PEROT SYSTEMS CORP
Form 3
January 09, 2009

FORM 3

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

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â MATTHEWS CAROLINE S
(Last) (First) (Middle)

2300 WEST PLANO PARKWAY
(Street)

PLANO,Â TXÂ 75075
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
12/15/2008

3. Issuer Name **and** Ticker or Trading Symbol
PEROT SYSTEMS CORP [PER]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			

(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MATTHEWS CAROLINE S 2300 WEST PLANO PARKWAY PLANO,Â TXÂ 75075	Â X	Â	Â	Â

Signatures

By Rex C. Mills, by Power of Attorney for Caroline Matthews	01/09/2009
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. g-left:2px;padding-top:2px;padding-bottom:2px;">
130

7.1
%
Net earnings
$
157

8.0
%

$
497

27.1
%
Earnings (loss) per diluted common share:

Continuing operations
$
0.50

$
1.07

Discontinued operations
(0.01
)

0.37

$
0.49

$
1.44

* Amounts attributable to Motorola Solutions, Inc. common stockholders.
** Percentages may not add due to rounding

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Results of Operations—Three months ended March 31, 2012 compared to three months ended April 2, 2011

Net Sales

Net sales were $2.0 billion in the first quarter of 2012, up 7% compared to net sales of $1.8 billion in the first quarter of 2011. The increase in net sales reflects: (i) $134 million, or 11%, increase in net sales in the Government segment driven by growth in all regions, and (ii) $12 million, or 2%, decrease in net sales in the Enterprise segment driven by a $31 million decline in iDEN sales.

Gross Margin

Gross margin was $1.0 billion, or 49.7% of net sales, in the first quarter of 2012, compared to $924 million, or 50.4% of net sales, in the first quarter of 2011. The increase in gross margin reflects higher gross margin in our Government segment driven by the 11% increase in net sales, offset by lower gross margin in our Enterprise segment primarily related to the decline in iDEN sales. The decrease in gross margin as a percentage of net sales in the first quarter of 2012, compared to the first quarter of 2011, reflects a 1.3% decrease in gross margin percentage from services and relatively flat gross margin percentage from product sales. The decline in gross margin percentage from service sales primarily relates to timing differences of large projects within our North America region.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses increased 2% to $472 million, or 24.1% of net sales, in the first quarter of 2012, compared to $461 million, or 25.1% of net sales, in the first quarter of 2011. The increase is driven by an increase in pension related costs. SG&A expenses as a percentage of net sales decreased in our Government segment, due to increased sales to absorb the incremental pension expense, and increased in our Enterprise segment, due to reduced sales levels and increased pension expense.

Research and Development Expenditures

Research and development (“R&D”) expenditures increased 2% to $254 million, or 13.0% of net sales, in the first quarter of 2012, compared to $239 million, or 13.0% of net sales, in the first quarter of 2011. R&D expenditures as a percentage of net sales decreased in our Government segment, due to increased sales levels to absorb the incremental R&D investment, and increased in our Enterprise segment, due to lower sales and incremental R&D investment. The increase in R&D expenditures reflects higher R&D expenditures in both segments, primarily due to an increase in investment in next-generation technologies, including small strategic acquisitions closed subsequent to the first quarter of 2011.

Other Charges

We recorded net charges of $15 million in Other charges in the first quarter of 2012, compared to net charges of $55 million in the first quarter of 2011. The net charges in the first quarter of 2012 included: (i) $9 million of net reorganization of business charges, and (ii) $6 million of charges relating to the amortization of intangibles. The charges in the first quarter of 2011 included: (i) $50 million of charges relating to the amortization of intangibles, and (ii) $5 million of net reorganization of business charges included in Other charges. The net reorganization of business charges are discussed in further detail in the “Reorganization of Businesses” section.

Net Interest Expense

Net interest expense was $14 million in the first quarter of 2012, compared to net interest expense of $20 million in the first quarter of 2011. Net interest expense in the first quarter of 2012 included interest expense of $25 million, partially offset by interest income of $11 million. Net interest expense in the first quarter of 2011 includes interest expense of $34 million, partially offset by interest income of $14 million. The decrease in net interest expense in the first quarter of 2012 is primarily attributable to a decline in interest expense due to lower average debt outstanding during the first quarter of 2012 compared to the first quarter of 2011. Additionally, interest income decreased due to lower average cash and cash equivalents and lower yields during the first quarter of 2012 compared to the first quarter of 2011.

Gains on Sales of Investments and Businesses

Gains on sales of investments and businesses were $17 million in the first quarter of 2012, compared to $18 million in the first quarter of 2011. In the first quarter of 2012 the net gains were primarily comprised of a gain related to the sale of one of our equity investments.

Other

Net Other income was $9 million in the first quarter of 2012, compared to net Other income of $5 million in the first quarter of 2011. The net Other income in the first quarter of 2012 was primarily comprised of a $10 million foreign currency gain, compared to a $5 million of foreign currency gain in the first quarter of 2011.

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Effective Tax Rate

We recorded $85 million of net tax expense in the first quarter of 2012, resulting in an effective tax rate of 35%, compared to $189 million of net tax benefit in the first quarter of 2011, resulting in a negative effective tax rate. Our negative effective tax rate in the first quarter of 2011 was primarily related to the recording of a $244 million tax benefit for the reversal of a significant portion of the valuation allowance established on the U.S. deferred tax assets. While our effective tax rate may change from period to period due to non-recurring events, such as settlements of income tax audits and changes in valuation allowances, we expect our effective tax rate to be close to the U.S. statutory tax rate primarily due to our current repatriation strategy and the U.S. federal income tax accrual on undistributed foreign earnings.

Earnings from Continuing Operations

After taxes, and excluding Loss attributable to noncontrolling interests, we had net earnings from continuing operations of $159 million, or $0.50 per diluted share, in the first quarter of 2012, compared to net earnings from continuing operations of $367 million, or $1.07 per diluted share, in the first quarter of 2011.

The decrease in net earnings from continuing operations was primarily driven by the $244 million benefit for the valuation allowance reversal recorded during the first quarter of 2011. The decrease in income tax benefit was partially offset by (i) $49 million increase in gross margin, and (ii) $40 million decrease in Other charges.

Earnings from Discontinued Operations

In the first quarter of 2012, we had an after-tax loss from discontinued operations of $2 million, or $0.01 per diluted share, primarily driven by a loss related to the exit of the amateur, marine, and airband businesses. In the first quarter of 2011, we had after-tax earnings from discontinued operations of $130 million, or $0.37 per diluted share, primarily from the Networks business.

Segment Information

The following commentary should be read in conjunction with the financial results of each reporting segment for the three months ended March 31, 2012 and April 2, 2011 as detailed in Note 12, “Segment Information,” of our condensed consolidated financial statements.

Government Segment

For the first quarter of 2012 and first quarter of 2011, the segment’s net sales represented 67% of our consolidated net sales.

	Three Months Ended			
	March 31, 2012	April 2, 2011	% Change	
Segment net sales	$1,301	$1,167	11	%
Operating earnings	150	99	52	%

Three months ended March 31, 2012 compared to three months ended April 2, 2011

The segment’s net sales were $1.3 billion in the first quarter of 2012 and $1.2 billion during the first quarter of 2011. The increase in net sales in the Government segment reflects an increase in sales of mission-critical infrastructure and professional commercial radio products, and services. On a geographic basis, net sales increased in all regions compared to the year-ago quarter. Net sales in North America continued to comprise a significant portion of the segment’s business, accounting for approximately 62% of the segment’s sales in both the first quarter of 2012 and 2011. The segment had operating earnings of $150 million in the first quarter of 2012, compared to operating earnings of $99 million in the first quarter of 2011. As a percentage of net sales in the first quarter of 2012 as compared to the first quarter of 2011, gross margin, SG&A and R&D expenditures decreased. The increase in operating earnings was primarily due to an increase in gross margin, driven by the 11% increase in net sales, partially offset by a slight increase in R&D expenditures, driven by investment in next-generation technologies. SG&A expenses remained flat, which reflects an increase in pension related expenses, offset by savings from cost-reduction initiatives.

Enterprise Segment

For the first quarter of 2012 and first quarter of 2011, the segment's net sales represented 33% of our consolidated net sales.

	Three Months Ended		
	March 31, 2012	April 2, 2011	% Change
Segment net sales	$655	$667	(2)%
Operating earnings	82	70	17%

Three months ended March 31, 2012 compared to three months ended April 2, 2011

In the first quarter of 2012, the segment's net sales were $655 million, a 2% decrease compared to net sales of $667 million in the first quarter of 2011. The 2% decrease in net sales in the Enterprise segment reflects a decrease in iDEN of $31 million, partially offset by an increase in WLAN product and services sales. On a geographic basis, net sales increased in North America and Asia, and decreased in Latin America and EMEA. The decrease in Latin America was due to the decline in iDEN, whereas the decline in EMEA was primarily driven by foreign currency fluctuations. Net sales in North America continued to comprise a significant portion of the segment's business, accounting for approximately 49% and 45% of the segment's net sales in the first quarter of 2012 and the first quarter of 2011, respectively.

The segment had operating earnings of $82 million in the first quarter of 2012, compared to operating earnings of $70 million in the first quarter of 2011. As a percentage of net sales in the first quarter of 2012 as compared to the first quarter of 2011, gross margin decreased, and SG&A expenses and R&D expenditures increased. The increase in operating earnings was primarily due to a decrease in Other charges, from a reduction in intangibles amortization as certain intangible assets associated with the Symbol acquisition have fully amortized. The decrease in Other charges was partially offset by increases in SG&A expenses and R&D expenditures. The increase in SG&A expenses was primarily due to: (i) increase in pension-related expenses in the first quarter of 2012 compared to the first quarter of 2011, and (ii) certain credits related to sales of patents which occurred in the first quarter of 2011 with no comparable credits in the first quarter of 2012. The increase in R&D expenditures was primarily due to investment in next-generation technologies, including small strategic acquisitions, closed subsequent to the first quarter of 2011.

Reorganization of Businesses

During the first quarter of 2012, we implemented various productivity improvement plans aimed at achieving long term, sustainable profitability by driving efficiencies and reducing operating costs. During the first quarter of 2012, we recorded net reorganization of business charges of $9 million, including: (i) $12 million relating to the separation of 200 indirect employees, and (ii) $1 million for building impairment charges, partially offset by $4 million of reversals for accruals no longer needed. These charges were substantially all classified as Other charges in our condensed consolidated statements of operations.

During the three months ended April 2, 2011, we recorded net reorganization of business charges of $8 million for employee separation costs, including $5 million of charges under Other charges and $3 million of charges in Costs of sales in our condensed consolidated statements of operations.

We expect to realize cost-saving benefits of approximately $8 million during the remaining nine months of 2012 from the plans that were initiated during the first three months of 2012, primarily in SG&A expenses. Beyond 2012, we expect the reorganization plans initiated during the first three months of 2012 to provide annualized cost savings of approximately $17 million, representing: (i) $12 million of savings in SG&A expenses, (ii) $3 million of savings in Cost of sales, and (iii) $2 million in R&D expenditures.

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

	Three Months Ended	
	March 31, 2012	April 2, 2011
Government	$7	$8
Enterprise	2	—
	$9	$8

Cash payments for employee severance and exit costs in connection with the reorganization of business plans were $15 million in the first three months of 2012, as compared to $14 million in the first three months of 2011. Of the $37 million of

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reorganization of businesses accruals at March 31, 2012, $25 million relate to employee separation costs and are expected to be paid in 2012 and 2013. The remaining $12 million in accruals relate to lease termination obligations that are expected to be paid over a number of years.

Liquidity and Capital Resources

The Company decreased the aggregate of our (i) cash and cash equivalent balances, (ii) Sigma Fund and short-term investments by $1.3 billion from $5.1 billion as of December 31, 2011 to $3.8 billion as of March 31, 2012, primarily due to the return of $1.4 billion of capital to shareholders through share repurchases and dividends paid during the first quarter of 2012.

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

Cash and Cash Equivalents

Our cash and cash equivalents (which are highly-liquid investments with an original maturity of three months or less) were $1.7 billion at March 31, 2012, compared to $1.9 billion at December 31, 2011. At March 31, 2012, approximately $302 million of this amount was held in the U.S. and $1.4 billion was held by the Company or its subsidiaries in other countries (including $362 million in China). At both March 31, 2012 and December 31, 2011, restricted cash was $63 million (including $3 million held outside the U.S.). The decrease in our cash and cash equivalents from December 31, 2011 to March 31, 2012 is reflective of our share repurchases of $1.4 billion, partially offset by net proceeds from sales of Sigma Fund investments of $1.2 billion.

Repatriation of foreign funds continues to be a priority given our domestic cash requirements. We continuously analyze and review various repatriation strategies to efficiently repatriate funds in the context of meeting our business needs in a tax efficient manner. During the first three months of 2012, we repatriated $432 million in funds to the U.S. from international jurisdictions. We have approximately $2.1 billion of earnings in foreign subsidiaries that are not permanently reinvested and may be repatriated without an additional income tax charge, given the U.S. federal and foreign income tax accrued on undistributed earnings and the utilization of available foreign tax credits. Where appropriate, we may also pursue capital reduction activities; however, such activities can be more involved and lengthy. While we regularly repatriate funds and a portion of offshore funds can be repatriated with minimal adverse financial impact, repatriation of some of these funds may be subject to delay for local country approvals and could have potential adverse cash tax consequences.

Operating Activities

Cash provided by operating activities from continuing operations in the first quarter of 2012 was $69 million, compared to $233 million in 2011. Operating cash flows in the first quarter of 2012, as compared to first quarter of 2011, were negatively impacted by timing differences within: (i) working capital accounts, specifically accounts receivable, (ii) accrued liabilities, specific to approximately $150 million of certain annual bonus payouts, which were made in the first quarter of 2012 as compared to the second quarter of 2011, and (iii) a $50 million payment related to a legal settlement. These effects were partially offset by increased sales and the expansion of our operating margin.

We contributed $60 million to our U.S. pension plans during the first quarter of 2012, compared to $50 million contributed in the first quarter of 2011. We contributed $15 million to our non-U.S. pension plans during the first quarter of 2012, compared to $20 million contributed in the first quarter of 2011. In January 2011, the Pension Benefit Guaranty Corporation ("PBGC") announced an agreement with Motorola Solutions under which we would contribute $100 million above and beyond our legal requirement to our Regular Pension Plan over the next five years. We and the PBGC entered into the agreement as we were in the process of separating Motorola Mobility and pursuing the sale of certain assets of the Networks business. We made an additional $250 million of pension contributions to the Regular Pension Plan over the amounts required in the fourth quarter 2011, of which $100 million was intended to fulfill the PBGC obligation. During 2012, we expect to make cash contributions of approximately $340 million to our Regular Pension Plan and approximately $30 million to our non-U.S. pension plans. Subsequent to March 31, 2012, we contributed $72 million to our Regular Pension Plan.

Explanation of Responses:

Investing Activities

Net cash provided by investing activities was $1.2 billion in the first three months of 2012, compared to net cash provided of $1.3 billion in the first three months of 2011. This $115 million decrease was primarily due to the decrease in cash received from net sales of Sigma Fund investments.

Sigma Fund: We and our wholly-owned subsidiaries invest most of our U.S. dollar-denominated cash in a fund (the “Sigma Fund”) that allows us to efficiently manage our cash around the world. We had net proceeds from sales of $1.2 billion of Sigma Fund investments in the first three months of 2012, compared to $1.2 billion in net sales of Sigma Fund investments in the first three months of 2011. The aggregate fair value of Sigma Fund investments was $2.0 billion at March 31, 2012 (including $1.1 billion held outside the U.S.), compared to $3.2 billion at December 31, 2011 (including $1.3 billion held outside the U.S.).

At March 31, 2012 and December 31, 2011, the Sigma Fund was invested in cash and U.S. government, agency and government-sponsored enterprise obligations. The investments had a weighted average maturity of less than 30 days. This reflects a strategic decision to prioritize liquidity and capital preservation.

We continuously assess our cash needs and continue to believe that the balance of cash and cash equivalents, short-term investments and investments in the Sigma Fund are more than adequate to meet our current operating requirements over the next twelve months.

Acquisition and Investments: On February 27, 2012, we completed an agreement with NSN to take over the Norwegian nationwide Terrestrial Trunked Radio ("TETRA") public safety network. With this transaction, we have broadened our scope from being a sub-supplier of the technology for the core TETRA digital radio communications infrastructure to become the prime contractor, including all managed services for the rollout, implementation, and operation of the system.

We received $92 million in net proceeds from acquisitions and investments in the first three months of 2012, primarily related to the agreement with NSN to take over responsibility to implement Norway´s TETRA public safety network.

Capital Expenditures: Capital expenditures increased in the first three months of 2012 to $49 million, compared to $27 million in the first three months of 2011, primarily due to an increase in investments related to generating service revenue opportunities. Our emphasis when making capital expenditure decisions is to focus on strategic investments driven by customer demand and new design capability.

Sales of Investments and Businesses: We made $54 million of disbursements relate to the sales of investments and businesses, in the first three months of 2012, compared to proceeds of $52 million in the first three months of 2011. The disbursements in the first three months of 2012 were primarily comprised of payments to NSN related to the purchase price adjustment related to the sale of the Networks business, partially offset by proceeds from sales of certain of our equity investments. The proceeds in the first three months of 2011 were primarily comprised of net proceeds received in connection with sales of: (i) certain of the Company’s equity investments, and (ii) the Israel-based module business.

Financing Activities

Net cash used for financing activities was $1.4 billion in the first three months of 2012, compared to net cash used of $2.9 billion in the first three months of 2011. Cash used for financing activities in the first three months of 2012 was primarily comprised of: (i) $1.4 billion used for purchases of our common stock under our share repurchase program, and (ii) $70 million of cash used for the payment of dividends, partially offset by: (i) $30 million of net cash received from the issuance of common stock in connection with our employee stock option plans and employee stock purchase plan. Net cash used for financing activities in the first three months of 2011 was primarily comprised of a $3.2 billion cash contribution relating to the Distribution of Motorola Mobility, partially offset by (i) $209 million of distributions from discontinued operations, and (ii) $70 million of net cash received from the issuance of common stock in connection with our employee stock option plans and employee stock purchase plan.

Current Portion of Long-Term Debt: Our current portion of long-term debt was $404 million, at March 31, 2012 and $405 million at December 31, 2011.

Long-Term Portion of Long-Term Debt: We had outstanding long-term debt of $1.1 billion, at both March 31, 2012 and December 31, 2011.

We have investment grade ratings on our senior secured long-term debt from the three largest U.S. national rating agencies. We believe that we will be able to maintain sufficient access to the capital markets at our current ratings.

Any future disruptions, uncertainty or volatility in the capital markets may result in higher funding costs for us and adversely affect our ability to access funds.

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

Share Repurchase Program: On July 28, 2011, we announced that our Board of Directors approved a share repurchase program that allows us to purchase up to $2.0 billion of our outstanding common stock through December 31, 2012. On January 30, 2012, we announced that our Board of Directors authorized up to $1.0 billion in additional funds for use under the existing share repurchase program through the end of 2012. On February 26, 2012, we entered into a stock purchase agreement with Carl C. Icahn and certain of his affiliates to purchase 23,739,362 shares of our common stock for $1.2 billion. We paid an aggregate of $1.4 billion during the first quarter of 2012, including transactions costs, to repurchase 28.0 million shares at an average price of $48.81 per share. All repurchased shares have been retired.

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

Credit Facilities

As of March 31, 2012, we had a $1.5 billion unsecured syndicated revolving credit facility (the "2011 Motorola Solutions Credit Agreement") scheduled to mature on June 30, 2014. The 2011 Motorola Solutions Credit Agreement includes a provision pursuant to which we can increase the aggregate credit facility size up to a maximum of $2.0 billion by adding lenders or having existing lenders increase their commitments. We must comply with certain customary covenants, including maximum leverage and minimum interest coverage ratios as defined in the 2011 Motorola Solutions Credit Agreement. The Company was in compliance with its financial covenants as of March 31, 2012. We did not borrow under the 2011 Motorola Solutions Credit Agreement during the three months ended March 31, 2012.

Long-Term Customer Financing Commitments

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

Outstanding Long-Term Receivables: We had net long-term receivables of $31 million (net of allowances for losses of $3 million) at March 31, 2012, compared to net long-term receivables of $37 million (net of allowances for losses of $10 million) at December 31, 2011. These long-term receivables are generally interest bearing, with interest rates generally ranging from 2% to 13%.

Sales of Receivables

From time to time we sell accounts receivable and long-term receivables on a non-recourse basis to third parties under one-time arrangements while others are sold to third parties under committed facilities that involve contractual commitments from these parties to purchase qualifying receivables up to an outstanding monetary limit. Committed facilities may be revolving in nature and, typically, must be renewed annually. We may or may not retain the obligation to service (billing and collecting only) the sold accounts receivable and long-term receivables.

We had no committed facilities for the sale of long-term receivables or short-term receivables at March 31, 2012 or at December 31, 2011.

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

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

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

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Other Contingencies

Potential Contractual Damage Claims in Excess of Underlying Contract Value: In certain circumstances, we may enter into contracts with customers pursuant to which the damages that could be claimed by the other party for failed performance might exceed the revenue we receive from the contract. Contracts with these types of uncapped damage provisions are fairly rare, but individual contracts could still represent meaningful risk. There is a possibility that a damage claim by a counterparty to one of these contracts could result in expenses to us that are far in excess of the revenue received from the counterparty in connection with the contract.

Indemnification Provisions: In addition, we may provide indemnifications for losses that result from the breach of general warranties contained in certain commercial, intellectual property and divestiture agreements. Historically, we have not made significant payments under these agreements, nor have there been significant claims asserted against us. However, there is an increasing risk in relation to intellectual property indemnities given the current legal climate. In indemnification cases, our payment is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, for which procedures typically allow us to challenge the other party's claims. Further, our obligations under divestiture agreements for indemnification based on breach of representations and warranties are generally limited in terms of duration, typically not more than 24 months, and for amounts not in excess of the contract value, and in some instances we may have recourse against third parties for certain payments made by us.

Legal Matters: We are 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 our consolidated financial position, liquidity or results of operations. However, an unfavorable resolution could have a material adverse effect on our consolidated financial position, liquidity or results of operations in the periods in which the matters are ultimately resolved.

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

Significant Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following significant accounting policies require significant judgment and estimates:

- Revenue recognition
- Inventory valuation
- Income taxes
- Valuation of the Sigma Fund and investment portfolios
- Restructuring activities
- Retirement-related benefits
- Valuation and recoverability of goodwill and long-lived assets

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Recent Accounting Pronouncements

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Derivative Financial Instruments
At March 31, 2012, we had outstanding foreign exchange contracts with notional amounts totaling $316 million, compared to $524 million outstanding at December 31, 2011. The decrease in outstanding contracts is primarily related to the reduction of foreign assets due to repatriation activities. Management believes that these financial instruments should not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts should generally offset losses and gains on the underlying assets, liabilities and transactions, except for the ineffective portion of the instruments, which are charged to Other within Other income (expense) in our condensed consolidated statements of operations.
The following table shows the five largest net notional amounts of the positions to buy or sell foreign currency as of March 31, 2012 and the corresponding positions as of December 31, 2011:

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

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,” “anticipates,” “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) the Executive Overview about: (a) our business strategies and expected results, and (b) our industry and market expectations including demand levels and customer priorities for our business, (2) “Management's Discussion and Analysis,” about: (a) our commitment to and investment in R&D, (b) future payments, charges, use of accruals and expected cost-saving benefits associated with our reorganization of business programs and employee separation costs, (c) our ability and cost to repatriate funds, (d) future cash contributions to pension plans or retiree health benefit plans, (e) our ability to collect on our Sigma Fund and other investments, (f) the completion and impact of pending acquisitions and divestitures, (g) our ability and cost to access the capital markets, (h) our plans with respect to the level of outstanding debt, (i) the return of capital to shareholders through dividends and/or repurchasing shares, (j) expected payments pursuant to commitments under long-term agreements, (k) our ability to sell accounts receivable and the terms and amounts of such sales, (l) potential contractual damages claims, (m) the outcome and effect of ongoing and future legal proceedings, and (n) the impact of recent accounting pronouncements, (3) “Quantitative and Qualitative Disclosures about Market Risk,” about the impact of foreign currency exchange risks, and (4) “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 in Part I, “Item 1A: Risk Factors” on pages 9 through 23 of our 2011 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.

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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. There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2012, 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 proceedings referenced below refer to Motorola, Inc., our former name, and we have not changed the court descriptions to refer to Motorola Solutions, Inc.

Silverman Federal Securities Class Action Case

A purported class action lawsuit on behalf of the purchasers of Motorola securities between July 19, 2006 and January 5, 2007, Silverman v. Motorola, Inc., et al., was filed against the Company and certain current and former officers and directors of the Company on August 9, 2007, in the United States District Court for the Northern District of Illinois. The complaint alleges violations of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934, as well as, in the case of the individual defendants, the control person provisions of the Securities Exchange Act. The factual assertions in the complaint consist primarily of the allegation that the defendants knowingly made incorrect statements concerning Motorola's projected revenues for the third and fourth quarter of 2006. The complaint seeks unspecified damages and other relief relating to the purported inflation in the price of Motorola shares during the class period. An amended complaint was filed December 20, 2007, and Motorola moved to dismiss that complaint in February 2008. On September 24, 2008, the district court granted this motion in part to dismiss Section 10(b) claims as to two individuals and certain claims related to forward looking statements, among other things, and denied the motion in part. On August 25, 2009, the district court granted plaintiff's motion for class certification. On March 10, 2010, the district court granted plaintiff's motion to file a second amended complaint which adds allegations concerning Motorola's accounting and disclosures for certain transactions entered into in the third quarter of 2006. On February 16, 2011, the district court granted summary judgment to dismiss the remaining claims as to two individual defendants and the Section 10(b) claim as to a third individual, and denied the motion in part. On March 21, 2011, Motorola filed a motion for summary judgment on the remaining claims against the Company and other individual defendants. On July 25, 2011, the district court denied the motion for summary judgment. On February 1, 2012, the parties in the Silverman litigation signed a settlement agreement to resolve all claims in that case for $200 million, $150 million of which is being paid by the Company's insurance carriers. The Court preliminarily approved the settlement agreement on February 16, 2012. A final settlement approval hearing is scheduled for May 9, 2012.

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 23 of the Company’s 2011 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.
The following table provides information with respect to acquisitions by the Company of shares of its common stock during the quarter ended March 31, 2012.
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)(3)
1/1/12 to 1/27/12	1,017,300	$46.41	1,017,300	$842,511,962
1/28/12 to 2/24/12	2,468,440	$46.29	2,468,440	$1,728,298,503
2/25/12 to 3/31/12 (4)	24,488,853	$49.19	24,488,853	$524,320,407
Total	27,974,593	$48.81	27,974,593	

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

(2) On July 28, 2011, the Company announced that its Board of Directors had authorized a share repurchase program for an aggregate amount up to $2.0 billion of its outstanding shares of common stock ending on December 31, 2012.

(3) On January 30, 2012, the Company announced that its Board of Directors authorized up to $1.0 billion in additional funds for use under the existing share repurchase program through the end of 2012.

(4) On February 26, 2012, the Company entered into a stock purchase agreement with Carl C. Icahn and certain of his affiliates to purchase 23,739,642 shares of its common stock

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	Stock Purchase Agreement, dated as of February 26, 2012, by and between Motorola Solutions, Inc. and Carl C. Icahn and certain of his affiliates (incorporated by reference to Exhibit 10.1 to Motorola Solutions' Current Report on Form 8-K filed on February 27, 2012 (File No. 1-7221)).
*10.2	Description of Insurance covering non-employee directors and their spouses (including a description incorporated by reference from the information under the caption “Director Retirement Plan and Insurance Coverage” of the Motorola Solutions Definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 30, 2012 filed on March 12, 2012 (File No. 1-7221)).
*31.1	Certification of Gregory Q. Brown pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Edward J. Fitzpatrick 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.
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**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

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* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securii4es Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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/ JOHN K. WOZNIAK
John K. Wozniak
Corporate Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: April 25, 2012

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EXHIBIT INDEX

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