Section 1: 10-Q (10-Q)

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 30, 2019

or

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

For the transition period from to

Commission file number: 1-7221

MOTOROLA SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**36-1115800**
(State of Incorporation)	(I.R.S. Employer Identification No.)
500 W. Monroe Street, **Chicago, Illinois**	**60661**
(Address of principal executive offices)	(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 30, 2019:

Class	**Number of Shares**

Common Stock; $.01 Par Value	164,786,286

	Page
PART I FINANCIAL INFORMATION	
Item 1 Financial Statements	1
Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended March 30, 2019 and March 31, 2018	1
Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 30, 2019 and March 31, 2018	2
Condensed Consolidated Balance Sheets as of March 30, 2019 (Unaudited) and December 31, 2018	3
Condensed Consolidated Statements of Stockholders’ Equity (Unaudited) for the Three Months Ended March 30, 2019	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 30, 2019 and March 31, 2018	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3 Quantitative and Qualitative Disclosures About Market Risk	35
Item 4 Controls and Procedures	36
PART II OTHER INFORMATION	
Item 1 Legal Proceedings	37
Item 1A Risk Factors	37
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	38
Item 3 Defaults Upon Senior Securities	38
Item 4 Mine Safety Disclosures	38
Item 5 Other Information	38
Item 6 Exhibits	39

Part I—Financial Information
Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
(In millions, except per share amounts)	***March 30, 2019***	*March 31, 2018*
Net sales from products	**$ 945**	$ 801
Net sales from services	**712**	667
Net sales	**1,657**	1,468
Costs of products sales	**444**	383
Costs of services sales	**440**	416
Costs of sales	**884**	799
Gross margin	**773**	669
Selling, general and administrative expenses	**327**	279
Research and development expenditures	**162**	152
Other charges	**55**	67
Operating earnings	**229**	171
Other income (expense):		
Interest expense, net	**(55)**	(46)
Gains on sales of investments and businesses, net	**1**	11
Other	**10**	4
Total other expense	**(44)**	(31)
Net earnings before income taxes	**185**	140
Income tax expense	**33**	23
Net earnings	**152**	117
Less: Earnings attributable to noncontrolling interests	**1**	—
Net earnings attributable to Motorola Solutions, Inc.	**$ 151**	$ 117
Earnings per common share:		
Basic	**$ 0.92**	$ 0.73
Diluted	**$ 0.86**	$ 0.69
Weighted average common shares outstanding:		
Basic	**164.0**	161.4
Diluted	**174.6**	170.6
Dividends declared per share	**$ 0.57**	$ 0.52

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

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended	
(In millions)	***March 30, 2019***	*March 31, 2018*
Net earnings	**$ 152**	$ 117
Other comprehensive income (loss), net of tax (Note 4):		
Foreign currency translation adjustments	**30**	48
Marketable securities	**—**	(6)
Defined benefit plans	**11**	12
Total other comprehensive income, net of tax	**41**	54
Comprehensive income	**193**	171
Less: Earnings attributable to noncontrolling interest	**1**	—
Comprehensive income attributable to Motorola Solutions, Inc. common shareholders	**$ 192**	$ 171

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

Condensed Consolidated Balance Sheets

(In millions, except par value)	March 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 886	$ 1,246
Restricted cash	11	11
Total cash and cash equivalents	897	1,257
Accounts receivable, net	1,150	1,293
Contract assets	878	1,012
Inventories, net	425	356
Other current assets	364	354
Total current assets	3,714	4,272
Property, plant and equipment, net	937	895
Operating lease assets	593	—
Investments	163	169
Deferred income taxes	953	985
Goodwill	1,860	1,514
Intangible assets, net	1,416	1,230
Other assets	357	344
Total assets	$ 9,993	$ 9,409
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	$ 28	$ 31
Accounts payable	558	592
Contract liabilities	1,158	1,263
Accrued liabilities	1,235	1,210
Total current liabilities	2,979	3,096
Long-term debt	5,287	5,289
Operating lease liabilities	553	—
Other liabilities	2,264	2,300
Stockholders' Equity		
Common stock, $.01 par value:	2	2
Authorized shares: 600.0		
Issued shares: 3/30/19—165.4; 12/31/18—164.0		
Outstanding shares: 3/30/19—164.8; 12/31/18—163.5		
Additional paid-in capital	651	419
Retained earnings	963	1,051
Accumulated other comprehensive loss	(2,724)	(2,765)
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,108)	(1,293)
Noncontrolling interests	18	17
Total stockholders' equity (deficit)	(1,090)	(1,276)
Total liabilities and stockholders' equity	$ 9,993	$ 9,409

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

Condensed Consolidated Statements of Stockholders' Equity

(Unaudited)

(In millions)	*Shares*	*Common Stock and Additional Paid-in Capital*	*Accumulated Other Comprehensive Income (Loss)*	*Retained Earnings*	*Noncontrolling Interests*
Balance as of December 31, 2018	**164.0**	**$ 421**	**$ (2,765)**	**$ 1,051**	**$ 17**
Net earnings				151	1
Other comprehensive income			41		
Issuance of common stock and stock options exercised	1.2	45			
Share repurchase program	(1.2)			(145)	
Share-based compensation expense		27			
Issuance of common stock for acquisition	1.4	160			
Dividends declared				(94)	
Balance as of March 30, 2019	**165.4**	**$ 653**	**$ (2,724)**	**$ 963**	**$ 18**

(In millions)	*Shares*	*Common Stock and Additional Paid-in Capital*	*Accumulated Other Comprehensive Income (Loss)*	*Retained Earnings*	*Noncontrolling Interests*
Balance as of December 31, 2017	**161.6**	**$ 353**	**$ (2,562)**	**$ 467**	**$ 15**
Net earnings				117	
Other comprehensive income			54		
Issuance of common stock and stock options exercised	1.7	53			
Share repurchase program	(0.6)			(66)	
Share-based compensation expense		17			
ASU 2016-16 Modified Retrospective Adoption				(30)	
ASU 2014-09 Modified Retrospective Adoption				127	
Dividends declared				(84)	
Balance as of March 31, 2018	**162.7**	**$ 423**	**$ (2,508)**	**$ 531**	**$ 15**

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

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
(In millions)	***March 30, 2019***	*March 31, 2018*
Operating		
Net earnings attributable to Motorola Solutions, Inc.	**$ 151**	$ 117
Earnings attributable to noncontrolling interests	**1**	—
Net earnings	**152**	117
Adjustments to reconcile Net earnings to Net cash provided by (used for) operating activities:		
Depreciation and amortization	**95**	82
Non-cash other charges	**10**	3
Share-based compensation expense	**27**	17
Gains on sales of investments and businesses, net	**(1)**	(11)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	**168**	195
Inventories	**(63)**	(9)
Other current assets and contract assets	**136**	2
Accounts payable, accrued liabilities, and contract liabilities	**(261)**	(350)
Other assets and liabilities	**(6)**	(553)
Deferred income taxes	**(6)**	7
Net cash provided by (used for) operating activities	**251**	(500)
Investing		
Acquisitions and investments, net	**(368)**	(1,125)
Proceeds from sales of investments and businesses, net	**2**	77
Capital expenditures	**(66)**	(41)
Net cash used for investing activities	**(432)**	(1,089)
Financing		
Repayment of debt	**(8)**	(50)
Net proceeds from issuance of debt	**—**	1,296
Issuance of common stock	**45**	53
Purchases of common stock	**(145)**	(66)
Payments of dividends	**(93)**	(84)
Net cash provided by (used for) financing activities	**(201)**	1,149
Effect of exchange rate changes on cash and cash equivalents	**22**	30
Net decrease in cash and cash equivalents	**(360)**	(410)
Cash and cash equivalents, beginning of period	**1,257**	1,268
Cash and cash equivalents, end of period	**$ 897**	$ 858
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest, net	**$ 72**	$ 55
Income and withholding taxes, net of refunds	**23**	36

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

Notes to Condensed Consolidated Financial Statements

(Dollars in millions, except as noted)

(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements as of March 30, 2019 and for the three months ended March 30, 2019 and March 31, 2018 include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the condensed consolidated balance sheets, statements of operations, statements of comprehensive income, statements of stockholders' equity, and statements of cash flows of Motorola Solutions, Inc. (“Motorola Solutions” or the “Company”) for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States 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, 2018. The results of operations for the three months ended March 30, 2019 are not necessarily indicative of the operating results to be expected for the full year.

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

Recent Acquisitions

On March 11, 2019, the Company announced that it acquired Avtec, Inc. ("Avtec"), a provider of dispatch communications for U.S. public safety and commercial customers for a purchase price of $136 million in cash, net of cash acquired. This acquisition expands the Company's commercial portfolio with new capabilities, allowing it to offer an enhanced platform for customers to communicate, coordinate resources, and secure their facilities. The business will be part of both the Products and Systems Integration and Services and Software segments.

On January 7, 2019, the Company announced that it acquired VaaS International Holdings ("VaaS"), a company that is a global provider of data and image analytics for vehicle location for $445 million, inclusive of share-based compensation withheld at a fair value of $38 million that will be expensed over an average service period of one year. The acquisition was settled with $231 million of cash, net of cash acquired, and 1.4 million of shares issued at a fair value of $160 million for a purchase price of $391 million. This acquisition expands the Company's command center software portfolio under the Services and Software segment.

On March 28, 2018, the Company completed the acquisition of Avigilon Corporation ("Avigilon"), a provider of advanced security and video solutions including video analytics, network video management hardware and software, video cameras and access control solutions for a purchase price of $974 million in cash.

On March 7, 2018, the Company completed the acquisition of Plant Holdings, Inc. ("Plant"), the parent company of Airbus DS Communications for a purchase price of $237 million in cash. This acquisition expanded the Company's software portfolio in the command center with additional solutions for Next Generation 9-1-1.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) - Changes to the Disclosure Requirements for Defined Benefit Plans,” which modifies the disclosure requirements for the defined benefit pension plans and other postretirement plans. The ASU is effective for the Company on January 1, 2021 with early adoption permitted. The ASU requires a retrospective adoption method. The Company does not believe the ASU will have a material impact on its financial statement disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which requires the Company to measure and recognize expected credit losses for financial assets held and not accounted for at fair value through net income. This was subsequently amended by ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses,” which clarifies that receivables arising from operating leases are not within the scope of the ASU and amends the transition requirements. The ASU is effective for the Company on January 1, 2020 with early adoption permitted beginning as of January 1, 2019. The ASU requires a modified retrospective adoption method. The Company is still evaluating the impact of adoption on its financial statements and disclosures.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases," which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. This was subsequently amended by ASU No. 2018-01, “Land Easement Practical Expedient for Transition to Topic 842,” ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” and ASU No. 2018-11, “Targeted Improvements” (collectively "ASC 842"). ASC 842 establishes a right-of-use model ("ROU") that requires a lessee to recognize a

ROU asset and lease liability on the balance sheet for all leases with an initial term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and presentation of expense recognition in the income statement.

The Company adopted ASC 842 as of January 1, 2019 using a modified retrospective transition approach for all leases existing at January 1,2019, the date of the initial application. Consequently, financial information will not be updated and disclosures required under ASC 842 will not be provided for dates and periods before January 1, 2019.

ASC 842 provides for a number of optional practical expedients in transition. The Company elected the practical expedients, which permit the Company to not reassess prior conclusions about lease identification, lease classification and initial direct costs under ASC 842. The Company did not elect the "use-of hindsight" practical expedient to determine the lease term or in assessing the likelihood that a lease purchase option will be exercised, allowing it to carry forward the lease term as determined prior to adoption of ASC 842. Finally, the Company also elected the practical expedient related to land easements, which enabled it to continue its accounting treatment for land easements on existing agreements as of January 1, 2019.

ASC 842 also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify. A short-term lease is one with a term of 12 months or less, including any optional periods that are reasonably certain of exercise. For those leases that qualify, the exemption allows the Company to not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases at transition. Short-term lease costs are recognized as rent expense on a straight-line basis over the lease term consistent with the Company's prior accounting. The Company also elected the practical expedient to not separate lease and non-lease components for all current lease categories.

The Company recognized operating lease liabilities of $648 million based on the present value of the remaining minimum rental payments determined under prior lease accounting standards and corresponding ROU assets of $588 million. The $60 million difference between operating lease liabilities and ROU assets recognized is due to deferred rent and exit cost accruals recorded under prior lease accounting standards. ASC 842 requires such balances to be reclassified against ROU assets at transition. In future periods such balances will not be presented separately.

For arrangements where the Company is the lessor, the adoption of ASC 842 did not have a material impact on its financial statements as the majority of its leases are operating leases embedded within managed services contracts. ASC 842 provides a practical expedient for lessors in which the lessor may elect, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for these components as a single component if both of the following are met: (1) the timing and pattern of transfer of the non-lease component(s) and associated lease component are the same and (2) the lease component, if accounted for separately, would be classified as an operating lease. The accounting under the practical expedient depends on which component(s) is predominant in the contract. If the non-lease component is predominant, the single component is accounted under ASC Topic 606 *Revenue from Contract with Customers* and accounting and disclosure under ASC 842 is not applicable. The Company has elected the above practical expedient and determined that non-lease components are predominant and is accounting for the single components as managed service contracts under ASC Topic 606.

2. Revenue from Contracts with Customers

Disaggregation of Revenue

The following table summarizes the disaggregation of our revenue by segment, geography, major product and service type and customer type for the three months ended March 30, 2019 and March 31, 2018, consistent with the information reviewed by our chief operating decision maker for evaluating the financial performance of operating segments:

	March 30, 2019		March 31, 2018	
	Products and Systems Integration	**Services and Software**	Products and Systems Integration	Services and Software
Regions:				
Americas	**$ 813**	**$ 352**	$ 699	$ 296
EMEA	**164**	**199**	156	182
Asia Pacific	**92**	**37**	97	38
Total	**$ 1,069**	**$ 588**	$ 952	$ 516
Major Products and Services:				
Devices	**$ 686**	**$ —**	$ 632	$ —
Systems and Systems Integration	**383**	**—**	320	—
Services	**—**	**452**	—	446
Software	**—**	**136**	—	70
Total	**$ 1,069**	**$ 588**	$ 952	$ 516
Customer Type:				
Direct	**$ 657**	**$ 553**	$ 617	$ 506
Indirect	**412**	**35**	335	10
Total	**$ 1,069**	**$ 588**	$ 952	$ 516

Remaining Performance Obligations

Remaining performance obligations represent the revenue that is expected to be recognized in future periods related to performance obligations that are unsatisfied, or partially unsatisfied, as of the end of a period. The transaction price associated with remaining performance obligations which are not yet satisfied as of March 30, 2019 is $7.0 billion. A total of $3.0 billion is from Products and Systems Integration performance obligations that are not yet satisfied, of which $1.6 billion is expected to be recognized in the next 12 months. The remaining amounts will generally be satisfied over time as systems are implemented. A total of $4.0 billion is from Services and Software performance obligations that are not yet satisfied as of March 30, 2019. The determination of Services and Software performance obligations that are not satisfied takes into account a contract term that may be limited by the customer's ability to terminate for convenience. Where termination for convenience exists in the Company's Services contracts, its disclosure of the remaining performance obligations that are unsatisfied assumes the contract term is limited until renewal. The Company expects to recognize $1.3 billion from unsatisfied Services and Software performance obligations over the next 12 months, with the remaining performance obligations to be recognized over time as services are performed and software is implemented.

Contract Balances

	March 30, 2019	December 31, 2018
Accounts receivable, net	**$ 1,150**	$ 1,293
Contract assets	**878**	1,012
Contract liabilities	**1,158**	1,263
Non-current contract liabilities	**239**	214

Revenue recognized during the three months ended March 30, 2019 which was previously included in Contract liabilities as of December 31, 2018 is $393 million, compared to $297 million of revenue recognized during the three months ended March 31, 2018 which was previously included in Contract liabilities as of January 1, 2018. Revenue of $9 million was reversed during the three months ended March 30, 2019 and $9 million of revenue was recognized during the three months ended March 31, 2018 related to performance obligations satisfied, or partially satisfied, in previous periods, primarily driven by changes in the estimates of progress on system contracts.

There were no material impairment losses recognized on contract assets during the three months ended March 30, 2019 and March 31, 2018.

Contract Cost Balances

	March 30, 2019	December 31, 2018
Current contract cost assets	**$ 36**	$ 30
Non-current contract cost assets	**99**	98

Amortization of contract cost assets was $11 million and $12 million for the three months ended March 30, 2019 and March 31, 2018, respectively.

3. Leases

The Company leases certain office, factory and warehouse space, land, and other equipment, principally under non-cancelable operating leases.

The Company determines if an arrangement is a lease at inception of the contract. The Company's key decisions in determining whether a contract is or contains a lease include establishing whether the supplier has the ability to use other assets to fulfill its service or whether the terms of the agreement enable the Company to control the use of a dedicated asset during the contract term. In the majority of the Company's contracts where it must identify whether a lease is present, it is readily determinable that the Company controls the use of the assets and obtains substantially all of the economic benefit during the term of the contract. In those contracts where identification is not readily determinable, the Company has determined that the supplier has either the ability to use another asset to provide the service or the terms of the contract give the supplier the rights to operate the asset at its discretion during the term of the contract.

ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company's lease payments are typically fixed or contain fixed escalators. The Company has elected to not separate lease and non-lease components for all of its current lease categories and therefore, all consideration is included in the lease liabilities. For the Company's leases consisting of both land and other equipment (i.e. "communication network sites"), future payments are subject to variability due to changes in indices or rates. The Company values its ROU assets and lease liabilities based on the index or rate in effect at lease commencement. Future changes in the indices or rates are accounted for as variable lease costs. Other variable lease costs also include items that are not fixed at lease commencement including property taxes, insurance, and operating charges that vary based on usage. ROU assets also include lease payments made in advance and are net of lease incentives.

As the majority of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rates based on the information available at the commencement date in determining the present value of future payments. The Company's incremental borrowing rates are based on the term of the lease, the economic environment of the lease, and the effect of collateralization.

The Company's lease terms range from one to twenty-one years and may include options to extend the lease by one to ten years or terminate the lease after the initial non-cancelable term. The Company does not include options in the determination of the lease term for the majority of leases as sufficient economic factors do not exist that would compel it to continue to use the underlying asset beyond the initial non-cancelable term. However, for the Company's communication network site leases that are necessary to provide services to customers under managed service arrangements, the Company includes options in the lease term to the extent of the customer contracts to which those leases relate.

The components of lease expense are as follows:

	Three Months Ended March 30, 2019
Lease expense:	
Operating lease cost	$ 33
Finance lease cost	
Amortization of right-of-use assets	3
Interest on lease liabilities	1
Total finance lease cost	4
Short-term lease cost	2
Variable cost	9
Sublease income	(1)
Net lease expense	$ 47

Lease assets and liabilities consist of the following:

	Statement Line Classification	***March 30, 2019***
Assets:		
Operating lease assets	Operating lease assets	$ 593
Finance lease assets	Property, plant, and equipment, net	53
		$ 646
Current liabilities:		
Operating lease liabilities	Accrued liabilities	$ 116
Finance lease liabilities	Current portion of long-term debt	15
		$ 131
Non-current liabilities:		
Operating lease liabilities	Operating lease liabilities	$ 553
Finance lease liabilities	Long-term debt	25
		$ 578

Other information related to leases is as follows:

	Three Months Ended March 30, 2019
Supplemental cash flow information:	
Net cash used for operating activities related to operating leases	$ 33
Net cash used for operating activities related to finance leases	1
Net cash used for financing activities related to finance leases	4
Assets obtained in exchange for lease liabilities:	
Operating leases	$ 27

	Three Months Ended
	March 30, 2019
Weighted average remaining lease terms (years):	
Operating leases	**8**
Finance leases	**3**
Weighted average discount rate:	
Operating leases	**3.74%**
Finance leases	**4.97%**

Future lease payments as of March 30, 2019 are as follows:

	Operating Leases	Finance Leases	Total
2019	$ 102	$ 13	$ 115
2020	134	14	148
2021	119	12	131
2022	106	5	111
2023	54	—	54
Thereafter	267	—	267
Total lease payments	782	44	826
Less: Interest	113	4	117
Present value of lease liabilities	$ 669	$ 40	$ 709

Rental expense, net of sublease income, for the year ended December 31, 2018 was $108 million.

At December 31, 2018, future minimum lease obligations, net of minimum sublease rentals, for the next five years and beyond were as follows:

2019	2020	2021	2022	2023	Beyond
$ 131	$ 120	$ 112	$ 101	$ 54	$ 204

4. Other Financial Data

Statements of Operations Information

Other Charges (Income)

Other charges (income) included in Operating earnings consist of the following:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Other charges (income):		
Intangibles amortization (Note 15)	**$ 50**	$ 41
Reorganization of business (Note 14)	**4**	8
Legal settlements	**(1)**	1
Acquisition-related transaction fees	**2**	17
	$ 55	$ 67

During the three months ended March 30, 2019, the Company recognized $2 million of acquisition-related transaction fees for the VaaS and Avtec acquisitions and $17 million for the Avigilon and Plant acquisitions during the three months ended March 31, 2018.

Other Income (Expense)

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Interest income (expense), net:		
Interest expense	**$ (60)**	$ (54)
Interest income	**5**	8
	$ (55)	$ (46)
Other:		
Net periodic pension and postretirement benefit (Note 8)	**$ 16**	$ 20
Investment impairments	**(8)**	—
Foreign currency loss	**(4)**	(11)
Loss on derivative instruments	**(4)**	(4)
Gains on equity method investments	**1**	1
Fair value adjustments to equity investments	**(1)**	—
Other	**10**	(2)
	$ 10	$ 4

During the three months ended March 30, 2019, the Company recognized a foreign currency loss of $4 million, primarily driven by the British pound, and a loss of $4 million on derivative instruments put in place to minimize the foreign exchange risk related to currency fluctuations.

During the three months ended March 31, 2018, the Company recognized a foreign currency loss of $11 million, primarily driven by the Euro and British pound, and a loss of $4 million on derivative instruments put in place to minimize the foreign exchange risk related to currency fluctuations, which includes a loss of $14 million on foreign currency derivatives put in place to minimize the exposure to the Canadian dollar related to the purchase of Avigilon.

Earnings Per Common Share

The computation of basic and diluted earnings per common share is as follows:

	Amounts attributable to Motorola Solutions, Inc. common stockholders	
	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Basic earnings per common share:		
Earnings	**$ 151**	$ 117
Weighted average common shares outstanding	**164.0**	161.4
Per share amount	**$ 0.92**	$ 0.73
Diluted earnings per common share:		
Earnings	**$ 151**	$ 117
Weighted average common shares outstanding	**164.0**	161.4
Add effect of dilutive securities:		
Share-based awards	**4.9**	4.2
Senior Convertible Notes	**5.7**	5.0
Diluted weighted average common shares outstanding	**174.6**	170.6
Per share amount	**$ 0.86**	$ 0.69

In the computation of diluted earnings per common share for the three months ended March 30, 2019, the assumed exercise of 0.5 million options, including 0.2 million subject to market-based contingent option agreements, were excluded because their inclusion would have been antidilutive. For the three months ended March 31, 2018, the assumed exercise of 1.5

million options, including 1.2 million subject to market-based contingent option agreements, were excluded because their inclusion would have been antidilutive.

As of March 30, 2019, the Company had $800 million of 2.0% Senior Convertible Notes outstanding which mature in September 2020 (the "Senior Convertible Notes"), and are fully convertible. In the event of a conversion, the Company intends to settle the principal amount of the Senior Convertible Notes in cash and accordingly, only the number of shares that would be issuable (under the treasury stock method of accounting for share dilution) are included in our computation of diluted earnings per share. The conversion price is adjusted for dividends declared through the date of settlement. Diluted earnings per share has been calculated based upon the amount by which the average stock price exceeds the conversion price.

Balance Sheet Information

Accounts Receivable, Net

Accounts receivable, net, consists of the following:

	March 30, 2019	*December 31, 2018*
Accounts receivable	**$ 1,208**	$ 1,344
Less allowance for doubtful accounts	**(58)**	(51)
	$ 1,150	$ 1,293

Inventories, Net

Inventories, net, consist of the following:

	March 30, 2019	*December 31, 2018*
Finished goods	**$ 227**	$ 206
Work-in-process and production materials	**340**	293
	567	499
Less inventory reserves	**(142)**	(143)
	$ 425	$ 356

Other Current Assets

Other current assets consist of the following:

	March 30, 2019	*December 31, 2018*
Current contract cost assets (Note 2)	**$ 36**	$ 30
Tax-related deposits	**137**	138
Other	**191**	186
	$ 364	$ 354

Property, Plant and Equipment, Net

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

	March 30, 2019	*December 31, 2018*
Land	**$ 10**	$ 10
Leasehold improvements	**372**	362
Machinery and equipment	**1,903**	1,886
	2,285	2,258
Less accumulated depreciation	**(1,348)**	(1,363)
	$ 937	$ 895

Depreciation expense for the three months ended March 30, 2019 and March 31, 2018 was $45 million and $41 million, respectively.

Investments

Investments consist of the following:

	March 30, 2019	December 31, 2018
Corporate bonds	$ —	$ 1
Common stock	18	19
Strategic investments, at cost	50	62
Company-owned life insurance policies	78	75
Equity method investments	17	12
	$ 163	$ 169

Strategic investments include investments in non-public technology-driven startup companies. Strategic investments do not have a readily determinable fair value and are recorded at cost, less any impairment, and adjusted for changes resulting from observable, orderly transactions for identical or similar securities. The Company did not recognize any significant adjustments to the recorded cost basis during the three months ended March 30, 2019.

The Company's common stock portfolio reflects an investment in a publicly-traded company within the communications services sector and is valued utilizing active market prices for similar instruments. During the three months ended March 30, 2019, the Company recognized $1 million in Other income (expense) related to a decrease in the fair value of the investment.

During the three months ended March 30, 2019, Gains on the sale of investments and businesses were $1 million, compared to $11 million during the three months ended March 31, 2018. During the three months ended March 30, 2019, the Company recorded investment impairment charges of $8 million, representing other-than-temporary declines in the value of the Company's equity investment portfolio. There were no investment impairments recorded during the three months ended March 31, 2018. Investment impairment charges are included in Other within Other income (expense) in the Company's Condensed Consolidated Statements of Operations.

Other Assets

Other assets consist of the following:

	March 30, 2019	December 31, 2018
Defined benefit plan assets (Note 8)	$ 152	$ 135
Tax receivable	39	39
Non-current contract cost assets (Note 2)	99	98
Other	67	72
	$ 357	$ 344

Accrued Liabilities

Accrued liabilities consist of the following:

	March 30, 2019	December 31, 2018
Compensation	$ 336	$ 324
Tax liabilities	94	111
Dividend payable	94	93
Trade liabilities	161	185
Operating lease liabilities (Note 3)	116	—
Other	434	497
	$ 1,235	$ 1,210

Other Liabilities

Other liabilities consist of the following:

	March 30, 2019	December 31, 2018
Defined benefit plans (Note 8)	$ 1,527	$ 1,557
Non-current contract liabilities (Note 2)	239	214
Unrecognized tax benefits	54	51
Deferred income taxes	222	201
Other	222	277
	$ 2,264	$ 2,300

Stockholders' Equity

Share Repurchase Program: During the three months ended March 30, 2019, the Company paid an aggregate of $145 million, including transaction costs, to repurchase approximately 1.2 million shares at an average price of $118.98 per share. As of March 30, 2019, the Company had used approximately $12.6 billion of the share repurchase authority, including transaction costs, to repurchase shares, leaving $1.4 billion of authority available for future repurchases.

Payment of Dividends: During the three months ended March 30, 2019 and March 31, 2018, the Company paid $93 million and $84 million, respectively, in cash dividends to holders of its common stock.

Accumulated Other Comprehensive Loss

The following table displays the changes in Accumulated other comprehensive loss, including amounts reclassified into income, and the affected line items in the condensed consolidated statements of operations during the three months ended March 30, 2019 and March 31, 2018:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Foreign Currency Translation Adjustments:		
Balance at beginning of period	$ (444)	$ (353)
Other comprehensive income before reclassification adjustment	34	51
Tax expense	(4)	(3)
Other comprehensive income, net of tax	30	48
Balance at end of period	$ (414)	$ (305)
Available-for-Sale Securities:		
Balance at beginning of period	$ —	$ 6
Reclassification adjustment into Gains on sales of investments and businesses, net	—	(8)
Tax benefit	—	2
Other comprehensive loss, net of tax	—	(6)
Balance at end of period	$ —	$ —
Defined Benefit Plans:		
Balance at beginning of period	$ (2,321)	$ (2,215)
Reclassification adjustment - Actuarial net losses into Other income (expense)	17	18
Reclassification adjustment - Prior service benefits into Other income (expense)	(4)	(4)
Tax expense	(2)	(2)
Other comprehensive income, net of tax	11	12
Balance at end of period	$ (2,310)	$ (2,203)
Total Accumulated other comprehensive loss	$ (2,724)	$ (2,508)

5. Debt and Credit Facilities

As of March 30, 2019, the Company had a $2.2 billion syndicated, unsecured revolving credit facility scheduled to mature in April 2022 (the "2017 Motorola Solutions Credit Agreement"). The 2017 Motorola Solutions Credit Agreement includes a $500 million letter of credit sub-limit with $450 million of fronting commitments. Borrowings under the facility bear interest at the prime rate plus the applicable margin, or at a spread above the London Interbank Offered Rate ("LIBOR"), at the Company's option. An annual facility fee is payable on the undrawn amount of the credit line. The interest rate and facility fee are subject to adjustment if the Company's credit rating changes. The Company must comply with certain customary covenants including a maximum leverage ratio, as defined in the 2017 Motorola Solutions Credit Agreement. The Company was in compliance with its financial covenants as of March 30, 2019. During the first quarter of 2018, the Company borrowed $400 million to facilitate the Avigilon acquisition. There were no borrowings outstanding or letters of credit issued under the revolving credit facility as of March 30, 2019.

In conjunction with the Avigilon acquisition in the first quarter of 2018, the Company entered into a term loan for $400 million with a maturity date of March 26, 2021 (the “Term Loan”). Interest on the Term Loan is variable, indexed to LIBOR, and paid monthly. The weighted average borrowing rate for amounts outstanding during the three months ended March 30, 2019 was 3.75%. No additional borrowings are permitted and amounts borrowed and repaid or prepaid may not be re-borrowed.

In February of 2018, the Company issued $500 million of 4.60% Senior notes due 2028. The Company recognized net proceeds of $497 million after debt issuance costs and debt discounts. These proceeds were then used to make a $500 million contribution to the Company's U.S. pension plan.

As of March 30, 2019, the Company had $800 million of 2.0% Senior Convertible Notes outstanding with Silver Lake Partners which mature in September 2020 and are fully convertible. The notes are convertible based on a conversion rate of 14.8968, as may be adjusted for dividends declared, per $1,000 principal amount (which is currently equal to a conversion price of $67.13 per share). The exercise price adjusts automatically for dividends. The value by which the Senior Convertible Notes exceeded their principal amount if converted as of March 30, 2019 was $876 million. In the event of a conversion, the Company intends to settle the principal amount of the Senior Convertible Notes in cash.

6. Risk Management

Foreign Currency Risk

As of March 30, 2019, the Company had outstanding foreign exchange contracts with notional amounts totaling $897 million, compared to $819 million outstanding at December 31, 2018. The Company does not believe these financial instruments should subject it to undue risk due to foreign exchange movements because gains and losses on these contracts should generally offset gains and losses on the underlying assets, liabilities and transactions.

The following table shows the five largest net notional amounts of the positions to buy or sell foreign currency as of March 30, 2019, and the corresponding positions as of December 31, 2018:

	Notional Amount	
Net Buy (Sell) by Currency	***March 30, 2019***	*December 31, 2018*
Euro	**$ 136**	$ 89
Norwegian Krone	**34**	28
Australian Dollar	**(83)**	(105)
Chinese Renminbi	**(59)**	(55)
Brazilian Real	**(41)**	(41)

Counterparty Risk

The use of derivative financial instruments exposes the Company to counterparty credit risk in the event of non-performance by counterparties. However, the Company’s risk is limited to the fair value of the instruments when the derivative is in an asset position. The Company actively monitors its exposure to credit risk. As of March 30, 2019, all of the counterparties have investment grade credit ratings. As of March 30, 2019, the Company had $7 million of exposure to aggregate net credit risk with all counterparties.

The following tables summarize the fair values and locations in the condensed consolidated balance sheets of all derivative financial instruments held by the Company as of March 30, 2019 and December 31, 2018:

	Fair Values of Derivative Instruments	
March 30, 2019	*Other Current Assets*	*Accrued Liabilities*
Derivatives designated as hedging instruments:		
Foreign exchange contracts	$ 2	$ —
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	$ 5	$ 3
Total derivatives	$ 7	$ 3

	Fair Values of Derivative Instruments	
December 31, 2018	*Other Current Assets*	*Accrued Liabilities*
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	$ 5	$ 4

The following table summarizes the effect of derivatives on the Company's condensed consolidated financial statements for the three months ended March 30, 2019 and March 31, 2018:

	Three Months Ended		
Foreign Exchange Contracts	***March 30, 2019***	*March 31, 2018*	*Financial Statement Location*
Effective portion	**$ 2**	$ (3)	Accumulated other comprehensive loss
Forward points recognized	**1**	—	Other income (expense)
Undesignated derivatives recognized	**(4)**	(4)	Other income (expense)

Net Investment Hedges

The Company uses foreign exchange forward contracts with contract terms of 12 to 15 months to hedge against the effect of the British pound and Euro dollar exchange rate fluctuations on a portion of its net investment in certain European operations. The Company recognizes changes in the fair value of the net investment hedges as a component of foreign currency translation adjustments within other comprehensive income to offset a portion of the change in translated value of the net investment being hedged, until the investment is sold or liquidated. In accordance with ASU 2017-02, the Company has elected to exclude the difference between the spot rate and the forward rate of the forward contract from its assessment of hedge effectiveness. The effect of the excluded components will be amortized on a straight line basis and recognized through interest expense. As of March 30, 2019, the Company had €95 million of net investment hedges in certain Euro functional subsidiaries and £75 million of net investment hedges in certain British pound functional subsidiaries. During the first quarter of 2019, the Company amortized $1 million of income from the excluded components through interest expense.

7. Income Taxes

At the end of each interim reporting period, the Company makes an estimate of its annual effective income tax rate. Tax expense in interim periods is calculated at the estimated annual effective tax rate plus or minus the tax effects of items of income and expense that are discrete to the period. The estimate used in providing for income taxes on a year-to-date basis may change in subsequent interim periods.

The following table provides details of income taxes:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Net earnings before income taxes	**$ 185**	$ 140
Income tax expense	**33**	23
Effective tax rate	**18%**	16%

The Company recorded $33 million of net tax expense during the three months ended March 30, 2019, resulting in an effective tax rate of 18%, compared to $23 million of net tax expense during the three months ended March 31, 2018, resulting in an effective tax rate of 16%. The effective tax rates for the three months ended March 30, 2019 of 18% and March 31, 2018 of 16% are lower than the U.S. statutory tax rate of 21% primarily due to excess tax benefits on share-based compensation.

8. Retirement and Other Employee Benefits

Pension and Postretirement Health Care Benefits Plans

The net periodic costs (benefits) for Pension and Postretirement Health Care Benefits Plans were as follows:

	U.S. Pension Benefit Plans		*Non-U.S. Pension Benefit Plans*		*Postretirement Health Care Benefits Plan*	
Three Months Ended	***March 30, 2019***	*March 31, 2018*	***March 30, 2019***	*March 31, 2018*	***March 30, 2019***	*March 31, 2018*
Service cost	**$ —**	$ —	**$ 1**	$ 1	**$ —**	$ —
Interest cost	**51**	46	**10**	10	**1**	1
Expected return on plan assets	**(69)**	(68)	**(21)**	(24)	**(3)**	(3)
Amortization of:						
Unrecognized net loss	**12**	14	**4**	3	**1**	1
Unrecognized prior service benefit	**—**	—	**—**	—	**(4)**	(4)
Net periodic pension benefit	**$ (6)**	$ (8)	**$ (6)**	$ (10)	**$ (5)**	$ (5)

9. Share-Based Compensation Plans

Compensation expense for the Company's share-based plans was as follows:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Share-based compensation expense included in:		
Costs of sales	**$ 4**	$ 2
Selling, general and administrative expenses	**16**	11
Research and development expenditures	**7**	4
Share-based compensation expense included in Operating earnings	**27**	17
Tax benefit	**(6)**	(4)
Share-based compensation expense, net of tax	**$ 21**	$ 13
Decrease in basic earnings per share	**$ (0.13)**	$ (0.08)
Decrease in diluted earnings per share	**$ (0.12)**	$ (0.08)

During the three months ended March 30, 2019, the Company granted 0.5 million restricted stock units ("RSUs") and 0.1 million market stock units ("MSUs") with an aggregate grant-date fair value of $56 million and $7 million, respectively, and 0.2 million stock options and 0.2 million performance options ("POs") with an aggregate grant-date fair value of $6 million and $7 million, respectively. The share-based compensation expense will generally be recognized over the vesting period of three years.

The Company granted an additional 0.4 million of restricted stock in connection with the acquisition of VaaS, with an aggregate grant-date fair value of $38 million related to compensation withheld from the purchase price that will be expensed over an average service period of one year.

10. Fair Value Measurements

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

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

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

Level 3 — Valuations derived from valuation techniques, in which one or more significant inputs are unobservable.

The fair values of the Company's financial assets and liabilities by level in the fair value hierarchy as of March 30, 2019 and December 31, 2018 were as follows:

March 30, 2019	*Level 1*	*Level 2*	*Total*
Assets:			
Foreign exchange derivative contracts	$ —	$ 7	$ 7
Common stock	18	—	18
Liabilities:			
Foreign exchange derivative contracts	$ —	$ 3	$ 3

December 31, 2018	*Level 1*	*Level 2*	*Total*
Assets:			
Foreign exchange derivative contracts	$ —	$ 5	$ 5
Corporate bonds	1	—	1
Common stock	19	—	19
Liabilities:			
Foreign exchange derivative contracts	$ —	$ 4	$ 4

The Company had no Level 3 holdings as of March 30, 2019 or December 31, 2018.

At March 30, 2019 and December 31, 2018, the Company had $348 million and $734 million, respectively, of investments in money market prime and government funds (Level 1) classified as Cash and cash equivalents in its Condensed Consolidated Balance Sheets. The money market funds had quoted market prices that are equivalent to par.

Using quoted market prices and market interest rates, the Company determined that the fair value of long-term debt at March 30, 2019 and December 31, 2018 was $5.5 billion and $5.4 billion (Level 2), respectively.

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

11. Long-term Financing and Sales of Receivables

Long-term Financing

Long-term receivables consist of receivables with payment terms greater than twelve months and long-term loans. Long-term receivables consist of the following:

	March 30, 2019	*December 31, 2018*
Long-term receivables, gross	**$ 35**	$ 33
Less allowance for losses	**(2)**	(2)
Long-term receivables	**33**	31
Less current portion	**(11)**	(7)
Non-current long-term receivables	**$ 22**	$ 24

The current portion of long-term receivables is included in Accounts receivable, net and the non-current portion of long-term receivables is included in Other assets in the Company’s Condensed Consolidated Balance Sheets. The Company had outstanding commitments to provide long-term financing to third parties totaling $52 million at March 30, 2019, compared to $62 million at December 31, 2018.

Sales of Receivables

The following table summarizes the proceeds received from sales of accounts receivable and long-term receivables for the three months ended March 30, 2019 and March 31, 2018:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Accounts receivable sales proceeds	**$ 24**	$ 55
Long-term receivables sales proceeds	**21**	13
Total proceeds from receivable sales	**$ 45**	$ 68

At March 30, 2019, the Company had retained servicing obligations for $944 million of long-term receivables, compared to $970 million at December 31, 2018. Servicing obligations are limited to collection activities related to the sales of accounts receivables and long-term receivables.

12. Commitments and Contingencies

Legal Matters

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

Other Indemnifications

The Company is a party to a variety of agreements pursuant to which it is obligated to indemnify the other party with respect to certain matters. In indemnification cases, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. In some instances, the Company may have recourse against third parties for certain payments made by the Company.

Some of these obligations arise as a result of divestitures of the Company's assets or businesses and require the Company to indemnify the other party against losses arising from breaches of representations and warranties and covenants and, in some cases, the settlement of pending obligations. The Company's obligations under divestiture agreements for indemnification based on breaches of representations and warranties are generally limited in terms of duration and to amounts not in excess of a percentage of the contract value. The Company had no accruals for any such obligations at March 30, 2019.

In addition, the Company may provide indemnifications for losses that result from the breach of general warranties contained in certain commercial and intellectual property agreements. Historically, the Company has not made significant payments under these agreements.

13. Segment Information

The Company conducts its business globally and manages it through the following two segments:

Products and Systems Integration: The Products and Systems Integration segment offers an extensive portfolio of infrastructure, devices, accessories, video solutions, and the implementation, optimization, and integration of such systems, devices, and applications, including the Company’s: (i) “ASTRO” products, which meet the Association of Public Safety Communications Officials Project 25 standard, (ii) “Dimetra” products which meet the European Telecommunications Standards Institute Terrestrial Trunked Radio “TETRA” standard, (iii) Professional and Commercial Radio (“PCR”) products, (iv) broadband technology products, such as Long-Term Evolution (“LTE”), and (v) video solutions, including video cameras. The primary customers of the Products and Systems Integration segment are government, public safety and first-responder agencies, municipalities, and commercial and industrial customers who operate private communications networks and video solutions and typically managing a mobile workforce.

Services and Software: The Services and Software segment provides a broad range of solution offerings for government, public safety and commercial communication networks. Services includes a continuum of service offerings beginning with repair, technical support and maintenance. More advanced platforms include monitoring, software updates and cybersecurity services. Managed services range from partial to full operation of customer or Motorola Solutions-owned networks. Software includes a public safety and enterprise command center software suite, unified communications applications, and video software solutions, delivered both on premise and "as a service."

The following table summarizes Net sales by segment:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Products and Systems Integration	**$ 1,069**	$ 952
Services and Software	**588**	516
	$ 1,657	$ 1,468

The following table summarizes the Operating earnings by segment:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Products and Systems Integration	**$ 108**	$ 90
Services and Software	**121**	81
Operating earnings	**229**	171
Total other expense	**(44)**	(31)
Earnings before income taxes	**$ 185**	$ 140

14. Reorganization of Business

2019 Charges

During the three months ended March 30, 2019, the Company recorded net reorganization of business charges of $8 million including $4 million of charges in Other charges and $4 million of charges in Costs of sales in the Company's Condensed Consolidated Statements of Operations. Included in the $8 million were charges of $12 million related to employee separation, partially offset by $4 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by segment:

March 30, 2019	*Three Months Ended*
Products and Systems Integration	$ 7
Services and Software	1
	$ 8

The following table displays a rollforward of the reorganization of business accruals established for employee separation costs from January 1, 2019 to March 30, 2019:

	January 1, 2019	*Additional Charges*	*Adjustments*	*Amount Used*	*March 30, 2019*
Employee separation costs	$ 84	$ 12	$ (4)	$ (14)	$ 78

Employee Separation Costs

At January 1, 2019, the Company had an accrual of $84 million for employee separation costs. The 2019 additional charges of $12 million represent severance costs for approximately 100 employees. The adjustment of $4 million reflects reversals for accruals no longer needed. The $14 million used reflects cash payments to severed employees. The remaining accrual of $78 million, which is included in Accrued liabilities in the Company's Condensed Consolidated Balance Sheets at March 30, 2019, is expected to be paid, primarily within one year, to approximately 700 employees, who have either been severed or have been notified of their severance and have begun or will begin receiving payments.

As of January 1, 2019, accruals for exit costs are included in Operating lease liabilities with an offsetting impairment to the Company's ROU assets, all within its Condensed Consolidated Balance Sheets (see Note 3).

2018 Charges

During the three months ended March 31, 2018, the Company recorded net reorganization of business charges of $13 million including $8 million of charges in Other charges and $5 million of charges in Costs of sales in the Company's Condensed Consolidated Statements of Operations. Included in the $13 million were charges of $22 million related to employee separation costs and $2 million related to exit costs, partially offset by $11 million of reversals for accruals no longer needed.

The following table displays the net charges incurred by segment:

March 31, 2018		*Three Months Ended*
Products and Systems Integration	$	9
Services and Software		4
	$	13

15. Intangible Assets and Goodwill

The Company accounts for acquisitions using purchase accounting with the results of operations for each acquiree included in the Company's condensed consolidated financial statements for the period subsequent to the date of acquisition.

Recent Acquisitions

On March 11, 2019, the Company announced that it acquired Avtec, Inc. ("Avtec"), a provider of dispatch communications for U.S. public safety and commercial customers for a purchase price of $136 million in cash, net of cash acquired. This acquisition expands the Company's commercial portfolio with new capabilities, allowing it to offer an enhanced platform for customers to communicate, coordinate resources, and secure their facilities. The business will be a part of both the Products and Systems Integration and Services and Software segments. The Company recognized $73 million of identifiable intangible assets, $59 million of goodwill, and $4 million of net assets. The goodwill is deductible for tax purposes. The identifiable intangible assets were classified as $49 million of completed technology and $24 million of customer relationship intangibles and will be amortized over a period of 15 years. The purchase accounting is not yet complete and as such the final allocation between deferred income tax accounts, intangible assets, goodwill, and net assets may be subject to change based on the finalization of assumptions and settlement of working capital considerations.

On January 7, 2019, the Company announced that it acquired VaaS International Holdings ("VaaS"), a company that is a global provider of data and image analytics for vehicle location for $445 million, inclusive of share-based compensation withheld at a fair value of $38 million that will be expensed over an average service period of one year. The acquisition was settled with $231 million of cash, net of cash acquired, and 1.4 million of shares issued at a fair value of $160 million for a purchase price of $391 million to be utilized in the purchase price allocation. This acquisition expands the Company's command center software portfolio under the Services and Software segment. The Company recognized $271 million of goodwill, $141 million of identifiable intangible assets and $21 million of net liabilities. The goodwill is not deductible for tax purposes. The identifiable intangible assets were classified as $99 million of completed technology that will be amortized over a period of ten years and $42 million of customer relationship intangibles that will be amortized over a period of 15 years. The purchase accounting is not yet complete and as such the final allocation between deferred income tax accounts, goodwill, intangible assets, and net liabilities may be subject to change based on the finalization of assumptions and settlement of working capital considerations.

The pro forma effects of these acquisitions are not significant.

Avigilon Corporation

On March 28, 2018, the Company completed the acquisition of Avigilon Corporation, a provider of advanced security and video solutions including video analytics, network video management hardware and software, video cameras and access control solutions. The purchase price of $974 million, consisted of cash payments of $980 million for outstanding common stock, restricted stock units and employee held stock options, net of cash acquired of $107 million, debt assumed of $75 million and transaction costs of $26 million. Prior to the end of the first quarter of 2018, $35 million of the assumed debt was repaid with the remaining $40 million repaid during the second quarter of 2018.

The acquisition of Avigilon has been accounted for at fair value as of the acquisition date, based on the fair value of the total consideration transferred which has been attributed to all identifiable assets acquired and liabilities assumed and measured at fair value. The purchase accounting has been completed as of March 30, 2019. The following table summarizes fair values of assets acquired and liabilities assumed as of the March 28, 2018 acquisition date:

Accounts receivable, net	$	67
Inventory		93
Other current assets		18
Property, plant and equipment, net		33
Deferred income taxes		4
Accounts payable		(21)
Accrued liabilities		(28)
Deferred income tax liabilities		(124)
Goodwill		434
Intangible assets		498
Total consideration	$	974

Acquired intangible assets consist of $110 million of customer relationships, $380 million of developed technology and $8 million of trade names and will have useful lives of two to twenty years. The fair values of all intangible assets were estimated using the income approach. Customer relationships and developed technology were valued under the excess earnings method which assumes that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable specifically to the intangible asset. Trade names were valued under the relief from royalty method, which assumes value to the extent that the acquired company is relieved of the obligation to pay royalties for the benefits received from them.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. The goodwill is not deductible for tax purposes.

The pro forma effect of this acquisition was not significant.

Other Acquisitions

On March 7, 2018, the Company completed the acquisition of Plant Holdings, Inc., the parent company of Airbus DS Communications for a purchase price of $237 million in cash, net cash acquired. This acquisition expanded the Company's software portfolio in the command center with additional solutions for Next Generation 9-1-1. The Company recognized $160 million of goodwill, $80 million of identifiable intangible assets, and $3 million of net liabilities. The goodwill is not deductible for tax purposes. The identifiable intangible assets were classified as $41 million of customer-related intangibles, $27 million of completed technology and $12 million of trade names. The identifiable intangible assets will be amortized over a period of ten to twenty years. The pro forma effect of this acquisition was not significant.

Intangible Assets

Amortized intangible assets were comprised of the following:

	March 30, 2019		*December 31, 2018*	
	Gross Carrying Amount	***Accumulated Amortization***	*Gross Carrying Amount*	*Accumulated Amortization*
Completed technology	**$ 707**	**$ 105**	$ 558	$ 92
Patents	**2**	**2**	2	2
Customer-related	**1,187**	**414**	1,085	364
Other intangibles	**75**	**34**	74	31
	$ 1,971	**$ 555**	$ 1,719	$ 489

Amortization expense on intangible assets was $50 million for the three months ended March 30, 2019 and $41 million for the three months ended March 31, 2018. As of March 30, 2019, annual amortization expense is estimated to be $205 million in 2019 and 2020, $202 million in 2021, $200 million in 2022, $99 million in 2023, and $73 million in 2024.

Amortized intangible assets were comprised of the following by segment:

	March 30, 2019		*December 31, 2018*	
	Gross Carrying Amount	***Accumulated Amortization***	*Gross Carrying Amount*	*Accumulated Amortization*
Products and Systems Integration	**$ 559**	**$ 46**	$ 510	$ 38
Services and Software	**1,412**	**509**	1,209	451
	$ 1,971	**$ 555**	$ 1,719	$ 489

Goodwill

The following table displays a rollforward of the carrying amount of goodwill by segment from January 1, 2019 to March 30, 2019:

	Products and Systems Integration	*Services and Software*	*Total*
Balance as of January 1, 2019	$ 722	$ 792	$ 1,514
Goodwill acquired	47	283	330
Purchase accounting adjustments	—	9	9
Foreign currency	—	7	7
Balance as of March 30, 2019	$ 769	$ 1,091	$ 1,860

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

This commentary should be read in conjunction with the condensed consolidated financial statements and related notes thereto of Motorola Solutions, Inc. ("Motorola Solutions" or the "Company," "we," "our," or "us") for the three months ended March 30, 2019 and March 31, 2018, as well as our consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

During the second quarter of 2018, we modified our internal reporting structure to better align the way financial information is reported to and analyzed by executive leadership in part as a result of recent acquisitions contributing to the growth within the newly aligned Services and Software segment. Previously, we had two reporting segments: Products and Services. The changes in reporting structure consist of Systems Integration related revenue and costs moving from the old Services segment into the newly presented Products and Systems Integration segment and Software related revenue and costs moving from the old Products segment into the newly presented Services and Software segment.

Executive Overview

Recent Acquisitions and Developments

On March 11, 2019, we announced that we acquired Avtec, Inc. ("Avtec"), a provider of dispatch communications for U.S. public safety and commercial customers for a purchase price of $136 million in cash, net of cash acquired. This acquisition expands our commercial portfolio with new capabilities, allowing us to offer an enhanced platform for customers to communicate, coordinate resources, and secure their facilities. The business will be part of both the Products and Systems Integration and Services and Software segments.

On January 7, 2019, we announced that we acquired VaaS International Holdings ("VaaS"), a company that is a global provider of data and image analytics for vehicle location for $445 million, inclusive of share-based compensation withheld at a fair value of $38 million that will be expensed over an average service period of one year. The acquisition was settled with $231 million of cash, net of cash acquired, and 1.4 million of shares issued at a fair value of $160 million for a purchase price of $391 million. This acquisition expands our command center software portfolio under the Services and Software segment.

We reached an agreement with the U.K. Home Office during the third quarter of 2018 on terms for the new direction of the U.K. Emergency Services Network ("ESN") that we expect to sign during the second quarter of 2019.

On March 28, 2018, we completed the acquisition of Avigilon Corporation ("Avigilon"), a provider of advanced security and video solutions including video analytics, network video management hardware and software, video cameras and access control solutions for a purchase price of $974 million in cash.

On March 7, 2018, we completed the acquisition of Plant Holdings, Inc. ("Plant"), the parent company of Airbus DS Communications for a purchase price of $237 million in cash. This acquisition expanded our software portfolio in the command center with additional solutions for Next Generation 9-1-1.

Our Business

We are a leading global provider of mission-critical communications. Our technology platforms in communications, software, video, and services make cities safer and help communities and businesses thrive. We are ushering in a new era in public safety and security. We serve our customers with a global footprint of sales in more than 100 countries and 17,000 employees worldwide based on our industry leading innovation and a deep portfolio of products and services.

We conduct our business globally and manage it by two segments:

Products and Systems Integration: The Products and Systems Integration segment offers an extensive portfolio of infrastructure, devices, accessories, video solutions, and the implementation, optimization, and integration of such systems, devices, and applications, including the Company's: (i) "ASTRO" products, which meet the Association of Public Safety Communications Officials Project 25 standard, (ii) "Dimetra" products which meet the European Telecommunications Standards Institute Terrestrial Trunked Radio "TETRA" standard, (iii) Professional and Commercial Radio ("PCR") products, (iv) broadband technology products, such as Long-Term Evolution ("LTE"), and (v) video solutions, such as video cameras. The primary customers of the Products and Systems Integration segment are government, public safety and first-responder agencies, municipalities, and commercial and industrial customers who operate private communications networks and video solutions typically managing a mobile workforce. In the first quarter of 2019, the segment's net sales were $1.1 billion, representing 65% of our consolidated net sales.

Services and Software: The Services and Software segment provides a broad range of solution offerings for government, public safety and commercial communication networks. Services includes a continuum of service offerings beginning with repair, technical support and maintenance. More advanced offerings include monitoring, software updates and cybersecurity services. Managed services range from partial to full operation of customer or Motorola Solutions-owned networks. Software includes a public safety and enterprise command center software suite, unified communications applications, and video software solutions, delivered both on premise and "as a service." In the first quarter of 2019, the segment's net sales were $588 million, representing 35% of our consolidated net sales.

First Quarter Financial Results

- Net sales were $1.7 billion in the first quarter of 2019 compared to $1.5 billion in the first quarter of 2018 and driven by growth in the Americas and EMEA.
- Operating earnings were $229 million in the first quarter of 2019 compared to $171 million in the first quarter of 2018.
- Earnings attributable to Motorola Solutions, Inc. were $151 million, or $0.86 per diluted common share, in the first quarter of 2019, compared to $117 million, or $0.69 per diluted common share, in the first quarter of 2018.
- Our operating cash flow increased $751 million to $251 million in the first quarter of 2019 compared to the first quarter of 2018. The increase is primarily driven by the $500 million voluntary contribution to our U.S. pension plan in the first quarter of 2018.
- We invested $445 million of cash and equity for VaaS International Holdings, and $136 million in cash for Avtec, Inc., repurchased $145 million of common stock, and paid $93 million in dividends.

Segment Financial Highlights

A summary of our segment results for the first quarter of 2019 is as follows:

- In the Products and Systems Integration segment, net sales were $1.1 billion in the first quarter of 2019, an increase of $117 million, or 12% compared to $952 million in the first quarter of 2018. On a geographic basis, net sales increased in the Americas and EMEA, partially offset by AP, compared to the year-ago quarter. Operating earnings were $108 million in the first quarter of 2019, compared to $90 million in the first quarter of 2018. Operating margin increased in 2019 to 10.1% from 9.5% in 2018 driven by higher sales and gross margin, offset by higher operating expenses associated with acquisitions.
- In the Services and Software segment, net sales were $588 million in the first quarter of 2019, an increase of $72 million, or 14% compared to net sales of $516 million in the first quarter of 2018. On a geographic basis, net sales increased in the Americas and EMEA, partially offset by AP, compared to the year-ago quarter. Operating earnings were $121 million in the first quarter of 2019, compared to $81 million in the first quarter of 2018. Operating margin increased in 2019 to 20.6% from 15.7% in 2018 driven by higher sales and gross margin, offset by higher operating expenses associated with acquisitions.

Results of Operations

(Dollars in millions, except per share amounts)	Three Months Ended March 30, 2019	% of Sales*	March 31, 2018	% of Sales*
Net sales from products	$ 945		$ 801	
Net sales from services	712		667	
Net sales	1,657		1,468	
Costs of products sales	444	47.0 %	383	47.8 %
Costs of services sales	440	61.8 %	416	62.4 %
Costs of sales	884		799	
Gross margin	773	46.7 %	669	45.6 %
Selling, general and administrative expenses	327	19.7 %	279	19.0 %
Research and development expenditures	162	9.8 %	152	10.4 %
Other charges	55	3.3 %	67	4.6 %
Operating earnings	229	13.8 %	171	11.6 %
Other income (expense):				
Interest expense, net	(55)	(3.3)%	(46)	(3.1)%
Gains on sales of investments and businesses, net	1	— %	11	0.7 %
Other	10	0.6 %	4	0.3 %
Total other expense	(44)	(2.7)%	(31)	(2.1)%
Net earnings before income taxes	185	11.2 %	140	9.5 %
Income tax expense	33	2.0 %	23	1.6 %
Net earnings	152	9.2 %	117	8.0 %
Less: Earnings attributable to noncontrolling interests	1	— %	—	— %
Net earnings attributable to Motorola Solutions, Inc.	$ 151	9.1 %	$ 117	8.0 %
Earnings per diluted common share	$ 0.86		$ 0.69	

** Percentages may not add due to rounding*

Results of Operations—Three months ended March 30, 2019 compared to three months ended March 31, 2018

The results of operations for the first quarter of 2019 are not necessarily indicative of the operating results to be expected for the full year. Historically, we have experienced higher revenues in the fourth quarter as compared to the rest of the quarters of our fiscal year as a result of the purchasing patterns of our customers.

Net Sales

	Three Months Ended		
(In millions)	**March 30, 2019**	March 31, 2018	% Change
Net sales from Products and Systems Integration	**$ 1,069**	$ 952	12%
Net sales from Services and Software	**588**	516	14%
Net sales	**$ 1,657**	$ 1,468	13%

The Products and Systems Integration segment's net sales represented 65% of our consolidated net sales in the first quarter of 2019 and 2018. The Services and Software segment's net sales represented 35% of our consolidated net sales in the first quarter of 2019 and 2018.

Net sales were up $189 million, or 13%, compared to the first quarter of 2018. The increase in net sales was driven by the Americas and EMEA, partially offset by AP, with a 12% increase in the Products and Systems Integration segment and a 14% increase in the Services and Software segment. This growth includes:

- $137 million of revenue from the acquisitions of VaaS and Avtec in the first quarter of 2019 and Avigilon and Plant which were acquired towards the end of the first quarter of 2018;
- partially offset by $38 million from unfavorable currency rates.

Regional results include:

- growth in the Americas region of 17% across both the Products and Systems Integration and the Services and Software segments, inclusive of revenue from acquisitions;
- growth in the EMEA region of 7% primarily due to both Services and Software within our Services and Software segment and Devices within our Products and Systems Integration segment, inclusive of revenue from acquisitions; and
- a decline in the AP region of 5% due to currency headwinds and lower sales in China.

Products and Systems Integration

The 12% increase in the Products and Systems Integration segment was driven by the following:

- $75 million of revenue from the acquisitions of Avtec in the first quarter of 2019 and Avigilon and Plant which were acquired near the end of the first quarter of 2018;
- 20% growth in Systems and Systems Integration revenue in the first quarter of 2019, as compared to the first quarter of 2018 driven by system deployments in the Americas and revenue from Avigilon; and
- 9% growth in Devices revenue primarily due to the acquisition of Avigilon along with strong demand for land mobile radio ("LMR") in the Americas and EMEA.

Services and Software

The 14% increase in the Services and Software segment was driven by the following:

- $62 million of revenue primarily from the acquisitions of VaaS in the first quarter of 2019 and Avigilon and Plant which were acquired near the end of the first quarter of 2018;
- 1% growth in Services, driven by growth in both maintenance and managed service revenues, and revenue from the acquisition of Plant, partially offset by unfavorable currency headwinds; and
- 94% growth in Software, driven primarily by revenue from the acquisitions of VaaS, Avigilon, and Plant, and growth in our command center software suite.

Gross Margin

(In millions)	*Three Months Ended* ***March 30, 2019***		*March 31, 2018*		*% Change*
Gross margin	**$**	**773**	$	669	16%

Gross margin was 46.7% of net sales in the first quarter of 2019 compared to 45.6% in the first quarter of 2018. The primary drivers of the increase are as follows:

- higher margins within the Services and Software segment primarily driven by higher margin contribution within our Software portfolio from acquisitions and operational improvements and efficiencies in service delivery costs of our Services portfolio; and
- higher margins in the Products and Systems Integration segment primarily driven by Systems and Systems Integration, partially offset by a slight decline in our Devices margins due to product mix.

Selling, General and Administrative Expenses

(In millions)	*Three Months Ended* ***March 30, 2019***		*March 31, 2018*		*% Change*
Selling, general and administrative expenses	**$**	**327**	$	279	17%

SG&A expenses increased 17% compared to the first quarter of 2018. SG&A expenses were 19.7% of net sales compared to 19.0% of net sales in the first quarter of 2018. The increase in SG&A expenditures is primarily due to increased expenses associated with acquired businesses.

Research and Development Expenditures

(In millions)	*Three Months Ended* ***March 30, 2019***		*March 31, 2018*		*% Change*
Research and development expenditures	**$**	**162**	$	152	7%

R&D expenditures increased 7%. The increase in R&D expenditures is primarily due to increased expenses associated with acquired businesses. R&D expenditures were 9.8% of net sales compared to 10.4% of net sales in the first quarter of 2018.

Other Charges

(In millions)	Three Months Ended ***March 30, 2019***		*March 31, 2018*	
Other charges	**$**	**55**	$	67

The Other charges in the first quarter of 2019 as compared to the first quarter of 2018 can be summarized as follows:

- $2 million of charges for acquisition-related transaction fees in the first quarter of 2019 as compared to $17 million in the first quarter of 2018; and
- $4 million of net reorganization of business charges in the first quarter of 2019 as compared to $8 million in the first quarter of 2018, (see further detail in “Reorganization of Businesses” section);
- partially offset by $50 million of amortization of intangibles in the first quarter of 2019 compared to $41 million in the first quarter of 2018, driven by acquisitions.

Operating Earnings

(In millions)	Three Months Ended **_March 30, 2019_**	*March 31, 2018*
Operating earnings from Products and Systems Integration	**$ 108**	$ 90
Operating earnings from Services and Software	**121**	81
Operating earnings	**$ 229**	$ 171

Operating earnings were up $58 million, or 34%, compared to the first quarter of 2018. The increase in Operating earnings was due to:

- Services and Software segment, which was up $40 million from the first quarter of 2018 compared to the first quarter of 2019, driven by higher sales and gross margin, and partially offset by higher operating expenses related to acquisitions; and
- Products and Systems Integration, which was up $18 million from the first quarter of 2018 compared to the first quarter of 2019, driven by higher sales and gross margin, and partially offset by higher operating expenses related to acquisitions.

Net Interest Expense

(In millions)	Three Months Ended **_March 30, 2019_**	*March 31, 2018*
Interest expense, net	**$ (55)**	$ (46)

The increase in net interest expense in the first quarter of 2019 compared to the first quarter of 2018 was a result of $1.3 billion of debt issued towards the end of the first quarter of 2018.

Gains on Sales of Investments and Businesses, net

(In millions)	Three Months Ended **_March 30, 2019_**	*March 31, 2018*
Gains on sales of investments and businesses, net	**$ 1**	$ 11

Net gains on sales of investments and businesses were $1 million in the first quarter of 2019 compared to $11 million during the first quarter of 2018. The net gains were related to the sales of various equity investments.

Other

(In millions)	Three Months Ended **_March 30, 2019_**	*March 31, 2018*
Other	**$ 10**	$ 4

The net Other income in the first quarter of 2019 as compared to the first quarter of 2018 was primarily comprised of:

- $10 million of other non-operating income in the first quarter of 2019, as compared to expense of $2 million in the first quarter of 2018;
- foreign currency losses of $4 million in the first quarter of 2019 as compared to $11 million in the first quarter of 2018; and
- a $4 million loss on derivative instruments in the first quarter of 2019 and 2018;
- partially offset by $8 million of investment impairments; and
- $16 million of net periodic pension and postretirement benefit in the first quarter of 2019 as compared to $20 million in the first quarter of 2018.

Effective Tax Rate

(In millions)	Three Months Ended ***March 30, 2019***	 *March 31, 2018*
Income tax expense	**$ 33**	$ 23

Income tax expense increased by $10 million compared to the first quarter of 2018, for an effective tax rate of 18%. Our effective tax rates for the first quarter of 2019 of 18% and the first quarter of 2018 of 16% were lower than the current U.S. federal statutory rate of 21% primarily due to excess tax benefits on share-based compensation.

Reorganization of Business

During the first quarter of 2019, we recorded net reorganization of business charges of $8 million including $4 million of charges recorded within Other charges and $4 million in Costs of sales in our Condensed Consolidated Statements of Operations. Included in the $8 million were charges of $12 million related to employee separation costs, partially offset by $4 million of reversals for accruals no longer needed.

During the first quarter of 2018, we recorded net reorganization of business charges of $13 million including $8 million of charges recorded within Other charges and $5 million in Costs of sales in our Condensed Consolidated Statements of Operations. Included in the $13 million were charges of $22 million related to employee separation costs and $2 million related to exit costs, partially offset by $11 million of reversals for accruals no longer needed.

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

	Three Months Ended ***March 30, 2019***	 *March 31, 2018*
Products and Systems Integration	**$ 7**	$ 9
Services and Software	**1**	4
	$ 8	$ 13

Cash payments for employee severance in connection with the reorganization of business plans were $14 million in the first quarter of 2019 and employee severance and exit costs were $15 million in the first quarter of 2018. The reorganization of business accrual at March 30, 2019 was $78 million, of which relate to employee separation costs that are expected to be paid within one year.

As of January 1, 2019, accruals for exit costs are included in Operating lease liabilities with an offsetting impairment to our right-of use assets ("ROU"), all within our Condensed Consolidated Balance Sheets (see Note 3 of our condensed consolidated financial statements).

Liquidity and Capital Resources

	Three Months Ended ***March 30, 2019***	 *March 31, 2018*
Cash flows provided by (used for):		
Operating activities	**$ 251**	$ (500)
Investing activities	**(432)**	(1,089)
Financing activities	**(201)**	1,149
Effect of exchange rates on cash and cash equivalents	**22**	30
Decrease in cash and cash equivalents	**$ (360)**	$ (410)

Cash and Cash Equivalents

At March 30, 2019, $405 million of the $897 million cash and cash equivalents balance was held in the U.S. and $492 million was held by us or our subsidiaries in other countries, with approximately $138 million held in the United Kingdom. Restricted cash was $11 million at March 30, 2019 and December 31, 2018.

Operating Activities

The increase in operating cash flows from the first quarter of 2018 to the first quarter of 2019 was driven by (see additional discussion under "Sales of Receivables" below):

- a $500 million debt-funded voluntary contribution to our U.S. pension plan in the first quarter of 2018;
- annual incentive compensation payments being made in the first quarter of 2018, compared to the second quarter in 2019; and
- higher earnings in the first quarter of 2019 as compared to the first quarter of 2018;
- partially offset by $17 million of higher interest payments driven by additional debt issued towards the end of first quarter of 2018.

Investing Activities

The decrease in net cash used by investing activities from the first quarter of 2018 to the first quarter of 2019 was primarily due to:

- a $757 million decrease in acquisitions and investments, primarily driven by cash used for the purchases of VaaS and Avtec for $231 million and $136 million, respectively, as compared to the first quarter of 2018 when we made acquisitions of Avigilon and Plant Holdings for $887 million and $237 million, respectively; and
- $75 million of lower proceeds from sales of investments and businesses, driven by $60 million of excess cash withdrawn from company-sponsored life insurance investments in the first quarter of 2018; and
- partially offset by a $25 million increase in capital expenditures in the first quarter of 2019 as compared to the first quarter of 2018, primarily due to the network builds for Airwave and ESN, as well as expenditures for Avigilon.

Financing Activities

The increase in cash used for financing activities in the first quarter of 2019 as compared to the cash provided by financing activities in the first quarter of 2018 was driven by (also see further discussion in "Debt," "Credit Facilities," "Share Repurchase Program" and "Dividends" below):

- $1.3 billion of debt issuance in the first quarter of 2018; and
- a $79 million increase in our share repurchase program in the first quarter of 2019 as compared to the first quarter of 2018.

Sales of Receivables

The following table summarizes the proceeds received from sales of accounts receivable and long-term customer financing receivables for the three months ended March 30, 2019 and March 31, 2018:

	Three Months Ended	
	March 30, 2019	*March 31, 2018*
Accounts receivable sales proceeds	**$ 24**	$ 55
Long-term receivables sales proceeds	**21**	13
Total proceeds from sales of accounts receivable	**$ 45**	$ 68

The proceeds of our receivable sales are included in "Operating activities" within our Condensed Consolidated Statements of Cash Flows.

At March 30, 2019, the Company had retained servicing obligations for $944 million of long-term receivables, compared to $970 million at December 31, 2018. Servicing obligations are limited to collection activities related to the sales of accounts receivables and long-term receivables.

Debt

We had outstanding long-term debt of $5.3 billion, including the current portions of $28 million and $31 million at March 30, 2019 and December 31, 2018, respectively.

To complete the acquisition of Avigilon during the quarter ended March 31, 2018, we entered into a term loan for $400 million with a maturity date of March 26, 2021 (the "Term Loan"). Interest on the Term Loan is variable, indexed to London Inter-bank Offered Rate ("LIBOR"), and paid monthly. The weighted average borrowing rate for amounts outstanding during the three months ended March 30, 2019 was 3.75%. No additional borrowings are permitted and amounts borrowed and repaid or prepaid may not be re-borrowed.

In February of 2018, we issued $500 million of 4.60% Senior notes due 2028. After debt issuance costs and debt discounts, we recognized net proceeds of $497 million. These proceeds were then used to make a $500 million contribution to our U.S. pension plan in the first quarter of 2018.

As of March 30, 2019, we had $800 million of 2.0% Senior Convertible Notes outstanding with Silver Lake Partners which mature in September 2020 and are fully convertible. The notes are convertible based on a conversion rate of 14.8968, as may be adjusted for dividends declared, per $1,000 principal amount (which is currently equal to a published conversion price of $67.13 per share). The exercise price adjusts automatically for dividends. In the event of a conversion, the notes may be settled in either cash or stock, at our discretion. We intend to settle the principal amount of the Senior Convertible Notes in cash.

We continue to believe that we hold sufficient liquidity to cover the day-to-day operations of our business as well as any future volatility or uncertainty that may arise in the capital markets.

Credit Facilities

As of March 30, 2019, we had a $2.2 billion syndicated, unsecured revolving credit facility scheduled to mature in April 2022 (the "2017 Motorola Solutions Credit Agreement"). The 2017 Motorola Solutions Credit Agreement includes a $500 million letter of credit sub-limit with $450 million of fronting commitments. Borrowings under the facility bear interest at the prime rate plus the applicable margin, or at a spread above LIBOR, at our option. An annual facility fee is payable on the undrawn amount of the credit line. The interest rate and facility fee are subject to adjustment if our credit rating changes. We must comply with certain customary covenants including a maximum leverage ratio, as defined in the 2017 Motorola Solutions Credit Agreement. We were in compliance with our financial covenants as of March 30, 2019. During the first quarter of 2018, we borrowed $400 million to facilitate the Avigilon acquisition. There were no borrowings outstanding or letters of credit issued under the revolving credit facility as of March 30, 2019.

Share Repurchase Program

During the three months ended March 30, 2019, we paid an aggregate of $145 million, including transaction costs, to repurchase approximately 1.2 million shares at an average price of $118.98 per share. As of March 30, 2019, we had used approximately $12.6 billion of the share repurchase authority, including transaction costs, to repurchase shares, leaving $1.4 billion of authority available for future repurchases.

Dividends

During the first quarter of 2019, we paid $93 million in cash dividends to holders of our common stock. Subsequent to quarter end, we paid an additional $94 million in cash dividends to holders of our common stock.

Long-Term Customer Financing Commitments

Outstanding Commitments: We had outstanding commitments to provide long-term financing to third parties totaling $52 million at March 30, 2019, compared to $62 million at December 31, 2018.

Other Contingencies

There were no significant changes impacting our commitments and contingencies during the three months ended March 30, 2019.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) - Changes to the Disclosure Requirements for Defined Benefit Plans,” which modifies the disclosure requirements for the defined benefit pension plans and other postretirement plans. The ASU is effective for us on January 1, 2021 with early adoption permitted. The ASU requires a retrospective adoption method. We do not believe the ASU will have a material impact on our financial statement disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which requires us to measure and recognize expected credit losses for financial assets held and not accounted for at fair value through net income. This was subsequently amended by ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses,” which clarifies that receivables arising from operating leases are not within the scope of the ASU and amends the transition requirements. The ASU is effective for us on January 1, 2020 with early adoption permitted beginning as of January 1, 2019. The ASU requires a modified retrospective adoption method. We are still evaluating the impact of adoption on our financial statements and disclosures.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases," which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. This was subsequently amended by ASU No. 2018-01, “Land Easement Practical Expedient for Transition to Topic 842,” ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” and ASU No. 2018-11, “Targeted Improvements” (collectively "ASC 842"). ASC 842 establishes a right-of-use model ("ROU") that requires a lessee to recognize a

ROU asset and lease liability on the balance sheet for all leases with an initial term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and presentation of expense recognition in the income statement.

We adopted ASC 842 as of January 1, 2019 using a modified retrospective transition approach for all leases existing at January 1,2019, the date of the initial application. Consequently, financial information will not be updated and disclosures required under ASC 842 will not be provided for dates and periods before January 1, 2019.

ASC 842 provides for a number of optional practical expedients in transition. We elected the practical expedients, which permit us to not reassess prior conclusions about lease identification, lease classification and initial direct costs under ASC 842. We did not elect the "use-of hindsight" practical expedient to determine the lease term or in assessing the likelihood that a lease purchase option will be exercised, allowing us to carry forward the lease term as determined prior to adoption of ASC 842. Finally, we also elected the practical expedient related to land easements, which enabled us to continue our accounting treatment for land easements on existing agreements as of January 1, 2019.

ASC 842 also provides practical expedients for an entity’s ongoing accounting. We elected the short-term lease recognition exemption for all leases that qualify. A short-term lease is one with a term of 12 months or less, including any optional periods that are reasonably certain of exercise. For those leases that qualify, the exemption allows us to not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases at transition. Short-term lease costs are recognized as rent expense on a straight-line basis over the lease term consistent with our prior accounting. We also elected the practical expedient to not separate lease and non-lease components for all current lease categories.

We recognized operating lease liabilities of $648 million based on the present value of the remaining minimum rental payments determined under prior lease accounting standards and corresponding ROU assets of $588 million. The $60 million difference between operating lease liabilities and ROU assets recognized is due to deferred rent and exit cost accruals recorded under prior lease accounting standards. ASC 842 requires such balances to be reclassified against ROU assets at transition. In future periods such balances will not be presented separately.

For arrangements where we are the lessor, the adoption of ASC 842 did not have a material impact on our financial statements as the majority of our leases are operating leases embedded within managed services contracts. ASC 842 provides a practical expedient for lessors in which the lessor may elect, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for these components as a single component if both of the following are met: (1) the timing and pattern of transfer of the non-lease component(s) and associated lease component are the same and (2) the lease component, if accounted for separately, would be classified as an operating lease. The accounting under the practical expedient depends on which component(s) is predominant in the contract. If the non-lease component is predominant, the single component is accounted under ASC Topic 606 *Revenue from Contract with Customers* and accounting and disclosure under ASC 842 is not applicable. We have elected the above practical expedient and determined that non-lease components are predominant and is accounting for the single components as managed service contracts under ASC Topic 606.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Derivative Financial Instruments

As of March 30, 2019, we had outstanding foreign exchange contracts with notional amounts totaling $897 million, compared to $819 million outstanding as of December 31, 2018. Management believes that these financial instruments should not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts should generally offset gains and losses on the underlying assets, liabilities and transactions.

The following table shows the five largest net notional amounts of the positions to buy or sell foreign currency as of March 30, 2019, and the corresponding positions as of December 31, 2018:

	Notional Amount	
Net Buy (Sell) by Currency	***March 30, 2019***	*December 31, 2018*
Euro	**$ 136**	$ 89
Norwegian Krone	**34**	28
Australian Dollar	**(83)**	(105)
Chinese Renminbi	**(59)**	(55)
Brazilian Real	**(41)**	(41)

Forward-Looking Statements

Except for historical matters, the matters discussed in this Form 10-Q are forward-looking statements within the meaning of applicable federal securities law. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and generally include words such as “believes,” “expects,” “intends,” “aims,” “estimates” and similar expressions. We can give no assurance that any future results or events discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this Form 10-Q. Forward-looking statements include, but are not limited to, statements included in: (1) “Financial Statements,” about: (a) the recognition of revenue in future periods, and (b) our ability to settle the principal amount of the Senior Convertible Notes in cash, (2) “Management's Discussion and Analysis,” about: (a) trends affecting our business, including: (i) the impact of global economic and political conditions (ii) the impact of acquisitions on our business, (iii) the growth of our Services and Software segment and the resulting impact on operating margin, (iv) the focus on Services and Software and our expected growth opportunities, (b) the accuracy of the reserve estimate related to an environmental liability, (c) the expectation that we will sign an agreement with the U.K. Home Office for ESN during the second quarter of 2019, (d) our business strategies and expected results, (e) future payments, charges, use of accruals and expected cost-saving benefits associated with our productivity improvement plans, reorganization of business programs, and employee separation costs, (f) our ability and cost to repatriate funds, (g) our ability to settle the principal amount of the Senior Convertible Notes in cash, (h) our ability and cost to access the capital markets at our current ratings, (i) our ability to borrow and the amount available under our credit facilities, (j) our plans with respect to the level of outstanding debt, (k) the return of capital to shareholders through dividends and/or repurchasing shares, (l) the adequacy of our cash balances to meet current operating requirements, (m) potential contractual damages claims, and (n) the outcome and effect of ongoing and future legal proceedings, (3) The impact of new FASB Accounting Standards Updates on our financial statements, (4) “Quantitative and Qualitative Disclosures about Market Risk,” about the impact of foreign currency exchange risks, (5) "Controls and Procedures," about the implementation of our enterprise resource planning systems, and (6) “Legal Proceedings,” about the ultimate disposition of pending legal matters. Motorola Solutions undertakes no obligation to publicly update any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

Some of the risk factors that affect our business and financial results are discussed within this document, in Part I, “Item 1A: Risk Factors” on pages 9 through 21 of our 2018 Annual Report on Form 10-K and in our other SEC filings available for free on the SEC's website at www.sec.gov and on Motorola Solutions' website at www.motorolasolutions.com. 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 (the “Exchange Act”), 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 Solutions, 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 Solutions’ 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. Effective January 1, 2019, we adopted the new lease accounting standard ASU No. 2016-02. We have implemented new accounting processes related to lease accounting and related disclosures, including related control activities. There were no other changes in our internal control over financial reporting that occurred during the quarter ended March 30, 2019 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

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

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 9 through 21 of the Company’s 2018 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

On January 3, 2019, as partial consideration for the acquisition of VaaS International Holdings ("VaaS"), a company that is a global provider of data and image analytics for vehicle location, we issued 1,802,379 shares of the Company at a fair value of $198 million, inclusive of $38 million related to compensation withheld from the purchase that will be expensed over an average service period of one year, to certain of the former owners of VaaS. These shares were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, in a privately negotiated transaction not involving any public offering or solicitation.

The following table provides information with respect to acquisitions by the Company of shares of its common stock during the quarter ended March 30, 2019.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	*(a) Total Number of Shares Purchased*	*(b) Average Price Paid per Share* [(1)]	*(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Program* [(2)]	*(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program*[(2)]
12/28/18 to 01/23/19	1,077,188	$ 116.04	1,077,188	$ 1,451,377,126
02/21/19 to 03/27/19	142,145	$ 141.23	142,145	$ 1,431,301,601
Total	1,219,333	$ 118.98	1,219,333	

(1) Average price paid per share of common stock repurchased is the execution price, including commissions paid to brokers.

(2) Through a series of actions, the board of directors has authorized the Company to repurchase an aggregate amount of up to $14.0 billion of its outstanding shares of common stock (the “share repurchase program”). The share repurchase program does not have an expiration date. As of March 30, 2019, the Company had used approximately $12.6 billion, including transaction costs, to repurchase shares, leaving $1.4 billion of authority available for future repurchases.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	*Exhibit*
*10.1	2019-2021 Performance Measures under the Motorola Solutions Long Range Incentive Plan (LRIP), as approved on February 14, 2019.
*10.2	Form of Motorola Solutions, Inc. Performance Option Award Agreement for grants to Section 16 Officers on or after February 14, 2019.
*31.1	Certification of Gregory Q. Brown pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Gino A. Bonanotte 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 Gino A. Bonanotte pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Scheme Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* 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 SOLUTIONS, INC.

By: /S/ DAN PEKOFSKE

Dan Pekofske
Corporate Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

May 2, 2019

EXHIBIT INDEX

Exhibit No.	*Exhibit*
*10.1	2019-2021 Performance Measures under the Motorola Solutions Long Range Incentive Plan (LRIP), as approved on February 14, 2019.
*10.2	Form of Motorola Solutions, Inc. Performance Option Award Agreement for grants to Section 16 Officers on or after February 14, 2019.
*31.1	Certification of Gregory Q. Brown pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Gino A. Bonanotte 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 Gino A. Bonanotte pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Scheme Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

____

* Filed herewith

(Back To Top)

Section 2: EX-10.1 (EXHIBIT 10.1)

Motorola Solutions, Inc.
2019-2021 Long Range Incentive Plan (LRIP) Terms
As Approved by the Compensation and Leadership Committee On February 14, 2019

Exhibit 10.1

Design Feature	**2019-2021 LRIP**
Performance Cycle	Three years from January 1, 2019 through December 31, 2021
Eligible Population	Corporate Vice Presidents and above
Performance Criteria	**Relative Total Shareholder Return (TSR)** **TSR Defined as:** Ending stock price (Daily average during the final three months of the Performance Cycle) **+** Value of reinvested dividends **=** Total ending value **–** Beginning stock price (Daily average during the three months preceding the Performance Cycle) **=** Total value created ÷ Beginning share price (Daily average during the three months preceding the Performance Cycle) **= Total shareholder return**
Negative TSR Component	If the resulting TSR performance for Motorola Solutions is negative, the Committee will have full discretion to reduce the final calculated payout.
Comparator Group	S&P 500 defined as companies in the S&P 500 at the beginning of the performance period; must be publicly traded on or after July 1, 2020 to be included in the TSR percentile calculation at the end of the performance cycle.

Payout Scale	

Relative TSR Payout Scale	
MSI 3-Year TSR Percentile Rank	**Payout Factor**
90th - 100th Percentile	250%
80th - 89.99th Percentile	200%
70th - 79.99th Percentile	175%
60th - 69.99th Percentile	150%
55th - 59.99th Percentile	110%
50th - 54.99th Percentile	90%
45th - 49.99th Percentile	80%
35th - 44.99th Percentile	50%
30th - 34.99th Percentile	30%
< 30.00th Percentile	0%

(Back To Top)

Section 3: EX-10.2 (EXHIBIT 10.2)

PO Section 16
Omnibus Incentive Plan

Exhibit 10.2

Terms and Conditions Related to Employee Performance Stock Options

Recipient:	______________________	Date of Expiration:	______________________
Commerce ID#:	______________________	Target Option Award:	______________________
Date of Grant:	______________________	Exercise Price:	______________________

Motorola Solutions, Inc. (“Motorola Solutions” or the “Company”) is pleased to grant you the opportunity to earn options to purchase shares of Motorola Solutions common stock (“Common Stock”) under the Motorola Solutions Omnibus Incentive Plan of 2015, as amended (the “Plan”). The target 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, subject to the vesting conditions in this agreement. Each Option entitles you to purchase one share of Common Stock on the terms described below in this agreement and in the Plan.

Vesting Schedule

The Options shall be earned and vest on the third anniversary of the Date of Grant (the “Vesting Date”), if at all, based on the Company’s performance from January 1, [beginning year of performance period] until December 31, [final year of performance period] (the “Performance Period”), to the extent provided in the following schedule:

(A) **Options to Vest**	**(B)** **Vesting Date**	**(C)** **Payout Factor**	**(D)** **Number of Options Earned**
100% of Target Option Award	3rd Anniversary of Date of Grant	See Appendix A for Payout Factor	Target Option Award (Column A) times Payout Factor (Column C)

Vesting and Exercisability
You cannot exercise the Options until they have vested.

Regular Vesting – The Options will vest in accordance with the schedule set forth in Appendix A (subject to the other terms hereof).

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

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 (i) the Date of Expiration as stated above or (ii) 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 Vesting Date 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 Solutions or a Subsidiary is terminated because of your Total and Permanent Disability (as defined below) prior to the Vesting Date; the Target Option Award will automatically become fully vested upon your termination of employment or service. These vested 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 vested Options will be exercisable by you or your guardian or legal representative.

Death- If your employment or service with Motorola Solutions or a Subsidiary is terminated because of your death prior to the Vesting Date, the Target Option Award will automatically become fully vested upon your death. These vested 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 vested Options will be exercisable by your legal representative, legatees or distributees.

Change In Control- If a “Change in Control” of the Company occurs prior to the Vesting Date, and the successor corporation does not assume these Options or replace them with options that are economically equivalent to these Options, then: (i) the Target Option Award will automatically become fully vested and (ii) these vested Options will be exercisable until the Date of Expiration set forth above.

Further, if the Options are assumed or replaced as described in the preceding paragraph, such assumed or replaced options shall provide that they will be earned and vested at the “target” level of performance and remain 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 Solutions 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, prior to the Vesting Date, 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 Solutions or a Subsidiary, or if you remain employed by a Subsidiary that is sold (a “Divestiture”), then your Options will vest on a pro rata basis on the Vesting Date, provided that you have been continuously employed by the Company for at least two years following the beginning of the Performance Period, in an amount equal to (a) the Target Option Award (Column A) times (b) a fraction, the numerator of which is the number of completed full months of service by the Grantee from the beginning of the Performance Period to the date employment is terminated due to the Divestiture and the denominator of which is 36, times (c) the Payout Factor (Column C) as calculated on the Vesting Date. These vested Options will expire on the earlier of (i) 90 days after the Vesting Date or (ii) the Date of Expiration stated above.

Retirement- If your employment terminates due to your Retirement (as defined below), then your Options will vest on a pro rata basis on the Vesting Date in an amount equal to (a) the Target Option Award (Column A) times (b) a fraction, the numerator of which is the number of completed full months of service by the Grantee from the beginning of the Performance Period to the date of your Retirement and the denominator of which is 36, times (c) the Payout Factor (Column C) as calculated on the Vesting Date. These vested Options will expire on the earlier of (i) 90 days after the Vesting Date or (ii) the Date of Expiration stated above.

Termination of Employment or Service by Motorola Solutions or a Subsidiary Other than for Serious Misconduct or a Divestiture- If Motorola Solutions or a Subsidiary on its initiative, terminates your employment or service other than for Serious Misconduct or a Divestiture prior to the Vesting Date, then your Options will vest on a pro rata basis on the Vesting Date, provided that you have been continuously employed by the Company for at least two years following the beginning of the Performance Period, in an amount equal to (a) the Target Option Award (Column A) times (b) a fraction, the numerator of which is the number of completed full months of service by the Grantee from the beginning of the Performance Period to the date of your termination of employment or service and the denominator of which is 36, times (c) the Payout Factor (Column C) as calculated on the Vesting Date. All of your vested but not yet exercised Options will expire on the earlier of (i) 90 days after the Vesting Date or (ii) 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 Solutions or a Subsidiary terminates for any reason other than that described above, including voluntary resignation of your employment or service other than due to Retirement, 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 your termination date or (ii) the Date of Expiration stated above.

Leave of Absence/Temporary Layoff
If you take a Leave of Absence or you are placed on Temporary Layoff (each as defined below) by Motorola Solutions 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 Solutions 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 Solutions or a Subsidiary in connection with the exercise.

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

Tax Withholding- Motorola Solutions 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 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 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.

"Leave of Absence" means an approved leave of absence from Motorola Solutions or a Subsidiary from which you have a right to return to work, as determined by Motorola Solutions.

"Retirement" means your voluntary termination of employment prior to the Vesting Date and (A) at or after age 55 with at least 10 years of service, (B) at or after age 60 with at least 5 years of service, or (C) at or after age 65.

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

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

"Total and Permanent Disability" means for (x) U.S. employees, entitlement to long-term disability benefits under the Motorola Solutions 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 Solutions 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 Solutions, 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 Solutions, 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 Solutions 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 Solutions and/or any of its Subsidiaries may each further transfer Data to any third parties assisting Motorola Solutions 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 Solutions; 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 Solutions 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 Solutions, 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 Solutions or a Subsidiary who possesses Confidential Information of Motorola Solutions or a Subsidiary to terminate his/her employment with Motorola Solutions 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 or service with Motorola Solutions or a Subsidiary, and for a period of one year thereafter, you will immediately inform Motorola Solutions 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 Solutions or a Subsidiary to provide a copy of this agreement to your new employer. You further agree to provide information to Motorola Solutions 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 Solutions 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 of Common Stock 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 shares of 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 Solutions in connection with awards issued under the Plan, and any additional covenants or promises Motorola Solutions 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 Solutions website at https://converge.motorolasolutions.com/community/hr/rewards/stock-programs. If you do not have access to the website, please contact Global Rewards Equity Administration, Motorola Solutions, Inc., 500 W. Monroe Street, Chicago, Illinois 60661 U.S.A. to request Plan documents.

APPENDIX A

Relative TSR Payout Scale*	
MSI 3-Year TSR Percentile Rank	**Payout Factor****
90^{th} – 100^{th} Percentile	250%
80^{th} – 89.99^{th} Percentile	200%
70^{th} – 79.99^{th} Percentile	175%
60^{th} – 69.99^{th} Percentile	150%
55^{th} – 59.99^{th} Percentile	110%
50^{th} – 54.99^{th} Percentile	90%
45^{th} – 49.99^{th} Percentile	80%
35^{th} – 44.99^{th} Percentile	50%
30^{th} – 34.99^{th} Percentile	30%
< 30.00^{th} Percentile	0%

* "Relative TSR" means the Company's total stockholder return performance (*i.e.*, (Ending Stock Price – Beginning Stock Price) divided by Beginning Stock Price) relative to the companies listed in the S&P 500 at the beginning of the Performance Period.

"Beginning Stock Price" means the daily average stock price during the three months immediately preceding the first day of Performance period.

"Ending Stock Price" means the daily average stock price during the three months immediately preceding the last day of the Performance Period, with all dividends deemed reinvested.

** The Committee reserves the right to reduce the payout, in its discretion, if the Company's TSR performance during the Performance Period is negative.

(Back To Top)

Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Motorola Solutions, 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.

Date: May 2, 2019

/s/ GREGORY Q. BROWN

Gregory Q. Brown

Chairman and Chief Executive Officer

Motorola Solutions, Inc.

(Back To Top)

Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Gino A. Bonanotte, Executive Vice President and Chief Financial Officer, Motorola Solutions, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Motorola Solutions, 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.

Date: May 2, 2019

/s/ GINO A. BONANOTTE

Gino A. Bonanotte
Executive Vice President and Chief Financial Officer
Motorola Solutions, Inc.

(Back To Top)

Section 6: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION

I, Gregory Q. Brown, Chairman and Chief Executive Officer, Motorola Solutions, 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 30, 2019 (the "Quarterly Report"), which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) 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 Solutions, Inc.

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

Dated: May 2, 2019

/s/ GREGORY Q. BROWN

Gregory Q. Brown
Chairman and Chief Executive Officer
Motorola Solutions, Inc.

(Back To Top)

Section 7: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION

I, Gino A. Bonanotte, Executive Vice President and Chief Financial Officer, Motorola Solutions, 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 30, 2019 (the “Quarterly Report”), which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) 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 Solutions, Inc.

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

Dated: May 2, 2019

/s/ GINO A. BONANOTTE

Gino A. Bonanotte
Executive Vice President and Chief Financial Officer
Motorola Solutions, Inc.

(Back To Top)