacturing, healthcare and other commercial customers. Our business-critical products and solutions allow our customers to reduce costs, increase worker mobility and productivity, and enhance their customers' experiences. We believe that our comprehensive portfolio of products and solutions, market leadership and global distribution network make our Enterprise Mobility Solutions segment well positioned for continued success.

The Company has implemented a number of actions to reduce costs across its businesses that will result in reductions in certain research and development expenses and selling, general, and administrative expenses in 2008. The Company also has a focus on the cash conversion cycle and cash generation.

We conduct our business in highly competitive markets. These markets are characterized by rapidly changing technologies, frequent new product introductions, changing consumer trends, short product life cycles and evolving industry standards. Market disruptions, caused by changing macroeconomic trends, new technologies, the entry of new competitors and consolidations among our customers and competitors, can introduce volatility into our operating performance and cash flow from operations. Meeting all of these challenges requires consistent operational planning and execution and investment in technology, resulting in innovative products that meet the needs of our customers around the world. As we execute on meeting these objectives, we remain focused on designing and delivering differentiated products, unique experiences and powerful networks, along with a full complement of support services that will enable consumers to have a broader choice of when, where and how they connect to people, information, and entertainment. We will continue to take the necessary strategic actions to enable these efforts, to provide for growth and improved profitability and to position Motorola for future success.

Results of Operations

	<i>Three Months Ended</i>			
	<i>March 29,</i>	<i>March 3</i>		
<i>(Dollars in millions, except per share amounts)</i>	<i>2008</i>	<i>% of</i>	<i>2007</i>	<i>% of</i>
		<i>Sales</i>		<i>Sales</i>
Net sales	\$ 7,448		\$ 9,433	
Costs of sales	5,303	71.2%	6,979	74.0%
Gross margin	2,145	28.8%	2,454	26.0%
Selling, general and administrative expenses	1,183	15.9%	1,313	13.9%
Research and development expenditures	1,054	14.2%	1,117	11.8%
Other charges	177	2.3%	390	4.2%
Operating loss	(269)	(3.6)%	(366)	(3.9)%
Other income (expense):				
Interest income (expense), net	(2)	0.0%	41	0.4%
Gains (loss) on sales of investments and businesses, net	19	0.2%	(1)	(0.0)%
Other	(9)	(0.1)%	(1)	(0.0)%
Total other income (expense)	8	0.1%	39	0.4%
Loss from continuing operations before income taxes	(261)	(3.5)%	(327)	(3.5)%
Income tax benefit	(67)	(0.9)%	(109)	(1.2)%
Loss from continuing operations	(194)	(2.6)%	(218)	(2.3)%
Earnings from discontinued operations, net of tax	—	0.0%	37	0.4%
Net loss	\$ (194)	(2.6)%	\$ (181)	(1.9)%
Earnings (loss) per diluted common share:				
Continuing operations	\$ (0.09)		\$ (0.09)	
Discontinued operations	—		0.01	
	\$ (0.09)		\$ (0.08)	

Results of Operations—Three months ended March 29, 2008 compared to three months ended March 31, 2007

Net Sales

Net sales were \$7.4 billion in the first quarter of 2008, down 21% compared to net sales of \$9.4 billion in the first quarter of 2007. The decrease in net sales reflects a \$2.1 billion decrease in net sales in the Mobile Devices segment, partially offset by: (i) an \$89 million increase in net sales in the Enterprise Mobility Solutions segment, and (ii) a \$46 million increase in net sales in the Home and Networks Mobility segment. The decrease in net sales in the Mobile Devices segment was primarily driven by a 40% decrease in unit shipments and a 2% decrease in average selling price (“ASP”). The increase in net sales in the Enterprise Mobility Solutions segment reflects: (i) a 9% increase in net sales in

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the commercial enterprise market, and (ii) a 4% increase in net sales in the government and public safety market, primarily driven by the net sales by Vertex Standard Co., Ltd., a business the Company took a controlling interest of in January 2008. The increase in net sales in the Home and Networks Mobility segment was primarily driven by: (i) higher net sales of digital entertainment devices, due to higher ASPs driven by a favorable shift in product mix, and (ii) higher net sales of broadband gateways, partially offset by lower net sales of wireless networks, primarily driven by the absence of net sales by the embedded communication computing business ("ECC") that was divested at the end of 2007.

Gross Margin

Gross margin was \$2.1 billion, or 28.8% of net sales, in the first quarter of 2008, compared to \$2.5 billion, or 26.0% of net sales, in the first quarter of 2007. The decrease in gross margin reflects lower gross margin in the Mobile Devices and Home and Networks Mobility segments, partially offset by increased gross margin in the Enterprise Mobility Solutions segment. The decrease in gross margin in the Mobile Devices segment was primarily due to the 39% decrease in net sales, partially offset by savings from cost-reduction initiatives. The decrease in gross margin in the Home and Networks Mobility segment was primarily due to lower net sales of CDMA and iDEN infrastructure equipment and the absence of net sales by the divested ECC business. The increase in gross margin in the Enterprise Mobility Solutions segment was primarily due to: (i) an inventory-related charge in connection with the acquisition of Symbol Technologies, Inc. ("Symbol") during the first quarter of 2007, and (ii) the 5% increase in net sales in the first quarter of 2008 as compared to the first quarter of 2007.

Gross margin as a percentage of net sales increased in the first quarter of 2008 compared to the first quarter of 2007, primarily driven by increases in the Mobile Devices and Enterprise Mobility Solutions segments, partially offset by a decrease in the Home and Networks Mobility segment. The Company's overall gross margin as a percentage of net sales can be impacted by the proportion of overall net sales generated by its various businesses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased 10% to \$1.2 billion, or 15.9% of net sales, in the first quarter of 2008, compared to \$1.3 billion, or 13.9% of net sales, in the first quarter of 2007. The decrease in the first quarter of 2008 compared to the first quarter of 2007 was primarily driven by decreases in the Mobile Devices and Home and Networks Mobility segments, partially offset by a slight increase in the Enterprise Mobility Solutions segment. The decrease in the Mobile Devices segment was primarily driven by lower marketing expenses and savings from cost-reduction initiatives. The decrease in the Home and Networks Mobility segment was primarily due to cost-reduction initiatives. The increase in the Enterprise Mobility Solutions segment was primarily due to increased selling and marketing expenses related to the increase in net sales. SG&A expenses as a percentage of net sales increased in the Mobile Devices segment and decreased in the Enterprise Mobility Solutions and Home and Networks Mobility segments.

Research and Development Expenditures

Research and development ("R&D") expenditures decreased 6% to \$1.1 billion, or 14.2% of net sales, in the first quarter of 2008, compared to \$1.1 billion, or 11.8% of net sales, in the first quarter of 2007. The decrease in the first quarter of 2008 compared to the first quarter of 2007 was primarily driven by decreases in the Mobile Devices and Home and Networks Mobility segments, partially offset by an increase in the Enterprise Mobility Solutions segment. The decreases in the Mobile Devices and Home and Networks Mobility segments were primarily due to savings from cost-reduction initiatives. The increase in the Enterprise Mobility Solutions segment was primarily due to developmental engineering expenditures for new product development and investment in next-generation technologies. R&D expenditures as a percentage of net sales increased in the Mobile Devices and Enterprise Mobility Solutions segments and decreased in the Home and Networks Mobility segment. The Company participates in very competitive industries with constant changes in technology and, accordingly, the Company continues to believe that a strong commitment to R&D is required to drive long-term growth.

Other Charges

The Company recorded net charges of \$177 million in Other charges in the first quarter of 2008, compared to net charges of \$390 million in the first quarter of 2007. The charges in the first quarter of 2008 include: (i) \$83 million of charges relating to the amortization of intangibles, (ii) \$74 million of net reorganization of business charges included in Other charges, and (iii) a \$20 million charge related to a legal settlement. The charges in the first quarter of 2007 include: (i) \$115 million of net charges for the settlement of a class action lawsuit relating to Telsim, (ii) \$95 million of charges

relating to the amortization of intangibles, (iii) \$95 million of in-process research and development charges ("IPR&D") relating to the acquisition of Symbol, and (iv) \$85 million of net reorganization of business charges.

Net Interest Income (Expense)

Net interest expense was \$2 million in the first quarter of 2008, compared to net interest income of \$41 million in the first quarter of 2007. Net interest expense in the first quarter of 2008 included interest expense of \$78 million, partially offset by interest income of \$76 million. Net interest income in the first quarter of 2007 included interest income of \$134 million, partially offset by interest expense of \$93 million. The decrease in interest income is primarily attributed to the lower average cash, cash equivalents and Sigma Fund balances, as compared to these average balances during the first quarter of 2007, and the significant decrease in short-term interest rates.

Gains (Loss) on Sales of Investments and Businesses

Gains on sales of investments and businesses were \$19 million in the first quarter of 2008, compared to a loss of \$1 million in the first quarter of 2007. In the first quarter of 2008, the net gain primarily relates to the sale of the Company's shares in an equity investment. In the first quarter of 2007, the net loss was related to the sale of several small investments.

Other

Charges classified as Other, as presented in Other income (expense), were \$9 million in the first quarter of 2008, compared to net charges of \$1 million in the first quarter of 2007. The net charges in the first quarter of 2008 were primarily comprised of \$22 million of investment impairment charges, partially offset by: (i) \$24 million of gains relating to several interest rate swaps not designated as hedges, and (ii) \$1 million of foreign currency gains. The net charges in the first quarter of 2007 were primarily comprised of \$19 million of investment impairment charges, partially offset by \$15 million of foreign currency gains.

Effective Tax Rate

The Company recorded \$67 million of net tax benefits in the first quarter of 2008, compared to \$109 million of net tax benefits in the first quarter of 2007. During the first quarter of 2008 the Company's net tax benefit was favorably impacted by tax net benefits on restructuring charges and legal settlements and unfavorably impacted by a tax charge on derivative gains. The Company's ongoing effective tax rate, excluding these items, was 34%.

The Company's net tax benefit of \$109 million for the first quarter of 2007 was favorably impacted by restructuring charges, legal settlements and tax adjustments and unfavorably impacted by non-deductible IPR&D charges. The Company's effective tax rate excluding these items was 34%.

Loss from Continuing Operations

The Company incurred a net loss from continuing operations before income taxes of \$261 million in the first quarter of 2008, compared with a net loss from continuing operations before income taxes of \$327 million in the first quarter of 2007. After taxes, the Company incurred a net loss from continuing operations of \$194 million, or \$0.09 per diluted share, in the first quarter of 2008, compared to a net loss from continuing operations of \$218 million, or \$0.09 per diluted share, in the first quarter of 2007.

The decrease in the loss from continuing operations before income taxes in the first quarter of 2008 compared to the first quarter of 2007 is primarily attributed to: (i) a \$213 million decrease in Other charges, (ii) a \$130 million decrease in SG&A expenses, (iii) a \$63 million decrease in R&D expenditures, and (vi) a \$20 million increase in gains on the sale of investments and businesses. These factors, which decreased the operating loss, were partially offset by: (i) a \$309 million decrease in gross margin, primarily due to the \$2.0 billion decrease in net sales, (ii) a \$43 million decrease in net interest income (expense), and (iii) an \$8 million increase in charges classified as Other, as presented in Other income (expense).

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

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employment is involuntarily terminated as a result of a reduction-in-force or restructuring. Each separate reduction-in-force has qualified for severance benefits under the Severance Plan. 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 exit costs and employee separation costs to ensure the accruals are still appropriate. In certain circumstances, accruals are no longer required 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. The Company reverses accruals through the income statement line item where the original charges were recorded when it is determined they are no longer required.

The Company expects to realize cost-saving benefits of approximately \$80 million during the remaining nine months of 2008 from the plans that were initiated during the first quarter of 2008, representing \$7 million of savings in Costs of sales, \$61 million of savings in R&D expenditures and \$12 million of savings in SG&A expenses. Beyond 2008, the Company expects the reorganization plans initiated during the first quarter of 2008 to provide annualized cost savings of approximately \$172 million, representing \$60 million of savings in Costs of sales, \$94 million of savings in R&D expenditures and \$18 million of savings in SG&A expense.

2008 Charges

During the first quarter of 2008, the Company committed to implement various productivity improvement plans aimed at achieving long-term, sustainable profitability by driving efficiencies and reducing operating costs. During the first quarter of 2008, the Company recorded net reorganization of business charges of \$109 million, including \$35 million of charges in Costs of sales and \$74 million of charges under Other charges in the Company's condensed consolidated statements of operations. Included in the aggregate \$109 million are charges of \$113 million for employee separation costs and \$5 million for exit costs, partially offset by \$9 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by business segment:

<i>Three Months Ended</i>	<i>March 2 2008</i>
Mobile Devices	\$ 71
Home and Networks Mobility	20
Enterprise Mobility Solutions	9
	100
Corporate	9
	\$ 109

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2008 to March 29, 2008:

	<i>Accruals at January 2008</i>	<i>2008 Addition Charges</i>	<i>2008(1) Adjustme Adjustme</i>	<i>2008 Amou Used</i>	<i>Accruals at March 29 2008</i>
Exit costs	\$ 42	\$ 5	\$ 2	\$ (5)	\$ 44
Employee separation costs	193	113	(1)	(74)	231
	\$ 235	\$ 118	\$ 1	\$ (79)	\$ 275

(1) Includes translation adjustments.

Exit Costs

At January 1, 2008, the Company had an accrual of \$42 million for exit costs attributable to lease terminations. The 2008 additional charges of \$5 million are primarily related to contractual termination costs of a planned exit of outsourced design activities. The \$5 million used in 2008 reflects cash payments. The remaining accrual of \$44 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 29, 2008, represents future cash payments primarily for lease termination obligations.

Employee Separation Costs

At January 1, 2008, the Company had an accrual of \$193 million for employee separation costs, representing the severance costs for approximately 2,800 employees. The 2008 additional charges of \$113 million represent severance costs for approximately an additional 2,600 employees, of which 1,300 are direct employees and 1,300 are indirect employees.

The adjustments of \$1 million reflect \$9 million of reversals of accruals no longer needed, partially offset by \$8 million of translation adjustments. The \$9 million of reversals represent approximately 100 employees.

During the first quarter of 2008, approximately 1,500 employees, of which 800 were direct employees and 700 were indirect employees, were separated from the Company. The \$74 million used in 2008 reflects cash payments to these separated employees. The remaining accrual of \$231 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 29, 2008, is expected to be paid to approximately 3,800 separated employees in 2008.

2007 Charges

During the first quarter of 2007, the Company committed to implement various productivity improvement plans aimed principally at reducing costs in its supply-chain activities, as well as reducing other operating expenses, primarily relating to engineering and development costs. During the first quarter of 2007, the Company recorded net reorganization of business charges of \$78 million, including \$7 million of reversals in Costs of sales and \$85 million of charges under Other charges in the Company's condensed consolidated statements of operations. Included in the aggregate \$78 million are charges of \$109 million for employee separation costs and \$5 million for exit costs, partially offset by \$36 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by business segment:

<i>Three Months Ended</i>	<i>March 3 2007</i>
Mobile Devices	\$ 29
Home and Networks Mobility	34
Enterprise Mobility Solutions	8
	71
Corporate	7
	\$ 78

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2007 to March 31, 2007:

	<i>Accruals at January 2007</i>	<i>2007 Addition Charges</i>	<i>2007(1)(2) Adjustmen Used</i>	<i>2007 Amou Used</i>	<i>Accruals at March 31 2007</i>
Exit costs	\$ 54	\$ 5	\$ 2	\$ (15)	\$ 46
Employee separation costs	104	109	(34)	(44)	135
	\$ 158	\$ 114	\$ (32)	\$ (59)	\$ 181

(1) Includes translation adjustments.

(2) Includes accruals assumed through business acquisitions.

Exit Costs

At January 1, 2007, the Company had an accrual of \$54 million for exit costs attributable to lease terminations. The 2007 additional charges of \$5 million were primarily related to the planned exit of certain manufacturing activities in Ireland. The 2007 adjustments of \$2 million represent accruals for exit costs assumed through business acquisitions. The \$15 million used in 2007 reflects cash payments. The remaining accrual of \$46 million, which is included in Accrued

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liabilities in the Company's condensed consolidated balance sheets at March 31, 2007, represents future cash payments for lease termination obligations.

Employee Separation Costs

At January 1, 2007, the Company had an accrual of \$104 million for employee separation costs, representing the severance costs for approximately 2,300 employees. The 2007 additional charges of \$109 million represent severance costs for approximately an additional 2,000 employees, of which 600 were direct employees and 1,400 were indirect employees.

The adjustments of \$34 million reflected \$36 million of reversals of accruals no longer needed, partially offset by \$2 million of accruals for severance plans assumed through business acquisitions. The \$36 million of reversals represented 1,000 employees, and primarily related to a strategic change regarding a plant closure and specific employees previously identified for separation who resigned from the Company and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were approved. The \$2 million of accruals represented 300 employees assumed through business acquisitions.

During the three months ended March 31, 2007, approximately 1,500 employees, of which 800 were direct employees and 700 were indirect employees, were separated from the Company. The \$44 million used in 2007 reflects cash payments to these separated employees. The remaining accrual of \$135 million, which is included in Accrued liabilities in the Company's condensed consolidated balance sheets at March 31, 2007, relates to 2,100 employees. Since that time, \$101 million has been paid to approximately 1,500 separated employees and \$28 million was reserved.

Liquidity and Capital Resources

As highlighted in the condensed consolidated statements of cash flows, the Company's liquidity and available capital resources are impacted by four key components: (i) current cash and cash equivalents, (ii) operating activities, (iii) investing activities, and (iv) financing activities.

Cash and Cash Equivalents

At March 29, 2008, the Company's cash and cash equivalents (which are highly-liquid investments with an original maturity of three months or less) aggregated \$2.7 billion, a decrease of \$59 million compared to \$2.8 billion at December 31, 2007. At March 29, 2008, \$297 million of this amount was held in the U.S. and \$2.4 billion was held by the Company or its subsidiaries in other countries. Repatriation of some of these funds could be subject to delay and could have potential adverse tax consequences. At March 29, 2008, restricted cash was \$164 million, compared to \$158 million of December 31, 2007.

Operating Activities

In the first quarter of 2008, the Company used \$343 million in net cash for operating activities, compared to \$8 million of net cash provided by operating activities in the first quarter of 2007. The primary contributors to the usage of cash include: (i) a \$636 million decrease in accounts payable and accrued liabilities, (ii) a loss from continuing operations (adjusted for non-cash items) of \$210 million, (iii) a \$166 million increase in other current assets, and (iv) a \$46 million increase in inventories. These uses of cash were partially offset by: (i) a \$627 million decrease in accounts receivable, and (ii) a \$88 million cash inflow due to changes in other assets and liabilities.

Accounts Receivable: The Company's net accounts receivable were \$4.8 billion at March 29, 2008, compared to \$5.3 billion at December 31, 2007. The Company's days sales outstanding ("DSO"), including net long-term receivables, were 58 days at March 29, 2008, compared to 50 days at December 31, 2007 and 65 days at March 31, 2007. The Company's businesses sell their products in a variety of markets throughout the world and payment terms can vary by market type and geographic location. Accordingly, the Company's levels of net accounts receivable and DSO can be impacted by the timing and level of sales that are made by its various businesses and by the geographic locations in which those sales are made. In addition, from time to time, the Company elects to sell accounts receivable to third parties. The Company's levels of net accounts receivable and DSO can be impacted by the timing and amount of such sales, which can vary by period and can be impacted by numerous factors.

Inventory: The Company's net inventory was \$2.9 billion at March 29, 2008, compared to \$2.8 billion at December 31, 2007. The Company's inventory turns decreased to 7.2 at March 29, 2008, compared to 10.0 at December 31, 2007 and 8.5 at March 31, 2007, primarily due to lower than expected sales volumes in the Mobile Devices business. Inventory turns were calculated using an annualized rolling three months of costs of sales method. The Company's days sales in inventory ("DSI") was 50 days at March 29, 2008, compared to 36 days at December 31, 2007 and 43 days at March 31, 2007. DSI is calculated by dividing net inventory by the average daily costs of sales. Inventory management continues to be an area of focus as the Company balances the need to maintain strategic inventory levels to ensure competitive delivery performance to its customers against the risk of inventory obsolescence due to rapidly changing technology and customer spending requirements.

Accounts Payable: The Company's accounts payable were \$3.7 billion at March 29, 2008, compared to \$4.2 billion at December 31, 2007. The Company's days payable outstanding ("DPO") were 62 days at March 29, 2008, compared to 53 days at December 31, 2007 and 52 days at March 31, 2007. DPO is calculated by dividing accounts payable by the average daily costs of sales. The Company buys products in a variety of markets throughout the world and payment terms can vary by market type and geographic location. Accordingly, the Company's levels of accounts payable and DPO can be impacted by the timing and level of purchases made by its various businesses and by the geographic locations in which those purchases are made.

Cash Conversion Cycle: The Company's cash conversion cycle ("CCC") was 46 days at March 29, 2008, compared to 33 days at December 31, 2007 and 56 days at March 31, 2007. CCC is calculated by adding DSO and DSI and subtracting DPO. The increase in CCC at March 29, 2008 compared to December 31, 2007 reflects higher DSO and DSI, partially offset by higher DPO. CCC was higher in all three of the Company's business segments. In recent history, the Company has experienced cyclically higher CCC in the first quarter of the year.

Reorganization of Businesses: The Company has implemented reorganization of businesses plans. Cash payments for exit costs and employee separations in connection with a number of these plans were \$79 million in the first quarter of 2008, as compared to \$59 million in the first quarter of 2007. Of the \$275 million reorganization of businesses accrual at March 29, 2008, \$231 million relates to employee separation costs and is expected to be paid in 2008. The remaining \$44 million relates to lease termination obligations that are expected to be paid over a number of years.

Defined Benefit Plan Contributions: The Company expects to make cash contributions of approximately \$240 million to its U.S. pension plans and approximately \$50 million to its Non-U.S. pension plans during 2008. The Company also expects to make cash contributions totaling approximately \$20 million to postretirement healthcare plan during 2008. During the first quarter of 2008, the Company contributed \$13 million to its Non-U.S. pension plans. Subsequent to quarter end, the Company contributed \$60 million and \$5 million to its U.S. Regular Pension Plan and postretirement healthcare plan, respectively.

Investing Activities

The most significant components of the Company's investing activities during the first quarter of 2008 include: (i) proceeds from sales of Sigma Fund investments, (ii) proceeds from the sale of short term investments, (iii) strategic acquisitions of, or investments in, other companies, and (iv) capital expenditures.

Net cash provided by investing activities was \$553 million in the first quarter of 2008, as compared to net cash provided of \$2.5 billion in the first quarter of 2007. The \$1.9 billion decrease in cash provided by investing activities, was primarily due to: (i) a \$6.2 billion decrease in cash received from the sale of Sigma Fund investments, (ii) a \$49 million decrease in proceeds received from the disposition of property, plant and equipment, (iii) a \$29 million decrease in proceeds from the sales of investments and businesses, and (iv) a \$19 million increase in capital expenditures, partially offset by: (i) a \$4.0 billion decrease in cash used for acquisitions and investments, and (ii) a \$328 million increase in proceeds from sales of short-term investments.

Sigma Fund: The Company and its wholly-owned subsidiaries invest most of their excess cash in a fund (the "Sigma Fund") that is designed to perform similar to a money market fund. The Company received \$631 million in net proceeds from sales of Sigma Fund investments in the first quarter of 2008, compared to \$6.8 billion in net proceeds in the first quarter of 2007. The Sigma Fund aggregate balances were \$4.6 billion at March 29, 2008, compared to \$5.2 billion at December 31, 2007. At March 29, 2008, \$1.0 billion of the Sigma Fund investments were held in the U.S. and \$3.6 billion were held by the Company or its subsidiaries in other countries. Repatriation of some of these funds could be subject to delay and could have potential adverse tax consequences.

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The Sigma Fund portfolio is managed by four major independent investment management firms. Investments are made in high-quality, investment grade (rated at least A/A-1 by S&P or A2/P-1 by Moody's at purchase date), U.S. dollar-denominated debt obligations, including certificates of deposit, commercial paper, government bonds, corporate bonds and asset- and mortgage-backed securities. The Sigma Fund's investment policies require that floating rate instruments must have a maturity, at purchase date, that does not exceed thirty-six months with an interest rate reset at least annually. The average reset maturity of the investments held by the funds must be 120 days or less with the actual average reset maturity of the investments being 39 days and 40 days at March 29, 2008 and December 31, 2007, respectively.

The Company uses valuation pricing models and broker quotes to determine the fair value of many investments in the Sigma Fund. The Company reviews the assumptions used in the models and their output. The models are primarily developed and maintained by third-party pricing providers and use observable market inputs as of the measurement date for identical and similar debt securities, including benchmark interest rates, active trades of identical securities on other dates, issuer credit spread assumptions, quoted prices of similar securities in active markets, and performance data of investments that are supported by collateral. The availability of prices in active markets for certain investment securities, whether identical or similar to Sigma Fund investments, may vary from quarter to quarter.

As of March 29, 2008, the fair market value of the Sigma Fund was \$4.6 billion, of which \$3.9 billion has been classified as current and \$673 million has been classified as non-current, as compared to \$5.2 billion at December 31, 2007, all classified as current. For the first quarter of 2008, the Company recorded a \$42 million reduction in the available-for-sale securities held in the Sigma Fund, reflecting a decline in the fair value of the securities. The total unrealized loss on the Sigma Fund portfolio at the end of March 29, 2008 is \$99 million, of which \$28 million relates to the securities classified as current and \$71 million relates to securities classified as non-current. As of December 31, 2007, the unrealized loss on the Sigma Fund portfolio was \$57 million, all classified as current. The unrealized losses have been reflected as a reduction in Non-owner changes to equity. During the first quarter of 2008, there have been no significant changes to the underlying securities held in the Sigma Fund investment portfolio.

During the first quarter of 2008, the Company classified \$673 million of Sigma Fund investments as non-current because they have maturities greater than 12 months, the market values are below cost and the Company plans to hold the securities until they recover to cost or until maturity. The Company believes this decline is temporary, primarily due to the recent disruptions in the capital markets. The majority of these securities have investment grade ratings. Accordingly, the Company believes it is probable that it will be able to collect all amounts it is owed under these securities according to their contractual terms, which may be at maturity. If it becomes probable that the Company will not collect the amounts in accordance with the contractual terms of the security, the Company considers the decline other-than-temporary. For the first quarter of 2008, the Company recorded \$4 million of other-than-temporary declines in the Sigma Fund investments as investment impairment charges in the condensed consolidated statements of operations. The Company continuously assesses its cash needs and continues to believe that the balance of cash and cash equivalents, short-term investments and investments in the Sigma Fund classified as current are more than adequate to meet its current operating requirements over the next twelve months. Therefore, the Company believes it is prudent to hold these \$673 million of securities to maturity, at which time we anticipate these securities will recover to cost.

Strategic Acquisitions and Investments: The Company used cash for acquisitions and new investment activities of \$140 million in the first quarter of 2008, compared to \$4.1 billion in the first quarter of 2007. During the first quarter of 2008, the Company: (i) took a controlling interest of Vertex Standard Co. Ltd. (part of the Enterprise Mobility Solutions segment), (ii) acquired the assets related to digital cable set-top products of Zhejiang Dahua Digital Technology Co., LTD. and Hangzhou Image Silicon, known collectively as Dahua Digital (part of the Home and Networks Mobility segment), and (iii) completed the acquisition of Soundbuzz Pte. Ltd. (part of the Mobile Devices segment). During the first quarter of 2007, the Company completed four strategic acquisitions for an aggregate of approximately \$4.2 billion in net cash, including: (i) \$3.5 billion for the acquisition of Symbol Technologies, Inc. (part of the Enterprise Mobility Solutions segment), (ii) \$438 million for the acquisition of Good Technology, Inc. (part of the Enterprise Mobility Solutions segment), (iii) \$183 million for Netopia, Inc. (part of the Home and Networks Mobility segment), and (iv) the acquisition of Tut Systems, Inc. (part of the Home and Networks Mobility segment).

Capital Expenditures: Capital expenditures in the first quarter of 2008 were \$111 million, compared to \$92 million in the first quarter of 2007. The Company's emphasis in making capital expenditures is to focus on strategic investments driven by customer demand and new design capability.

Sales of Investments and Businesses: The Company received \$21 million in proceeds from the sales of investments and businesses in the first quarter of 2008, compared to proceeds of \$50 million in the first quarter of 2007. The

\$21 million in proceeds in the first quarter of 2008 were primarily comprised of net proceeds received in connection with the sale of the Company's shares in an equity investment. The \$50 million in proceeds in the first quarter of 2007 were primarily comprised of \$39 million of net proceeds received in connection with the prior sale of the automotive electronics business upon the satisfaction of certain regulatory and other customary closing conditions

Short-Term Investments: At March 29, 2008, the Company had \$465 million in short-term investments (which are highly-liquid fixed-income investments with an original maturity greater than three months but less than one year), compared to \$612 million of short-term investments at December 31, 2007.

Investment Securities: In addition to available cash and cash equivalents, the Sigma Fund portfolio and available-for-sale equity securities, the Company views its investment securities as an additional source of liquidity. The majority of these securities represent investments in technology companies and, accordingly, the fair market values of these securities are subject to substantial price volatility. In addition, the realizable value of these securities is subject to market and other conditions. At March 29, 2008, the Company's available-for-sale equity securities portfolio had an approximate fair market value of \$320 million, which represented a cost basis of \$364 million and a net unrealized loss of \$44 million. At December 31, 2007, the Company's available-for-sale securities portfolio had an approximate fair market value of \$333 million, which represented a cost basis of \$372 million and a net unrealized loss of \$39 million.

Financing Activities

The most significant components of the Company's financing activities are: (i) purchases of the Company's common stock under its share repurchase program, (ii) payment of dividends, (iii) repayment of debt, and (iv) net proceeds from, or repayment of, commercial paper and short-term borrowings.

Net cash used for financing activities was \$415 million in the first quarter of 2008, compared to \$2.5 billion used in the first quarter of 2007. Cash used for financing activities in the first quarter of 2008 was primarily: (i) \$138 million of cash used to purchase approximately 9.0 million shares of the Company's common stock under the share repurchase program, (ii) \$114 million of cash used to pay dividends, (iii) \$114 million of cash used for the repayment of maturing long-term debt, and (iv) \$54 million of net cash used for the repayment of short-term borrowings.

Cash used for financing activities in the first quarter of 2007 was primarily: (i) \$2.4 billion of cash used to purchase approximately 121 million shares of the Company's common stock under the share repurchase program, (ii) \$163 million of cash used for the repayment of debt (including \$45 million of debt of acquired entities repaid in connection with acquisitions completed during the first quarter of 2007), and (iii) \$119 million of cash used to pay dividends, partially offset by proceeds of: (i) \$59 million in net cash proceeds from commercial paper and short-term borrowings, and (ii) \$46 million received from the issuance of common stock in connection with the Company's employee stock option plans and employee stock purchase plan.

Commercial Paper and Other Short-Term Debt: At March 29, 2008, the Company's outstanding notes payable and current portion of long-term debt was \$174 million, compared to \$332 million at December 31, 2007. In March 2008, the Company repaid, at maturity, the entire \$114 million of 6.50% Senior Notes due March 1, 2008.

Net cash used for the repayment of commercial paper and short-term borrowings was \$54 million at March 29, 2008, compared to \$59 million of net cash proceeds from commercial paper and short-term borrowings at March 31, 2007. The Company had no commercial paper outstanding on March 29, 2008 or December 31, 2007. The Company continues to have access to the commercial paper market. In the recent past, the Company generally maintained commercial paper balances between \$300 million and \$400 million. However, as a result of conditions in the capital markets, the funding costs the Company would have to pay to issue commercial paper has increased significantly. Accordingly, the Company elected to pay down its commercial paper outstanding. The Company may issue commercial paper when it believes it is prudent to do so in light of prevailing market conditions and other factors.

Long-term Debt: At March 29, 2008, the Company had outstanding long-term debt of \$4.1 billion, compared to \$4.0 billion at December 31, 2007. The Company continues to have access to the long-term unsecured debt markets.

The Company may from time to time seek to opportunistically retire certain of its outstanding debt through open market cash purchases, privately-negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors.

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Share Repurchase Program: During the first quarter of 2008, the Company paid an aggregate of \$138 million, including transaction costs, to repurchase 9.0 million shares at an average price of \$15.32.

Through actions taken in July 2006 and March 2007, the Board of Directors authorized the Company to repurchase an aggregate amount of up to \$7.5 billion of its outstanding shares of common stock over a period ending in June 2009, subject to market conditions. As of March 29, 2008, the Company remained authorized to purchase an aggregate amount of up to \$3.6 billion of additional shares under the current stock repurchase program.

Credit Ratings: Three independent credit rating agencies, Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's"), and Standard & Poor's ("S&P"), assign ratings to the Company's short-term and long-term debt. The following chart reflects the current ratings assigned to the Company's senior unsecured non-credit enhanced long-term debt and the Company's commercial paper by each of these agencies.

<i>Name of</i>	<i>Long-Term</i>	<i>Commercial</i>	
<i>Rating Agency</i>	<i>Debt Rating</i>	<i>Paper Rating</i>	<i>Date and Recent Actions Taken</i>
Fitch	BBB	F-2	February 1, 2008 (placed all debt on rating watch negative); January 24, 2008 (downgraded long-term debt to BBB (negative outlook) from BBB+ (negative outlook))
Moody's	Baa1	P-2	January 24, 2008 (placed long-term debt on review for possible downgrade)
S&P	BBB	A-2	January 25, 2008 (downgraded long-term debt to BBB (credit watch negative) from A- (negative outlook); placed A-2 commercial paper on credit watch negative)

The Company's debt ratings are considered "investment grade." If the Company's senior long-term debt were rated lower than "BBB-" by S&P or Fitch or "Baa3" by Moody's (which would be a decline of two levels from current Fitch and S&P ratings), the Company's long-term debt would no longer be considered "investment grade." If this were to occur, the terms on which the Company could borrow money would become more onerous. The Company would also have to pay higher fees related to its domestic revolving credit facility.

As further described under "Sales of Receivables" below, for many years the Company has utilized a number of receivables programs to sell a broadly-diversified group of accounts receivables to third parties. Certain of the accounts receivables are sold to a multi-seller commercial paper conduit. This program provides for up to \$400 million of accounts receivables to be outstanding with the conduit at any time. The obligations of the conduit to continue to purchase receivables under this accounts receivables program could be terminated if the Company's long-term debt was rated lower than "BB+" by S&P or "Ba1" by Moody's (which would be a decline of three levels from the current S&P rating). If this accounts receivables program were terminated, the Company would no longer be able to sell its accounts receivables to the conduit in this manner, but it would not have to repurchase previously-sold receivables.

Credit Facilities

At March 29, 2008, the Company's total domestic and non-U.S. credit facilities totaled \$4.5 billion, of which \$245 million was utilized. These facilities are principally comprised of: (i) a \$2.0 billion five-year domestic syndicated revolving credit facility maturing in December 2011 (as amended, the "5-Year Credit Facility"), which is not utilized, and (ii) \$2.5 billion of uncommitted non-U.S. credit facilities (of which \$245 million was considered utilized at March 29, 2008). Unused availability under the existing credit facilities, together with available cash, cash equivalents, Sigma Fund balances and other sources of liquidity, are among other things, generally available to support outstanding commercial paper.

In order to borrow funds under the 5-Year Credit Facility, the Company must be in compliance with various conditions, covenants and representations contained in the agreements. The Company was in compliance with the terms of the 5-Year Credit Facility at March 29, 2008. The Company has never borrowed under its domestic revolving credit facilities. Utilization of the non-U.S. credit facilities may also be dependent on the Company's ability to meet certain conditions at the time a borrowing is requested.

Long-term Customer Financing Commitments

Outstanding Commitments: Certain purchasers of the Company's infrastructure equipment continue to request that suppliers provide long-term financing, defined as financing with terms greater than one year, in connection with equipment purchases. These requests may include all or a portion of the purchase price of the equipment. However, the Company's obligation to provide long-term financing is often 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 \$385 million and \$610 million at March 29, 2008 and December 31, 2007, respectively. Of these amounts, \$335 million and \$454 million were supported by letters of credit or by bank commitments to purchase long-term receivables at March 29, 2008 and December 31, 2007, respectively.

Guarantees of Third-Party Debt: In addition to providing direct financing to certain equipment customers, the Company also assists customers in obtaining financing directly from banks and other sources to fund equipment purchases. The Company had committed to provide financial guarantees relating to customer financing totaling \$33 million and \$42 million at March 29, 2008 and December 31, 2007, respectively (including \$24 million and \$23 million at March 29, 2008 and December 31, 2007, respectively, relating to the sale of short-term receivables). Customer financing guarantees outstanding were \$3 million at March 29, 2008 and December 31, 2007 (including \$0 million at both March 29, 2008 and December 31, 2007 relating to the sale of short-term receivables).

Outstanding Long-Term Receivables: The Company had net long-term receivables, less allowance for losses, of \$107 million at March 29, 2008, compared to \$118 million at December 31, 2007 (net of allowances for losses of \$3 million at March 29, 2008 and \$5 million at December 31, 2007). These long-term receivables are generally interest bearing, with interest rates ranging from 3% to 14%. Interest income recognized on long-term receivables was \$1 million and \$2 million for the first quarters of 2008 and 2007, respectively.

Sales of Receivables

The Company sells accounts receivables and long-term receivables to third parties in transactions that qualify as "true-sales." Certain of these accounts receivables and long-term receivables are sold to third parties on a one-time, non-recourse basis, 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 on an annual basis. The Company may or may not retain the obligation to service the sold accounts receivables and long-term receivables.

In the aggregate, at March 29, 2008, these committed facilities provided for up to \$1.3 billion to be outstanding with the third parties at any time, as compared to up to \$1.4 billion provided at December 31, 2007. As of March 29, 2008, \$524 million of the Company's committed facilities were utilized, compared to \$497 million utilized at December 31, 2007. Certain events could cause one of these facilities to terminate. In addition, before receivables can be sold under certain of the committed facilities, they may need to meet contractual requirements, such as credit quality or insurability.

Total accounts receivables and long-term receivables sold by the Company were \$745 million and \$1.5 billion during the first quarters of 2008 and 2007, respectively. As of March 29, 2008, there were \$863 million of receivables outstanding under these programs for which the Company retained servicing obligations (including \$430 million of accounts receivables), compared to \$978 million outstanding at December 31, 2007 (including \$587 million of accounts receivables).

Under certain receivables programs, the value of the receivables sold is covered by credit insurance obtained from independent insurance companies, less deductibles or self-insurance requirements under the policies (with the Company retaining credit exposure for the remaining portion). The Company's total credit exposure to outstanding short-term receivables that have been sold was \$24 million and \$23 million at March 29, 2008 and December 31, 2007, respectively. Reserves of \$1 million were recorded for potential losses on sold receivables at both March 29, 2008 and December 31, 2007.

Other Contingencies

Potential Contractual Damage Claims in Excess of Underlying Contract Value: In certain circumstances, our businesses may enter into contracts with customers pursuant to which the damages that could be claimed by the other

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party for failed performance might exceed the revenue the Company receives from the contract. Contracts with these sorts of uncapped damage provisions are fairly rare, but individual contracts could still represent meaningful risk. There is a possibility that a damage claim by a counterparty to one of these contracts could result in expenses to the Company that are far in excess of the revenue received from the counterparty in connection with the contract.

Indemnification Provisions: In addition, the Company may provide indemnifications for losses that result from the breach of general warranties contained in certain commercial, intellectual property and divestiture agreements. Historically, the Company has not made significant payments under these agreements, nor have there been significant claims asserted against the Company. However, there is an increasing risk in relation to intellectual property indemnities given the current legal climate. In all 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, typically not more than 24 months, 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.

Legal Matters: The Company has several lawsuits filed against it relating to the Iridium program, as further described under Part I, Item 3: Legal Proceedings of this document.

The Company is a defendant in various other lawsuits, claims and actions, which arise in the normal course of business. These include actions relating to products, contracts and securities, as well as matters initiated by third parties or Motorola relating to infringements of patents, violations of licensing arrangements and other intellectual property-related matters. 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.

Segment Information

The following commentary should be read in conjunction with the financial results of each reporting segment for the three months ended March 29, 2008 and March 31, 2007 as detailed in Note 9, "Segment Information," of the Company's condensed consolidated financial statements.

Mobile Devices Segment

	<i>Three Months Ended</i>		<i>% Change</i>
	<i>March 2</i>	<i>March 3</i>	
<i>(Dollars in millions)</i>	<i>2008</i>	<i>2007</i>	
Segment net sales	\$ 3,299	\$ 5,408	(39)%
Operating loss	(418)	(233)	79%

For the first quarter of 2008, the segment's net sales represented 44% of the Company's consolidated net sales, compared to 57% in the first quarter of 2007.

Three months ended March 29, 2008 compared to three months ended March 31, 2007

In the first quarter of 2008, the segment's net sales were \$3.3 billion, a decrease of 39% compared to net sales of \$5.4 billion in the first quarter of 2007. The 39% decrease in net sales was primarily driven by a 40% decrease in unit shipments and a 2% decrease in average selling price ("ASP"). The segment's product sales continued to be negatively impacted by gaps in the segment's product portfolio, including limited offerings of 3G products and products for the Multimedia segment. Improving the segment's product portfolio remains a top priority. On a product technology basis, net sales decreased substantially for GSM, CDMA and 3G technologies and decreased for iDEN technology. On a geographic basis, net sales decreased substantially in North America, Asia and the Europe, Middle East and Africa region ("EMEA"), and increased in Latin America.

The segment incurred an operating loss of \$418 million in the first quarter of 2008, compared to an operating loss of \$233 million in the first quarter of 2007. The operating loss was primarily due to the decrease in gross margin, driven by the 39% decrease in net sales, partially offset by savings from supply chain cost-reduction activities. Also contributing to the operating loss was an increase in reorganization of business charges, relating primarily to employee severance costs.

These factors were partially offset by decreases in: (i) selling, general and administrative ("SG&A") expenses, primarily due to lower marketing expenses and savings from cost-reduction initiatives and (ii) research and development ("R&D") expenditures related to savings from cost-reduction initiatives. As a percentage of net sales in the first quarter of 2008 as compared to the first quarter of 2007, gross margin, SG&A expenses and R&D expenditures all increased.

Unit shipments in the first quarter of 2008 were 27.4 million units, a 40% decrease compared to shipments of 45.4 million units in the first quarter of 2007. The segment estimates its worldwide market share to be approximately 9.5% in the first quarter of 2008, a decrease of approximately 8 percentage points versus the first quarter of 2007 and a decrease of approximately 3 percentage points versus the fourth quarter of 2007, reflecting a significant decline in North America.

In the first quarter of 2008, ASP decreased approximately 2% compared to the first quarter of 2007. ASP is impacted by numerous factors, including product mix, market conditions and competitive product offerings, and ASP trends often vary over time.

During the first quarter of 2008, the segment completed the acquisition of Soundbuzz Pte. Ltd., a leading pan-Asian music provider.

Home and Networks Mobility Segment

	<i>Three Months Ended</i>		<i>% Change</i>
	<i>March 2</i>	<i>March 3</i>	
<i>(Dollars in millions)</i>	<i>2008</i>	<i>2007</i>	
Segment net sales	\$ 2,383	\$ 2,337	2%
Operating earnings	153	167	(8)%

For the first quarter of 2008, the segment's net sales represented 32% of the Company's consolidated net sales, compared to 25% for the first quarter of 2007.

Three months ended March 29, 2008 compared to three months ended March 31, 2007

In the first quarter of 2008, the segment's net sales increased 2% to \$2.4 billion, compared to \$2.3 billion in the first quarter of 2007. The 2% increase in net sales primarily reflects a 12% increase in net sales in the home business, partially offset by a 6% decrease in net sales of wireless networks. The 12% increase in net sales in the home business is primarily driven by: (i) a 15% increase in net sales of digital entertainment devices, reflecting higher ASPs due to a product mix shift, partially offset by a 15% decline in unit shipments to 4.2 million units, and (ii) an 11% increase in net sales of broadband gateways, primarily due to higher net sales of telecom modems and routers. Net sales of wireless networks decreased 6%, primarily driven by: (i) the absence of net sales by the embedded communication computing business ("ECC") that was divested at the end of 2007, and (ii) lower net sales of iDEN and CDMA infrastructure equipment, partially offset by higher net sales for GSM infrastructure equipment, despite continued competitive pricing pressure.

On a geographic basis, the 2% increase in net sales was primarily driven by higher net sales in EMEA, Asia and Latin America, partially offset by lower net sales in North America. The increase in net sales in EMEA was primarily due to higher net sales for GSM infrastructure equipment despite continued competitive pricing pressure. The increase in net sales in Asia was primarily driven by higher net sales for CDMA infrastructure equipment. The decrease in net sales in North America was primarily due to lower net sales for iDEN and CDMA infrastructure equipment, partially offset by higher net sales in the home business. Net sales in North America continue to comprise a significant portion of the segment's business, accounting for approximately 51% of the segment's total net sales in the first quarter of 2008, compared to approximately 62% of the segment's total net sales in the first quarter of 2007. The regional shift in the first quarter of 2008 as compared to the first quarter of 2007 reflects a 30% aggregate growth in net sales outside of North America, as well as, a 15% decline in net sales in North America.

The segment reported operating earnings of \$153 million in the first quarter of 2008, compared to operating earnings of \$167 million in the first quarter of 2007. The decrease in operating earnings was primarily due to the decrease in gross margin, primarily due to lower net sales of iDEN and CDMA infrastructure equipment and the absence of net sales by ECC that was divested at the end of 2007. This decrease in gross margin was partially offset by decreases in both R&D and SG&A expenses, primarily related to savings from cost-reduction initiatives. As a percentage of net sales in the first

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quarter of 2008 as compared to the first quarter of 2007, gross margin, SG&A expenses, R&D expenditures and operating margin all decreased.

During the first quarter of 2008, the segment acquired the assets related to digital cable set-top products of Zhejiang Dahua Digital Technology Co., LTD and Hangzhou Image Silicon, known collectively as Dahua Digital, a developer, manufacturer and marketer of cable set-tops and related low cost integrated circuits for the emerging Chinese cable business.

Enterprise Mobility Solutions Segment

<i>(Dollars in millions)</i>	<i>Three Months Ended</i>		<i>% Change</i>
	<i>March 2</i>	<i>March 3</i>	
	<i>2008</i>	<i>2007</i>	
Segment net sales	\$ 1,806	\$ 1,717	5%
Operating earnings	250	131	91%

For the first quarter of 2008, the segment's net sales represented 24% of the Company's consolidated net sales, compared to 18% for the first quarter of 2007.

Three months ended March 29, 2008 compared to three months ended March 31, 2007

In the first quarter of 2008, the segment's net sales increased 5% to \$1.8 billion, compared to \$1.7 billion in the first quarter of 2007. The 5% increase in net sales reflects a 9% increase in net sales in the commercial enterprise market and a 4% increase in net sales in the government and public safety market. The increase in net sales in the commercial enterprise market was primarily due to higher net sales in EMEA and Asia. The net sales in the government and public safety market increased primarily due to: (i) the net sales generated by Vertex Standard Co., Ltd. ("Vertex Standard"), a business the Company took a controlling interest of in January 2008, and (ii) higher net sales in EMEA, Asia and Latin America, partially offset by lower net sales in North America. Net sales in North America continue to comprise a significant portion of the segment's business, accounting for 55% of the segment's total net sales in the first quarter of 2008, compared to 62% in the first quarter of 2007. The regional shift in the first quarter of 2008 as compared to the first quarter of 2007 was primarily due to a 24% increase in net sales outside of North America.

The segment reported operating earnings of \$250 million in the first quarter of 2008, compared to operating earnings of \$131 million in the first quarter of 2007. The increase in operating earnings was primarily due to an increase in gross margin driven by: (i) an inventory-related charge in connection with the acquisition of Symbol Technologies, Inc. during the first quarter of 2007, and (ii) the 5% increase in net sales. The increase in gross margin was partially offset by: (i) increased SG&A expenses, primarily due to selling and marketing expenses related to the increase in net sales, and (ii) increased R&D expenditures, primarily due to developmental engineering expenditures for new product development and investment in next-generation technologies. As a percentage of net sales in the first quarter of 2008 as compared to the first quarter of 2007, gross margin, R&D expenditures and operating margin increased and SG&A expenses decreased.

In January 2008, the Company took a controlling interest of Vertex Standard, a global provider of two-way radio communication solutions. We believe that operating Vertex Standard strengthens our product portfolios. The acquisition provides the Company with access to Vertex Standard's distribution channel.

Significant Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual

results may differ from these estimates under different assumptions or conditions. Management believes the following significant accounting policies require significant judgment and estimates:

- Revenue recognition
- Inventory valuation reserves
- Taxes on income
- Valuation of Sigma Fund, investments and long-lived assets
- Restructuring activities
- Retirement-related benefits

Recent Accounting Pronouncements

The Company adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS 157”) on January 1, 2008 for financial assets and liabilities, and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value as required by other accounting pronouncements and expands fair value measurement disclosures. The provisions of SFAS 157 are applied prospectively upon adoption and did not have a material impact on the Company’s condensed consolidated financial statements. The disclosures required by SFAS 157 are included in Note 6, “Fair Value Measurements,” to the Company’s condensed consolidated financial statements.

In February of 2008, the FASB issued FASB Staff Position 157-2, which delays the effective date of SFAS 157 for non-financial assets and liabilities, which are not measured at fair value on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008. The Company is currently assessing the impact of adopting SFAS 157 for non-financial assets and liabilities on the Company’s condensed consolidated financial statements.

The Company adopted SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115” (“SFAS 159”) as of January 1, 2008. SFAS 159 permits entities to elect to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any assets or liabilities, which were not previously carried at fair value. Accordingly, the adoption of SFAS 159 had no impact on the Company’s condensed consolidated financial statements.

The Company adopted EITF 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements” (“EITF 06-4”) as of January 1, 2008. EITF 06-4 requires that endorsement split-dollar life insurance arrangements, which provide a benefit to an employee beyond the postretirement period be recorded in accordance with SFAS No. 106, “Employer’s Accounting for Postretirement Benefits Other Than Pensions” or APB Opinion No. 12, “Omnibus Opinion—1967” (“the Statements”) based on the substance of the agreement with the employee. Upon adoption of EITF 06-4, the Company recognized an increase in Other liabilities of \$45 million with the offset reflected as a cumulative-effect adjustment to January 1, 2008 Retained earnings and Non-owner changes to equity in the amounts of \$4 million and \$41 million, respectively, in the Company’s condensed consolidated statement of stockholders’ equity.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (“SFAS 141R”), a revision of SFAS 141, “Business Combinations.” SFAS 141R establishes requirements for the recognition and measurement of acquired assets, liabilities, goodwill and non-controlling interests. SFAS 141R also provides disclosure requirements related to business combinations. SFAS 141R is effective for fiscal years beginning after December 15, 2008. SFAS 141R will be applied prospectively to business combinations with an acquisition date on or after the effective date.

In December 2007, the FASB issued SFAS No. 160, “Non-Controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51” (“SFAS 160”). SFAS 160 establishes new standards for the accounting for and reporting of non-controlling interests (formerly minority interests) and for the loss of control of partially owned and consolidated subsidiaries. SFAS 160 does not change the criteria for consolidating a partially owned entity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The provisions of SFAS 160 will be applied prospectively upon adoption except for the presentation and disclosure requirements, which will be applied retrospectively. The Company does not

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

expect the adoption of SFAS 160 will have a material impact on the Company's condensed consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the additional disclosures required by SFAS 161.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company uses financial instruments to reduce its overall exposure to the effects of currency fluctuations on cash flows. The Company's policy prohibits speculation in financial instruments for profit on the exchange rate price fluctuation, trading in currencies for which there are no underlying exposures, or entering into transactions for any currency to intentionally increase the underlying exposure. Instruments that are designated as part of a hedging relationship must be effective at reducing the risk associated with the exposure being hedged and are designated as a part of a hedging relationship at the inception of the contract. Accordingly, changes in market values of hedge instruments must be highly correlated with changes in market values of underlying hedged items both at the inception of the hedge and over the life of the hedge contract.

The Company's strategy related to foreign exchange exposure management is to offset the gains or losses on the financial instruments against losses or gains on the underlying operational cash flows or investments based on the operating business units' assessment of risk. The Company enters into derivative contracts for some of the Company's non-functional currency receivables and payables, which are primarily denominated in major currencies that can be traded on open markets. The Company uses forward contracts and options to hedge these currency exposures. In addition, the Company enters into derivative contracts for some firm commitments and some forecasted transactions, which are designated as part of a hedging relationship if it is determined that the transaction qualifies for hedge accounting under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." A portion of the Company's exposure is from currencies that are not traded in liquid markets and these are addressed, to the extent reasonably possible, through managing net asset positions, product pricing and component sourcing.

At March 29, 2008 and December 31, 2007, the Company had net outstanding foreign exchange contracts totaling \$2.1 billion and \$3.0 billion, respectively. 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 in the Company's condensed consolidated statements of operations. The following table shows the five largest net foreign exchange contract positions as of March 29, 2008 and the corresponding positions as of December 31, 2007:

	<i>March 29</i>	<i>December 31</i>
<i>Buy (Sell)</i>	<i>2008</i>	<i>2007</i>
Chinese Renminbi	\$ (810)	\$ (1,292)
Brazilian Real	(314)	(377)
Israeli Shekel	(71)	(77)
Taiwan Dollar	169	112
Japanese Yen	319	384

The Company is exposed to credit-related losses if counterparties to financial instruments fail to perform their obligations. However, the Company does not expect any counterparties, all of whom presently have high investment grade credit ratings, to fail to meet their obligations.

Interest Rate Risk

At March 29, 2008, the Company's short-term debt consisted primarily of \$79 million of short-term variable rate foreign debt. The Company has \$4.2 billion of long-term debt, including the current portion of long-term debt, which is primarily priced at long-term, fixed interest rates.

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As part of its liability management program, the Company has entered into interest rate swaps to modify the characteristics of interest rate payments from fixed-rate payments to short-term variable rate payments. The following table displays these outstanding interest rate swaps at March 29, 2008:

<i>Date Executed</i>	<i>Notional Amount Hedged (in millions)</i>	<i>Underlying Debt Instrument</i>
October 2007	\$ 400	5.375% notes due 2012
October 2007	400	6.0% notes due 2017
September 2003	457	7.625% debentures due 2010
September 2003	600	8.0% notes due 2011
May 2003	84	5.8% debentures due 2008
May 2003	69	7.625% debentures due 2010
	\$ 2,010	

The weighted average short-term variable rate payments on each of the above interest rate swaps was 5.01% for the three months ended March 29, 2008. The fair value of the above interest rate swaps on March 29, 2008 and December 31, 2007, was \$102 million and \$36 million, respectively. Except as noted below, the Company had no outstanding commodity derivatives, currency swaps or options relating to debt instruments at March 29, 2008 or December 31, 2007.

The Company designated the above interest rate swap agreements as part of fair value hedging relationships. As such, changes in the fair value of the hedging instrument, and corresponding adjustments to the carrying amount of the debt are recognized in earnings. Interest expense on the debt is adjusted to include the payments made or received under such hedge agreements. In the event the underlying debt instrument matures or is redeemed or repurchased, the Company is likely to terminate the corresponding interest rate swap contracts.

During the three months ended December 31, 2007, the Company concurrently with the issuance of debt entered into several interest rate swaps to convert the fixed rate interest cost of the debt to a floating rate. At the time of entering into these interest rate swaps, the swaps were designated as fair value hedges and qualified for hedge accounting. The swaps were originally designated as fair value hedges of the underlying debt, including the Company's credit spread. During the three months ended March 29, 2008, the swaps were no longer considered effective hedges because of the volatility in the price of Motorola's fixed-rate domestic term debt and the swaps were redesignated. Motorola was able to redesignate the same interest rate swaps as fair value hedges of the underlying debt, exclusive of the Company's credit spread. For the period of time during the quarter that the swaps were deemed ineffective hedges, Motorola recognized a gain of approximately \$24 million.

Additionally, one of the Company's European subsidiaries has outstanding interest rate agreements ("Interest Agreements") relating to a Euro-denominated loan. The interest on the Euro-denominated loan is variable. The Interest Agreements change the characteristics of interest rate 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. The weighted average fixed rate payments on these Interest Agreements was 6.54%. The fair value of the Interest Agreements at March 29, 2008 and December 31, 2007 was \$1 million and \$3 million, respectively.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to its swap contracts. The Company minimizes its credit risk concentration on these transactions by distributing these contracts among several leading financial institutions, all of whom presently have investment grade credit ratings, and having collateral agreements in place. The Company does not anticipate nonperformance.

Forward-Looking Statements

Except for historical matters, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements included in: (1) the Executive Summary under "Looking Forward", (a) about the creation of two public companies, and (b) our business strategies; (2) "Management's Discussion and Analysis," about: (a) future payments, charges, use of accruals and expected cost-saving benefits associated with our reorganization of business programs, (b) the Company's ability and cost to repatriate funds, (c) the impact of the timing and level of sales and the geographic location of such sales, (d) expectations

for the Sigma Fund, (e) future cash contributions to pension plans or retiree health benefit plans, (f) issuance of commercial paper, (g) the Company's ability and cost to access the capital markets, (h) the Company's plans with respect to the level of outstanding debt, (i) expected payments pursuant to commitments under long-term agreements, (j) the outcome of ongoing and future legal proceedings, (k) the completion and impact of pending acquisitions and divestitures, and (l) the impact of recent accounting pronouncements on the Company; (3) "Legal Proceedings," about the ultimate disposition of pending legal matters, and (4) "Quantitative and Qualitative Disclosures about Market Risk," about: (a) the impact of foreign currency exchange risks, (b) future hedging activity and expectations of the Company, and (c) the ability of counterparties to financial instruments to perform their obligations.

Some of the risk factors that affect the Company's business and financial results are discussed in "Item 1A: Risk Factors" on pages 18 through 27 of our 2007 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in each of these documents and those described in our other Securities and Exchange Commission filings, could cause our actual results to differ materially from those stated in the forward-looking statements.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to Motorola, including our consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to Motorola's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 29, 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

Personal Injury Cases

Cases relating to Wireless Telephone Usage

During 2001 and 2002, several cases were filed in the Superior Court of the District of Columbia alleging that use of a cellular phone caused a malignant brain tumor : *Murray v. Motorola, Inc., et al.*, filed November 15, 2001, *Agro, et al. v. Motorola, Inc., et al.*, filed February 26, 2002; *Cochran, et al. v. Audiovox Corporation, et al.*, filed February 26, 2002, and *Schofield, et al. v. Matsushita Electric Corporation of America, et al.*, filed February 26, 2002. Each complaint seeks compensatory damages in excess of \$25 million, consequential damages in excess of \$25 million and punitive and/or exemplary damages in excess of \$100 million. These cases were removed to federal court and transferred to the United States District Court for the District of Maryland (the "MDL Court"). On July 19, 2004, the MDL Court found that there was no federal court jurisdiction over *Murray, Agro, Cochran* and *Schofield* and remanded those cases to the Superior Court for the District of Columbia. On November 30, 2004, defendants moved to dismiss the *Murray, Agro, Cochran* and *Schofield* complaints. On August 24, 2007, the Superior Court for the District of Columbia granted the defendants' motion and dismissed the cases with prejudice on federal preemption grounds. On September 20, 2007, plaintiffs appealed the dismissal to the District of Columbia Court of Appeals and that appeal is still pending.

On September 9, 2002, *Dahlgren v. Motorola, Inc., et al.*, was filed in the D.C. Superior Court containing class claims alleging deceptive and misleading actions by defendants in falsely stating that cellular phones are safe and by failing to disclose studies that allegedly show cellular phones can cause harm. *Dahlgren* seeks injunctive and equitable

relief, actual damages, treble or statutory damages, punitive damages and a constructive trust. On December 9, 2005, plaintiff filed an amended complaint in *Dahlgren*. On March 5, 2008, the court stayed *Dahlgren* pending the outcome of *Murray v. Motorola, Inc., et al.*

Iridium-Related Cases

Class Action Securities Lawsuits

Motorola has been named as one of several defendants in putative class action securities lawsuits arising out of alleged misrepresentations or omissions regarding the Iridium satellite communications business which, on March 15, 2001, were consolidated in the federal district court in the District of Columbia under *Freeland v. Iridium World Communications, Inc., et al.*, originally filed on April 22, 1999. In April 2008, the parties reached an agreement in principle, subject to court approval, to settle all claims against Motorola in exchange for Motorola's agreement to pay \$20 million.

Bankruptcy Court Lawsuit

Motorola was sued by the Official Committee of the Unsecured Creditors of Iridium (the "Committee") in the Bankruptcy Court for the Southern District of New York on July 19, 2001. *In re Iridium Operating LLC, et al. v. Motorola* asserts claims for breach of contract, warranty, fiduciary duty and fraudulent transfer and preferences, and seeks in excess of \$4 billion in damages. On September 20, 2007, following trial on the solvency and capital adequacy portion of the Committee's fraudulent transfer and preference claims, the Iridium Bankruptcy Court granted judgment for Motorola on all those claims. The parties have reached an agreement in principle to settle the matter. On April 22, 2008, Iridium submitted the settlement to the Bankruptcy Court for approval. If approved, the settlement ("Proposed Iridium Settlement Agreement") would provide Motorola with a release ending all bankruptcy litigation with no payment required of Motorola and in turn Motorola would not receive payment from the Iridium estate.

On March 30, 2001, the United States Bankruptcy Court for the Southern District of New York presiding over the Iridium bankruptcy proceeding approved a settlement between the unsecured creditors of the Iridium Debtors and the Iridium Debtors' prepetition secured lenders (the "Bankruptcy Settlement Agreement"). Motorola appealed the approval of such settlement first to the United States District Court for the Southern District of New York and thereafter to the United States Court of Appeals for the Second Circuit. On March 5, 2007, the Court of Appeals vacated the District Court order approving the Bankruptcy Settlement Agreement and directed that the case be remanded to the Iridium Bankruptcy Court for further proceedings. On June 1, 2007, the Unsecured Creditors Committee filed with the Bankruptcy Court a renewed motion for approval of the Bankruptcy Settlement Agreement, to which Motorola objected. In connection with the Proposed Iridium Settlement Agreement, Motorola has agreed to withdraw its objection to the renewed motion for approval.

Silverman/Williams Federal Securities Lawsuits and Related Derivative Matters

A purported class action lawsuit on behalf of the purchasers of Motorola securities between July 19, 2006 and January 5, 2007, *Silverman v. Motorola, Inc., et al.*, was filed against the Company and certain current and former officers and directors of the Company on August 9, 2007, in the United States District Court for the Northern District of Illinois. The complaint alleges violations of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 as well as, in the case of the individual defendants, the control person provisions of the Securities Exchange Act. The factual assertions in the complaint consist primarily of the allegation that the defendants knowingly made incorrect statements concerning Motorola's projected revenues for the third and fourth quarter of 2006. The complaint seeks unspecified damages and other relief relating to the purported inflation in the price of Motorola shares during the class period. An amended complaint was filed December 20, 2007 and Motorola moved to dismiss that complaint in February 2008.

In addition, on August 24, 2007, two lawsuits were filed as purportedly derivative actions on behalf of Motorola, *Williams v. Zander, et al.*, and *Cinotto v. Zander, et al.*, consolidated in the Circuit Court of Cook County, Illinois against the Company and certain of its current and former officers and directors. These complaints make similar factual allegations to those made in the *Silverman* complaint with additional more recent similar allegations. The complaints assert causes of action for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaints seek unspecified damages associated with the alleged loss to the Company deriving from the defendants' actions and demand

that Motorola make a number of changes to its internal procedures. An amended complaint was filed on December 14, 2007 and a second amended complaint was filed on April 24, 2008.

In re Adelfia Communications Corp. Securities and Derivative Litigation

On July 23, 2004, Motorola was named as a defendant in a purported class action *Argent Classic Convertible Arbitrage Fund L.P., et al. v. Scientific-Atlanta, Inc., et al.* (the “Argent Complaint”). The Argent Complaint was filed against Scientific Atlanta and Motorola in the Southern District of New York. The Argent Complaint generally alleges a claim arising under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder relating to Adelfia securities. The complaint seeks compensatory damages and other relief. Motorola filed a motion to dismiss the Argent Complaint on October 12, 2004, which is awaiting decision.

On December 22, 2003, Motorola was named as a defendant in *Stoche v. John J. Rigas, et al.* This case was originally filed in Pennsylvania and was subsequently transferred to the Southern District of New York as related to *In re Adelfia Communications Corp. Securities and Derivative Litigation*, which consists of at least fourteen individual cases and one purported class action, *Argent*, that were filed in or have been transferred to the United States District Court for the Southern District of New York. Motorola and several other individual and corporate defendants are named in the amended complaint. As to Motorola, the complaint makes generally the same allegations as *Argent*. The complaint seeks return of the consideration paid by plaintiff for Adelfia securities, punitive damages and other relief. In March 2008, the *Stoche* plaintiff agreed to become a member of the purported class in *Argent* and the *Stoche* action was dismissed by the court as a stand-alone action.

Intellectual Property Related Cases

Tessera, Inc. v. Motorola, Inc., et al.

Motorola is a purchaser of semiconductor chips with certain ball grid array (“BGA”) packaging from suppliers including Qualcomm, Inc. (“Qualcomm”), Freescale Semiconductor, Inc. (“Freescale Semiconductor”), ATI Technologies, Inc. (“ATI”), Spansion Inc. (“Spansion”), and STMicroelectronics N.V. (“STMicro”). On April 17, 2007, Tessera, Inc. (“Tessera”) filed patent infringement legal actions against Qualcomm, Freescale Semiconductor, ATI, Spansion, STMicro and Motorola in the U.S. International Trade Commission (the “ITC”) (In the Matter of Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same, Inv. No. 337-TA-605) and the United States District Court, Eastern District of Texas, *Tessera, Inc. v. Motorola, Inc., Qualcomm, Inc., Freescale Semiconductor, Inc. and ATI Technologies, Inc.*, alleging that certain BGA packaged semiconductors infringe patents that Tessera claims to own. Tessera is seeking orders to ban the importation into the U.S. of certain semiconductor chips with BGA packaging and certain “downstream” products that contain them (including Motorola products) and/or limit suppliers’ ability to provide certain services and products or take certain actions in the U.S. relating to the packaged chips. The patent claims being asserted by Tessera are subject to reexamination proceedings in the U.S. Patent and Trademark Office (“PTO”). In the reexamination proceedings, the PTO has issued rejections of Tessera’s asserted patent claims. On February 26, 2008, the ITC action was stayed by the administrative law judge pending the completion of the PTO’s reexamination proceedings. On March 27, 2008, the ITC reversed the stay. A date for a hearing on the merits has not yet been set.

Motorola is a defendant in various other suits, claims and investigations that arise in the normal course of business. In the opinion of management, the ultimate disposition of the Company’s pending legal proceedings will not have a material adverse effect on the Company’s consolidated financial position, liquidity or results of operations.

Item 1A. Risk Factors

The reader should carefully consider, in connection with the other information in this report, the factors discussed in Part I, “Item 1A: Risk Factors” on pages 18 through 27 of the Company’s 2007 Annual Report on Form 10-K. These factors could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table provides information with respect to acquisitions by the Company of shares of its common stock during the quarter ended March 29, 2008.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased ⁽¹⁾⁽²⁾	(b) Average Price Paid per Share ⁽¹⁾⁽³⁾	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾	
			(c) Total Number of Shares Purchased as Part of Announced Plans or Programs ⁽²⁾	(c) Total Number of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
01/01/08 to 01/25/08	9,033,247	\$ 15.30	9,020,151	\$ 3,629,062,576
01/26/08 to 02/22/08	7,383	\$ 11.29	0	\$ 3,629,062,576
02/23/07 to 03/29/08	11,893	\$ 10.76	0	\$ 3,629,062,576
Total	9,052,523	\$ 15.29	9,020,151	

(1) In addition to purchases under the Stock Repurchase Program (as defined below), included in this column are transactions under the Company's equity compensation plans involving the delivery to the Company of 32,372 shares of Motorola common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock granted to Company employees.

(2) Through actions taken on July 24, 2006 and March 21, 2007, the Board of Directors has authorized the Company to repurchase an aggregate amount of up to \$7.5 billion of its outstanding shares of common stock over a period ending in June 2009, subject to market conditions (the "Stock Repurchase Program").

(3) Average price paid per share of common stock repurchased under the Stock Repurchase Program is execution price, excluding commissions paid to brokers.

Item 3. Defaults Upon Senior Securities.

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its annual meeting of stockholders on May 5, 2008, and the following matters were voted on at that meeting:

1. The election of the following directors, who will serve until their respective successors are elected and qualified or until their earlier death or resignation:

Director	For	Withhold
Gregory Q. Brown	1,960,325,125	74,474,395
David W. Dorman	1,937,717,444	97,082,076
William R. Hambrecht	1,968,192,495	66,607,025
Judy C. Lewent	1,945,000,643	89,798,877
Keith A. Meister	1,943,885,318	90,914,202
Thomas J. Meredith	1,953,650,320	81,149,200
Nicholas Negroponte	1,934,549,111	100,250,409
Samuel C. Scott III	1,847,909,862	186,889,658
Ron Sommer	1,864,568,149	170,231,371
James R. Stengel	1,868,015,170	166,784,350
Anthony J. Vinciguerra	1,968,716,354	66,083,166
Douglas A. Warner III	1,949,220,923	85,578,597
Dr. John A. White	1,945,499,470	89,300,050
Miles D. White	1,949,818,114	84,981,406

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2. The ratification of the appointment of the independent registered public accounting firm was approved by the following vote: For, 1,975,778,098; Against, 40,285,564; Abstain, 18,735,858.

3. A shareholder proposal re: Say-on-Pay was approved by the following vote: For, 858,587,063; Against, 732,395,136; Abstain, 102,536,544; Broker Non-Vote, 341,280,777.

4. A shareholder proposal re: Policy to Recoup Unearned Management Bonuses was defeated by the following vote: For, 182,439,843; Against, 1,344,983,254; Abstain, 166,095,646; Broker Non-Vote, 341,280,777.

5. A shareholder proposal re: A Global Set of Corporate Standards at Motorola was defeated by the following vote: For, 166,058,641; Against, 1,116,761,523; Abstain, 410,698,579; Broker Non-Vote, 341,280,777.

Item 5. Other Information.

Not applicable

Item 6. Exhibits

<i>Exhibit No.</i>	<i>Description</i>
10.37	Motorola Long-Range Incentive Plan (LRIP) of 2006 (as Amended and Restated as of March 31, 2008) (incorporated by reference to Exhibit 10.37 to Motorola's Report on Form 8-K filed on April 2, 2008 (File No. 1-7221)).
10.44	Description of Certain Compensatory Arrangements between Motorola, Inc. and Gregory Q. Brown (filed as Exhibit 10.44 to Motorola's Report on Form 10-K for the fiscal year ended December 31, 2007 (File No. 1-7221)) is replaced by the description of Mr. Brown's special 2008 incentive award, the adoption of the Motorola 2008 Incentive Plan and amendments to the Motorola Long Range Incentive Plan of 2006, in Motorola's Report on Form 8-K filed on April 2, 2008 (which is incorporated herein by reference (File No. 1-7221)).
10.52	2008 Motorola Incentive Plan (incorporated by reference to Exhibit 10.52 to Motorola's Report on Form 8-K filed on April 2, 2008 (File No. 1-7221)).
*10.53	Severance Agreement between Stuart Reed and Motorola, Inc. dated March 7, 2008.
*10.54	Form of Motorola, Inc. Award Document—Terms and Conditions Related to Employee Nonqualified Stock Options relating to the Motorola Omnibus Incentive Plan of 2006 for grants on or after May 6, 2008.
*10.55	Form of Motorola, Inc. Restricted Stock Unit Agreement relating to the Motorola Omnibus Incentive Plan of 2006 for grants to Appointed Vice Presidents and above on or after May 6, 2008.
*10.56	Form of Motorola Stock Option Consideration Agreement for grants on or after May 6, 2008.
*10.57	Description of insurance covering non-employee directors and their spouses (including a description incorporated by reference from the information under the caption "How Are the Directors Compensated?" of the Motorola Proxy Statement for the Annual Meeting held on May 5, 2008)
*31.1	Certification of Gregory Q. Brown pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Paul J. Liska pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Gregory Q. Brown pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Paul J. Liska pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOTOROLA, INC.

By: /s/ LAUREL MEISSNER

Laurel Meissner

Corporate Vice President, Finance

and Chief Accounting Officer

(Duly Authorized Officer and

Chief Accounting Officer of the Registrant)

Date: May 7, 2008

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AGREEMENT

This is a complete and final Agreement between STUART REED (for yourself, your spouse and anyone acting for you) (“you”), and Motorola, Inc. (for itself, its subsidiaries and affiliates, its and their successors, and anyone acting for any of them) (“Motorola”) that resolves all matters between you and Motorola. This Agreement has been individually negotiated and has not been reached as part of a group incentive or other separation program. In consideration for the payments and benefits provided under this Agreement, you and Motorola agree to the following terms of your separation from Motorola:

1. SEPARATION. All your duties and responsibilities as an employee, officer and/or director of Motorola and its subsidiaries and affiliates shall end effective April 4, 2008 (the “Transition Date”) and you shall no longer be an officer of Motorola as of that date. Your employment by Motorola shall continue through December 31, 2008 (“Separation Date”). At Motorola’s request, you shall execute any and all documents reasonably necessary to confirm the cessation of your service as a director and/or officer of Motorola and its subsidiaries and/or affiliates.

2. TRANSITION ALLOWANCE AND SEPARATION ALLOWANCE. Motorola will pay you at your regular base salary rate at regular payroll intervals, less applicable state and federal payroll deductions, between your Transition Date and Separation Date. The total gross amount of these payments is Four Hundred Forty-Five Thousand Four Hundred Seventy-Nine Dollars and Forty-Five Cents (\$445,479.45) (“Transition Allowance”). Motorola also will pay you a lump sum Separation Allowance in the amount of One Million Five Hundred Four Thousand Five Hundred Twenty Dollars and Fifty-Five Cents (\$1,504,520.55), less applicable state and federal payroll tax deductions, within thirty (30) days after you have signed, returned and not revoked a supplemental release attached as Attachment A, provided such amount will in all events be paid no later than March 15 of the year following the year in which the Transition Date occurs. Signature of Attachment A is a condition to your receiving the Separation Allowance and other consideration under this Agreement. The Transition and Separation Allowances include and exceed any paid time off or any other amounts that are unpaid as of your Separation Date. You will receive a 2007 bonus under the Motorola Incentive Plan and a bonus for the 2005-2007 performance period under the 2005 Motorola Long Range Incentive Plan, and you will be eligible for a 3/12 pro rata bonus under the 2008 Motorola Incentive Plan. You agree that you will not receive any other bonuses or incentives under any Motorola annual or long-range incentive plan and that any claims to such additional bonuses or incentives are waived and released pursuant to paragraph 13 below. You will only be paid the amounts specifically identified in this Agreement and will not receive any additional payments from Motorola. Each payment under this Agreement to you, including payments pursuant to this Section 2 and reimbursements under Section 7, will be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

3. HEIRS/BENEFICIARIES. In the event of your death after the effective date of this Agreement, your surviving spouse (or heirs if you are then unmarried) shall be paid any unpaid salary and any unpaid Transition and Separation Allowances described in this Agreement. Payments or benefits, if any, following your death under any of the Motorola benefit or compensation plans shall be according to the terms of those plans and any elections and/or beneficiary designations previously made by you thereunder.

4. BENEFIT AND COMPENSATION PLANS.

(a) Subject to Section 13 hereof, the effect of your separation and this Agreement upon your participation in, or coverage under, any of Motorola’s benefit or compensation plans, including but not limited to the Motorola Elected Officers Supplemental Retirement Plan, the Motorola Elected Officers Life Insurance Plan, the Motorola Long Range Incentive Plan for any given performance cycle, the Motorola Incentive Plan, the Motorola Management Deferred Compensation Plan, the Motorola Financial Planning Program, the Motorola Omnibus Incentive Plan of 2006, any other applicable stock option plan and any restricted stock, stock unit or SAR agreements shall be governed by the terms of those plans and agreements. Motorola is making no guarantee, warranty or representation in this Agreement regarding any position that may be taken by any administrator or plan regarding the effect of this Agreement upon your rights, benefits or coverage under those plans. Pursuant to the Motorola Management Deferred Compensation Plan, your deferred compensation elections, and applicable law, your deferred compensation payments will commence

in accordance with the schedule outlined in Attachment B. Motorola will reimburse you pursuant to the Motorola Financial Planning Program for services received through and including December 31, 2009.

(b) Following your Separation Date, except in the event you violate one or more of the restrictive covenants outlined in paragraph 8 below, each of your outstanding stock option grants will be accorded the most favorable treatment for which each grant qualifies per the terms of the applicable stock option plans or award documents. Your current equity awards and their treatment upon separation are outlined in Attachment C to this Agreement.

(c) Benefits coverage in effect on your Separation Date under the Motorola Employee Medical Benefits Plan ("Medical Plan"), as amended from time to time, will be continued at the regular employee contribution rate through the end of October, 2009, provided that you comply with all terms and conditions of the Medical Plan, including paying the necessary contributions and provided further, if you are reemployed with another employer and become covered under that employer's medical plan, the medical benefits described herein (if they are not terminated as provided in COBRA, defined below) shall be secondary to those provided under such other plan. The parties agree that the difference between the cost for such coverage under COBRA, as defined below, and the amount of the necessary contributions that you pay for such coverage will be considered imputed income to you and you are responsible for the payment of income tax due as a result of such imputed income. After the total period of medical benefit continuation provided in this Agreement, you may elect to continue medical benefits under the Medical Plan at your own expense, in accordance with COBRA. The period of medical benefit continuation described immediately above counts toward and reduces the maximum coverage under Section 4980B of the Internal Revenue Code ("COBRA"), as described in Treasury Regulation Section 54.4980B-7, A-7(a). The COBRA period commences on the first of the month following the Separation Date.

5. TRANSFER OF EQUIPMENT/OUTPLACEMENT. Effective on or within fourteen days after your Transition Date, Motorola will transfer to you ownership of your cellular phone, laptop computer (after removal and replacement of the hard drive) and docking station. On that date you will assume responsibility for all insurance, maintenance, service and other fees related to these items, and Motorola will have no responsibility for them thereafter. The parties agree that any fair market value of such items will be calculated as of the Transition Date and that you are responsible for the payment of income tax due as a result of this transfer. Motorola also will provide senior executive outplacement and career continuation services by a firm to be selected by Motorola for a period of up to one (1) year if you elect to participate in such services, provided, however, any senior executive outplacement and career continuation services will in all events be concluded no later than the end of the second calendar year following the calendar year in which the Transition Date occurs.

6. NO DISPARAGEMENT. You agree that you will not, directly or indirectly, individually or in concert with others, engage in any conduct or make any statement calculated or likely to have the effect of undermining, disparaging or otherwise reflecting poorly upon Motorola or its good will, products or business opportunities, or in any manner detrimental to Motorola, though you may give truthful and nonmalicious testimony if properly subpoenaed to testify under oath. Motorola agrees that neither Greg Brown, Marc Rothman, Dean Lindroth, Jeremy Dale, Mike Fenger, Dan Moloney, Peter Lawson, Bruce Brda nor Mike Hickey will, in any official capacity on Motorola's behalf, engage in any conduct or make any statement calculated or likely to have the effect of undermining, disparaging or otherwise reflecting poorly upon you, or in any manner detrimental to you, though each may give truthful and nonmalicious testimony if properly subpoenaed to testify under oath.

7. COOPERATION/INDEMNIFICATION. From your Transition Date, and for as long thereafter as shall be reasonably necessary, you agree to cooperate fully with Motorola in any investigation, negotiation, litigation or other action arising out of transactions in which you were involved or of which you had knowledge during your employment by Motorola. If you incur any business expenses in the course of performing your obligations under this paragraph, you will be reimbursed for the full amount of all reasonable expenses upon your submission of adequate receipts confirming that such expenses actually were incurred. All reimbursements under this Section 7 will be for expenses incurred by you during your lifetime. Reimbursement will be made within 90 days following the date you submit evidence that you incurred such expenses, and in all events prior to the last day of the calendar year following the calendar year in which you incur the expense. In no event will the amount of expenses reimbursed in one year affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, in any other taxable year. Motorola will indemnify you for judgments, fines, penalties, settlement amounts and expenses

(including reasonable attorneys fees and expenses) reasonably incurred in defending any actual or threatened action, lawsuit, investigation or other similar proceeding arising out of your employment with Motorola, provided that if the matter is a civil action, you acted in good faith and in a manner you reasonably believed to be in, or not opposed to, the best interests of Motorola and if the matter is a criminal action, you had no reasonable cause to believe your conduct was unlawful (in each case as determined under Delaware general Corporation Law).

8. RESTRICTIVE COVENANTS. You acknowledge that you have entered into certain Stock Option Agreements and/or Stock Option Consideration Agreements and/or Restricted Stock Agreements and/or Restricted Stock Units Agreements with Motorola, as well as various other agreements for the protection of Motorola's confidential proprietary information, and agree that such agreements, including but not limited to the non-disclosure, non-competition and non-solicitation provisions therein, continue in full force and effect according to their terms.

9. CONFIDENTIALITY OF AGREEMENT. You agree to keep the existence and terms of this Agreement confidential, unless required by law to disclose this information, or except as needed to be disclosed to your spouse, legal counsel, financial advisors, outplacement firm, creditors, or anyone preparing your tax returns. Notwithstanding the above, you may disclose a copy of this Agreement, excluding the economic terms, to any new or prospective employer.

10. RETURN OF MOTOROLA PROPERTY. You further agree to return to Motorola by your Transition Date all Motorola property and confidential and/or proprietary information including the originals and all copies and excerpts of documents, drawings, reports, specifications, samples and the like that were/are in your possession at all Motorola and non-Motorola locations, including but not limited to information stored electronically on computer hard drives or disks.

11. NEW EMPLOYMENT. You agree that you will immediately inform Motorola of (i) the identity of any new employment, start-up business or self-employment in which you have engaged or will engage between the Transition Date and December 31, 2010 (the "Notice Period"), (ii) your title in any such engagement, and (iii) your duties and responsibilities. You hereby authorize Motorola to provide a copy of this Agreement, excluding the economic terms, to any new employer or other entity or business by which you are engaged during the Notice Period. You further agree that during the Notice Period, you will provide such information to Motorola as it may from time to time reasonably request in order to determine your compliance with this Agreement.

12. BREACH OF AGREEMENT.

(a) You acknowledge that Motorola's agreement to make the payments set forth in Paragraph 2 above is conditioned upon your faithful performance of your obligations pursuant to Paragraphs 7, 8, 10 and 11 of this Agreement, and you agree to repay to Motorola all sums received from Motorola under Paragraph 2, less One Thousand Dollars (\$1,000.00), if you breach any of your obligations under Paragraphs 7, 8, 10 or 11 of this Agreement or the agreements referenced in Paragraph 8. You further agree that in addition to any other remedies available in law and/or equity, all of your vested and unvested stock options will terminate and no longer be exercisable, and for all stock options exercised within two years prior to your Separation Date or anytime after your Separation Date, you will immediately pay to Motorola the difference between the exercise price on the date of grant as reflected in the Award Document and the market price on the date of exercise (the "spread") for each affected stock option grant. The above remedies are in addition to and cumulative with any other rights and remedies Motorola may have pursuant to this Agreement and/or in law and/or equity. In any dispute regarding this Agreement, each party will pay its own fees and costs.

(b) You acknowledge that the harm caused to Motorola by the breach or anticipated breach of Paragraph 7, 8, 10 or 11 of this Agreement will be irreparable and you agree Motorola may obtain injunctive relief against you in addition to and cumulative with any other legal or equitable rights and remedies Motorola may have pursuant to this Agreement or law. You agree that any interim or final equitable relief entered by a court of competent jurisdiction, as specified in paragraph 15 below, will, at the request of Motorola, be entered on consent and enforced by any such court having jurisdiction over you. This relief would occur without prejudice to any rights either party may have to appeal from the proceedings that resulted in any grant of such relief.

(c) This Agreement (which includes the agreements referenced in Paragraph 8) is your entire agreement with Motorola regarding the subject matter. No waiver of any breach of any provision of this Agreement by Motorola shall be construed to be a waiver of any succeeding breach or as a modification of such provision. The provisions of this Agreement shall be severable and in the event that any provision of this Agreement shall be found by any court as specified in paragraph 15 below to be unenforceable, in whole or in part, the remainder of this Agreement as well as the provisions of your prior agreements, if any, regarding the same subject matter as that which was found unenforceable herein shall nevertheless be enforceable and binding on the parties. You also agree that the court may modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, you affirmatively state that you have not, will not and cannot rely on any representations not expressly made herein.

13. NON-ADMISSION/GENERAL RELEASE. You and Motorola agree that, in exchange for the payments and other terms described above, Motorola is not admitting to any wrongdoing or unlawful action in its dealing with you and you fully and completely release Motorola and hold it harmless from any and all legal claims of any type to date arising out of your employment or the separation of your employment from Motorola or any notice regarding your separation, whether known or unknown, presently asserted or otherwise. This includes, but is not limited to, breach of any implied or express employment contracts or covenants; entitlement to any pay or benefits including any severance pay or benefits related to or payable in connection with change in control events pursuant to the 2006 Motorola Omnibus Incentive Plan, the Motorola, Inc. Senior Officer Change in Control Plan, the Motorola, Inc. Corporate Officer Change in Control Plan, the Motorola, Inc. Corporate Officer Transition Change in Control Plan, or any other change in control severance plan, policy or arrangement, whether arising prior to, or following the date hereof, and further including insurance and any claims under any retirement plan; claims for wrongful termination, public policy violations, defamation, emotional distress or other common law matters; or claims of discrimination based on race, sex, age (Age Discrimination in Employment Act), religion, national origin, disability, veteran's status, sexual preference, marital status or retaliation; or claims under the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act or the Employee Retirement Income Security Act. If you are employed in Pennsylvania, however, you are not waiving any claims under the Family and Medical Leave Act. **If you are employed in California, you expressly waive the protection of Section 1542 of the Civil Code of the State of California, which states that: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."** You understand that by signing this General Release you are not releasing any claims or rights that cannot be waived by law, including the right to file an administrative charge of discrimination, nor are you releasing any rights to indemnification under Motorola's by-laws and/or insurance policies.

14. CONDITIONS OF AGREEMENT. You agree that you are signing this Agreement knowingly and voluntarily, that you have not been coerced or threatened into signing this Agreement and that you have not been promised anything else in exchange for signing this Agreement. You agree that if any part of this Agreement is found to be illegal or invalid, the rest of the Agreement will still be enforceable. You further agree that you have had sufficient time (at least 21 days) to consider this Agreement and you were advised to consult with an attorney, if desired, before signing below. You understand and agree that any change, whether material or otherwise, to the initial terms of this Agreement shall not restart the running of this 21-day period. This Agreement will not become effective or enforceable until seven days after you sign it, during which time you can revoke it if you wish, by delivering a signed revocation letter within the seven-day period to Jill A. Goldy, Corporate Vice President, Law — Labor and Employment, Motorola, Inc., 1303 East Algonquin Rd., Schaumburg, Illinois 60196. Any alterations to this Agreement must be in writing, signed by both parties.

15. GOVERNING LAW/VENUE. You and Motorola agree that this Agreement is governed by the laws of Illinois, without giving effect to principles of Conflicts of Laws, and any legal action related to this Agreement shall be brought only in a federal or state court located in Illinois, USA. You accept the jurisdiction of these courts and consent to service of process from said courts solely for legal actions related to this Agreement.

16. SECTION 409A COMPLIANCE. It is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent.

STUART REED

MOTOROLA, INC.

/s/ Stuart Reed

By: /s/ Greg A. Lee

Date: March 7, 2008

Date: March 7, 2008

ATTACHMENT A

In consideration for the promises made by Motorola in the Agreement to which this is Attachment A, you fully and completely release Motorola and hold it harmless from any and all legal claims of any type to date arising out of your employment or the separation of your employment from Motorola, whether known or unknown, presently asserted or otherwise. This includes, but is not limited to, breach of any implied or express employment contracts or covenants; entitlement to any pay or benefits, related to or payable in connection with change in control events pursuant to the 2006 Motorola Omnibus Incentive Plan, the Motorola, Inc. Senior Officer Change in Control Plan, the Motorola, Inc. Corporate Officer Change in Control Plan, the Motorola, Inc. Corporate Officer Transition Change in Control Plan, or any other change in control severance plan, policy or arrangement, whether arising prior to, or following the date hereof, and further including insurance and any claims under the Elected Officers Supplemental Retirement Plan or any other retirement plan; claims for wrongful termination, public policy violations, defamation, emotional distress or other common law matters; or claims of discrimination based on race, sex, age (Age Discrimination in Employment Act), religion, national origin, disability, veteran's status, sexual preference, marital status or retaliation; or claims under the Family and Medical Leave Act. **If you are employed in California, you expressly waive the protection of Section 1542 of the Civil Code of the State of California, which states that: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."** You understand by signing this General Release you are not releasing any claims or rights that cannot be waived by law, including the right to file an administrative charge of discrimination, nor are you releasing any rights to indemnification under Motorola's by-laws and/or insurance policies. You further agree that you have had sufficient time (at least 21 days) to consider the attached Agreement and you were advised to consult with an attorney, if desired, before signing below. This Attachment A will not become effective or enforceable until seven days after you sign it, during which time you can revoke it if you wish, by delivering a signed revocation letter within the seven-day period to Jill A. Goldy, Corporate Vice President, Law — Labor and Employment, Motorola, Inc., 1303 East Algonquin Rd., Schaumburg, Illinois 60196.

Agreed to and accepted by:

STUART REED

Date:

(to be signed after December 31, 2008 and before January 31, 2009)

ATTACHMENT B

PlanYear	Method	Last Day Worked (Transition Date)	6 Months	Distributions do not begin until the quarter following the quarter in which the date that is 6 months after Transition Date occurs.
2005	Quarterly Over 15 Years Commencing at Termination	4/4/08	10/4/2008	1/4/2009 (Quarterly)
2006	Lump Sum Commencing at Termination	4/4/08	10/4/2008	1/4/2009(Lump Sum)
2007	Lump Sum Commencing at Termination	4/4/08	10/4/2008	1/4/2009 (Lump Sum)

Attachment C

Stuart Reed as of February 14, 2008

Option Grants													EXERCISE RIGHTS	
Last Name	First Name	Optionee ID	Grant Date	Options Granted	Grant Type	Outstanding	Outstanding Vested	Outstanding Unvested	Grant Price	Vest Schedule Desc	Additional vesting prior to separation	VESTED	UNVESTED	
REED	STUART	12062216	04/22/2005	150,000	NQ	150,000	75,000	75,000	15.93	25% per year for 4 years	additional 25% will vest on 4/22/2008	Lesser of 1 year or remaining term	Forfeit	
REED	STUART	12062216	05/03/2006	250,000	NQ	250,000	62,500	187,500	21.25	25% per year for 4 years	additional 25% will vest on 5/3/2008	Lesser of 90 days or remaining term	Forfeit	
REED	STUART	12062216	07/25/2007	100,000	NQ	100,000	0	100,000	17.68	25% per year for 4 years	25% will vest on 7/25/2008	Lesser of 90 days or remaining term	Forfeit	
REED	STUART	12062216	05/08/2007	150,000	NQ	150,000	0	150,000	17.70	25% per year for 4 years	25% will vest on 5/8/2008	Lesser of 90 days or remaining term	Forfeit	

RSU Grants													Total Vested As Of 12/31/08
Last Name	First Name	Optionee ID	Grant Date	RSUs Granted	Grant Type	Outstanding	Outstanding Vested	Outstanding Unvested	Grant Price	Vest Schedule Desc	Vesting Schedule Dates	Pro-rata under Invol. Term.	Total Vested As Of 12/31/08
REED	STUART	12062216	04/22/2005	60,000	RSU	60,000	0	0		100% after 3 years	100% will vest on 4/22/2008	n/a	60,000
REED	STUART	12062216	05/03/2006	50,000	RSU	50,000	0	0		50% after 30 months, 50% after 60 months	50% will vest on November 3, 2008, 50% on May 3, 2011	pro-rata for 1 year of completed service	25,000
REED	STUART	12062216	05/08/2007	100,000	RSU	100,000	0	0		50% after 30 months, 50% after 60 months	50% will vest on November 8, 2009, 50% on May 8, 2012	pro-rata for 1 year of completed service	20,000
REED	STUART	12062216	07/25/2007	100,000	RSU	100,000	0	0		50% after 30 months, 50% after 60 months	50% will vest on January 25, 2010, 50% on July 25, 2012	pro-rata for 1 year of completed service	20,000

5-2008

2006 Plan

MOTOROLA, INC.
AWARD DOCUMENT

For the
Motorola Omnibus Incentive Plan of 2006
Terms and Conditions Related to Employee Nonqualified Stock Options

Recipient: _____ Date of Expiration: _____

Commerce ID#: _____ Number of Options: _____

Date of Grant: _____ Exercise Price: _____

Motorola, Inc. ("Motorola" or "the Company") is pleased to grant you options to purchase shares of Motorola's common stock under the Motorola Omnibus Incentive Plan of 2006 (the "Plan"). The number of options ("Options") awarded to you and the Exercise Price per Option, which is the Fair Market Value on the Date of Grant, are stated above. Each Option entitles you to purchase one share of Motorola's common stock on the terms described below and in the Plan.

Vesting and Exercisability

You cannot exercise the Options until they have vested.

Regular Vesting – The Options will vest in accordance with the following schedule (subject to the other terms hereof):

Percent	Date
25%	_____, 200__
25%	_____, 200__
25%	_____, 200__
25%	_____, 200__

Special Vesting – You may be subject to the Special Vesting Dates described below if your employment or service with Motorola or a Subsidiary (as defined below) terminates.

Exercisability – You may exercise Options at any time after they vest and before they expire as described below.

Expiration

All Options expire on the earlier of (1) the Date of Expiration as stated above or (2) any of the Special Expiration Dates described below. Once an Option expires, you no longer have the right to exercise it.

Special Vesting Dates and Special Expiration Dates

There are events that cause your Options to vest sooner than the Regular Vesting schedule discussed above or to expire sooner than the Date of Expiration as stated above. Those events are as follows:

Disability – If your employment or service with Motorola or a Subsidiary is terminated because of your Total and Permanent Disability (as defined below), Options that are not vested will automatically become fully vested upon your termination of employment or service. All your Options will then expire on the earlier of the first anniversary of your termination of employment or service because of your Total and Permanent Disability or the Date of Expiration stated above. Until that time, the Options will be exercisable by you or your guardian or legal representative.

Death – If your employment or service with Motorola or a Subsidiary is terminated because of your death, Options that are not vested will automatically become fully vested upon your death. All your Options will then expire on the earlier of the first anniversary of your death or the Date of Expiration stated above. Until that time, with written proof of death and inheritance, the Options will be exercisable by your legal representative, legatees or distributees.

Change In Control – If a “Change in Control” of the Company occurs, and the successor corporation does not assume these Options or replace them with options that are at least comparable to these Options, then: (1) all of your unvested Options will be fully vested and (2) all of your Options will be exercisable until the Date of Expiration set forth above.

Further, with respect to any Options that are assumed or replaced as described in the preceding paragraph, such assumed or replaced options shall provide that they will be fully vested and exercisable until the Date of Expiration set forth above if you are involuntarily terminated (for a reason other than “Cause”) or if you quit for “Good Reason” within 24 months of the Change in Control. For purposes of this paragraph, the terms “Change in Control”, “Cause” and “Good Reason” are defined in the Plan.

Termination of Employment or Service Because of Serious Misconduct – If Motorola or a Subsidiary terminates your employment or service because of Serious Misconduct (as defined below) all of your Options (vested and unvested) expire upon your termination.

Change in Employment in Connection with a Divestiture – If you accept employment with another company in direct connection with the sale, lease, outsourcing arrangement or any other type of asset transfer or transfer of any portion of a facility or any portion of a discrete organizational unit of Motorola or a Subsidiary, or if you remain employed by a Subsidiary that is sold or whose shares are distributed to the Motorola stockholders in a spin-off or similar transaction (a “Divestiture”), all of your unvested Options will automatically expire upon termination of your employment with Motorola, and all of your vested but not yet exercised Options will expire on the earlier of (i) 90 days after such Divestiture or (ii) the Date of Expiration stated above.

Termination of Employment or Service by Motorola or a Subsidiary Other than for Serious Misconduct or a Divestiture – If Motorola or a Subsidiary on its initiative, terminates your employment or service other than for Serious Misconduct or a Divestiture, all of your unvested Options will automatically expire upon termination and all of your vested but not yet exercised Options will expire on the earlier of (i) 90 days after your termination of employment or (2) the Date of Expiration stated above..

Termination of Employment or Service for any Other Reason than Described Above – If your employment or service

with Motorola or a Subsidiary terminates for any reason other than that described above, including voluntary resignation of your employment or service, all of your unvested Options will automatically expire upon termination of your employment or service and all of your vested but not yet exercised Options will expire on the earlier of (i) the date ninety (90) days after the date of termination of your employment or service or (ii) the Date of Expiration stated above.

Leave of Absence/Temporary Layoff

If you take a Leave of Absence from Motorola or a Subsidiary that your employer has approved in writing in accordance with your employer’s Leave of Absence Policy and from which the employee has right to return to work, as determined by Motorola, or you are placed on Temporary Layoff (as defined below) by Motorola or a Subsidiary the following will apply:

Vesting of Options – Options will continue to vest in accordance with the vesting schedule set forth above.

Exercising Options – You may exercise Options that are vested or that vest during the Leave of Absence or Temporary Layoff.

Effect of Termination of Employment or Service – If your employment or service is terminated during the Leave of Absence or Temporary Layoff, the treatment of your Options will be determined as described under “Special Vesting Dates and Special Expiration Dates” above.

Other Terms

Method of Exercising – You must follow the procedures for exercising options established by Motorola from time to time. At the time of exercise, you must pay the Exercise Price for all of the Options being exercised and any taxes that are required to be withheld by Motorola or a Subsidiary in connection with the exercise. Options may not be exercised for less than 50 shares unless the number of shares represented by the Option is less than 50 shares, in which case the Option must be exercised for the remaining amount.

Transferability – Unless the Committee provides, Options are not transferable other than by will or the laws of descent and distribution.

Tax Withholding – Motorola or a Subsidiary is entitled to withhold an amount equal to the required minimum statutory withholding taxes for the

respective tax jurisdictions attributable to any share of common stock deliverable in connection with the exercise of the Options. You may satisfy any minimum withholding obligation and any additional withholding, if desired, by electing to have the plan administrator retain Option shares having a Fair Market Value on the date of exercise equal to the amount to be withheld.

Definition of Terms

If a term is used but not defined, it has the meaning given such term in the Plan.

“Confidential Information” means information concerning the Company and its business that is not generally known outside the Company, and includes (A) trade secrets; (B) intellectual property; (C) the Company’s methods of operation and Company processes; (D) information regarding the Company’s present and/or future products, developments, processes and systems, including invention disclosures and patent applications; (E) information on customers or potential customers, including customers’ names, sales records, prices, and other terms of sales and Company cost information; (F) Company personnel data; (G) Company business plans, marketing plans, financial data and projections; and (H) information received in confidence by the Company from third parties. Information regarding products, services or technological innovations in development, in test marketing or being marketed or promoted in a discrete geographic region, which information the Company or one of its affiliates is considering for broader use, shall be deemed generally known until such broader use is actually commercially implemented.

“Fair Market Value” is the closing price for a share of Motorola common stock on the date of grant or date of exercise, whichever is applicable. The official source for the closing price is the New York Stock Exchange Composite Transaction as reported in the Wall Street Journal at www.online.wsj.com

“Serious Misconduct” means any misconduct identified as a ground for termination in the Motorola Code of Business Conduct, or the human resources policies, or other written policies or procedures.

“Subsidiary” means an entity of which Motorola owns directly or indirectly at least 50% and that Motorola consolidates for financial reporting purposes.

“Total and Permanent Disability” means for (x) U.S. employees, entitlement to long-term disability benefits under the Motorola Disability Income Plan, as amended and any successor plan or a determination of a permanent and total disability under a state workers compensation statute and (y) non-U.S. employees, as established by applicable Motorola policy or as required by local regulations.

“Temporary Layoff” means a layoff or redundancy that is communicated as being for a period of up to twelve months and as including a right to recall under defined circumstances.

Consent to Transfer Personal Data

By accepting this award, you voluntarily acknowledge and consent to the collection, use, processing and transfer of personal data as described in this paragraph. You are not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect your ability to participate in the Plan. Motorola, its Subsidiaries and your employer hold certain personal information about you, that may include your name, home address and telephone number, date of birth, social security number or other employee identification number, salary, salary grade, hire date, nationality, job title, any shares of stock held in Motorola, or details of all options or any other entitlement to shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the Plan (“Data”). Motorola and/or its Subsidiaries will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of your participation in the Plan, and Motorola and/or any of its Subsidiaries may each further transfer Data to any third parties assisting Motorola in the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on your behalf to a broker or other third party with whom you may elect to deposit any shares of stock acquired pursuant to the Plan. You may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting Motorola; however, withdrawing your consent may affect your ability to participate in the Plan.

Acknowledgement of Discretionary Nature of the Plan; No Vested Rights

You acknowledge and agree that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by Motorola or a Subsidiary, in its sole discretion, at any time. The grant of awards under the Plan is a one-time benefit and does not create any contractual or other right to receive an award in the future or to future employment. Nor shall this or any such grant interfere with your right or the Company's right to terminate such employment relationship at any time, with or without cause, to the extent permitted by applicable laws and any enforceable agreement between you and the Company. Future grants, if any, will be at the sole discretion of Motorola, including, but not limited to, the timing of any grant, the amount of the award, vesting provisions, and the exercise price.

No Relation to Other Benefits/Termination Indemnities

Your acceptance of this award and participation under the Plan is voluntary. The value of your stock option awarded herein is an extraordinary item of compensation outside the scope of your employment contract, if any. As such, the stock option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments, notwithstanding any provision of any compensation, insurance agreement or benefit plan to the contrary.

Agreement Following Termination of Employment

As a further condition of accepting the Options, you acknowledge and agree that for a period of one year following your termination of employment or service, you will not hire, recruit, solicit or induce, or cause, allow, permit or aid others to hire, recruit, solicit or induce, or to communicate in support of those activities, any employee of Motorola or a Subsidiary who possesses Confidential Information of Motorola or a Subsidiary to terminate his/her employment with Motorola or a Subsidiary

and/or to seek employment with your new or prospective employer, or any other company.

You agree that upon termination of employment with Motorola or a Subsidiary, and for a period of one year thereafter, you will immediately inform Motorola of (i) the identity of your new employer (or the nature of any start-up business or self-employment), (ii) your new title, and (iii) your job duties and responsibilities. You hereby authorize Motorola or a Subsidiary to provide a copy of this Award Document to your new employer. You further agree to provide information to Motorola or a Subsidiary as may from time to time be requested in order to determine your compliance with the terms hereof.

Substitute Stock Appreciation Right

Motorola reserves the right to substitute a Stock Appreciation Right for your Option in the event certain changes are made in the accounting treatment of stock options. Any substitute Stock Appreciation Right shall be applicable to the same number of shares as your Option and shall have the same Date of Expiration, Exercise Price, and other terms and conditions. Any substitute Stock Appreciation Right may be settled only in common stock.

Acceptance of Terms and Conditions

By accepting the Options, you agree to be bound by these terms and conditions, the Plan, any and all rules and regulations established by Motorola in connection with awards issued under the Plan, and any additional covenants or promises Motorola may require as a condition of the grant.

Other Information about Your Options and the Plan

You can find other information about options and the Plan on the Motorola website

http://myhr.mot.com/pay_finances/awards_incentives/

[stock_options/plan_documents.jsp](http://myhr.mot.com/stock_options/plan_documents.jsp) If you do not have access to the website, please contact Motorola Global Rewards, 1303 E. Algonquin Road, Schaumburg, IL 60196 USA; GBLRW01@Motorola.com; 847-576-7885; for an order form to request Plan documents.

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award (“*Award*”) is awarded on «Grant_date» (“*Date of Grant*”), by Motorola, Inc. (the “*Company*” or “*Motorola*”) to «First_Name» «Last_Name» (the “*Grantee*”).

WHEREAS, Grantee is receiving the Award under the Motorola Omnibus Incentive Plan of 2006, as amended (the “*2006 Omnibus Plan*”); and

WHEREAS, the Award is being made by the Compensation and Leadership Committee (the “*Compensation Committee*”) of the Board of Directors;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the Company hereby awards restricted stock units to Grantee on the following terms and conditions:

- 1. Award of Restricted Stock Units.** The Company hereby grants to Grantee a total of «Txt_Nbr_of_Shares» («Whole_Nbr_of_Shares») Motorola restricted stock units (the “*Units*”) subject to the terms and conditions set forth below and subject to adjustment as provided in the 2006 Omnibus Plan. The Units are granted pursuant to the 2006 Omnibus Plan and are subject to all of the terms and conditions of the 2006 Omnibus Plan.
- 2. Restrictions.** The Units are being awarded to Grantee subject to the transfer and forfeiture conditions set forth below (the “*Restrictions*”)
 - a. No Assignment.** Prior to the vesting of the Units as described in Section 3 below, Grantee may not directly or indirectly, by operation of law or otherwise, voluntarily or involuntarily, sell, assign, pledge, encumber, charge or otherwise transfer any of the Units still subject to Restrictions. The Units shall be forfeited if Grantee violates or attempts to violate these transfer Restrictions.
 - b. Restricted Conduct.** If Grantee engages in any of the conduct described in subparagraphs (i) through (v) below for any reason, in addition to all remedies in law and/or equity available to the Company or any Subsidiary (as defined in Section 20 below), including the recovery of liquidated damages, Grantee shall forfeit all Units (whether or not vested) and shall immediately pay to the Company, with respect to previously vested Units, an amount equal to (x) the per share Fair Market Value (as defined in Section 20 below) of Motorola Common Stock (“*Common Stock*”) on the date on which the Restrictions lapsed with respect to the applicable previously vested Units times (y) the number of shares underlying such previously vested Units, without regard to any taxes that may have been deducted from such amount. For purposes of subparagraphs (i) through (v) below, “*Company*” or “*Motorola*” shall mean Motorola Inc. and/or any of its Subsidiaries.
 - (i) Confidential Information.** During the course of Grantee’s employment with the Company or any Subsidiary and thereafter, Grantee uses or discloses, except on behalf of the Company and pursuant to the Company’s directions, any Company Confidential

Information (as defined in Section 20 below); and/or

- (ii) **Solicitation of Employees.** During Grantee's employment and for a period of one year following the termination of Grantee's employment for any reason, Grantee hires, recruits, solicits or induces, or causes, allows, permits or aids others to hire, recruit, solicit or induce, or to communicate in support of those activities, any employee of the Company who possesses Confidential Information (as defined in Section 20 below) of the Company to terminate his/her employment with the Company and/or to seek employment with Grantee's new or prospective employer, or any other company; and/or
 - (iii) **Solicitation of Customers.** During Grantee's employment and for a period of one year following the termination of Grantee's employment for any reason, Grantee, directly or indirectly, on behalf of Grantee or any other person, company or entity, solicits or participates in soliciting, products or services competitive with or similar to products or services offered by, manufactured by, designed by or distributed by the Company to any person, company or entity which was a customer or potential customer for such products or services and with which Grantee had direct or indirect contact regarding those products or services or about which Grantee learned Confidential Information (as defined in Section 20 below) at any time during the two years prior to Grantee's termination of employment with the Company; and/or
 - (iv) **Non-Competition regarding Products or Services.** During Grantee's employment and for a period of one year following the termination of Grantee's employment for any reason, Grantee, directly or indirectly, in any capacity, provides products or services competitive with or similar to products or services offered by the Company to any person, company or entity which was a customer for such products or services and with which customer Grantee had direct or indirect contact regarding those products or services or about which customer Grantee learned Confidential Information at any time during the one year prior to Grantee's termination of employment with the Company; and/or
 - (v) **Non-Competition regarding Activities.** During Grantee's employment and for a period of one year following the termination of Grantee's employment for any reason, Grantee engages in activities which are entirely or in part the same as or similar to activities in which Grantee engaged at any time during the one year preceding termination of Grantee's employment with the Company, for any person, company or entity in connection with products, services or technological developments (existing or planned) that are entirely or in part the same as, similar to, or competitive with, any products, services or technological developments (existing or planned) on which Grantee worked at any time during the one year preceding termination of Grantee's employment. This paragraph applies in countries in which Grantee has physically been present performing work for the Company at any time during the one year preceding termination of Grantee's employment.
- c. **Recoupment Policy.** If the Grantee is an officer subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") the Units are subject

to the terms and conditions of the Company's Policy Regarding Recoupment of Incentive Payments upon Financial Restatement (such policy, as it may be amended from time to time, the "Recoupment Policy"). The Recoupment Policy provides for determinations by the Company's independent directors that, as a result of intentional misconduct by Grantee, the Company's financial results were restated (a "Policy Restatement"). In the event of a Policy Restatement, the Company's independent directors may require, among other things (a) cancellation of any of the Units that remain outstanding; and/or (b) reimbursement of any gains in respect of the Units, if and to the extent the conditions set forth in the Recoupment Policy apply. Any determinations made by the independent directors in accordance with the Recoupment Policy shall be binding upon Grantee. The Recoupment Policy is in addition to any other remedies which may be otherwise available at law, in equity or under contract, to the Company.

3. Vesting. Subject to the remaining terms and conditions of this Award, and provided the Units have not been forfeited as described in Section 2 above, the Units will vest as follows:

a. Vesting Period. The Units will vest as follows in accordance with the following schedule (the applicable date, the "RSU Vesting Date"):

<<vesting schedule>>

i. The period from the Date of Grant through the last vesting date set forth above is referred to as the "**Restriction Period**". Any unvested Units shall be automatically forfeited upon the Grantee's termination of employment with Motorola or a Subsidiary prior to the applicable RSU Vesting Date for any reason other than those set forth in Sections 3(b) through (e) below. The Company will not be obligated to pay Grantee any consideration whatsoever for forfeited Units.

ii. If, during the Restriction Period, the Grantee takes a Leave of Absence (as defined in Section 20 below) from Motorola or a Subsidiary, the Units will continue to be subject to this Award Agreement. If the Restriction Period expires while the Grantee is on a Leave of Absence, the Grantee will be entitled to the Units even if the Grantee has not returned to active employment.

b. Change in Control. If a Change in Control of the Company occurs and the successor corporation (or parent thereof) does not assume this Award or replace it with a comparable award, then the Units shall be fully vested; provided, further, that with respect to any Award that is assumed or replaced, such assumed or replaced awards shall provide that the Award shall be fully vested for any Participant that is involuntarily terminated (for a reason other than "Cause") or quits for "Good Reason" within 24 months of the Change in Control. For purposes of this paragraph, the terms "Change of Control", "Cause" and "Good Reason" are defined in the 2006 Omnibus Plan.

c. Total and Permanent Disability. All unvested Units shall fully vest upon Grantee's termination of employment with Motorola and its Subsidiaries due to Total and Permanent Disability (as defined in Section 20 below).

d. Death. All unvested Units shall fully vest upon Grantee's termination of

employment with Motorola and its Subsidiaries due to death.

- e. **Certain Terminations of Employment.** In the case of Termination due to a Divestiture (as defined in Section 20 below) or if Motorola or a Subsidiary terminates Grantee's employment for reasons other than for Serious Misconduct (as defined in Section 20 below) before the expiration of the Restriction Period, and if the Units have not been forfeited as described in Section 2 above, then the Units shall vest on a **pro rata** basis in an amount equal to (a)(i) the total number of Units subject to this Award, multiplied by (ii) a fraction, the numerator of which is the number of completed full years of service by the Grantee from the Date of Grant to the employee's date of termination and the denominator of which is the Restriction Period, minus (b) any Units that vested prior to such Termination.

4. Delivery of Certificates or Equivalent.

- a. Upon the vesting of the applicable Units described in Section 3 above, the Company shall, at its election, either: (i) establish a brokerage account for the Grantee and credit to that account the number of shares of Common Stock of the Company equal to the number of Units that have vested; or (ii) deliver to the Grantee a certificate representing a number of shares of Common Stock equal to the number of Units that have vested.
- b. The actions contemplated by clauses (i) and (ii) above shall occur no later than March 15th of the year following the year in which the applicable Units vested.

5. Whole Shares. All Awards shall be paid in whole shares of Common Stock; no fractional shares shall be credited or delivered to Grantee.

6. Adjustments. The Units shall be subject to adjustment as provided in Section 16 of the 2006 Omnibus Plan.

7. Dividends. No dividends (or dividend equivalents) shall be paid with respect to Units credited to the Grantee's account.

8. Withholding Taxes. The Company is entitled to withhold applicable taxes for the respective tax jurisdiction attributable to this Award or any payment made in connection with the Units. With respect to a Grantee who is not subject to Section 16 of the Exchange Act the Company, in its sole discretion, may satisfy its tax withholding responsibilities, in whole or in part, by either (i) electing to withhold a sufficient number of shares of Common Stock otherwise deliverable in connection with the applicable vesting Units, the Fair Market Value of which shall be determined on the applicable RSU Vesting Date in accordance with Section 20 below, to satisfy the Grantee's minimum statutory tax withholding obligation or (ii) requiring the Grantee to pay, by cash or certified check, the amount necessary to satisfy the Grantee's minimum statutory tax withholding obligation. With respect to a Grantee who is subject to Section 16 of the Exchange Act, such Grantee may satisfy any minimum statutory withholding obligation, in whole or in part, by either (i) electing to have the Company withhold a sufficient number of shares of Common Stock otherwise deliverable in connection with the applicable vesting Units, the Fair Market Value of which shall be determined on the applicable RSU Vesting Date in accordance with Section 20 below, to satisfy such Grantee's minimum statutory tax withholding obligation or (ii) paying, by cash or certified check, the amount necessary to satisfy such Grantee's minimum statutory tax withholding obligation.

9. Voting and Other Rights.

- a. Grantee shall have no rights as a stockholder of the Company in respect of the Units, including the right to vote and to receive cash dividends and other distributions until delivery of certificate or equivalent representing shares of Common Stock in satisfaction of the Units.
- b. The grant of Units does not confer upon Grantee any right to continue in the employ of the Company or a Subsidiary (as defined in Section 20 below) or to interfere with the right of the Company or a Subsidiary, to terminate Grantee's employment at any time.

10. Funding. No assets or shares of Common Stock shall be segregated or earmarked by the Company in respect of any Units awarded hereunder. The grant of Units hereunder shall not constitute a trust and shall be solely for the purpose of recording an unsecured contractual obligation of the Company.

11. Nature of Award. By accepting this Award Agreement, the Grantee acknowledges his or her understanding that

(a) the grant of Units under this Award Agreement is completely at the discretion of Motorola, and that Motorola's decision to make this Award in no way implies that similar awards may be granted in the future or that Grantee has any guarantee of future employment;

(b) neither this nor any such grant shall interfere with Grantee's right or the Company's right to terminate such employment relationship at any time, with or without cause, to the extent permitted by applicable laws and any enforceable agreement between Grantee and the Company.

(c) Grantee has entered into employment with Motorola or a Subsidiary (as defined in Section 20 below) upon terms that did not include this Award or similar awards, that his or her decision to continue employment is not dependent on an expectation of this Award or similar awards, and that any amount received under this Award is considered an amount in addition to that which the Grantee expects to be paid for the performance of his or her services;

(d) Grantee's acceptance of this Award is voluntary; and

(e) the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments, notwithstanding any provision of any compensation, insurance agreement or benefit plan to the contrary.

12. Acknowledgements. With respect to the subject matter of subparagraphs 2b (i) through (v) and Sections 18 and 19 hereof, this Agreement (as defined in Section 20) is the entire agreement with the Company. No waiver of any breach of any provision of this Agreement by the Company shall be construed to be a waiver of any succeeding breach or as a modification of such provision. The provisions of this Agreement shall be severable and in the event that any provision of this Agreement shall be found by any court as specified in Section 19 below to be unenforceable, in whole or in part, the remainder of this Agreement shall nevertheless be enforceable and binding on the parties. Grantee hereby agrees that the court may modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, by accepting any Award under this Agreement, Grantee affirmatively states that she or he has not, will not

and cannot rely on any representations not expressly made herein.

- 13. Motorola Assignment Rights.** Motorola shall have the right to assign this Award Agreement, which shall not affect the validity or enforceability of this Award Agreement. This Award Agreement shall inure to the benefit of assigns and successors of Motorola.
- 14. Waiver.** The failure of the Company to enforce at any time any provision of this Award Agreement shall in no way be construed to be a waiver of such provision or any other provision hereof.
- 15. Actions by the Compensation Committee.** The Compensation Committee may delegate its authority to administer this Award Agreement. The actions and determinations of the Compensation Committee or its delegate shall be binding upon the parties.
- 16. Agreement Following Termination of Employment.**
 - a.** Grantee agrees that upon termination of employment with Motorola or a Subsidiary (as defined in Section 20 below), Grantee will immediately inform Motorola of: **(i)** the identity of any new employer (or the nature of any start-up business or self-employment); **(ii)** Grantee's new title; and **(iii)** Grantee's job duties and responsibilities.
 - b.** Grantee hereby authorizes Motorola or a Subsidiary to provide a copy of this Award Agreement to Grantee's new employer. Grantee further agrees to provide information to Motorola or a Subsidiary as may from time to time be requested in order to determine his or her compliance with the terms hereof.
- 17. Consent to Transfer Personal Data.** By accepting this award, Grantee voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section. Grantee is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Grantee's ability to participate in the 2006 Omnibus Plan. Motorola, its Subsidiaries and Grantee's employer hold certain personal information about the Grantee, that may include his/her name, home address and telephone number, date of birth, social security number or other employee identification number, salary grade, hire data, salary, nationality, job title, any shares of stock held in Motorola, or details of all restricted stock units or any other entitlement to shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the 2006 Omnibus Plan ("Data"). Motorola and/or its Subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of Grantee's participation in the 2006 Omnibus Plan, and Motorola and/or any of its Subsidiaries may each further transfer Data to any third parties assisting Motorola in the implementation, administration and management of the 2006 Omnibus Plan. These recipients may be located throughout the world, including the United States. Grantee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the 2006 Omnibus Plan, including any requisite transfer of such Data as may be required for the administration of the 2006 Omnibus Plan and/or the subsequent holding of shares of stock on the Grantee's behalf to a broker or other third party with whom the Grantee may elect to deposit any shares of stock acquired pursuant to the 2006 Omnibus Plan. Grantee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting Motorola; however, withdrawing consent may affect the Grantee's ability to participate in the 2006 Omnibus Plan.

- 18. Remedies for Breach.** Grantee hereby acknowledges that the harm caused to the Company by the breach or anticipated breach of subparagraphs 2b(i), (ii), (iii), (iv) and/or (v) of this Award Agreement will be irreparable and further agrees the Company may obtain injunctive relief against the Grantee in addition to and cumulative with any other legal or equitable rights and remedies the Company may have pursuant to this Agreement, any other agreements between the Grantee and the Company for the protection of the Company's Confidential Information (as defined in Section 20 below) or law, including the recovery of liquidated damages. Grantee agrees that any interim or final equitable relief entered by a court of competent jurisdiction, as specified in Section 19 below, will, at the request of the Company, be entered on consent and enforced by any such court having jurisdiction over the Grantee. This relief would occur without prejudice to any rights either party may have to appeal from the proceedings that resulted in any grant of such relief.
- 19. Governing Law.** All questions concerning the construction, validity and interpretation of this Award shall be governed by and construed according to the law of the State of Illinois without regard to any state's conflicts of law principles. Any disputes regarding this Award or Award Agreement shall be brought only in the state or federal courts of Illinois.
- 20. Definitions.** Any capitalized terms used herein that are not otherwise defined below or elsewhere in this Award Agreement shall have the same meaning provided under the 2006 Omnibus Plan.
- a. **"Confidential Information"** means information concerning the Company and its business that is not generally known outside the Company, and includes (1) trade secrets; (2) intellectual property; (3) the Company's methods of operation and Company processes; (4) information regarding the Company's present and/or future products, developments, processes and systems, including invention disclosures and patent applications; (5) information on customers or potential customers, including customers' names, sales records, prices, and other terms of sales and Company cost information; (6) Company personnel data; (7) Company business plans, marketing plans, financial data and projections; and (8) information received in confidence by the Company from third parties. Information regarding products, services or technological innovations in development, in test marketing or being marketed or promoted in a discrete geographic region, which information the Company or one of its affiliates is considering for broader use, shall be deemed not generally known until such broader use is actually commercially implemented.
 - b. **"Fair Market Value"** for this purpose shall be the closing price for a share of Common Stock on the RSU Vesting Date, as reported for the New York Stock Exchange- Composite Transactions in the Wall Street Journal at www.online.wsj.com. In the event the New York Stock Exchange is not open for trading on the RSU Vesting Date, or if the Common Stock does not trade on such day, Fair Market Value for this purpose shall be the closing price of the Common Stock on the last trading day prior to the RSU Vesting Date.
 - c. **"Leave of Absence"** means an approved leave of absence from Motorola or a Subsidiary from which the employee has a right to return to work, as determined by Motorola.

- d. **“Serious Misconduct”** for purposes of this Award Agreement means any misconduct identified as a ground for termination in the Motorola Code of Business Conduct, or the human resources policies, or other written policies or procedures.
- e. **“Subsidiary”** is any corporation or other entity in which a 50 percent or greater interest is held directly or indirectly by Motorola and which is consolidated for financial reporting purposes.
- f. **“Termination due to a Divestiture”** for purposes of this Award Agreement means if Grantee accepts employment with another company in direct connection with the sale, lease, outsourcing arrangement or any other type of asset transfer or transfer of any portion of a facility or any portion of a discrete organizational unit of Motorola or a Subsidiary, or if Grantee remains employed by a Subsidiary that is sold or whose shares are distributed to the Motorola stockholders in a spin-off or similar transaction (a “Divestiture”).
- g. **“Total and Permanent Disability”** means for: (i) **U.S. employees**: entitlement to long term disability benefits under the Motorola Disability Income Plan, as amended and any successor plan or a determination of a permanent and total disability under a state workers compensation statute; or for (ii) **Non-U.S. employees** : as established by applicable Motorola policy or as required by local regulations.

21. Additional Terms for Non-U.S. Employees.

- a. **Repatriation of payments.** As a condition to this Award, Grantee agrees to repatriate all payments attributable to the Units acquired under the 2006 Omnibus Plan in accordance with Grantee’s local foreign exchange rules and regulations. In addition, Grantee also agrees to take any and all actions, and consents to any and all actions taken by the Company and its local Subsidiaries, as may be required to allow the Company and its local Subsidiaries to comply with local foreign exchange rules and regulations.
- b. **Fringe Benefit Tax India.** As a condition to the grant of Grantee’s Units and subject to any limitations imposed under local law and in the Company’s sole discretion, the Company and/or its local Subsidiaries are hereby expressly authorized to deduct the appropriate fringe benefit tax from Grantee’s salary or any other cash payments due Grantee as reimbursement of the fringe benefit, or may withhold a sufficient number of whole Shares otherwise deliverable to Grantee upon vesting of Grantee’s Units to satisfy the appropriate fringe benefit tax that is reimbursable to the Company and/or its local Subsidiaries.

22. Acceptance of Terms and Conditions. By electronically accepting this Award within 30 days after the date of the electronic mail notification by the Company to Grantee of the grant of this Award (“**Email Notification Date**”), Grantee agrees to be bound by the foregoing terms and conditions, the 2006 Omnibus Plan, and any and all rules and regulations established by Motorola in connection with awards issued under the 2006 Omnibus Plan. If Grantee does not electronically accept this Award within 30 days of the Email Notification Date, Grantee will not be entitled to the Units.

23. Plan Documents. The 2006 Omnibus Plan and the Prospectus for the 2006 Omnibus Plan are available at

http://myhr.mot.com/pay_finances/awards_incentives/stock_options/plan_documents.jsp or from Global Rewards, 1303 East Algonquin Road, Schaumburg, IL 60196 (847) 576-7885.



STOCK OPTION CONSIDERATION AGREEMENT

GRANT DATE: XXXXXX

The following Agreement is established to protect the trade secrets, intellectual property, confidential information, customer relationships and goodwill of Motorola, Inc. and each of its subsidiaries (the "Company") both as defined in the Motorola Omnibus Incentive Plan of 2006 (the "2006 Plan").

As consideration for the stock option(s) granted to me on the date shown above under the terms of the 2006 Plan ("the Covered Options"), and Motorola having provided me with Confidential Information as a Motorola appointed vice president or elected officer, I agree to the following:

- (1) I agree that during the course of my employment and thereafter, I will not use or disclose, except on behalf of the Company and pursuant to its directions, any Company Confidential Information. Confidential Information means information concerning the Company and its business that is not generally known outside the Company. Confidential Information includes: (i) trade secrets; (ii) intellectual property; (iii) the Company's methods of operation and Company processes; (iv) information regarding the Company's present and/or future products, developments, processes and systems, including invention disclosures and patent applications; (v) information on customers or potential customers, including customer's names, sales records, prices, and other terms of sales and Company cost information; (vi) Company personnel data; (vii) Company business plans, marketing plans, financial data and projections; and (viii) information received in confidence by the Company from third parties. Information regarding products or technological innovations in development, in test marketing or being marketed or promoted in a discrete geographic region, which information the Company or one of its affiliates is considering for broader use, shall not be deemed generally known until such broader use is actually commercially implemented.
 - (2) I agree that during my employment and for a period of one year following termination of my employment for any reason, I will not hire, recruit, solicit or induce, or cause, allow, permit or aid others to hire, recruit, solicit or induce, or to communicate in support of those activities, any employee of the Company who possesses Confidential Information of the Company to terminate his/her employment with the Company and/or to seek employment with my new or prospective employer, or any other company.
 - (3) I agree that during my employment and for a period of one year following termination of my employment for any reason, I will not engage in activities which are entirely or in part the same as or similar to activities in which I engaged at any time during the one year preceding termination of my employment, for any person, company or entity in connection with products, services or technological developments (existing or planned) on which I worked at any time during the one year preceding termination of my employment. This paragraph applies in the countries in which I have physically been present performing work for the Company or its subsidiary at any time during the one year preceding termination of my employment.
 - (4) I agree that during my employment and for a period of one year following termination of my employment for any reason, I will not, directly or indirectly, on behalf of myself or any other person, company or entity, solicit or participate in soliciting, products or services competitive with or similar to products or services offered by, manufactured by, designed by or distributed by the Company to any person, company or entity which was a customer or potential customer for such products or services and with which I had direct or indirect contact regarding those products or services or about which I learned Confidential Information at any time during the two years prior to termination of employment with the Company.
 - (5) I agree that during my employment and for a period of one year following termination of my employment for any reason, I will not directly or indirectly, in any capacity, provide products or services competitive with or similar to products or services offered by the Company to any person, company or entity which was a customer for such products or services and with which customer I had direct or indirect contact regarding those products or services or about which customer I learned Confidential Information at any time during the one year prior to termination of my employment with the Company.
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(6) If I am an officer subject to Section 16 of the Securities Exchange Act of 1934 on the day of this grant, I acknowledge that the Covered Options are subject to the terms and conditions of the Company's Policy Regarding Recoupment of Incentive Payments Upon Financial Restatement (such policy, as it may be amended from time to time, being the "Recoupment Policy"). The Recoupment Policy provides for determinations by the Company's independent directors that, as a result of intentional misconduct by me, the Company's financial results were restated (a "Policy Restatement"). In the event of a Policy Restatement, the Company's independent directors may require, among other things (a) cancellation of any of the Covered Options that remain outstanding; and/or (b) reimbursement of any gains realized in respect of the Covered Options, if and to the extent the conditions set forth in the Recoupment Policy shall apply. Any determinations made by the independent directors in accordance with the Recoupment Policy shall be binding upon me. The Recoupment Policy is in addition to any other remedies which may be otherwise available at law, in equity or under contract to the Company.

(7) I agree that by accepting the Covered Options, if I violate the terms of paragraphs 1 through and including 5 of this Agreement, then, in addition to any other remedies available in law and/or equity, all of my vested and unvested Covered Options will terminate and no longer be exercisable, and for all Covered Options exercised within one year prior to the termination of my employment for any reason or anytime after termination of my employment for any reason, I will immediately pay to the Company the difference between the exercise price on the date of grant as reflected in the Award Document for the Covered Options and the market price of the Covered Options on the date of exercise (the "spread").

(8) The requirements of this agreement can be waived or modified only upon the prior written consent of Motorola, Inc. I acknowledge that the promises in this Agreement, not any employment of or services performed by me in the course and scope of that employment, are the sole consideration for the Covered Options. I agree the Company shall have the right to assign this Agreement which shall not affect the validity or enforceability of this Agreement. This Agreement shall inure to the benefit of the Company assigns and successors.

(9) I agree that during my employment and for a period of one year following the termination of my employment for any reason, I will immediately inform the Company of (i) the identity of my new employer (or the nature of any start-up business, consulting arrangements or self-employment), (ii) my new title, and (iii) my job duties and responsibilities. I hereby authorize the Company to provide a copy of this Agreement to my new employer. I further agree to provide information to the Company as may from time to time be requested in order to determine my compliance with the terms of this Agreement.

(10) I acknowledge that the harm caused to the Company by the breach or anticipated breach of paragraphs 1, 2, 3, 4 and/or 5 of this Agreement will be irreparable and I agree the Company may obtain injunctive relief against me in addition to and cumulative with any other legal or equitable rights and remedies the Company may have pursuant to this Agreement, any other agreements between me and the Company for the protection of the Company's Confidential Information, or law, including the recovery of liquidated damages. I agree that any interim or final equitable relief entered by a court of competent jurisdiction, as specified in paragraph 13 below, will, at the request of the Company, be entered on consent and enforced by any such court having jurisdiction over me. This relief would occur without prejudice to any rights either party may have to appeal from the proceedings that resulted in any grant of such relief.

(11) With respect to the Covered Options, this Agreement is my entire agreement with the Company. No waiver of any breach of any provision of this Agreement by the Company shall be construed to be a waiver of any succeeding breach or as a modification of such provision. The provisions of this Agreement shall be severable and in the event that any provision of this Agreement shall be found by any court as specified in paragraph 13 below to be unenforceable, in whole or in part, the remainder of this Agreement shall nevertheless be enforceable and binding on the parties. I also agree that the court may modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, I affirmatively state that I have not, will not and cannot rely on any representations not expressly made herein.

(12) I accept the terms of this Agreement and the above option(s) to purchase shares of the Common Stock of the Company, subject to the terms of this Agreement, the 2006 Plan, and any Award Document issued pursuant thereto. I am familiar with the 2006 Plan and agree to be bound by it to the extent applicable, as well as by the actions of the Company's Board of Directors or any committee thereof.

(13) I agree that this Agreement and the 2006 Plan, and any Award Document issued pursuant thereto, together constitute an agreement between the Company and me. I further agree that this Agreement is governed by the laws

of Illinois, without giving effect to any state's principles of Conflicts of Laws, and any legal action related to this Agreement shall be brought only in a federal or state court located in Illinois, USA.

Date

Signature

Printed Name

Commerce ID

IN ORDER FOR THE ABOVE-REFERENCED OPTION(S) TO BE AWARDED, THIS AGREEMENT, SIGNED AND DATED, MUST BE RETURNED TO MOTOROLA c/o EXECUTIVE REWARDS NO LATER THAN _____.



ACE American Insurance Company
 (A Stock Company)
 Philadelphia, PA
 (Herein called We, Us, Our)

Description of Coverage

Accident Benefits for Motorola, Inc.

You are a Covered Person and eligible for coverage under the plan, if You are in the eligible class defined below. For benefits to be payable the Policy must be in force, the required premium must be paid and You must be engaging in one of the Covered Activities described below. If You are not in Active Service on the date Your insurance would otherwise be effective, it will go into effect on the date You return to Active Service.

Class 2 All Non-employee Directors of Motorola, Inc.

Your Dependents (lawful spouse and unmarried children, subject to Dependent age limits in the state where the Policy is issued) are also covered, if they are traveling with You on the business of Motorola.

Period of Coverage: You will be insured on the later of: 1) January 1, 2008 or 2) the date that You become eligible. Your coverage will end on the earliest of the date: 1) January 1, 2011; 2) You are no longer eligible; or 3) the period ends for which the required premium is paid. Dependents coverage will end on the earliest of the date: 1) he or she is no longer a Dependent; 2) Your coverage ends; or 3) the period ends for which the required premium is paid.

Schedule of Benefits

Plan Benefits and Covered Activities:

ACCIDENTAL DEATH & DISMEMBERMENT BENEFITS

Principal Sum:

Class 2	\$500,000
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Spouse of Class 2	\$50,000
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Children of Class 2	\$25,000
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365 days
from the
date of a
Covered
Accident

Time Period for Loss:

Coma Benefit

Benefits are payable initially as 1% of the Principal Sum per Month up to 11 months and thereafter in a lump sum of 100% of the Principal Sum.

Disability Benefit (Does not apply to Dependents)

Benefit Waiting Period:	365 days
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Time Period for Loss:	365 days from the date of the Covered Accident
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Benefit Amount:	100% of the Principal Sum
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Emergency Medical Benefits

Benefit Maximum:	up to \$10,000
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Emergency Medical Evacuation Benefit

Benefit Maximum:	100% of Covered Expenses
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Rehabilitation Benefit

Benefit Amount:	\$50,000
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Repatriation of Remains Benefit

Benefit Maximum:

100% of Covered Expenses

Seatbelt and Airbag Benefit

Seatbelt Benefit Amount:

\$25,000

Airbag Benefit Amount: \$10,000

Default Benefit Amount: \$1,000

Special Adaptation Benefit

Benefit Maximum: 10% of the Covered Person's Principal Sum up to a Maximum Benefit of \$10,000

Special Counseling Benefit

Benefit Amount: \$100

Special Counseling Benefit

Maximum number of sessions: 10

Benefit Maximum Amount per Covered Accident: \$1,000

24-Hour Coverage (Does not apply to Dependents)

We will pay the benefits described in the Policy when a Covered Person suffers a Covered Accident any time while insured by the Policy. Unless otherwise specified, We will pay benefits only once for a Covered Accident.

Business Travel (Applies to Dependents of Class 2 Insureds)

The Covered Accident must take place while traveling:

1. on business for the Policyholder; and
2. in the course of the Policyholder's business.

This coverage does not include commuting between home and the place of work.

This coverage will start at the actual start of the trip. It does not matter whether the trip starts at the Covered Person's home, place of work, or other place. It will end on the first of the following dates to occur:

1. the date a Covered Person returns to his or her home;
2. the date a Covered Person returns to his or her place of work; or
3. the date a Covered Person's Personal Deviation is more than 7 day(s).

"Personal Deviation" means:

1. an activity that is not reasonably related to the Policyholder's business; and
2. not incidental to the purpose of the trip.

Exposure & Disappearance

Coverage under this hazard includes exposure to the elements after the forced landing, stranding, sinking, or wrecking of a vehicle in which the Covered Person was traveling.

A Covered Person is presumed dead if:

1. he or she is in a vehicle that disappears, sinks, or is stranded or wrecked on a trip covered by this Policy; and
2. the body is not found within one year of the Covered Accident.

Felonious Assault

The Covered Accident must:

1. take place on the Policyholder's premises; and
2. be in the course of a Covered Person's job; and,
3. be caused by or results directly and independently from a Felonious Assault, as defined below.

The assault must be inflicted by a person other than another person covered by the Policy, a Covered Person's Immediate Family Member, or Household Member. A police report detailing the felonious assault must be provided.

The Covered Accident must occur during any of the following:

1. actual or attempted robbery or holdup; or
2. actual or attempted kidnapping; or
3. any other type of intentional assault that is a crime classified as a felony by the governing statute or common law in the state where the assault occurred.

"Felonious Assault" means a criminal act or an act of physical violence against a person covered by this Policy. "Immediate Family Member" means a Covered Person's parent, sister, brother, husband, wife, or children. "Household Member" means a person who maintains residence at the same address as the Covered Person.

Hijacking and Air Piracy

The Covered Accident must:

1. take place during the:
 - a. hijacking of an Aircraft;
 - b. air piracy; or
 - c. unlawful seizure or attempted seizure of an Aircraft; and
 2. take place while the Insured is in the course of the Policyholder's business.
- Coverage begins with the onset of the hijacking or air piracy and continues while the Covered Person is subject to the control of the person or persons responsible for the hijacking/air piracy and during travel directly to his or her home or scheduled destinations. "Hijacking" or "Air Piracy," as used here, means the unlawful seizure or wrongful exercise of control of an aircraft or conveyance, or the crew thereof, in which the Covered Person is traveling solely as a passenger.

Owned, Leased, or Controlled Aircraft

The Covered Accident must take place while:

1. the Covered Person is riding in, or getting on or off of, a covered aircraft; or
 2. as a result of a Covered Person being struck by a covered aircraft.
 3. away from the Policyholder's premises in the Covered Person's city of permanent assignment;
 4. on business for the Policyholder; and
 5. in the course of the Policyholder's business.
- This coverage will start at the actual start of the trip. It does not matter whether the trip starts at the Covered Person's home, place of work, or other place. It will end on the first of the following dates to occur:
1. the date a Covered Person returns to his or her home;
 2. the date a Covered Person returns to his or her place of work; or
 3. the date a Covered Person's Personal Deviation is more than 7 day(s).

"Personal Deviation" means:

1. an activity that is not reasonably related to the Policyholder's business; and
2. not incidental to the purpose of the trip.

An aircraft will be deemed "controlled" by the Policyholder if the Policyholder may use it for more than 10 straight days, or more than 15 days in any year.

Description of Aircraft Covered: The Policy Schedule of Benefits will list type of Aircraft, license number, and passenger seating capacity.

Aircraft Restrictions

If the Covered Accident happens while a Covered Person is riding in, or getting on or off of, an aircraft, We will pay benefits, but only if:

1. the aircraft has a valid certificate of airworthiness; and
2. the aircraft is flown by a pilot with a valid license.

Relocation

The Covered Accident must take place while the Covered Person is traveling on a Relocation Trip at the expense and direction of the Policyholder.

“Relocation Trip” means a trip in connection with the Insured’s transfer or proposed transfer by the Policyholder to a new worksite. This coverage will start at the actual start of the trip. It does not matter whether the trip starts at the Covered Person’s home, place of work, or other place. It will end on the first of the following dates to occur:

1. the date a Covered Person returns to his or her home;
2. the date a Covered Person returns to his or her place of work; or
3. the date a Covered Person’s Personal Deviation is more than 7 day(s).

“Personal Deviation” means:

1. an activity that is not reasonably related to the Policyholder’s business; and
2. not incidental to the purpose of the trip.

Terrorism

The Covered Accident must:

1. take place while the Covered Person is on the Policyholder’s premises, or in the course of a) the Policyholder’s business and/or b) the Insured’s job; and,
2. be caused by or results directly and independently from Terrorism or Terrorist Act, as defined below.

“Terrorism or Terrorist Acts” means an activity that: 1) involves any violent act or any act dangerous to human life and that threatens or causes Injury to persons; and 2) appears to be in any way intended to: a) intimidate or coerce a civilian population; or b) disrupt any segment of a nation’s economy; or c) influence the policy of a government by intimidation or coercion; or d) affect the conduct of a government by mass destruction, assassination, kidnapping, or hostage taking; or e) respond to governmental action or policy. It includes any incident declared to be an act of terrorism by an official, department, or agency that has been specifically authorized by federal statute to make such a determination. It shall also include the use of any nuclear weapon or device or the emission, discharge, dispersal, release, or escape of any solid liquid or gaseous chemical or biological agent.

War Risk Coverage: We will pay benefits for Covered Losses due to Covered Accidents resulting from war or acts of war worldwide, excluding: 1) the United States; 2) the Covered Person’s Home Country 3) the Covered Person’s Country of Permanent Assignment and, 4) Afghanistan, Chechnya, Iran, Iraq, Pakistan, Saudi Arabia and Somalia. The war exclusion is deleted to the extent coverage is provide by the terms and conditions of War Risk Coverage.

“Home Country” means a country from which the Covered Person holds a passport. If the Covered Person holds passports from more than one Country, his or her Home Country will be the country that he or she has declared to Us in writing as his or her Home Country.

“Country of Permanent Assignment” means a country, other than a Covered Person’s Home Country, in which the Policyholder requires a Covered Person to work for a period of time that exceeds 180 continuous days.

We will not pay more than \$15,000,000 per occurrence for war risk benefits. This limit shall apply to Injuries sustained from all acts of war in a consecutive 72-hour period. If but for this limit We would pay more than \$15,000,000, then the benefits We will pay to each Covered Person will be reduced in the same proportion, so that the total amount We will pay for war risk coverage is \$15,000,000.

Aggregate Limit:

Benefit Maximum: per Covered Accident: \$15,000,000

We will not pay more than the Benefit Maximum for all losses per Covered Accident. If, in the absence of this provision, We would pay more than Benefit Maximum for all losses from one Covered Accident, then the benefits payable to each person with a valid claim will be reduced proportionately, so the total amount We will pay is the Benefit Maximum.

Description of Benefits

Accidental Death and Dismemberment Benefits

If Injury to the Covered Person results, within the Time Period for Loss shown in the *Schedule of Benefits*, in any one of the losses shown below, We will pay the Benefit Amount shown below for that loss. The Principal Sum is shown in the *Schedule of Benefits*. If multiple losses occur, only one Benefit Amount, the largest, will be paid for all losses due to the same Covered Accident.

Schedule of Covered Losses

Covered Loss	Benefit Amount
Life	100% of the Principal Sum
Two or more Members	100% of the Principal Sum
Quadriplegia	100% of the Principal Sum
One Member	50% of the Principal Sum
Hemiplegia	75% of the Principal Sum
Paraplegia	75% of the Principal Sum
Thumb and Index Finger of the Same Hand	25% of the Principal Sum

“Quadriplegia” means total Paralysis of both upper and lower limbs. “Hemiplegia” means total Paralysis of the upper and lower limbs on one side of the body. “Paraplegia” means total Paralysis of both lower limbs or both upper limbs. “Paralysis” means total loss of use. A Doctor must determine the loss of use to be complete and not reversible at the time the claim is submitted.

“Member” means Loss of Hand or Foot, Loss of Sight, Loss of Speech and Loss of Hearing. “Loss of Hand or Foot” means complete Severance through or above the wrist or ankle joint. “Loss of Sight” means the total, permanent Loss of Sight of one eye. “Loss of Speech” means total and permanent loss of audible communication that is irrecoverable by natural, surgical or artificial means. “Loss of Hearing” means total and permanent Loss of Hearing in both ears that is irrecoverable and cannot be corrected by any means. “Loss of a Thumb and Index Finger of the Same Hand” means complete Severance through or above the metacarpophalangeal joints of the same hand (the joints between the fingers and the hand). “Severance” means the complete separation and dismemberment of the part from the body.

Coma Benefit

We will pay the Coma Benefit shown in the *Schedule of Benefits* if a Covered Person becomes Comatose within 31 days of a Covered Accident and remains in a Coma for at least 31 days.

We reserve the right, at the end of the first 31 days of Coma, to require proof that the Covered Person remains Comatose. This proof may include, but is not limited to, requiring an independent medical examination at Our expense.

We will pay this benefit in periodic payments and a lump sum as shown in the *Schedule of Benefits*. Periodic payments will end on the first of the following dates:

1. the end of the month in which the Covered Person dies;
2. the end of the 11th month for which this benefit is payable;
3. the end of the month in which the Insured recovers from the Coma.

A person is deemed “Comatose” or in a “Coma” if he or she is in a profound stupor or state of complete and total unconsciousness, as the result of a Covered Accident.

Disability Benefit (Permanent Total Disability)

We will pay the Disability Benefit shown in the *Schedule of Benefits* if an Insured is under age 70 and Permanently Totally Disabled as a direct result of, and from no other cause but, a Covered Accident. Disability Benefits will begin when:

1. the applicable Benefit Waiting Period shown in the *Schedule of Benefits* for this benefit is satisfied; and
2. the Insured provides satisfactory proof of Permanent Total Disability to Us.

“Total Disability” or “Totally Disabled” means, due to an Injury from a Covered Accident, an Insured:

1. if employed, cannot do any work for which he or she is, or may become, qualified by reason of education, experience or training; and
2. if not employed, cannot perform the normal and customary activities of a healthy person of like age and sex.

“Permanent Total Disability” or “Permanently Totally Disabled” means an Insured is Totally Disabled and is expected to remain so disabled, as certified by a Doctor, for the rest of his or her life.

Permanent Total Disability must be the result of the same Covered Accident that caused the Total Disability.

Emergency Medical Benefits

We will pay Emergency Medical Benefits as shown in the Schedule of Benefits for Covered Expenses incurred for emergency medical services to treat a Covered Person. Benefits are payable up to the Maximum Benefit shown in the Schedule of Benefits if the Covered Person:

1. suffers a Medical Emergency during the course of the Trip; and
2. is traveling 100 miles or more away from his or her place of permanent residence.

Covered Expenses:

1. Medical Expense Guarantee: expenses for guarantee of payment to a medical provider.
2. Hospital Admission Guarantee: expenses for guarantee of payment to a Hospital or treatment facility.

Benefits for these Covered Expenses will not be payable unless:

1. the charges incurred are Medically Necessary and do not exceed the charges for similar treatment, services or supplies in the locality where the expense is incurred; and
2. do not include charges that would not have been made if there were no insurance.

Benefits will not be payable unless We authorize in writing, or by an authorized electronic or telephonic means, all expenses in advance, and services are rendered by Our assistance provider.

Emergency Medical Evacuation Benefit

We will pay Emergency Medical Evacuation Benefits as shown in the *Schedule of Benefits* for Covered Expenses incurred for the medical evacuation of a Covered Person. Benefits are payable up to the Benefit Maximum shown in the *Schedule of Benefits* if the Covered Person:

1. suffers a Medical Emergency during the course of the Trip;
2. requires Emergency Medical Evacuation; and
3. is traveling 100 miles or more away from his or her place of permanent residence.

Covered Expenses:

1. Medical Transport: expenses for transportation under medical supervision to a different hospital, treatment facility or to the Covered Person’s place of residence for Medically Necessary treatment in the event of the Covered Person’s Medical Emergency and upon the request of the Doctor designated by Our assistance provider in consultation with the local attending Doctor.
2. Dispatch of a Doctor or Specialist: the Doctor’s or specialist’s travel expenses and the medical services provided on location, if, based on the information available, a Covered Person’s condition cannot be adequately assessed to evaluate the need for transport or evacuation and a doctor or specialist is dispatched by Our service provider to the Covered Person’s location to make the assessment.
3. Return of Dependent Child(ren): expenses to return each Dependent child who is under age 18 to his or her principal residence if a) the Covered Person is age 18 or older; and b) the Covered Person is the only person traveling with the minor Dependent child(ren); and c) the Covered Person suffers a Medical Emergency and must be confined in a Hospital.
4. Escort Services: expenses for an Immediate Family Member or companion who is traveling with the Covered Person to join the Covered Person during the Covered Person’s emergency medical evacuation to a different hospital, treatment facility or the Covered Person’s place of residence.

Benefits for these Covered Expenses will not be payable unless:

1. the Doctor ordering the Emergency Medical Evacuation certifies the severity of the Covered Person’s Medical Emergency requires an Emergency Medical Evacuation;

2. all transportation arrangements made for the Emergency Medical Evacuation are by the most direct and economical conveyance and route possible;
3. the charges incurred are Medically Necessary and do not exceed the Usual and Customary Charges for similar transportation, treatment, services or supplies in the locality where the expense is incurred; and
4. do not include charges that would not have been made if there were no insurance.

Benefits will not be payable unless We authorize in writing, or by an authorized electronic or telephonic means, all expenses in advance, and services are rendered by Our assistance provider.

“Medical Emergency” means a condition caused by an Injury or Sickness that manifests itself by symptoms of sufficient severity that a prudent lay person possessing an average knowledge of health and medicine would reasonably expect that failure to receive immediate medical attention would place the health of the person in serious jeopardy.

“Sickness” means an illness, disease or condition of the Covered Person that causes a loss for which a Covered Person incurs medical expenses while covered under this Policy. All related conditions and recurrent symptoms of the same or similar condition will be considered one Sickness.

“Trip” means travel by air, land, or sea from the Covered Person’s Home Country.

Rehabilitation Benefit

We will pay the Rehabilitation Benefits shown in the *Schedule of Benefits*, if:

1. a Covered Person suffers an Accidental Dismemberment covered under the Policy; and
2. is participating in a Rehabilitation program due to an Accidental Dismemberment; and
3. the Rehabilitation Program is prescribed by a Doctor.

Benefits are payable for:

1. the facility providing the Rehabilitation Program in which the Covered Person is participating; and
2. Immediate Family Members who incur expenses for travel to and from the location at which the Covered Person is participating in a Rehabilitation Program provided actual receipts are submitted with the claim.

Benefits will end when the first of the following events occur:

1. the date the Covered Person completes the Rehabilitation Program;
2. the date the Covered Person dies.

“Immediate Family Member” means a Covered Person’s parent, grandparent, spouse, child, brother, sister, or in-laws.

“Rehabilitation Program” means a specialized, intensive program for rehabilitation or assimilation at an accredited medical facility specializing in research, surgery, and training of persons with Accidental Dismemberment Covered Losses as outlined in the *Schedule of Covered Losses*.

Repatriation of Remains Benefit

We will pay Repatriation of Remains Benefits as shown in the *Schedule of Benefits* for preparation and return of a Covered Person’s body to his or her home if he or she dies as a result of a Medical Emergency while traveling 100 miles or more away from his or her place of permanent residence. Covered expenses include:

1. expenses for embalming or cremation;
2. the least costly coffin or receptacle adequate for transporting the remains;
3. transporting the remains.
4. Escort Services: expenses for an Immediate Family Member or companion who is traveling with the Covered Person to join the Covered Person’s body during the repatriation to the Covered Person’s place of residence.

All transportation arrangements must be made by the most direct and economical route and conveyance possible and may not exceed the Usual and Customary Charges for similar transportation in the locality where the expense is incurred.

Benefits will not be payable unless We authorize in writing, or by an authorized electronic or telephonic means, all expenses in advance, and services are rendered by Our assistance provider.

Seatbelt and Airbag Benefit

We will pay benefits shown in the *Schedule of Benefits*, subject to the conditions described below, when a Covered Person dies or is dismembered directly and independently from Injuries sustained while wearing a seatbelt and operating or riding as a passenger in an Automobile. An additional benefit is provided, if the Covered Person was also positioned in a seat protected by a properly-functioning and properly deployed Supplemental Restraint System (Airbag).

Verification of proper use of the seatbelt at the time of the Covered Accident and that the Supplemental Restraint System properly inflated upon impact must be a part of an official police report of the Covered Accident or be certified, in writing, by the investigating officer(s) and submitted with the Covered Person's claim to Us.

If such certification or police report is not available or it is unclear whether the Covered Person was wearing a seatbelt or positioned in a seat protected by a properly functioning and properly deployed Supplemental Restraint System, We will pay a default benefit shown in the *Schedule of Benefits* to the Covered Person's beneficiary.

In the case of a child, seatbelt means a child restraint, as required by state law and approved by the National Highway Traffic Safety Administration, properly secured and being used as recommended by its manufacturer for children of like age and weight at the time of the Covered Accident.

"Supplemental Restraint System" means an airbag that inflates upon impact for added protection to the head and chest areas.

"Automobile" means a self-propelled, private passenger motor vehicle with four or more wheels that is a type both designed and required to be licensed for use on the highway of any state or country. Automobile includes, but is not limited to, a sedan, station wagon, sport utility vehicle, or a motor vehicle of the pickup, van, camper, or motor-home type. Automobile does not include a mobile home or any motor vehicle that is used in mass or public transit.

Special Adaptation Benefit

We will pay Special Adaptation Benefits as shown in the *Schedule of Benefits* if a Covered Person:

1. suffers a "Presumptive Disability" from a Covered Accident; and
2. requires a special housing adaptation; or
3. a special Vehicle to accommodate the disability.

Benefits will not be payable unless the Covered Person's Doctor certifies them as necessary.

"Presumptive Disability" means We will presume a Covered Person is Totally Disabled if he or she suffers the complete and irrecoverable loss of sight of both eyes, speech, hearing in both ears, or of any two limbs, hands or feet, provided the loss occurs within one year of the Covered Accident.

"Vehicle" means a private passenger land motor vehicle. It includes automobiles, vans, and four wheel drive vehicles. It does not include a vehicle used for farming, commercial business, racing or any type of competitive speed event.

Special Counseling Benefit

We will pay the Special Counseling Benefit shown in the *Schedule of Benefits* for mental health counseling to assist a Covered Person in dealing with a Covered Loss, if he or she:

1. suffers an Injury that results in a loss as outlined in the *Schedule of Covered Losses* for which the Accidental Death and Dismemberment Benefit is payable; and
2. obtains mental health counseling.

Exclusions and Limitations: We will not pay benefits for any loss or Injury that is caused by, or results from:

- intentionally self-inflicted Injury.
- suicide or attempted suicide.
- war or any act of war, whether declared or not (except as provided by the Policy).
- a Covered Accident that occurs while on active duty service in the military, naval or air force of any country or international organization. Upon Our receipt of proof of service, We will refund any premium paid for this time. Reserve or National Guard active duty training is not excluded unless it extends beyond 31 days.
- sickness, disease, bodily or mental infirmity, bacterial or viral infection, or medical or surgical treatment thereof, except for any bacterial infection resulting from an accidental external cut or wound or accidental ingestion of contaminated food.

This insurance does not apply to the extent that trade or economic sanctions or regulations prohibit Us from providing insurance, including, but not limited to, the payment of claims.

Definitions: Covered Accident: means an accident that occurs while coverage is in force for a Covered Person and results directly of all other causes in a loss or Injury covered by the Policy for which benefits are payable. **Covered Person:** means any eligible person for whom the required premium is paid. **Injury:** means accidental bodily harm sustained by a Covered Person that results directly from all other causes from a Covered Accident. All injuries sustained by one person in any one Covered Accident, including all related conditions and recurrent symptoms of these injuries, are considered a single Injury. **We, Our, Us:** means the insurance company underwriting this insurance or its authorized agent. **You or Your:** means a person insured under the Policy.

If You need to file a Claim, please call: ACE USA at 800-336-0627 (from within the USA and Canada) or 302-476-6194 (from outside the USA or Canada). Our fax number is 302-476-6154 and our address is 1 Beaver Valley Road, PO Box 15417, Wilmington, DE, 19850

You must notify ACE USA within 90 days of an Accident or Loss. If notice cannot be given within that time, it must be given as soon as reasonably possible. This notice should identify You, Your employer, and the Policy Number.

Policy Number: ADD N04156870, Underwritten by ACE American Insurance Company, 436 Walnut Street, Philadelphia, PA 19106

Travel Assistance Services: In addition to the insurance protection provided by this plan, ACE USA has arranged with Europ Assistance USA to provide You with access to its travel assistance services around the world. These services include:

- Medical Assistance including referral to a doctor or medical specialist, medical monitoring when You are hospitalized, emergency medical evacuation to an adequate facility, medically necessary repatriation, and return of mortal remains.
- Personal Assistance including pre-trip medical referral information and while You are on a trip: emergency medication, embassy and consular information, lost document assistance, emergency referral to a lawyer, translator or interpreter access, medical benefits verification, and medical claims assistance.
- Travel Assistance including emergency travel arrangements, arrangements for the return of Your traveling companion or dependents, and vehicle return.

Contact Information: For customer service, eligibility verification, benefit plan information, and benefit payments, contact: ACE USA at 800-336-0627 (from inside the U.S.) or 302-476-6194 (from outside the U.S.); fax 302-467-6154 for claims or inquiries or e-mail diane.basa@ace-ina.com. Mail claims to: ACE USA, PO Box 15417, Wilmington, DE 19850. For medical evacuation, repatriation, or other assistance services call: Europ Assistance at 800-243-6124 (inside the U.S.) or call collect 202-659-7803 (from outside the U.S.) or e-mail OPS@europassistance-usa.com.

When You call, please be prepared with the following information: 1) name of caller, phone number, fax number, and relationship to the Covered Person; 2) Covered Person's name, age, sex, and the policy number for Your insurance plan, and Your Plan Number (01AH585); 3) a description of the insured's condition; 4) name, location, and telephone number of the hospital or other service provider; and 5) other insurance information including health insurance, workers' compensation, or auto insurance if the insured was involved in an accident.

This information provides You with a brief outline of the services available to You. These services are subject to the terms and conditions of the Policy under which You are insured. A third party vendor may provide services to You. Europ Assistance makes every effort to refer You to appropriate medical and other service providers. It is not responsible for the quality or results of service provided by independent providers.

In all cases, the medical provider, facility, legal counsel, or other professional service provider suggested by Europ Assistance are not employees or agents of Europ Assistance and the choice of provider is Yours alone. Europ Assistance assumes no liability for the services provided to You under this arrangement, nor is it liable for any negligence or other wrongful acts or omissions of any of the legal or health care professionals providing services to You.

Travel assistance services are not available if Your coverage under the Policy providing insurance benefits is not in effect.

This Description of Coverage is a brief description of the important features of the insurance plan. It is not a contract of insurance. The terms and conditions of coverage are set forth in the Policy issued to Your employer. The Policy is subject to the laws of the state in which it was issued. Coverage may not be available in all states or certain terms or conditions may be different if required by state law. Please keep this information as a reference.

CERTIFICATION

I, Gregory Q. Brown, President and Chief Executive Officer, Motorola, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Motorola, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GREGORY Q. BROWN

Gregory Q. Brown

President and Chief Executive Officer,
Motorola, Inc.

Date: May 7, 2008

CERTIFICATION

I, Paul J. Liska, Executive Vice President, Chief Financial Officer, Motorola, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Motorola, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PAUL J. LISKA

Paul J. Liska

Executive Vice President and Chief Financial Officer,
Motorola, Inc.

Date: May 7, 2008

CERTIFICATION

I, Gregory Q. Brown, President and Chief Executive Officer, Motorola, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to my knowledge:

- (1) the quarterly report on Form 10-Q for the period ended March 29, 2008 (the "Quarterly Report"), which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Motorola, Inc.

This certificate is being furnished solely for purposes of Section 906.

/s/ GREGORY Q. BROWN

Gregory Q. Brown

President and Chief Executive Officer,
Motorola, Inc.

Date: May 7, 2008

CERTIFICATION

I, Paul J. Liska, Executive Vice President, Chief Financial Officer, Motorola, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to my knowledge:

(1) the quarterly report on Form 10-Q for the period ended March 29, 2008 (the "Quarterly Report"), which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Motorola, Inc.

This certificate is being furnished solely for purposes of Section 906.

/s/ PAUL J. LISKA

Paul J. Liska

Executive Vice President and Chief Financial Officer,
Motorola, Inc.

Date: May 7, 2008