UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **May 12, 2011**

Motorola Solutions, Inc.
(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or Other Jurisdiction of Incorporation)

1-7221	**36-1115800**
(Commission File Number)	(IRS Employer Identification No.)
1303 East Algonquin Road **Schaumburg, Illinois**	**60196**
(Address of Principal Executive Offices)	(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other events

Motorola Solutions, Inc. (the “Company”) is filing this Current Report on Form 8-K solely to update the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 (“Motorola’s 2010 Annual Report”) to reflect: (i) the revised presentation of the Company’s segments as a result of the realignment of its operations into two segments: Government and Enterprise, as previously reported on Form 8-K furnished on April 14, 2011, and (ii) the reclassification of the historical financial results of Motorola Mobility Holdings, Inc. (“Motorola Mobility”) as discontinued operations as a result of the distribution by the Company of all the common stock of Motorola Mobility on January 4, 2011. On April 29, 2011, the Company completed the sale of certain assets and liabilities of the Networks business to Nokia Siemens Networks B.V. (“NSN”). The results of operations of the portions of the Networks business sold to NSN were reclassified to discontinued operations beginning in the third quarter of 2010.

Attached as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K are the updated “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8: Financial Statements and Supplementary Data” both from Motorola’s 2010 Annual Report, to reflect the revised segment presentation and the reclassification of the historical financial results of Motorola Mobility as discontinued operations.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following are filed as Exhibits to this Report:

Exhibit 23	Consent of Independent Registered Public Accounting Firm
Exhibit 99.1	"Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations"
Exhibit 99.2	"Item 8: Financial Statements and Supplementary Data"
Exhibit 101	The following financial information as of December 31, 2010, and for the three years in the period then ended from Motorola Solutions, Inc.'s Current Report on Form 8-K is formatted in XBRL (Extensible Business Reporting Language): (1) Consolidated Statements of Operations, (2) Consolidated Balance Sheets, (3) Consolidated Statements of Stockholders' Equity, (4) Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements.*

* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or 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 Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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.

Date: May 12, 2011

By: /s/ JOHN K. WOZNIAK

John K. Wozniak
Corporate Vice President
and Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description
23	Consent of Independent Registered Public Accounting Firm
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99.2	"Item 8: Financial Statements and Supplementary Data"
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Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Motorola Solutions, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 033-59285, 333-51847, 333-88735, 333-36308, 333-37114, 333-53120, 333-60560, 333-60612, 333-60976, 333-87724, 333-87728, 333-87730, 333-104259, 333-105107, 333-123879, 333-133736, 333-142845, 333-155334 and 333-160137), and Form S-3 (Nos. 333-76637 and 333-36320) of Motorola Solutions, Inc. of our report dated February 18, 2011, except as it relates to the presentation of Motorola Mobility Holdings, Inc. as a discontinued operation and the sale of certain assets and liabilities of the Networks business as discussed in Notes 1 and 2 to the consolidated financial statements and the related change in segment information discussed in Note 1, as to which the date is May 12, 2011, with respect to the consolidated balance sheets of Motorola Solutions, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, which report appears in this report on Form 8-K of Motorola Solutions, Inc.

As discussed in Note 2, in 2010, the Company adopted revenue recognition guidance for multiple-deliverable revenue arrangements and certain revenue arrangements that include software elements.

KPMG LLP

Chicago, Illinois
May 12, 2011

Exhibit 99.1

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our financial position and results of operations for each of the three years in the period ended December 31, 2010, subsequent to the distribution by Motorola Solutions, Inc. (the "Company" or "Motorola Solutions") of all the Motorola Mobility Holdings, Inc. ("Motorola Mobility"), and the sale of certain assets and liabilities of the Company's business of designing, developing, manufacturing, purchasing, selling, integrating, installing and servicing end-to-end cellular networks for public network operators (the "Networks business"). This commentary should be read in conjunction with our consolidated financial statements and the notes thereto appearing under "Item 8: Financial Statements and Supplementary Data."

Executive Overview

What businesses are we in?

Motorola Solutions reports financial results for the following two segments:

- **Government:** Our Government segment includes sales from two-way radios and public safety systems. Service revenues included in the Government segment are primarily those associated with the design, installation, maintenance and optimization of equipment for public safety networks.
- **Enterprise:** Our Enterprise segment includes sales of enterprise mobile computing devices, scanning devices, wireless broadband systems, RFID data capture solutions and iDEN infrastructure. Service revenues included in the Enterprise segment are primarily maintenance contracts associated with the above products.

What were our 2010 financial results?

- Our net sales were $7.9 billion in 2010, up 10% compared to net sales of $7.2 billion in 2009.
- We had operating earnings of $778 million in 2010, compared to operating earnings of $570 million in 2009. Operating margin was 9.9% of net sales in 2010, compared to 7.9% of net sales in 2009.
- We had earnings from continuing operations of $259 million, or $0.77 per diluted common share, in 2010, compared to earnings from continuing operations of $423 million, or $1.28 per diluted common share, in 2009.
- We generated cash from operating activities of $818 million in 2010, compared to $628 million in 2009.
- We increased the aggregate of our: (i) cash and cash equivalents balances, (ii) Sigma Fund and short-term investments, and (iii) long-term Sigma Fund, by $904 million from $8.0 billion as of December 31, 2009 to $8.9 billion as of December 31, 2010. Conversely, we decreased the aggregate of our: (i) notes payable and the current portion of long-term debt, and (ii) long-term debt, by approximately $1.1 billion from $3.8 billion as of December 31, 2009 to $2.7 billion as of December 31, 2010.

What were the financial results for our two segments in 2010?

- *In our Government segment:* Net sales were $5.1 billion in 2010, an increase of 5% compared to net sales of $4.9 billion in 2009. On a geographic basis, net sales increased in all regions. Operating earnings were $566 million in 2010, compared to operating earnings of $542 million in 2009.
- *In our Enterprise segment:* Net sales were $2.7 billion in 2010, an increase of 19% compared to net sales of $2.3 billion in 2009. On a geographic basis, net sales increased in all regions. Operating earnings were $212 million in 2010, compared to operating earnings of $28 million in 2009.

What were our major challenges and accomplishments in 2010?

- *In our Government segment:* In 2010, sales in the Government segment were higher than in 2009. The Government segment had a slight increase in operating earnings. Additionally, the Government segment has historically worked to rebalance its product portfolio and non-core businesses. In 2010, the segment divested its Israeli-based wireless networks operator.

  During the year, the segment was able to overcome worldwide supply shortages and increased lead times to meet demand for our products. Despite the budget challenges facing many of the U.S. governmental customers, demand for our products and solutions by customers in the government and public safety market increased as compared to 2009. In 2010, the segment's continued commitment to quality, enhancements to our comprehensive portfolio, and a strong customer base contributed to higher sales to our U.S. governmental customers.

  As a result of our continued strong commitment to R&D, the year brought many new enhancements to our product portfolio. We expanded our APX™ family of products with additional mobile and portable radios, including radios designed for extreme situations and single-band users and the first encrypted mission-critical Bluetooth earpiece, enabling secure communications when paired with our APX portable radios. We also introduced the industry's first TETRA wideband data capable mobile radio and the world's smallest single unit data capable base station, offering a cost-effective solution for expanding coverage. We were awarded the first phase of a 700 MHz LTE network for public safety across multiple counties in the San Francisco Bay area. This agreement represents a first step in deploying a unified state-of-the-art private mission-critical broadband multimedia network.

- *In our Enterprise segment:* In 2010, sales in the Enterprise segment were higher than in 2009. This was primarily due to improved demand within the retail markets served, as a result of improved economic conditions. The Enterprise segment improved operating earnings compared to 2009.

  Our R&D investments resulted in many new enhancements to our product portfolio. We expanded our mobile computing portfolio with the MC65, a compact, rugged enterprise mobile computer with integrated GPS and data capture. The segment introduced the smallest and lightest enterprise mobile computing device in our mobile computing platform, the ES400. The ES400 features a customizable user interface, integrated voice and data capabilities, as well as mobile computing and scanning functionality.

Recent Developments

On July 19, 2010, the Company announced an agreement to sell certain assets and liabilities of the Networks business to Nokia Siemens Networks B.V. ("NSN") (the "Transaction"). On April 13, 2011, the Company announced that it and NSN amended this agreement to, among other things, reduce the cash portion of the purchase price from $1.2 billion to $975 million. On April 29, 2011, the Company completed the Transaction, as amended. Based on the terms and conditions of the amended sale agreement, certain assets including $150 million of accounts receivable are excluded from the Transaction. A significant amount of the cash proceeds were received in the U.S. We expect the cash proceeds, including the $150 million of accounts receivable to be collected after the closing of the Transaction, to be approximately $1.0 billion, net of taxes, assignment fees and other transaction-related fees and expenses. The results of operations of the portions of the Networks business included in the Transaction are reported as discontinued operations for all periods presented.

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

Results of Operations

(Dollars in millions, except per share amounts)	*Years Ended December 31* **2010**	***% of sales***	*2009*	*% of sales*	*2008*	*% of sales*
Net sales from products	**$5,870**		$5,259		$ 6,306	
Net sales from services	**2,001**		1,921		1,834	
Net sales	**7,871**		7,180		8,140	
Cost of product sales	**2,673**	**45.5%**	2,374	45.1%	2,880	45.7%
Cost of service sales	**1,281**	**64.0%**	1,237	64.4%	1,171	63.8%
Costs of sales	**3,954**	**50.2%**	3,611	50.3%	4,051	49.8%
Gross margin	**3,917**	**49.8%**	3,569	49.7%	4,089	50.2%
Selling, general and administrative expenses	**1,910**	**24.3%**	1,703	23.7%	1,845	22.6%
Research and development expenditures	**1,079**	**13.7%**	1,041	14.5%	1,106	13.6%
Other charges	**150**	**1.9%**	255	3.6%	1,817	22.3%
Operating earnings (loss)	**778**	**9.9%**	570	7.9%	(679)	(8.3)%
Other income (expense):						
Interest income (expense), net	**(129)**	**(1.6)%**	(133)	(1.8)%	35	0.4%
Gains on sales of investments and businesses, net	**49**	**0.6%**	108	1.5%	64	0.8%
Other	**(7)**	**(0.1)%**	92	1.3%	(417)	(5.1)%
Total other income (expense)	**(87)**	**(1.1)%**	67	1.0%	(318)	(3.9)%
Earnings (loss) from continuing operations before income taxes	**691**	**8.8%**	637	8.9%	(997)	(12.2)%
Income tax expense	**415**	**5.3%**	191	2.7%	2,481	30.5%
	276	**3.5%**	446	6.2%	(3,478)	(42.7)%
Less: Earnings attributable to noncontrolling interests	**17**	**0.2%**	23	0.3%	4	0.0%
Earnings (loss) from continuing operations	**259**	**3.3%**	423	5.9%	(3,482)	(42.7)%
Earnings (loss) from discontinued operations, net of tax	**374**	**4.7%**	(474)	(6.6)%	(762)	(9.4)%
Net earnings (loss)	**$ 633**	**8.0%**	$ (51)	(0.7)%	$(4,244)	(52.1)%
Earnings (loss) per diluted common share:						
Continuing operations	**$ 0.77**		$ 1.28		$(10.76)	
Discontinued operations	**1.10**		(1.43)		(2.35)	
	$ 1.87		$ (0.15)		$(13.11)	

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.

Geographic market sales measured by the locale of the end customer as a percent of total net sales for 2010, 2009 and 2008 are as follows:

Geographic Market Sales by Locale of End Customer

	2010	*2009*	*2008*
United States	**47%**	48%	46%
Europe	**16%**	16%	19%
Asia	**12%**	12%	10%
Latin America	**9%**	8%	8%
Other	**16%**	16%	17%
	100%	100%	100%

Results of Operations—2010 Compared to 2009

Net Sales

Net sales were $7.9 billion in 2010, a 10% increase compared to net sales of $7.2 billion in 2009. The increase in net sales reflects: (i) a $259 million, or 5%, increase in net sales in the Government segment, and (ii) a $432 million, or 19%, increase in net sales in the Enterprise segment.

Gross Margin

Gross margin was $3.9 billion, or 49.8% of net sales in 2010, compared to $3.6 billion, or 49.7% of net sales, in 2009. Gross margin dollars increased in both segments. The increase in gross margin reflects higher gross margins in both segments, primarily driven by the increase in net sales and product mix. The increase in gross margin as a percentage of net sales in 2010 compared 2009 reflects a slightly higher gross margin percentage in the Government segment and a lower gross margin percentage in the Enterprise segment. The Company's overall gross margin as a percentage of net sales is impacted by the proportion of overall net sales generated by its various businesses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased 12% to $1.9 billion, or 24.3% of net sales, in 2010, compared to $1.7 billion, or 23.7% of net sales, in 2009. The increase in SG&A expenses reflects higher SG&A expenses in both segments, primarily due to increased selling and marketing expenses related to the increase in net sales and increased employee benefit-related expenses. The increases in employee benefit-related expenses are primarily due to an increase in pension-related expenses and the reinstatement of the Company's 401(k) matching contributions. SG&A expenses as a percentage of net sales increased in the Government segment and decreased in the Enterprise segment.

Research and Development Expenditures

Research and development ("R&D") expenditures increased 4% to $1.1 billion, or 13.7% of net sales, in 2010, compared to $1.0 billion, or 14.5% of net sales, in 2009. The increase in R&D expenditures reflects increased R&D expenditures in both segments, primarily due to developmental engineering expenditures for new product development and investment in next-generation technologies, and increased employee benefit-related expenses, primarily due to an increase of expenses related to awards under current incentive plans.

R&D expenditures as a percentage of net sales decreased in both segment. The Company participates in competitive industries with constant changes in technology and, accordingly, the Company continues to believe that a strong commitment to R&D is required to drive long-term growth.

Other Charges

The Company recorded net charges of $150 million in Other charges in 2010, compared to net charges of $255 million in 2009. The charges in 2010 included: (i) $203 million of charges relating to the amortization of intangibles, and (ii) $54 million of net reorganization of business charges included in Other charges, partially offset by: (i) $78 million of gains related to intellectual property settlements and reserve adjustments, and (ii) $29 million of income related to a legal settlement. The charges in 2009 included: (i) $218 million of charges relating to the amortization of intangibles, (ii) $88 million of net reorganization of business charges included in Other charges, and (iii) $24 million of charges related to an environmental reserve, partially offset by $75 million of income related to a legal settlement. The net reorganization of business charges are discussed in further detail in the "Reorganization of Businesses" section.

Net Interest Income (Expense)

Net interest expense was $129 million in 2010, compared to net interest expense of $133 million in 2009. Net interest expense in 2010 included interest expense of $217 million, partially offset by interest income of $88 million. Net interest expense in 2009 includes interest expense of $207 million, partially offset by interest income of $74 million. The increase in net interest expense in 2010 compared to 2009 is primarily attributable to the absence of reversals of interest expense accruals that were no longer needed as a result of the settlement of certain tax audits during 2009, partially offset by increased interest income from long-term receivables.

Gains on Sales of Investments and Businesses

Gains on sales of investments and businesses were $49 million in 2010, compared to a gain of $108 million in 2009. In 2010, the net gain was primarily comprised of a $31 million gain on the sale of a single investment. In 2009, the net gain primarily relates to sales of certain of the Company's equity investments, of which $32 million of gain was attributed to a single investment.

Other

Net Other expense was $7 million in 2010, compared to net Other income of $92 million in 2009. The net Other expense in 2010 was primarily comprised of: (i) $21 million of investment impairments, (ii) a $12 million loss from the extinguishment of a portion of the Company's outstanding long-term debt, partially offset by: (i) a $12 million foreign currency gain, and (iii) an $11 million gain from Sigma Fund investments. The net income in 2009 was primarily comprised of: (i) $80 million of gains from Sigma Fund investments, (ii) a $67 million gain related to the extinguishment of a portion of the Company's outstanding long-term debt, and (ii) a $14 million foreign currency gain, partially offset by $75 million of other-than-temporary investment impairment charges.

Effective Tax Rate

The Company recorded $415 million of net tax expense in 2010, resulting in an effective tax rate on continuing operations of 60%, compared to $191 million of net tax benefits in 2009, resulting in an effective tax rate of 30%. The Company's effective tax rate in 2010 was higher than the U.S. statutory tax rate of 35% primarily due to: (i) an increase in the U.S. federal income tax accrual for repatriation of undistributed foreign earnings related to the realignment of the Company's investment structure in preparation of the Distribution of Motorola Mobility, and (ii) a non-cash tax charge related to the Medicare Part D subsidy tax law change, partially offset by reductions in unrecognized tax benefits for facts that now indicate the extent to which certain tax positions are more-likely-than-not of being sustained.

The Company's effective tax rate will change from period to period based on non-recurring events, such as the settlement of income tax audits, changes in valuation allowances and the tax impact of significant unusual or extraordinary items, as well as recurring factors including changes in the geographic mix of income and effects of various global income tax strategies.

Earnings (Loss) from Continuing Operations

The Company had net earnings from continuing operations before income taxes of $691 million in 2010, compared with $637 million in 2009. After taxes, and excluding Earnings attributable to noncontrolling interests, the Company had net earnings from continuing operations of $259 million, or $0.77 per diluted share, in 2010, compared to $423 million, or $1.28 per diluted share, in 2009.

The improvement in the earnings from continuing operations before income taxes in 2010 compared to 2009 was primarily attributable to a $348 million increase in gross margin and a $105 million decrease in Other charges. These improvements were partially offset by: (i) a $207 million increase in SG&A expenses, (ii) a $99 million decrease in net Other income, as presented in Other income (expense), and (iii) a $59 million decrease in gains on the sale of investments and businesses.

Earnings (loss) from Discontinued Operations

After taxes, the Company had earnings from discontinued operations of $374 million, or $1.10 per diluted share, in 2010, compared to a loss from discontinued operations of $474 million, or $1.43 per diluted share, in 2009. The improvement in earnings from discontinued operations in 2010 compared to 2009 was primarily attributable to a significant decrease in the loss from the operations of Motorola Mobility and increase in earnings from the Networks business.

Results of Operations—2009 Compared to 2008

Net Sales

Net sales were $7.2 billion in 2009, down 12% compared to net sales of $8.1 billion in 2008. The decrease in net sales reflects: (i) a $577 million, or 20%, decrease in net sales in the Enterprise segment, (ii) a $383 million, or 7%, decrease in net sales in the Government segment.

Gross Margin

Gross margin was $3.6 billion, or 49.7% of net sales, in 2009, compared to $4.1 billion, or 50.2% of net sales, in 2008. Gross margin decreased in both segments, primarily driven by the 12% decrease in net sales and an unfavorable product mix. The decrease in gross margin as a percentage of net sales in 2009 compared to 2008 was primarily driven by decrease in gross margin percentage in the Government segment, partially offset by an increase in gross margin percentage in the Enterprise segment. The Company's overall gross margin as a percentage of net sales can be impacted by the proportion of overall net sales generated by its various businesses.

Selling, General and Administrative Expenses

SG&A expenses decreased 8% to $1.7 billion, or 23.7% of net sales, in 2009, compared to $1.8 billion, or 22.6% of net sales, in 2008. SG&A expenses decreased in both segments, primarily due to: (i) savings from cost-reduction initiatives, and (ii) decreased employee benefit-related expenses, reflecting the temporary suspension of the Company's 401(k) matching contributions. SG&A expenses as a percentage of net sales increased in the Enterprise segment and decreased in the Government segment.

Research and Development Expenditures

Research and development ("R&D") expenditures decreased 6% to $1.0 billion, or 14.5% of net sales, in 2009, compared to $1.1 billion, or 13.6% of net sales, in 2008. R&D expenditures decreased in both segments, primarily due to savings from cost-reduction initiatives and decreased employee benefit-related expenses. R&D expenditures as a percentage of net sales increased in both segments. The Company participates in competitive industries with constant changes in technology and, accordingly, the Company continues to believe that a strong commitment to R&D is required to drive long-term growth.

Other Charges

The Company recorded net charges of $255 million in Other charges in 2009, compared to net charges of $1.8 billion in 2008. The charges in 2009 included: (i) $218 million of charges relating to the amortization of intangibles, (ii) $88 million of net reorganization of business charges included in Other charges, and (iii) $24 million of charges related to an environmental reserve, partially offset by $75 million of income related to a legal settlement. The net charges in 2008 included: (i) $1.6 billion of asset impairment charges, (ii) $227 million of charges relating to the amortization of intangible assets, and (iii) $60 million of net reorganization of business charges included in Other charges, partially offset by a $48 million gain on the sale of property, plant and equipment. The net reorganization of business charges are discussed in further detail in the "Reorganization of Businesses" section.

Net Interest Income (Expense)

Net interest expense was $133 million in 2009, compared to net interest income of $35 million in 2008. Net interest expense in 2009 includes interest expense of $207 million, partially offset by interest income of $74 million. Net interest income in 2008 included interest income of $245 million, partially offset by interest expense of $210 million. The significant decline in interest income reflects: (i) the significant decrease in average short-term interest rates in 2009 compared to 2008, (ii) a change in the investment mix of the Sigma Fund to more liquid securities with shorter maturities and lower interest rates, and (iii) the decrease in average cash, cash equivalents and Sigma Fund balances in 2009 compared to 2008. This decline in interest income was slightly offset by a decrease in interest expense, primarily driven by a decrease in the Company's level of outstanding debt during 2009.

Gains on Sales of Investments and Businesses

Gains on sales of investments and businesses were $108 million in 2009, compared to gains of $64 million in 2008. In 2009, the net gain primarily relates to sales of certain of the Company's equity investments, of which $32 million of gain was attributed to a single investment. These gains were partially offset by a net loss from the sale of specific businesses. In 2008, the net gain primarily related to sales of a number of the Company's equity investments.

Other

Net Other income was $92 million in 2009, compared to net Other expense of $417 million in 2008. The net income in 2009 was primarily comprised of: (i) $80 million of gains from Sigma Fund investments, (ii) a $67 million gain related to the extinguishment of a portion of the Company's outstanding long-term debt, and (ii) a $14 million foreign currency gain, partially offset by $75 million of other-than-temporary investment impairment charges. The net charges in 2008 were primarily comprised of: (i) $333 million of investment impairment charges, of which $138 million related to a single strategic investment, (ii) $287 million of total losses on Sigma Fund investments, and (iii) $69 million of foreign currency losses, partially offset by: (i) a $237 million curtailment gain associated with the decision to freeze benefit accruals for U.S. pension plans, (ii) $24 million of gains relating to several interest rate swaps not designated as hedges, and (iv) a $14 million gain related to the extinguishment of a portion of the Company's outstanding long-term debt.

Effective Tax Rate

The Company recorded $191 million of net tax expense in 2009, resulting in an effective tax rate of 30%, compared to $2.5 billion of net tax expense, resulting in a negative effective tax rate of 249% in 2008. The Company's effective tax rate for 2009 was lower than the U.S. statutory tax rate of 35% primarily due to a reduction in valuation allowances relating to refundable general business credits and a reduction in unrecognized tax benefits for facts that now indicate the extent to which certain tax positions are more-likely-than-not of being sustained. The Company's 2008 effective tax rate was negative, primarily due to the recording of a $2.1 billion non-cash tax charge to establish deferred tax valuation allowances against a portion of the Company's U.S. deferred tax assets and the recording of non-deductible goodwill impairment charges.

The Company's effective tax rate will change from period to period based on non-recurring events, such as the settlement of income tax audits, changes in valuation allowances and the tax impact of significant unusual or extraordinary items, as well as recurring factors including changes in the geographic mix of income before taxes and effects of various global income tax strategies.

Earnings (loss) from Continuing Operations

The Company had net earnings from continuing operations before income taxes of $637 million in 2009, compared with a net loss from continuing operations before income taxes of $997 million in 2008. After taxes, and excluding Earnings attributable to noncontrolling interests, the Company had earnings from continuing operations of $423 million, or $1.28 per diluted share, in 2009, compared to a net loss from continuing operations of $3.5 billion, or $10.76 per diluted share, in 2008.

The improvement in the earnings from continuing operations before income taxes in 2009 compared to 2008 was primarily attributed to: (i) a $1.6 billion decrease in Other charges, (ii) a $509 million increase in income classified as Other, as presented in Other income (expense), and (iii) a $142 million decrease in SG&A expenses. These factors were partially offset by: (i) a $520 million decrease in gross margin, and (ii) a $168 million increase in net interest expense.

Earnings (loss) from Discontinued Operations

After taxes, the Company incurred a loss from discontinued operations of $474 million, or $1.43 per diluted share, in 2009, compared to a loss from discontinued operations of $762 million, or $2.35 per diluted share, in 2008. The improvement in the loss from discontinued operations in 2009 compared to 2008 was primarily attributable to a decrease in the loss from the operations of Motorola Mobility, partially offset by a decrease in earnings from the Networks business.

Segment Information

The following commentary should be read in conjunction with the financial results of each segment as detailed in Note 12, "Information by Segment and Geographic Region," to the Company's consolidated financial statements. Net sales and operating results for the Company's two segments for 2010, 2009 and 2008 are presented below.

Government Segment

In 2010, the segment's net sales represented 65% of the Company's consolidated net sales, compared to 68% in 2009 and 65% in 2008.

	Years Ended December 31			*Percent Change*	
(Dollars in millions)	***2010***	*2009*	*2008*	***2010—2009***	*2009—2008*
Segment net sales	**$ 5,135**	$ 4,876	$ 5,259	**5%**	(7)%
Operating earnings	**566**	542	630	**4%**	(14)%

Segment Results—2010 Compared to 2009

In 2010, the segment's net sales were $5.1 billion, a 5% increase compared to net sales of $4.9 billion in 2009. The 5% increase in net sales in the Government segment reflects an increase in sales of radios and systems. The increase in net sales for the segment reflects higher net sales in all regions. Net sales in North America continued to comprise a significant portion of the segment's business, accounting for approximately 63% of the segment's net sales in both 2010 and 2009. The segment's backlog was $2.0 billion at both December 31, 2010 and 2009.

The segment had operating earnings of $566 million in 2010, compared to operating earnings of $542 million in 2009. The increase in operating earnings was primarily due to an increase in gross margin, driven by the 5% increase in net sales and a favorable product mix, partially offset by: (i) increased SG&A expenses primarily due to increased selling and marketing expenses related to the increase in net sales and increased employee benefit-related expenses, and (ii) an increase in R&D expenditures primarily due to investment in next-generation technologies and increased employee benefit-related expenses. As a percentage of net sales in 2010 as compared to 2009, gross margin increased slightly, SG&A expenses increased and R&D expenditures decreased.

Segment Results—2009 Compared to 2008

In 2009, the segment's net sales were $4.9 billion, a decrease of 7% compared to net sales of $5.3 billion in 2008. The 7% decrease in net sales reflects a decrease in spending primarily due to customer budget constraints, particularly in the U.S. The segment's net sales were lower in North America, the Europe, Middle East and Africa region and Latin America and higher in Asia. Net sales in North America continued to comprise a significant portion of the segment's business, accounting for approximately 63% of the segment's net sales in 2009, and approximately 61% in 2008. The segment's backlog was $2.0 billion at both December 31, 2009 and 2008.

The segment had operating earnings of $542 million in 2009, compared to operating earnings of $630 million in 2008. The decrease in the operating earnings was primarily due to a decrease in gross margin, driven by the 7% decrease in net sales and an unfavorable product mix. The decrease in gross margin was partially offset by decreases in SG&A expenses and R&D expenditures, primarily related to: (i) savings from cost-reduction initiatives, and (ii) decreased employee benefit-related expenses, including the temporary suspension of the Company's 401(k) matching contributions. As a percentage of net sales in 2009 as compared 2008, gross margin and SG&A expenses decreased and R&D expenditures increased.

Enterprise Segment

In 2010, the segment's net sales represented 35% of the Company's consolidated net sales, compared to 32% in 2009 and 35% in 2008.

	Years Ended December 31			*Percent Change*	
(Dollars in millions)	***2010***	*2009*	*2008*	***2010—2009***	*2009—2008*
Segment net sales	**$2,736**	$2,304	$ 2,881	**19%**	(20)%
Operating earnings (loss)	**212**	28	(1,309)	**657%**	***

*** *Percentage change not meaningful.*

Segment Results—2010 Compared to 2009

In 2010, the segment's net sales were $2.7 billion, a 19% increase compared to net sales of $2.3 billion in 2009. The 19% increase in net sales in the Enterprise segment reflects an increase in mobile computing, scanning devices and iDEN equipment sales. The increase in net sales for the segment reflects higher net sales in all regions. Net sales in North America continued to comprise a significant portion of the segment's business, accounting for approximately 49% of the segment's net sales in 2010, and approximately 51% in 2009. The segment's backlog was $568 million at December 31, 2010, compared to $576 million at December 31, 2009.

The segment had operating earnings of $212 million in 2010, compared to operating earnings of $28 million in 2009. The increase in operating earnings was primarily due to an increase in gross margin, driven by the 19% increase in net sales and a favorable product mix, partially offset by: (i) increased SG&A expenses primarily due to increased selling and marketing expenses related to the increase in net sales and increased employee benefit-related expenses, and (ii) an increase in R&D expenditures primarily due to investment in next-generation technologies and increased employee benefit-related expenses. As a percentage of net sales in 2010 as compared to 2009, gross margin, SG&A expenses and R&D expenditures all decreased.

Segment Results—2009 Compared to 2008

In 2009, the segment's net sales were $2.3 billion, a decrease of 20% compared to net sales of $2.8 billion in 2008. The 20% decrease in net sales reflects the economic challenges facing the commercial and retail markets we serve. The segment's net sales were lower in all regions. Net sales in North America comprised a significant portion of the segment's business, accounting for approximately 51% of the segment's net sales in 2009, and approximately 52% in 2008. The segment's backlog was $576 million at December 31, 2009, compared to $559 million at December 31, 2008.

The segment had operating earnings of $28 million in 2009, compared to incurring an operating loss of $1.3 billion in 2008. The increase in the operating earnings was primarily due to a $1.6 billion decrease in Other charges, primarily due to the absence in 2009 of a comparable $1.6 billion charge in 2008 related to asset impairments. Also contributing to the increase in operating earnings were decreases in SG&A expenses and R&D expenditures, primarily related to: (i) savings from cost-reduction initiatives, and (ii) decreased employee benefit-related expenses, reflecting the temporary suspension of the Company's 401(k) matching contributions. These factors were partially offset by a decrease in gross margin, driven by the 20% decrease in net sales and an unfavorable product mix. As a percentage of net sales in 2009 as compared 2008, gross margin, SG&A expenses and R&D expenditures all increased.

Reorganization of Businesses

During 2010, the Company implemented various productivity improvement plans aimed at achieving long term, sustainable profitability by driving efficiencies and reducing operating costs. In 2010, The Company recorded net reorganization of business charges of $73 million, relating to the separation of 1,600 employees, of which 800 were direct employees and 800 were indirect employees. These charges included $19 million of Costs of sales and $54 million of charges under Other charges in the Company's consolidated statements of operations. Included in the aggregate $73 million are charges of $73 million for employee separation costs, $16 million for exit costs, partially offset by $16 million of reversals for accruals no longer needed.

The Company realized cost-saving benefits of approximately $28 million in 2010 from the plans that were initiated during 2010, representing: (i) $14 million of savings in SG&A expenses, (ii) $10 million of savings in Costs of sales, and (iii) $4 million of savings in R&D expenditures. Beyond 2010, the Company expects the reorganization plans initiated during 2010 to provide annualized cost savings of approximately $108 million.

During 2009, the Company recorded net reorganization of business charges of $102 million, including $114 million for employee separation costs, $6 million for exit costs, partially offset by $18 million for reversals of accruals no longer needed. During 2008, the Company recorded net reorganization of business charges of $65 million, including $80 million for employee separation costs, partially offset by $15 million of reversals of accruals no longer needed.

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

Year Ended December 31,	***2010***	*2009*	*2008*
Government	**$ 57**	$ 67	$ 45
Enterprise	**16**	35	20
	$ 73	$ 102	$ 65

Cash payments for exit costs and employee separations in connection with these reorganization plans were $53 million in 2010, as compared to $111 million in 2009. The $67 million reorganization of businesses accrual at December 31, 2010, includes: (i) $50 million relating to employee separation costs that are expected to be paid in 2011, and (ii) $17 million relating to lease termination obligations that are expected to be paid over a number of years.

Liquidity and Capital Resources

The Company increased the aggregate of our: (i) cash and cash equivalents balances, (ii) Sigma Fund and short-term investments, and (iii) long-term Sigma Fund, by $904 million from $8.0 billion as of December 31, 2009 to $8.9 billion as of December 31, 2010. Conversely, the Company decreased the aggregate of our: (i) notes payable and the current portion of long-term debt, and (ii) long-term debt, by approximately $1.1 billion from $3.9 billion as of December 31, 2009 to $2.8 billion as of December 31, 2010.

As highlighted in the consolidated statements of cash flows, the Company's 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

At December 31, 2010, the Company's cash and cash equivalents (which are highly-liquid investments with an original maturity of three months or less) were $4.2 billion, an increase of $1.3 billion compared to $2.9 billion at December 31, 2009. At December 31, 2010, $1.2 billion of this amount was held in the U.S. and $3.0 billion was held by the Company or its subsidiaries in other countries. At December 31, 2010, restricted cash was $226 million (including $166 million held outside the U.S.), compared to $206 million (including $143 million held outside the U.S.) at December 31, 2009.

The Company continues to analyze and review various repatriation strategies to continue to efficiently repatriate funds. In 2010, the Company repatriated approximately $1.1 billion in funds to the U.S. from international jurisdictions with minimal cash tax cost. The Company has approximately $3.2 billion of earnings in foreign subsidiaries that are not permanently reinvested and may be repatriated without additional U.S. federal income tax charges to the Company's consolidated statements of operations, given the U.S. federal tax provisions accrued on undistributed earnings and the utilization of available foreign tax credits. On a cash basis, these repatriations from the Company's non-U.S. subsidiaries could require the payment of additional foreign taxes. Repatriation of some of these funds could be subject to delay for local country approvals and could have potential adverse tax consequences.

On January 4, 2011, the Distribution of Motorola Mobility from Motorola Solutions was completed. As part of the Distribution, the Company contributed $3.2 billion of cash and cash equivalents to Motorola Mobility and has an obligation to fund an additional $300 million, upon receipt of cash distributions as a result of future capital reductions of an overseas subsidiary.

Operating Activities

The cash provided by operating activities from continuing operations in 2010 was $818 million, compared to $628 million in 2009 and $884 million in 2008. The primary contributors to the cash provided in 2010 were: (i) income from continuing operations (adjusted for net non-cash charges) of $1.0 billion, and (ii) a $333 million increase in accounts payable and accrued liabilities, partially offset by: (i) a $308 million decrease in other assets and liabilities, (ii) a $111 million increase in inventories, and (iii) an $83 million increase in accounts receivable.

Accounts Receivable: The Company's net accounts receivable were $1.5 billion at December 31, 2010, compared to $1.4 billion at December 31, 2009. The Company's businesses sell their products in a variety of markets throughout the world and payment terms can vary by market type and geographic location. Accordingly, the Company's levels of net accounts receivable can be impacted by the timing and level of sales that are made by its various businesses and by the geographic locations in which those sales are made.

As further described below under "Sales of Receivables," the Company's levels of net accounts receivable can also be impacted by the timing and amount of accounts receivable sold to third parties, which can vary by period and can be impacted by numerous factors.

Inventory: The Company's net inventory was $521 million at December 31, 2010, compared to $409 million at December 31, 2009. Inventory management continues to be an area of focus as the Company balances the need to maintain strategic inventory levels to ensure competitive delivery performance to its customers against the risk of inventory excess and obsolescence due to rapidly changing technology and customer spending requirements.

Accounts Payable: The Company's accounts payable were $731 million at December 31, 2010, compared to $569 million at December 31, 2009. The Company buys products in a variety of markets throughout the world and payment terms can vary by market type and geographic location. Accordingly, the Company's levels of accounts payable can be impacted by the timing and level of purchases made by its various businesses and by the geographic locations in which those purchases are made.

Benefit Plan Contributions: The Company contributed $157 million to its U.S. pension plans during 2010, compared to $90 million contributed in 2009. The Company contributed $47 million to its non-U.S. pension plans during 2010, compared to $39 million contributed in 2009. In January 2011, the Pension Benefit Guaranty Corporation ("PBGC") announced an agreement with Motorola Solutions under which the Company will contribute $100 million above and beyond its legal requirement to its U.S. noncontributory pension plan ("U.S. Regular Pension Plan") over the next five years. The Company and the PBGC entered into the agreement as the Company was in the process of separating Motorola Mobility and pursuing the sale of certain assets of the Networks business. Also in January 2011, the Company elected the available optional pension contribution relief which reduced its required 2011 U.S. Regular Pension Plan contribution from approximately $265 million to approximately $235 million. During 2011, the Company expects to make cash contributions of approximately $240 million to its U.S. pension plans and approximately $40 million to its non-U.S. pension plans. The Company maintained all of the U.S. pension liabilities and the majority of the non-U.S. pension liabilities following the Distribution of Motorola Mobility on January 4, 2011.

The Company amended its U.S. Regular Pension Plan, the Officers' Plan and the Motorola Supplemental Pension Plan such that: (i) no participant shall accrue any benefits or additional benefits on or after March 1, 2009, and (ii) no compensation increases earned by a participant on or after March 1, 2009 shall be used to compute any accrued benefit.

The Company made no contributions to its Postretirement Health Care Benefits Plan in either 2010 or 2009, and expects to make no contributions to this plan in 2011. The Company maintained the entire Postretirement Health Care Benefits Plan liability following the Distribution of Motorola Mobility on January 4, 2011. Retirement benefits are further discussed below in the "Significant Accounting Policies—Retirement Benefits" section.

Investing Activities

Net cash provided by investing activities was $523 million in 2010, compared to net cash used of $531 million in 2009 and net cash provided of $1 billion in 2008. The $1.1 billion increase in net cash provided by investing activities from 2009 to 2010 was primarily due to a $1.4 billion increase in cash received from net sales of Sigma Fund investments, partially offset by: (i) a $192 million decrease in proceeds from sales of short-term investments, and (ii) a $93 million decrease in net proceeds from sales of investments and businesses.

Sigma Fund: The Company and its wholly-owned subsidiaries invest most of their U.S. dollar-denominated cash in a fund (the "Sigma Fund") that allows the Company to efficiently manage its cash around the world. The Company had net cash inflow from net proceeds from sales of $453 million of Sigma Fund investments in 2010, compared to a net cash outflow of $922 million in net purchases of Sigma Fund investments in 2009 and a net cash inflow of $853 million of net proceeds received from sales of Sigma Fund investments in 2008. The aggregate fair value of Sigma Fund investments was $4.7 billion at December 31, 2010 (including $1.9 billion held by the Company or its subsidiaries outside the U.S.), compared to $5.2 billion at December 31, 2009 (including $2.3 billion held by the Company or its subsidiaries outside the U.S.).

The Sigma Fund portfolio is managed by four independent investment management firms. The investment guidelines of the Sigma Fund require that purchased investments must be in high-quality, investment grade (rated at least A/A-1 by Standard & Poor's or A2/P-1 by Moody's Investors Service), U.S. dollar-denominated debt obligations, including certificates of deposit, commercial paper, government bonds, corporate bonds and asset- and mortgage-backed securities. Under the Sigma Fund's investment policies, except for debt obligations of the U.S. government, agencies and government-sponsored enterprises, no more than 5% of the Sigma Fund portfolio is to consist of debt obligations of any one issuer. The Sigma Fund's investment policies further require that floating rate investments must have a maturity at purchase date that does not exceed thirty-six months with an interest rate that is reset at least annually. The average interest rate reset of the investments held by the funds must be 120 days or less. The actual average interest rate reset of the portfolio (excluding cash and defaulted securities) was 18 days at December 31, 2010, compared to 15 days at December 31, 2009.

Investments in the Sigma Fund are carried at fair value. The Company primarily relies on valuation pricing models and broker quotes to determine the fair value of investments in the Sigma Fund. The valuation models are developed and maintained by third-party pricing services, and use a number of standard inputs, including benchmark yields, reported trades, broker/dealer quotes where the counterparty is standing ready and able to transact, issuer spreads, benchmark securities, bids, offers and other reference data. For each asset class, quantifiable inputs related to perceived market movements and sector news may be considered in addition to the standard inputs.

At December 31, 2010, $4.7 billion of the Sigma Fund investments were classified as current in the Company's consolidated balance sheets, compared to $5.1 billion at December 31, 2009. The weighted average maturity of the Sigma Fund investments classified as current was 1 month (excluding cash of $2.4 billion and defaulted securities) at December 31, 2010, compared to 1 month (excluding cash of $202 million and defaulted securities) at December 31, 2009. A majority of the Sigma Fund's cash balance at December 31, 2010 was reserved for the Distribution of Motorola Mobility. At December 31, 2010, approximately 99% of the Sigma Fund investments were invested in cash and U.S. government, agency and government-sponsored enterprise obligations. This reflects a strategic decision by the Company to prioritize capital preservation rather than investment income.

In 2010, the Company recorded a gain from the Sigma Fund investments of $11 million in Other income (expense) in the consolidated statement of operations, compared to a gain from the Sigma Fund investments of $80 million in 2009.

During the fourth quarter of 2008, the Company changed its accounting for changes in the fair value of investments in the Sigma Fund. Prior to the fourth quarter of 2008, the Company distinguished between declines it considered temporary and declines it considered other-than-temporary. When it became probable that the Company would not collect all amounts it was owed on a security according to its contractual terms, the Company considered the security to be impaired and recorded the other-than-temporary decline in fair value in earnings. In 2008, the Company recorded $186 million of other-than-temporary impairments of Sigma Fund investments in the consolidated statement of operations. The impairment charges were primarily related to the default of investments in Lehman Brothers Holdings, Inc., Washington Mutual, Inc. and Sigma Finance Corporation, an unrelated special investment vehicle managed by United Kingdom-based Gordian Knot, Limited.

Beginning in the fourth quarter of 2008, the Company began recording all changes in the fair value of investments in the Sigma Fund in the consolidated statements of operations. Accordingly, the Company recorded the cumulative loss of $101 million on investments in the Sigma Fund investments in its consolidated statement of operations during the fourth quarter of 2008. The Company determined amounts that arose in periods prior to the fourth quarter of 2008 were not material to the consolidated results of operations in those periods.

Securities with a maturity greater than 12 months and defaulted securities have been classified as non-current in the Company's consolidated balance sheets. At December 31, 2010, $70 million of the Sigma Fund investments were classified as non-current, and the weighted average maturity of the Sigma Fund investments classified as non-current (excluding defaulted securities) was 164 months. At December 31, 2009, $66 million of the Sigma Fund investments were classified as non-current.

The Company continuously assesses its cash needs and continues to believe that the balance of cash and cash equivalents, short-term investments and investments in the Sigma Fund classified as current are more than adequate to meet its current operating requirements over the next twelve months.

Strategic Acquisitions and Investments: The Company used net cash for acquisitions and new investment activities of $23 million in 2010, compared to net cash used of $17 million in 2009 and net cash used of $208 million in 2008. The cash used in 2010 and 2009 were for small strategic investments across the Company.

Capital Expenditures: Capital expenditures were $192 million in 2010, compared to $136 million in 2009 and $257 million in 2008. The Company's 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: The Company received $264 million in net proceeds from the sales of investments and businesses in 2010, compared to proceeds of $357 million in 2009 and proceeds of $113 million in 2008. The $264 million in proceeds in 2010 were primarily comprised of the Company's Israel-based wireless network operator business and the sale of a single investment. The $357 million in proceeds in 2009 was primarily comprised of net proceeds received in connection with sales of: (i) Good Technology, (ii) the biometrics business, and (iii) the sales of certain of the Company's equity investments.

Financing Activities

Net cash used for financing activities was $55 million in 2010, compared to $278 million used in 2009 and $1.4 billion used in 2008. Cash used for financing activities in the 2010 was primarily comprised of approximately $1.0 billion for repayment of long-term debt, partially offset by: (i) $782 million of distributions from discontinued operations, and (ii) $179 million of net cash received from the issuance of common stock in connection with the Company's employee stock option plans and employee stock purchase plan.

Cash used for financing activities in 2009 was primarily: (i) $132 million of cash used for the repayment of long-term debt, (ii) $114 million of cash used to pay dividends, (iii) $86 million of cash used for the repayment of short-term borrowings, and (iv) $68 million of distributions to discontinued operations, partially offset by $116 million of cash received from the issuance of common stock in connection with the Company's employee stock option plans and employee stock purchase plan.

Short-Term Debt: At December 31, 2010, the Company's outstanding notes payable and current portion of long-term debt was $605 million, compared to $536 million at December 31, 2009.

In November 2010, the Company repaid, at maturity, the entire $527 million aggregate principal amount outstanding of its 7.625% Notes due November 15, 2010.

Long-term Debt: At December 31, 2010, the Company had outstanding long-term debt of $2.1 billion, compared to $3.3 billion at December 31, 2009.

During the second quarter of 2010, the Company repurchased approximately $500 million of its outstanding long-term debt for a purchase price of $477 million, excluding approximately $5 million of accrued interest. The $500 million of long-term debt repurchased included principal amounts of: (i) $65 million of the $379 million then outstanding of the 6.50% Debentures due 2025 (the "2025 Debentures"), (ii) $75 million of the $286 million then outstanding of the 6.50% Debentures due 2028 (the "2028 Debentures"), (iii) $222 million of the $446 million then outstanding of the 6.625% Senior Notes due 2037 (the "2037 Senior Notes"), and (iv) $138 million of the $252 million then outstanding of the 5.22% Debentures due 2097. After accelerating the amortization of debt issuance costs and debt discounts, the Company recognized a loss of approximately $12 million related to this debt tender in Other within Other income (expense) in the consolidated statements of operations.

During the first quarter of 2009, the Company repurchased $199 million of its outstanding long-term debt for an aggregate purchase price of $133 million, including $4 million of accrued interest. The $199 million of long-term debt repurchased included principal amounts of: (i) $11 million of the $358 million then outstanding of 7.50% Debentures due 2025, (ii) $20 million of the $399 million then outstanding 2025 Debentures, (iii) $14 million of the $299 million then outstanding 2028 Debentures, and (iv) $154 million of the $600 million then outstanding 2037 Senior Notes. The Company recognized a gain of approximately $67 million related to these open market purchases in Other within Other income (expense) in the consolidated statements of operations.

The three largest U.S. national ratings agencies rate the Company's senior unsecured long-term debt investment grade. The Company believes that it will be able to maintain sufficient access to the capital markets at its current ratings. Any future disruptions, uncertainty or volatility in the capital markets may result in higher funding costs for the Company and adversely affect its ability to access funds.

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

Payment of Dividends: During 2010, the Company did not pay cash dividends to holders of its common stock. During 2009, the Company paid $114 million in cash dividends to holders of its common stock, all of which was paid during the first quarter of 2009, related to the payment of a dividend declared in November 2008. In February 2009, the Company announced that its Board of Directors suspended the declaration of quarterly cash dividends on the Company's common stock.

Credit Facilities

As of December 31, 2010, the Company had a domestic syndicated revolving credit facility (as amended from time to time, the "Credit Facility"), scheduled to mature in December 2011. The size of the Credit Facility was the lesser of: (1) $1.5 billion, or (2) an amount determined based on eligible domestic accounts receivable and inventory. If the Company elected to borrow under the Credit Facility, only then and not before, it would be required to pledge its domestic accounts receivable and, at its option, domestic inventory. The Credit Facility did not require the Company to meet any financial covenants unless remaining availability under the Credit Facility was less than $225 million. The Company never borrowed under this Credit Facility or predecessor domestic syndicated revolving credit facilities.

On January 4, 2011, the Company terminated the Credit Facility and entered into a new $1.5 billion unsecured syndicated revolving credit facility (the "2011 Motorola Solutions Credit Agreement") that is scheduled to expire on June 30, 2014. The 2011 Motorola Solutions Credit Agreement includes a provision pursuant to which the Company can increase the aggregate credit facility size up to a maximum of $2.0 billion by adding lenders or having existing lenders increase their commitments. The Company must comply with certain customary covenants, including maintaining maximum leverage and minimum interest coverage ratios as defined in the 2011 Motorola Solutions Credit Agreement.

Contractual Obligations and Other Purchase Commitments

Summarized in the table below are the Company's obligations and commitments to make future payments as of January 4, 2011, following the Distribution of Motorola Mobility.

	Payments Due by Period							
(in millions)	*Total*	*2011*	*2012*	*2013*	*2014*	*2015*	*Uncertain Timeframe*	*Thereafter*
Long-Term Debt Obligations	$2,660	$ 605	$ 405	$ 5	$ 4	$ 4	$ —	$ 1,637
Lease Obligations	343	124	86	52	37	21	—	23
Tax Obligations	198	100	—	—	—	—	98	—
Purchase Obligations	106	63	26	17	—	—	—	—
Other Obligations	400	—	—	—	—	100	300	—
Total Contractual Obligations	$3,707	$ 892	$ 517	$ 74	$ 41	$ 125	$ 398	$ 1,660

Amounts included represent firm, non-cancelable commitments.

Long-Term Debt Obligations: All of the publicly-held long-term debt, including the current portion of long-term debt, remained with Motorola Solutions following the Distribution of Motorola Mobility and totaled $2.7 billion.

Lease Obligations: The Company owns most of its major facilities, but does lease certain office, factory and warehouse space, land, information technology and other equipment, principally under non-cancelable operating leases. Following the Distribution of Motorola Mobility, the Motorola Solutions' future minimum lease obligations, net of minimum sublease rentals, totaled $343 million. Rental expense, net of sublease income, was $131 million in 2010, $146 million in 2009 and $171 million in 2008.

Tax Obligations: Following the Distribution of Motorola Mobility, Motorola Solutions has approximately $198 million of unrecognized income tax benefits relating to multiple tax jurisdictions and tax years. Based on the potential outcome of the Company's global tax examinations, or the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the unrecognized tax benefits will change within the next 12 months. The associated net tax impact on the effective tax rate, exclusive of valuation allowance changes, is estimated to be in the range of a $50 million tax charge to a $75 million tax benefit, with cash payments not expected to exceed $100 million.

Purchase Obligations: The Company has entered into agreements for the purchase of inventory, license of software, promotional activities and research and development, which are firm commitments and are not cancelable. Following the Distribution of Motorola Mobility, the Motorola Solutions' obligations in connection with these agreements run through 2013, and the total payments expected to be made by the Company under these agreements totaled $106 million.

The Company enters into a number of arrangements for the sourcing of supplies and materials with take-or-pay obligations. Following the Distribution of Motorola Mobility, the Motorola Solutions' obligations with these suppliers run through 2013 and total a minimum purchase obligation of $83 million. The Company does not anticipate the cancellation of any of these agreements in the future and estimates that purchases from these suppliers will exceed the minimum obligations during the agreement periods.

Other Obligations: In January 2011, the Pension Benefit Guaranty Corporation ("PBGC") announced an agreement with Motorola Solutions under which the Company will contribute $100 million above and beyond its legal requirement to its U.S. Regular Pension Plan over the next five years. The Company and the PBGC entered into the agreement as the Company was in the process of separating Motorola Mobility and pursuing the sale of certain assets of the Networks business.

As part of the Distribution of Motorola Mobility, the Company has an obligation to fund an additional $300 million, upon receipt of cash distributions as a result of future capital reductions of an overseas subsidiary.

Commitments Under Other Long-Term Agreements: The Company has entered into certain long-term agreements to purchase software, components, supplies and materials from suppliers. Most of the agreements extend for periods of one to three years (three to five years for software). Generally, these agreements do not obligate the Company to make any purchases, and many permit the Company to terminate the agreement with advance notice (usually ranging from 60 to 180 days). If the Company were to terminate these agreements, it generally would be liable for certain termination charges, typically based on work performed and supplier on-hand inventory and raw materials attributable to canceled orders. The Company's liability would only arise in the event it terminates the agreements for reasons other than "cause."

The Company outsources certain corporate functions, such as benefit administration and information technology-related services. These contracts are expected to expire in 2013. Following the Distribution of Motorola Mobility, the Motorola Solutions' total remaining payments under these contracts are approximately $517 million over the remaining life of the contracts; however these contracts can be terminated. Termination would result in a penalty substantially less than the remaining annual contract payments. The Company would also be required to find another source for these services, including the possibility of performing them in-house.

As is customary in bidding for and completing certain projects and pursuant to a practice the Company has followed for many years, the Company has a number of performance/bid bonds, standby letters of credit and surety bonds outstanding (collectively, referred to as "Performance Bonds"), primarily relating to projects of the Government segment, including projects related to discontinued operations. These Performance Bonds normally have maturities of multiple years and are standard in the industry as a way to give customers a convenient mechanism to seek resolution if a contractor does not satisfy certain requirements under a contract. Typically, a customer can draw on the Performance Bond only if the Company does not fulfill all terms of a project contract. If such an occasion occurred, the Company would be obligated to reimburse the institution that issued the Performance Bond for the amounts paid. In its long history, it has been rare for the Company to have a Performance Bond drawn upon. At December 31, 2010, outstanding Performance Bonds totaled approximately $1.7 billion, compared to $1.9 billion at December 31, 2009. Following the Distribution of Motorola Mobility and the completion of the divesture of the Networks business, Motorola Solutions' outstanding Performance Bonds totaled approximately $1.2 billion. Any future disruptions, uncertainty, or volatility in the bank, insurance or capital markets, or a change in the Company's credit ratings could adversely affect the Company's ability to obtain Performance Bonds and may result in higher funding costs.

Off-Balance Sheet Arrangements: Under the definition contained in Item 303(a)(4)(ii) of Regulation S-K, the Company does not have any off-balance sheet arrangements.

Long-term Customer Financing Commitments

Outstanding Commitments: Certain purchasers of the Company's infrastructure equipment may request that the Company provide long-term financing (defined as financing with a term of greater than one year) in connection with the sale of equipment. These requests may include all or a portion of the purchase price of the equipment. The Company's obligation to provide long-term financing may be conditioned on the issuance of a letter of credit in favor of the Company by a reputable bank to support the purchaser's credit or a pre-existing commitment from a reputable bank to purchase the long-term receivables from the Company. The Company had outstanding commitments to provide long-term financing to third parties totaling $333 million at December 31, 2010, compared to $406 million at December 31, 2009 (including $168 million and $321 million at December 31, 2010 and December 31, 2009, respectively, relating to discontinued operations). Of these amounts, $27 million was supported by letters of credit or by bank commitments to purchase long-term receivables at December 31, 2010, compared to $13 million supported at December 31, 2009 (including $25 million at December 31, 2010 and no amounts at December 31, 2009, relating to the Networks business). The majority of the outstanding commitments at December 31, 2010 are to a small number of network operators in the Middle East region. The Company retains the funded portion of the financing arrangements related to the Networks business following the sale to NSN, which totaled approximately $235 million at December 31, 2010.

Guarantees of Third-Party Debt: In addition to providing direct financing to certain equipment customers, the Company also assists customers in obtaining financing directly from banks and other sources to fund equipment purchases. The Company had committed to provide financial guarantees relating to customer financing totaling $10 million at both December 31, 2010 and 2009 (including $6 million and $7 million at December 31, 2010 and 2009, respectively, relating to the sale of short-term receivables). Customer financing guarantees outstanding were $1 million at December 31, 2010, compared to $2 million at December 31, 2009 (including de minimus amounts at both December 31, 2010 and 2009, relating to the sale of short-term receivables).

Outstanding Long-Term Receivables: The Company had net long-term receivables of $264 million, (net of allowances for losses of $1 million) at December 31, 2010, compared to net long-term receivables of $130 million, (net of allowances for losses of $7 million) at December 31, 2009. These long-term receivables are generally interest bearing, with interest rates ranging from 2% to 12%.

Sales of Receivables

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

As of December 31, 2010, the Company had a $200 million revolving receivable sales facility, maturing June 2011, for the sale of accounts receivable, which was fully available. The initial cash proceeds received by the Company for the sale of these receivables is capped at the lower of $200 million or eligible receivables less reserves. At December 31, 2009, the Company had a $200 million committed revolving credit facility for the sale of accounts receivable, of which $140 million was available. The Company had no significant committed facilities for the sale of long-term receivables at December 31, 2010 and 2009, respectively.

The following table summarizes the proceeds received from non-recourse sales of accounts receivable and long-term receivables for the years ended December 31, 2010, 2009 and 2008:

Years Ended December 31	***2010***	*2009*	*2008*
Cumulative annual proceeds received from one-time sales:			
Accounts receivable sales proceeds	**$ 30**	$ 46	$ 53
Long-term receivables sales proceeds	**67**	72	113
Total proceeds from one-time sales	**97**	118	166
Cumulative annual proceeds received from sales under committed facilities	**70**	234	563
Total proceeds from receivables sales	**$ 167**	$ 352	$ 729

At December 31, 2010, the Company retained servicing obligations for $329 million of sold accounts receivables and $277 million of long-term receivables, compared to $141 million of accounts receivables and $297 million of long-term receivables at December 31, 2009.

Under certain arrangements, the value of accounts receivable sold is supported by credit insurance purchased from third-party insurance companies, less deductibles or self-insurance requirements under the insurance policies. Under these arrangements, the Company's total credit exposure, less insurance coverage, to outstanding accounts receivable that have been sold was de minimus at both December 31, 2010 and 2009.

Adequate Internal Funding Resources

The Company believes that it has adequate internal resources available to fund expected working capital and capital expenditure requirements for the next twelve months as supported by the level of cash, cash equivalents, short-term investments and Sigma Fund balances in the U.S. and the ability to repatriate funds from foreign jurisdictions.

Other Contingencies

Potential Contractual Damage Claims in Excess of Underlying Contract Value: In certain circumstances, our businesses may enter into contracts with customers pursuant to which the damages that could be claimed by the other party for failed performance might exceed the revenue the Company receives 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 the Company that are far in excess of the revenue received from the counterparty in connection with the contract.

Indemnification Provisions: In addition, the Company may provide indemnifications for losses that result from the breach of general warranties contained in certain commercial, intellectual property and divestiture agreements. Historically, the Company has not made significant payments under these agreements, nor have there been significant claims asserted against the Company. However, there is an increasing risk in relation to intellectual property indemnities given the current legal climate. In indemnification cases, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. Further, the Company's obligations under 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 the Company may have recourse against third parties for certain payments made by the Company.

Intellectual Property Matters: During 2010, the Company entered into a settlement agreement with another company to resolve certain intellectual property disputes between the two companies. As a result of the settlement agreement, the Company received $65 million in cash and was assigned certain patent properties. As a result of this agreement, the Company recorded a pre-tax gain of $39 million (and $55 million was allocated to discontinued operations) during the year ended December 31, 2010, related to the settlement of the outstanding litigation between the parties.

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 consolidated financial position, liquidity or results of operations. However, an unfavorable resolution could have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations in the periods in which the matters are ultimately resolved.

Exhibit 99.2

Item 8: Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Motorola Solutions, Inc.:

We have audited the accompanying consolidated balance sheets of Motorola Solutions, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Motorola Solutions, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2010, the Company adopted revenue recognition guidance for multiple-deliverable revenue arrangements and certain revenue arrangements that include software elements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Motorola Solutions, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 18, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Chicago, Illinois
February 18, 2011, except as it relates to the presentation of Motorola Mobility Holdings, Inc. as a discontinued operation and the sale of certain assets and liabilities of the Networks business as discussed in Notes 1 and 2 and the related change in segment information discussed in Note 1, as to which the date is May 12, 2011

Motorola Solutions, Inc. and Subsidiaries

Consolidated Statements of Operations

(In millions, except per share amounts)	*Years Ended December 31* ***2010***	*2009*	*2008*
Net sales from products	**$ 5,870**	$ 5,259	$ 6,306
Net sales from services	**2,001**	1,921	1,834
Net sales	**7,871**	7,180	8,140
Costs of product sales	**2,673**	2,374	2,880
Costs of service sales	**1,281**	1,237	1,171
Costs of sales	**3,954**	3,611	4,051
Gross margin	**3,917**	3,569	4,089
Selling, general and administrative expenses	**1,910**	1,703	1,845
Research and development expenditures	**1,079**	1,041	1,106
Other charges	**150**	255	1,817
Operating earnings (loss)	**778**	570	(679)
Other income (expense):			
Interest income (expense), net	**(129)**	(133)	35
Gains on sales of investments and businesses, net	**49**	108	64
Other	**(7)**	92	(417)
Total other income (expense)	**(87)**	67	(318)
Earnings (loss) from continuing operations before income taxes	**691**	637	(997)
Income tax expense	**415**	191	2,481
Earnings (loss) from continuing operations	**276**	446	(3,478)
Earnings (loss) from discontinued operations, net of tax	**374**	(474)	(762)
Net earnings (loss)	**650**	(28)	(4,240)
Less: Earnings attributable to noncontrolling interests	**17**	23	4
Net earnings (loss) attributable to Motorola Solutions, Inc.	**$ 633**	$ (51)	$ (4,244)
Amounts attributable to Motorola Solutions, Inc. common stockholders:			
Earnings (loss) from continuing operations, net of tax	**$ 259**	$ 423	$ (3,482)
Earnings (loss) from discontinued operations, net of tax	**374**	(474)	(762)
Net earnings (loss)	**$ 633**	$ (51)	$ (4,244)
Earnings (loss) per common share:			
Basic:			
Continuing operations	**$ 0.78**	$ 1.29	$ (10.76)
Discontinued operations	**1.12**	(1.45)	(2.35)
	$ 1.90	$ (0.16)	$ (13.11)
Diluted:			
Continuing operations	**$ 0.77**	$ 1.28	$ (10.76)
Discontinued operations	**1.10**	(1.43)	(2.35)
	$ 1.87	$ (0.15)	$ (13.11)
Weighted average common shares outstanding:			
Basic	**333.3**	327.9	323.6
Diluted	**338.1**	329.9	323.6
Dividends paid per share	**$ —**	$ 0.35	$ 1.40

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.
See accompanying notes to consolidated financial statements.

Motorola Solutions, Inc. and Subsidiaries

Consolidated Balance Sheets

(In millions, except per share amounts)	*December 31* *2010*	*2009*
ASSETS		
Cash and cash equivalents	**$ 4,208**	$ 2,869
Sigma Fund and short-term investments	**4,655**	5,094
Accounts receivable, net	**1,547**	1,353
Inventories, net	**521**	409
Deferred income taxes	**871**	680
Other current assets	**748**	705
Current assets held for disposition	**4,604**	4,922
Total current assets	**17,154**	16,032
Property, plant and equipment, net	**922**	1,012
Sigma Fund	**70**	66
Investments	**172**	398
Deferred income taxes	**1,920**	2,633
Goodwill	**1,429**	1,429
Other assets	**734**	849
Non-current assets held for disposition	**3,176**	3,184
Total assets	**$25,577**	$25,603
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable and current portion of long-term debt	**$ 605**	$ 536
Accounts payable	**731**	569
Accrued liabilities	**2,574**	2,269
Current liabilities held for disposition	**4,800**	4,887
Total current liabilities	**8,710**	8,261
Long-term debt	**2,098**	3,258
Other liabilities	**3,045**	3,490
Non-current liabilities held for disposition	**737**	711
Stockholders' Equity		
Preferred stock, $100 par value	**—**	—
Common stock: 12/31/10—$.01 par value; 12/31/09—$.01 par value Authorized shares: 12/31/10—600.0; 12/31/09—600.0 Issued shares: 12/31/10—337.2; 12/31/09—330.6 Outstanding shares: 12/31/10—336.3; 12/31/09—330.3	**3**	3
Additional paid-in capital	**8,644**	8,231
Retained earnings	**4,460**	3,827
Accumulated other comprehensive loss	**(2,222)**	(2,286)
Total Motorola Solutions, Inc. stockholders' equity	**10,885**	9,775
Noncontrolling interests	**102**	108
Total stockholders' equity	**10,987**	9,883
Total liabilities and stockholders' equity	**$25,577**	$25,603

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.
See accompanying notes to consolidated financial statements.

Motorola Solutions, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Motorola Solutions, Inc. Stockholders									
			Accumulated Other Comprehensive Income (Loss)							
(In millions, except per share amounts)	*Shares*	*Common Stock and Additional Paid-In Capital*	*Fair Value Adjustment To Available For Sale Securities, Net of Tax*	*Foreign Currency Translation Adjustments, Net of Tax*	*Retirement Benefits Adjustments, Net of Tax*	*Other Items, Net of Tax*	*Retained Earnings*	*Noncontrolling Interests*	*Comprehensive Earnings (Loss)*
Balances at January 1, 2008	**323.4**	**$ 7,574**	**$ (59)**	**$ 16**	**$ (704)**	**$ —**	**$ 8,575**	**$ 78**	
Net earnings (loss)							(4,244)	4	$ (4,240)
Net unrealized gains on securities, net of tax of $36			61						61
Foreign currency translation adjustments, net of tax of $39				(149)					(149)
Purchases of a Noncontrolling interest equity								6	
Amortization of retirement benefit adjustments net of tax of $10					19				19
Effect of U.S. pension plan freeze curtailment, net of tax of $(25)					(42)				(42)
Year-end and other retirement adjustments, net of tax of $(793)					(1,340)				(1,340)
Issuance of common stock and stock options exercised	3.2	134							
Share repurchase program	(1.3)	(138)							
Tax shortfalls from share-based compensation		(6)							
Share-based compensation expense		270							
Net loss on derivative instruments, net of tax of $(5)						(7)			(7)
Dividends declared $(1.40 per share)							(453)		
Balances at December 31, 2008	**325.3**	**$ 7,834**	**$ 2**	**$ (133)**	**$ (2,067)**	**$ (7)**	**$ 3,878**	**$ 88**	**$ (5,698)**
Net earnings (loss)							(51)	23	$ (28)
Net unrealized gain on securities, net of tax of $40			68						68
Foreign currency translation adjustments, net of tax of $(17)				70					70
Amortization of retirement benefit adjustments, net of tax of $(33)					(65)				(65)
Year-end and other retirement adjustments, net of tax of $(22)					(163)				(163)
Issuance of common stock and stock options exercised	5.3	111							
Tax shortfalls from stock-based compensation		(12)							
Share-based compensation expense		301							
Net gain on derivative instruments, net of tax of $6						9			9
Dividends paid to noncontrolling interest on subsidiary common stock								(3)	
Balances at December 31, 2009	**330.6**	**$ 8,234**	**$ 70**	**$ (63)**	**$ (2,295)**	**$ 2**	**$ 3,827**	**$ 108**	**$ (109)**
Net earnings							633	17	$ 650
Net unrealized loss on securities, net of tax of $(35)			(58)						(58)
Foreign currency translation adjustments, net of tax of $46				(63)					(63)
Amortization of retirement benefit adjustments, net of tax of $57					112				112
Plan amendment, net of tax of $0					22				22
Remeasurement of retirement benefits, net of tax of $(13)					(28)				(28)
Year-end and other retirement adjustments, net of tax of									

$(14)					81				81
Issuance of common stock and stock options exercised	6.6	144							
Tax shortfalls from stock-based compensation		(63)							
Share-based compensation expense		308							
Net loss on derivative instruments, net of tax of $(1)						(2)			(2)
Dividends paid to noncontrolling interest on subsidiary common stock								(23)	
Reclassification of share-based awards from liability to equity		24							
Balances at December 31, 2010	**337.2**	**$ 8,647**	**$ 12**	**$ (126)**	**$ (2,108)**	**$ —**	**$ 4,460**	**$ 102**	**$ 714**

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.
See accompanying notes to consolidated financial statements.

Motorola Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In millions)	*Years Ended December 31* ***2010***	*2009*	*2008*
Operating			
Net earnings (loss) attributable to Motorola Solutions, Inc.	**$ 633**	$ (51)	$(4,244)
Earnings attributable to noncontrolling interests	**17**	23	4
Net earnings (loss)	**650**	(28)	(4,240)
Earnings (loss) from discontinued operations	**374**	(474)	(762)
Earnings (loss) from continuing operations	**276**	446	(3,478)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	**342**	388	403
Non-cash other charges (income)	**(74)**	(72)	2,279
Share-based compensation expense	**144**	137	131
Gain on sales of investments and businesses, net	**(49)**	(108)	(64)
Loss (gain) from extinguishment of long-term debt	**12**	(67)	(14)
Deferred income taxes	**384**	47	2,573
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	**(83)**	102	13
Inventories	**(111)**	111	(64)
Other current assets	**(48)**	276	(40)
Accounts payable and accrued liabilities	**333**	(621)	(222)
Other assets and liabilities	**(308)**	(11)	(633)
Net cash provided by operating activities	**818**	628	884
Investing			
Acquisitions and investments, net	**(23)**	(17)	(208)
Proceeds from sales of investments and businesses, net	**264**	357	113
Capital expenditures	**(192)**	(136)	(257)
Proceeds from sales of property, plant and equipment	**27**	1	119
Proceeds from sales (purchases) of Sigma Fund investments, net	**453**	(922)	853
Proceeds from sales (purchases) of short-term investments, net	**(6)**	186	424
Net cash provided by (used for) investing activities	**523**	(531)	1,044
Financing			
Repayment of short-term borrowings, net	**(5)**	(86)	(50)
Repayment of debt	**(1,011)**	(132)	(225)
Issuance of common stock	**179**	116	145
Repurchase of common stock	**—**	—	(138)
Proceeds from settlement of financial instruments	**—**	—	158
Payment of dividends	**—**	(114)	(453)
Distributions from (to) discontinued operations	**782**	(68)	(838)
Other, net	**—**	6	8
Net cash used for financing activities	**(55)**	(278)	(1,393)
Net cash provided by (used for) operating activities from discontinued operations	**1,154**	1	(658)
Net cash used for investing activities from discontinued operations	**(343)**	(137)	(324)
Net cash provided by (used for) financing activities from discontinued operations	**(782)**	68	838
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	**(29)**	68	144
Net cash provided by (used for) discontinued operations	**—**	—	—
Effect of exchange rate changes on cash and cash equivalents from continuing operations	**53**	(14)	(223)
Net increase (decrease) in cash and cash equivalents	**1,339**	(195)	312
Cash and cash equivalents, beginning of year	**2,869**	3,064	2,752
Cash and cash equivalents, end of year	**$ 4,208**	$2,869	$ 3,064
Cash Flow Information			
Cash paid during the year for:			
Interest, net	**$ 240**	$ 320	$ 252
Income taxes, net of refunds	**259**	159	407

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Dollars in millions, except as noted)

1. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all controlled subsidiaries. All intercompany transactions and balances have been eliminated.

The consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly Motorola Solutions, Inc.'s (the "Company" or "Motorola Solutions") consolidated financial position, results of operations and cash flows for all periods presented.

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.

Changes in Presentation

Motorola Mobility Distribution

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

Reverse Stock Split and Name Change

On November 30, 2010, Motorola Solutions announced the timing and details regarding the Distribution and the approval of a reverse stock split at a ratio of 1-for-7. On January 4, 2011, immediately following the Distribution of Motorola Mobility common stock, the Company completed a 1-for-7 reverse stock split ("the Reverse Stock Split") and changed its name to Motorola Solutions, Inc. All consolidated per share information presented gives effect to the Reverse Stock Split.

Networks Transaction

On July 19, 2010, the Company announced an agreement to sell certain assets and liabilities of the Networks business to Nokia Siemens Networks B.V. ("NSN") (the "Transaction"). On April 13, 2011, the Company announced that it and NSN amended this agreement to, among other things, reduce the cash portion of the purchase price from $1.2 billion to $975 million. On April 29, 2011, the Company completed the Transaction, as amended. Based on the terms and conditions of the amended sale agreement, certain assets including $150 million of accounts receivable were excluded from the Transaction. The results of operations of the portions of the Networks business included in the Transaction are reported as discontinued operations for all periods presented.

Certain Corporate and general costs which have historically been allocated to the Networks business will remain with the Company after the sale of the Networks business. Additionally, the results of operations of previously disposed businesses, which were deemed to be immaterial at the time of their disposition, have been reclassified from continuing operations to discontinued operations. These businesses include: (i) an Israel-based wireless network operator, (ii) the biometrics business, and (iii) Good Technology. The assets and liabilities of the Networks business which were sold to NSN, as well as the assets and liabilities of the previously disposed businesses recorded by the Company prior to the closing of the underlying transactions, are reported as assets and liabilities held for disposition. All previously reported financial information has been revised to conform to the current presentation.

Change in Segmentation

Following the Distribution, Motorola Solutions reports financial results for the following two segments:

- **Government:** Our Government segment includes sales from two-way radios and public safety systems. Service revenues included in the Government segment are primarily those associated with the design, installation, maintenance and optimization of equipment for public safety networks.
- **Enterprise:** Our Enterprise segment includes sales of enterprise mobile computing devices, scanning devices, wireless broadband systems, RFID data capture solutions and iDEN infrastructure. Service revenues included in the Enterprise segment are primarily maintenance contracts associated with the above products.

Revenue Recognition

In October 2009, the Financial Accounting Standards Board ("FASB") issued new guidance which amended the accounting standards for revenue arrangements with multiple deliverables. The new guidance changes the criteria required to separate deliverables into separate units of accounting when they are sold in a bundled arrangement and requires an entity to allocate an arrangement's consideration using estimated selling prices ("ESP") of deliverables if a vendor does not have vendor-specific objective evidence of selling price ("VSOE") or third-party evidence of selling price ("TPE"). The new guidance also eliminates the use of the residual method to allocate an arrangement's consideration.

In October 2009, the FASB also issued new guidance to remove from the scope of software revenue recognition guidance tangible products containing software components and non-software components that function together to deliver the tangible product's essential functionality.

The new accounting guidance is effective for revenue arrangements entered into or materially modified after June 15, 2010. The standards permit prospective or retrospective adoption as well as early adoption. The Company elected to early adopt this guidance at the beginning of its first quarter of fiscal 2010 on a prospective basis for applicable arrangements that were entered into or materially modified after January 1, 2010.

The Company's material revenue streams are the result of a wide range of activities, from the delivery of stand-alone equipment to custom design and installation over a period of time to bundled sales of devices, equipment, software and services. The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings due to the needs of its customers. Additionally, many of the Company's products have both software and non-software components that function together to deliver the product's essential functionality. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility of the sales price is reasonably assured. In addition to these general revenue recognition criteria, the following specific revenue recognition policies are followed:

Products and Equipment—For product and equipment sales, revenue recognition generally occurs when products or equipment have been shipped, risk of loss has transferred to the customer, objective evidence exists that customer acceptance provisions have been met, no significant obligations remain and allowances for discounts, price protection, returns and customer incentives can be reliably estimated. Recorded revenues are reduced by these allowances. The Company bases its estimates of these allowances on historical experience taking into consideration the type of products sold, the type of customer, and the specific type of transaction in each arrangement. Where customer incentives cannot be reliably estimated, the Company recognizes revenue at the time the product sells through the distribution channel to the end customer.

Long-Term Contracts—For long-term contracts that involve customization of the Company's equipment or software, the Company generally recognizes revenue using the percentage of completion method based on the percentage of costs incurred to date compared to the total estimated costs to complete the contract. In certain instances, when revenues or costs associated with long-term contracts cannot be reliably estimated or the contract contains other inherent uncertainties, revenues and costs are deferred until the project is complete and customer acceptance is obtained. When current estimates of total contract revenue and contract costs indicate a contract loss, the loss is recognized in the period it becomes evident.

Services—Revenue for services is generally recognized ratably over the contract term as services are performed.

Software and Licenses—Revenue from pre-paid perpetual licenses is recognized at the inception of the arrangement, presuming all other relevant revenue recognition criteria are met. Revenue from non-perpetual licenses or term licenses is recognized ratably over the period that the licensee uses the license. Revenue from software maintenance, technical support and unspecified upgrades is generally recognized over the period that these services are delivered.

Multiple-Element Arrangements—Arrangements with customers may include multiple deliverables, including any combination of products, equipment, services and software. These multiple element arrangements could also include an element accounted for as a long-term contract coupled with other products, equipment, services and software. For the Company's multiple-element arrangements where at least one of the deliverables is not subject to existing software revenue recognition guidance, deliverables are separated into more than one unit of accounting when (i) the delivered element(s) have value to the customer on a stand-alone basis, and (ii) delivery of the undelivered element(s) is probable and substantially in the control of the Company. Based on the new accounting guidance adopted January 1, 2010, revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on VSOE if it exists, based next on TPE if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on ESP.

- VSOE—In many instances, products are sold separately in stand-alone arrangements as customers may support the products themselves or purchase support on a time and materials basis. Additionally, advanced services such as general consulting, network management or advisory projects are often sold in stand-alone engagements. Technical support services are also often sold separately through renewals of annual contracts. The Company determines VSOE based on its normal pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range, generally evidenced by the pricing rates of approximately 80% of such historical stand-alone transactions falling within plus or minus 15% of the median rate. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups, customer classification, and other environmental or marketing variables in determining VSOE.
- TPE—VSOE generally exists only when the Company sells the deliverable separately. When VSOE does not exist, the Company attempts to determine TPE based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy for many of its products differs from that of its peers and its offerings contain a significant level of customization and differentiation such that the comparable pricing of products with similar functionality sold by other companies cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products' selling prices are on a stand-alone basis. Therefore, the Company is typically not able to determine TPE.
- ESP—The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. When both VSOE and TPE do not exist, the Company determines ESP for the arrangement element by first collecting all reasonably available data points including sales, cost and margin analysis of the product, and other inputs based on the Company's normal pricing practices. Second, the Company makes any reasonably required adjustments to the data based on market and Company-specific factors. Third, the Company stratifies the data points, when appropriate, based on customer, magnitude of the transaction and sales volume.

Once elements of an arrangement are separated into more than one unit of accounting, revenue is recognized for each separate unit of accounting based on the nature of the revenue as described above.

The Company's arrangements with multiple deliverables may also contain a stand-alone software deliverable that is subject to the existing software revenue recognition guidance. The revenue for these multiple-element arrangements is allocated to the software deliverable and the non-software deliverable(s) based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the new revenue accounting guidance. In circumstances where the Company cannot determine VSOE or TPE of the selling price for all of the deliverables in the arrangement, including the software deliverable, ESP is used for the purpose of allocating the arrangement consideration.

The Company's arrangements with multiple deliverables may be comprised entirely of deliverables that are all still subject to the existing software revenue recognition guidance. For these arrangements, revenue is allocated to the deliverables based on VSOE. Should VSOE not exist for the undelivered software element, revenue is deferred until either the undelivered element is delivered or VSOE is established for the element, whichever occurs first. When the fair value of a delivered element has not been established, but fair value exists for the undelivered elements, the Company uses the residual method to recognize revenue if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement consideration is allocated to the delivered elements and is recognized as revenue.

Net sales as reported and pro forma net sales that would have been reported during the year ended December 31, 2010, if the transactions entered into or materially modified after January 1, 2010 were still subject to the previous accounting guidance are shown in the following table (in millions):

Year Ended December 31, 2010	*As Reported*	*Pro Forma Basis*
Net sales	$ 7,871	$ 7,832

The difference in the as reported revenue as compared to the pro forma basis revenue for the year ended December 31, 2010 is due to the Company no longer using the residual method for allocating revenue to the delivered products in a multiple-element arrangement when VSOE exists for the undelivered element but not the delivered element. This situation is most prevalent for system solutions that were sold with additional deliverables that are not in the scope of contract accounting. Under the prior accounting guidance for revenue recognition, the Company would ascribe the residual value to the contract accounting deliverable only when VSOE for the undelivered services or other products in the arrangement could be determined.

Based on the Company's current sales strategies, the newly adopted accounting guidance for revenue recognition is not expected to have a significant effect on the timing and pattern of revenue recognition for sales in periods after the initial adoption when applied to multiple-element arrangements. However, the Company expects that this new accounting guidance will facilitate the Company's efforts to optimize its product and service offerings due to better alignment of the economics of an arrangement and the related accounting treatment. This may lead to the Company engaging in new sales practices in the future. As these go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in selling prices, including both VSOE and ESP. As a result, the Company's future revenue recognition for multiple-element arrangements could differ materially from the results reported in the current period.

Changes in cost estimates and the fair values of certain deliverables could negatively impact the Company's operating results. In addition, unforeseen conditions could arise over the contract term that may have a significant impact on operating results.

Sales and Use Taxes—The Company records taxes imposed on revenue-producing transactions, including sales, use, value added and excise taxes, on a net basis with such taxes excluded from revenue.

Cash Equivalents: The Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2010, and 2009, restricted cash was $226 million and $206 million, respectively.

Sigma Fund: The Company and its wholly-owned subsidiaries invest a significant portion of their U.S. dollar-denominated cash in a fund (the "Sigma Fund") that allows the Company to efficiently manage its cash around the world. The Sigma Fund portfolio is managed by four independent investment management firms. The investment guidelines of the Sigma Fund require that purchased investments must be in high-quality, investment grade (rated at least A/A-1 by Standard & Poor's or A2/P-1 by Moody's Investors Service), U.S. dollar-denominated debt obligations, including certificates of deposit, commercial paper, government bonds, corporate bonds and asset- and mortgage-backed securities. Under the Sigma Fund's investment policies, except for debt obligations of the U.S. government, agencies and government-sponsored enterprises, no more than 5% of the Sigma Fund portfolio is to consist of debt obligations of any one issuer. The Sigma Fund's investment policies further require that floating rate investments must have a maturity at purchase date that does not exceed thirty-six months with an interest rate that is reset at least annually. The average interest rate reset of the investments held by the funds must be 120 days or less.

Investments in the Sigma Fund are carried at fair value. The Company primarily relies on valuation pricing models and broker quotes to determine the fair value of investments in the Sigma Fund. The valuation models are developed and maintained by third-party pricing services and use a number of standard inputs to the valuation models, including benchmark yields, reported trades, broker/dealer quotes where the counterparty is standing ready and able to transact, issuer spreads, benchmark securities, bids, offers and other reference data. For each asset class, quantifiable inputs related to perceived market movements and sector news may be considered in addition to the standard inputs.

Investments: Investments in equity and debt securities classified as available-for-sale are carried at fair value. Debt securities classified as held-to-maturity are carried at amortized cost. Equity securities that are restricted for more than one year or that are not publicly traded are carried at cost. Certain investments are accounted for using the equity method if the Company has significant influence over the issuing entity.

The Company assesses declines in the fair value of investments to determine whether such declines are other-than-temporary. This assessment is made considering all available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the entity issuing the security, and the Company's ability and intent to hold investment until recovery. Other-than-temporary impairments of investments are recorded to Other within Other income (expense) in the Company's consolidated statements of operations in the period in which they become impaired.

Inventories: Inventories are valued at the lower of average cost (which approximates cost on a first-in, first-out basis) or market (net realizable value or replacement cost).

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using straight-line and declining-balance methods, based on the estimated useful lives of the assets (buildings and building equipment, 5-40 years; machinery and equipment, 2-10 years) and commences once the assets are ready for their intended use.

Goodwill and Intangible Assets: Goodwill is not amortized, but instead is tested for impairment at least annually. The goodwill impairment test is performed at the reporting unit level and is a two-step analysis. First, the fair value of each reporting unit is compared to its book value. If the fair value of the reporting unit is less than its book value, the Company performs a hypothetical purchase price allocation based on the reporting unit's fair value to determine the fair value of the reporting unit's goodwill. Fair value is determined using a combination of present value techniques and market prices of comparable businesses.

Intangible assets are generally amortized on a straight line basis over their respective estimated useful lives ranging from one to 13 years. The Company has no intangible assets with indefinite useful lives.

Impairment of Long-Lived Assets: Long-lived assets, which include intangible assets, held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset (group) to future net undiscounted cash flows to be generated by the asset (group). If an asset is considered to be impaired, the impairment to be recognized is equal to the amount by which the carrying amount of the asset exceeds the asset's fair value calculated using a discounted future cash flows analysis or market comparables. Assets held for sale, if any, are reported at the lower of the carrying amount or fair value less cost to sell.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in the period that includes the enactment date.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. Significant weight is given to evidence that can be objectively verified. The Company evaluates deferred income taxes on a quarterly basis to determine if valuation allowances are required by considering available evidence. Deferred tax assets are realized by having sufficient future taxable income to allow the related tax benefits to reduce taxes otherwise payable. The sources of taxable income that may be available to realize the benefit of deferred tax assets are future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carry-back years and tax planning strategies that are both prudent and feasible.

The Company recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company records interest related to unrecognized tax benefits in Interest expense and penalties in Selling, general and administrative expenses in the Company's consolidated statements of operations.

Long-term Receivables: Long-term receivables include trade receivables where contractual terms of the note agreement are greater than one year. Long-term receivables are considered impaired when management determines collection of all amounts due according to the contractual terms of the note agreement, including principal and interest, is no longer probable. Impaired long-term receivables are valued based on the present value of expected future cash flows, discounted at the receivable's effective rate of interest, or the fair value of the collateral if the receivable is collateral dependent. Interest income and late fees on impaired long-term receivables are recognized only when payments are received. Previously impaired long-term receivables are no longer considered impaired and are reclassified to performing when they have performed under a workout or restructuring for four consecutive quarters.

Foreign Currency: Certain of the Company's non-U.S. operations use their respective local currency as their functional currency. Those operations that do not have the U.S. dollar as their functional currency translate assets and liabilities at current rates of exchange in effect at the balance sheet date and revenues and expenses using rates that approximate those in effect during the period. The resulting translation adjustments are included as a component of Accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. For those operations that have the U.S. dollar as their functional currency, transactions denominated in the local currency are measured in U.S. dollars using the current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets. Gains and losses from remeasurement of monetary assets and liabilities are included in Other within Other income (expense) within the Company's consolidated statements of operations.

Derivative Instruments: Gains and losses on hedges of existing assets or liabilities are marked-to-market and the result is included in Other within Other income (expense) within the Company's consolidated statements of operations. Gains and losses on financial instruments that qualify for hedge accounting and are used to hedge firm future commitments or forecasted transactions are deferred until such time as the underlying transactions are recognized or recorded immediately when the transaction is no longer expected to occur. Gains or losses on financial instruments that do not qualify as hedges are recognized immediately as income or expense.

Earnings (Loss) Per Share: The Company calculates its basic earnings (loss) per share based on the weighted-average effect of all common shares issued and outstanding. Net earnings (loss) attributable to Motorola Solutions, Inc. is divided by the weighted average common shares outstanding during the period to arrive at the basic earnings (loss) per share. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) attributable to Motorola Solutions, Inc. by the sum of the weighted average number of common shares used in the basic earnings (loss) per share calculation and the weighted average number of common shares that would be issued assuming exercise or conversion of all potentially dilutive securities, excluding those securities that would be anti-dilutive to the earnings (loss) per share calculation. Both basic and diluted earnings (loss) per share amounts are calculated for earnings (loss) from continuing operations and net earnings (loss) attributable to Motorola Solutions, Inc. for all periods presented. All earnings (loss) per share information presented gives effect to the Reverse Stock Split, which occurred on January 4, 2011.

Share-Based Compensation Costs: The Company has incentive plans that reward employees with stock options, stock appreciation rights, restricted stock and restricted stock units, as well as an employee stock purchase plan. The amount of compensation cost for these share-based awards is measured based on the fair value of the awards, as of the date that the share-based awards are issued and adjusted to the estimated number of awards that are expected to vest. The fair value of stock options, stock appreciation rights and the employee stock purchase plan is generally determined using a Black-Scholes option pricing model which incorporates assumptions about expected volatility, risk free rate, dividend yield, and expected life. Compensation cost for share-based awards is recognized on a straight-line basis over the vesting period.

Retirement Benefits: The Company records annual expenses relating to its pension benefit and postretirement plans based on calculations which include various actuarial assumptions, including discount rates, assumed asset rates of return, compensation increases, turnover rates and health care cost trend rates. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends. The effects of the gains, losses, and prior service costs and credits are amortized over future service periods. The funding status, or projected benefit obligation less plan assets, for each plan, is reflected in the Company's consolidated balance sheets using a December 31 measurement date.

Advertising Expense: Advertising expenses, which are the external costs of marketing the Company's products, are expensed as incurred. Advertising expenses were $109 million, $123 million and $184 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Use of Estimates: The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable and long-term receivables, inventories, Sigma Fund, investments, goodwill, intangible and other long-lived assets, legal contingencies, guarantee obligations, indemnifications and assumptions used in the calculation of income taxes, retirement and other post-employment benefits and allowances for discounts, price protection, product returns and customer incentives, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, foreign currency, energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

2. Discontinued Operations

On July 19, 2010, the Company announced an agreement to sell certain assets and liabilities of the Networks business to Nokia Siemens Networks B.V. ("NSN") (the "Transaction"). On April 13, 2011, the Company announced that it and NSN amended this agreement to, among other things, reduce the cash portion of the purchase price from $1.2 billion to $975 million. On April 29, 2011, the Company completed the Transaction, as amended. Based on the terms and conditions of the amended sale agreement, certain assets including $150 million of accounts receivable were excluded from the Transaction. The results of operations of the portions of the Networks business included in the Transaction are reported as discontinued operations for all periods presented.

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

During the second quarter of 2010, the Company completed the sale of its Israel-based wireless network operator business formerly included as part of the Government segment. The Company received $170 million in net cash and recorded a gain on sale of the business of $20 million before income taxes, which is included in Earnings from discontinued operations, net of tax, in the Company's consolidated statements of operations.

During the first quarter of 2009, the Company completed the sale of: (i) Good Technology, and (ii) the biometrics business, which includes its Printrak trademark. Collectively, the Company received $163 million in net cash and recorded a net gain on sale of the businesses of $175 million before income taxes, which is included in Earnings from discontinued operations, net of tax, in the Company's consolidated statements of operations.

The results of operations of Motorola Mobility, and the portions of the Networks business included in the transaction with NSN, as well as the results of operations of the previously disposed businesses discussed above, which were deemed to be immaterial for presentation as discontinued operations at the time of their disposition, are reported as discontinued operations. All previously reported financial information has been revised to conform to the current presentation.

The following table displays summarized activity in the Company's consolidated statements of operations for discontinued operations during the years ended December 31, 2010, 2009 and 2008.

Years Ended December 31	***2010***	*2009*	*2008*
Net sales	**$15,002**	$14,967	$22,147
Operating earnings (loss)	**574**	(728)	(1,711)
Gains on sales of investments and businesses, net	**19**	156	17
Earnings (loss) before income taxes	**572**	(640)	(1,636)
Income tax expense (benefit)	**198**	(166)	(874)
Earnings (loss) from discontinued operations, net of tax	**374**	(474)	(762)

The following table displays a summary of the assets and liabilities held for disposition as of December 31, 2010 and December 31, 2009.

December 31	***2010***	*2009*
Assets		
Accounts receivable, net	**$2,072**	$2,142
Inventories, net	**1,040**	900
Other current assets	**1,492**	1,880
Property, plant and equipment, net	**1,013**	1,143
Investments	**145**	60
Goodwill	**1,504**	1,394
Other assets	**514**	587
	$7,780	$8,106
Liabilities		
Accounts payable	**$2,060**	$1,860
Accrued liabilities	**2,740**	3,027
Other liabilities	**737**	711
	$5,537	$5,598

3. Other Financial Data

Statement of Operations Information

Other Charges

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

Years Ended December 31	***2010***	*2009*	*2008*
Other charges (income):			
Intangibles amortization	**$ 203**	$ 218	$ 227
Reorganization of businesses	**54**	88	60
IP settlements and reserve adjustments	**(78)**	—	—
Legal settlements and related insurance matters, net	**(29)**	(75)	14
Environmental reserve charge	**—**	24	—
Asset impairments charges	**—**	—	1,564
Gain on sale of property, plant and equipment	**—**	—	(48)
	$ 150	$ 255	$1,817

During 2010, the Company entered into a settlement agreement with another company to resolve certain intellectual property disputes between the two companies. As a result of the settlement agreement, the Company received $65 million in cash and was assigned certain patent properties. As a result of this agreement, the Company recorded a pre-tax gain of $39 million (and $55 million was recorded within discontinued operations) during the year ended December 31, 2010, related to the settlement of the outstanding litigation between the parties.

Other Income (Expense)

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

Years Ended December 31	***2010***	*2009*	*2008*
Interest income, net:			
Interest expense	**$(217)**	$(207)	$(210)
Interest income	**88**	74	245
	$(129)	$(133)	$ 35
Other:			
Investment impairments	**$ (21)**	$ (75)	$(333)
Gain (loss) from the extinguishment of the Company's outstanding long-term debt	**(12)**	67	14
Foreign currency gain (loss)	**12**	14	(69)
Gain (loss) on Sigma Fund investments	**11**	80	(101)
Impairment charges on Sigma Fund investments	**—**	—	(186)
U.S. pension plan freeze curtailment gain	**—**	—	237
Gain on interest rate swaps	**—**	—	24
Other	**3**	6	(3)
	$ (7)	$ 92	$(417)

Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per common share from both continuing operations and net earnings (loss) attributable to Motorola Solutions, Inc., including discontinued operations, is computed as follows:

	Earnings (loss) from Continuing Operations			*Net Earnings (loss) attributable to Motorola Solutions, Inc.*		
Years Ended December 31	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*
Basic earnings (loss) per common share:						
Earnings (loss)	**$ 259**	$ 423	$(3,482)	**$ 633**	$ (51)	$(4,244)
Weighted average common shares outstanding	**333.3**	327.9	323.6	**333.3**	327.9	323.6
Per share amount	**$ 0.78**	$ 1.29	$(10.76)	**$ 1.90**	$ (0.16)	$(13.11)
Diluted earnings (loss) per common share:						
Earnings (loss)	**$ 259**	$ 423	$(3,482)	**$ 633**	$ (51)	$(4,244)
Weighted average common shares outstanding	**333.3**	327.9	323.6	**333.3**	327.9	323.6
Add effect of dilutive securities:						
Share-based awards and other	**4.8**	2.0	—	**4.8**	2.0	—
Diluted weighted average common shares outstanding	**338.1**	329.9	323.6	**338.1**	329.9	323.6
Per share amount	**$ 0.77**	$ 1.28	$(10.76)	**$ 1.87**	$ (0.15)	$(13.11)

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.

In the computation of diluted earnings per common share from both continuing operation and on a net earnings basis for the years ended December 31, 2010 and 2009, 14.6 million and 22.7 million, respectively, out-of-the-money stock options and the assumed vesting of 0.7 million and 2.2 million, respectively, restricted stock units were excluded because their inclusion would have been antidilutive. For the year ended December 31, 2008, the Company was in a net loss position and, accordingly, the assumed exercise of 33.2 million stock options and the assumed vesting of 3.7 million restricted stock units were excluded from diluted weighted averages outstanding because their inclusion would have been antidilutive.

Pursuant to the completion of the Distribution on January 4, 2011, 8.0 million stock options and 3.8 million unvested restricted stock units held by the employees of Motorola Mobility were cancelled. Upon the completed divestiture of the Networks business on April 29, 2011, approximately 0.2 million stock options and 1.4 million unvested restricted stock units were cancelled.

Balance Sheet Information

Sigma Fund

Sigma Fund consists of the following:

Fair Value	December 31, 2010 Current	December 31, 2010 Non-current	December 31, 2009 Current	December 31, 2009 Non-current
Cash	**$ 2,355**	**$ —**	$ 202	$ —
Securities:				
U.S. government and agency obligations	**2,291**	**—**	4,408	—
Corporate bonds	**—**	**58**	367	63
Asset-backed securities	**—**	**1**	66	—
Mortgage-backed securities	**—**	**11**	49	3
	$ 4,646	**$ 70**	$ 5,092	$ 66

During the years ended December 31, 2010 and 2009, the Company recorded gains related to the Sigma Fund investments of $11 million and $80 million, respectively, in Other income (expense) in the consolidated statement of operations. During the year ended December 31, 2008, the Company recorded total charges related to Sigma Fund investments, including temporary unrealized losses and impairment charges, of $287 million in its consolidated statement of operations.

During the fourth quarter of 2008, the Company changed its accounting for changes in the fair value of investments in the Sigma Fund. Prior to the fourth quarter of 2008, the Company distinguished between declines it considered temporary and declines it considered permanent. When it became probable that the Company would not collect all amounts it was owed on a security according to its contractual terms, the Company considered the security to be impaired and recorded the permanent decline in fair value in earnings. During 2008, the Company recorded $186 million of permanent impairments of Sigma Fund investments in the consolidated statement of operations. Beginning in the fourth quarter of 2008, the Company began recording all changes in the fair value of investments in the Sigma Fund in the consolidated statements of operations. In its stand-alone financial statements, the Sigma Fund uses "investment company" accounting practices and records all changes in the fair value of the underlying investments in earnings, whether such changes are considered temporary or permanent. The Company determined the underlying accounting practices of the Sigma Fund in its stand-alone financial statements should be retained in the Company's consolidated financial statements. Accordingly, the Company recorded the cumulative loss of $101 million on investments in the Sigma Fund investments in its consolidated statement of operations during the fourth quarter of 2008. The Company determined amounts that arose in periods prior to the fourth quarter of 2008 were not material to the consolidated results of operations in those periods.

Securities with a significant temporary unrealized loss and a maturity greater than 12 months and defaulted securities have been classified as non-current in the Company's consolidated balance sheets. At December 31, 2010, $70 million of the Sigma Fund investments were classified as non-current, and the weighted average maturity of the Sigma Fund investments classified as non-current (excluding defaulted securities) was 164 months. At December 31, 2009, $66 million of the Sigma Fund investments were classified as non-current.

Investments

Investments consist of the following:

	Recorded Value		Less		
December 31, 2010	*Short-term Investments*	*Investments*	*Unrealized Gains*	*Unrealized Losses*	*Cost Basis*
Certificates of deposit	$ 7	$ —	$ —	$ —	$ 7
Available-for-sale securities:					
U.S. government, agency and government-sponsored enterprise obligations	—	17	—	—	17
Corporate bonds	2	11	—	—	13
Mortgage-backed securities	—	3	—	—	3
Common stock and equivalents	—	12	4	—	8
	9	43	4	—	48
Other securities, at cost	—	113	—	—	113
Equity method investments	—	16	—	—	16
	$ 9	**$ 172**	**$ 4**	**$ —**	**$ 177**

December 31, 2009	Recorded Value: Short-term Investments	Recorded Value: Investments	Less: Unrealized Gains	Less: Unrealized Losses	Cost Basis
Available-for-sale securities:					
U.S. government, agency and government-sponsored enterprise obligations	$ —	$ 23	$ 1	$ —	$ 22
Corporate bonds	2	10	—	—	12
Mortgage-backed securities	—	3	—	—	3
Common stock and equivalents	—	126	97	(1)	30
	2	162	98	(1)	67
Other securities, at cost	—	209	—	—	209
Equity method investments	—	27	—	—	27
	$ 2	$ 398	$ 98	$ (1)	$ 303

During the years ended December 31, 2010, 2009 and 2008, the Company recorded investment impairment charges of $21 million, $75 million and $333 million, respectively, representing other-than-temporary declines in the value of the Company's available-for-sale investment portfolio. Investment impairment charges are included in Other within Other income (expense) in the Company's consolidated statements of operations.

Gains on sales of investments and businesses, consists of the following:

Years Ended December 31	***2010***	*2009*	*2008*
Gains on sales of investments, net	**$ 49**	$ 91	$ 64
Gain on sales of businesses, net	**—**	17	—
	$ 49	$ 108	$ 64

During the year ended December 31, 2010, the $49 million of net gains primarily related to sales of a number of the Company's equity investments, of which $31 million of gain was attributable to a single investment. During the year ended December 31, 2009, the $108 million of net gains primarily relates to: (i) sales of certain of the Company's equity investments, of which $32 million of gain was attributable to a single investment, and (ii) a net gain on the sales of specific businesses. During the year ended December 31, 2008, the $64 million of net gains primarily related to sales of a number of the Company's equity investments, of which $29 million of gain was attributable to a single investment.

Accounts Receivable, Net

Accounts receivable, net, consists of the following:

December 31	***2010***	*2009*
Accounts receivable	**$1,596**	$1,369
Less allowance for doubtful accounts	**(49)**	(16)
	$1,547	$1,353

Inventories, Net

Inventories, net, consist of the following:

December 31	***2010***	*2009*
Finished goods	**$ 386**	$ 341
Work-in-process and production materials	**292**	208
	678	549
Less inventory reserves	**(157)**	(140)
	$ 521	$ 409

Other Current Assets

Other current assets consist of the following:

December 31	***2010***	*2009*
Costs and earnings in excess of billings	**$ 291**	$ 257
Contract-related deferred costs	**160**	123
Tax-related refunds receivable	**116**	100
Other	**181**	225
	$ 748	$ 705

Property, Plant and Equipment, Net

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

December 31	***2010***	*2009*
Land	**$ 71**	$ 78
Building	**804**	852
Machinery and equipment	**2,094**	1,881
	2,969	2,811
Less accumulated depreciation	**(2,047)**	(1,799)
	$ 922	$ 1,012

Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was $139 million, $170 million and $176 million, respectively.

Other Assets

Other assets consist of the following:

December 31	***2010***	*2009*
Long-term receivables, net of allowances of $1 and $7	**$ 251**	$ 102
Intangible assets, net of accumulated amortization of $947 and $757	**246**	453
Other	**237**	294
	$ 734	$ 849

Accrued Liabilities

Accrued liabilities consist of the following:

December 31	***2010***	*2009*
Deferred revenue	**$ 746**	$ 556
Compensation	**558**	376
Billings in excess of costs and earnings	**226**	253
Tax liabilities	**179**	192
Customer reserves	**117**	97
Other	**748**	795
	$ 2,574	$ 2,269

Other Liabilities

Other liabilities consist of the following:

December 31	***2010***	*2009*
Defined benefit plans, including split dollar life insurance policies	**$2,113**	$2,386
Postretirement health care benefits plan	**277**	287
Deferred revenue	**272**	274
Unrecognized tax benefits	**70**	170
Other	**313**	373
	$3,045	$3,490

Stockholders' Equity Information

Share Repurchase Program: During the years ended December 31, 2010 and 2009, the Company did not repurchase any of its common shares. During the year ended December 31, 2008, the Company repurchased 1.3 million of its common shares at an aggregate cost of $138 million, or an average cost of $107.24 per share, all of which were repurchased during the three months ended March 29, 2008. These amounts give effect to the Reverse Stock Split, which occurred on January 4, 2011.

The repurchase of common shares took place under programs approved by the Board of Directors, authorizing the Company to repurchase an aggregate amount of up to $7.5 billion of its outstanding shares of common stock over a period of time. This authorization expired in June 2009 and was not renewed. The Company has not repurchased any shares since the first quarter of 2008. All repurchased shares have been retired.

Payment of Dividends: During the year ended December 31, 2010, the Company did not pay cash dividends to holders of its common stock. During the year ended December 31, 2009, the Company paid $114 million in cash dividends to holders of its common stock, all of which was paid during the first quarter of 2009, related to the payment of a dividend declared in November 2008. In February 2009, the Company announced that its Board of Directors suspended the declaration of quarterly cash dividends on the Company's common stock.

Par Value Change: On May 4, 2009, the Company's stockholders approved a change in the par value of Motorola Solutions common stock from $3.00 per share to $.01 per share. The change did not have an impact on the amount of the Company's Total stockholders' equity, but it did result in a reclassification of $6.9 billion between Common stock and Additional paid-in capital.

Motorola Mobility Distribution: On January 4, 2011, the distribution of Motorola Mobility from Motorola Solutions was completed. On January 4, 2011, the stockholders of record as of the close of business on December 21, 2010 received one (1) share of Motorola Mobility common stock for each eight (8) shares of Motorola, Inc. common stock held as of the Record Date. The Distribution was completed pursuant to an Amended and Restated Master Separation and Distribution Agreement, effective as of July 31, 2010, among Motorola, Inc., Motorola Mobility Holdings and Motorola Mobility, Inc.

Reverse Stock Split: On November 30, 2010, the Company announced the timing and details regarding the Distribution and the approval of a reverse stock split at a ratio of 1-for-7. Immediately following the Distribution of Motorola Mobility common stock, the Company completed a 1-for-7 reverse stock split. All consolidated per share information presented gives effect to the Reverse Stock Split.

4. Debt and Credit Facilities

Long-Term Debt

December 31	***2010***	*2009*
7.625% notes due 2010	**$ —**	$ 527
8.0% notes due 2011	**600**	600
5.375% senior notes due 2012	**400**	400
6.0% senior notes due 2017	**399**	399
6.5% debentures due 2025	**313**	377
7.5% debentures due 2025	**346**	346
6.5% debentures due 2028	**209**	283
6.625% senior notes due 2037	**224**	444
5.22% debentures due 2097	**89**	196
Other long-term debt	**53**	107
	2,633	3,679
Adjustments, primarily unamortized gains on interest rate swap terminations	**70**	110
Less: current portion	**(605)**	(531)
Long-term debt	**$2,098**	$3,258

Other Short-Term Debt

December 31	***2010***	*2009*
Notes to banks	**$ —**	$ 5
Add: current portion of long-term debt	**605**	531
Notes payable and current portion of long-term debt	**$ 605**	$ 536
Weighted average interest rates on short-term borrowings throughout the year	**3.1%**	3.1%

In November 2010, the Company repaid, at maturity, the entire $527 million aggregate principal amount outstanding of its 7.625% Notes due November 15, 2010. During the year ended December 31, 2010, the Company repurchased approximately $500 million of its outstanding long-term debt for a purchase price of $477 million, excluding approximately $5 million of accrued interest, all of which occurred during the three months ended July 3, 2010. The $500 million of long-term debt repurchased included principal amounts of: (i) $65 million of the $379 million then outstanding of the 6.50% Debentures due 2025 (the "2025 Debentures"), (ii) $75 million of the $286 million then outstanding of the 6.50% Debentures due 2028 (the "2028 Debentures"), (iii) $222 million of the $446 million then outstanding of the 6.625% Senior Notes due 2037 (the "2037 Senior Notes"), and (iv) $138 million of the $252 million then outstanding of the 5.22% Debentures due 2097. After accelerating the amortization of debt issuance costs and debt discounts, the Company recognized a loss of approximately $12 million related to this debt tender in Other within Other income (expense) in the consolidated statements of operations.

During the year ended December 31, 2009, the Company repurchased $199 million of its outstanding long-term debt for an aggregate purchase price of $133 million, including $4 million of accrued interest, all of which occurred during the three months ended April 4, 2009. The $199 million of long-term debt repurchased included principal amounts of: (i) $11 million of the $358 million then outstanding of the 7.50% Debentures due 2025, (ii) $20 million of the $399 million then outstanding 2025 Debentures, (iii) $14 million of the $299 million then outstanding 2028 Debentures, and (iv) $154 million of the $600 million then outstanding 2037 Senior Notes. The Company recognized a gain of approximately $67 million related to these open market purchases in Other within Other income (expense) in the consolidated statements of operations.

Aggregate requirements for long-term debt maturities during the next five years are as follows: 2011—$605 million; 2012—$405 million; 2013—$5 million; 2014—$4 million; and 2015—$4 million.

Credit Facilities

The Company had a domestic syndicated revolving credit facility (as amended from time to time, the "Credit Facility"), scheduled to mature in December 2011. The size of the Credit Facility was the lesser of: (1) $1.5 billion, or (2) an amount determined based on eligible domestic accounts receivable and inventory. If the Company elected to borrow under the Credit Facility, only then and not before, it would be required to pledge its domestic accounts receivables and, at its option, domestic inventory. The Credit Facility did not require the Company to meet any financial covenants unless remaining availability under the Credit Facility was less than $225 million. As of and during the year ended December 31, 2010, there were no outstanding borrowings under this Credit Facility.

At December 31, 2010, the commitment fee assessed against the daily average unused amount was 75 basis points.

On January 4, 2011, the Company terminated the Credit Facility and entered into a new $1.5 billion unsecured syndicated revolving credit facility (the "2011 Motorola Solutions Credit Agreement") that is scheduled to expire on June 30, 2014. The 2011 Motorola Solutions Credit Agreement includes a provision pursuant to which the Company can increase the aggregate credit facility size up to a maximum of $2.0 billion by adding lenders or having existing lenders increase their commitments. The Company must comply with certain customary covenants, including maintaining maximum leverage and minimum interest coverage ratios as defined in the 2011 Motorola Solutions Credit Agreement. The Company has no outstanding borrowings under the 2011 Motorola Solutions Credit Agreement.

5. Risk Management

Derivative Financial Instruments

Foreign Currency Risk

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

The Company's strategy related to foreign exchange exposure management is to offset the gains or losses on the financial instruments against losses or gains on the underlying operational cash flows or investments based on the segments' assessment of risk. The Company enters into derivative contracts for some of the Company's non-functional currency receivables and payables, which are primarily denominated in major currencies that can be traded on open markets. The Company typically uses forward contracts and options to hedge these currency exposures. In addition, the Company enters into derivative contracts for some forecasted transactions, which are designated as part of a hedging relationship if it is determined that the transaction qualifies for hedge accounting under the provisions of the authoritative accounting guidance for derivative instruments and hedging activities. A portion of the Company's exposure is from currencies that are not traded in liquid markets and these are addressed, to the extent reasonably possible, by managing net asset positions, product pricing and component sourcing.

The Company had outstanding foreign exchange notional contracts totaling $1.5 billion at December 31, 2010, compared to $1.7 billion at December 31, 2009, (of which $520 million and $560 million, respectively, was related to discontinued operations). Management believes that these financial instruments should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should generally offset losses and gains on the underlying assets, liabilities and transactions, except for the ineffective portion of the instruments, which are charged to Other within Other income (expense) in the Company's 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 December 31, 2010 and the corresponding positions as of December 31, 2009:

	Notional Amount	
Net Buy (Sell) by Currency	***December 31, 2010***	*December 31, 2009*
Chinese Renminbi	**$ (423)**	$ (297)
Euro	**(195)**	(350)
Brazilian Real	**(43)**	(35)
Malaysian Ringgit	**64**	16
British Pound	**187**	143

For the year ended December 31, 2010, income representing the ineffective portions of changes in the fair value of cash flow hedge positions was $1 million compared to de minimus income for the year ended December 31, 2009 and expense of $2 million for the year ended December 31, 2008. These amounts are included in Other within Other income (expense) in the Company's consolidated statements of operations. The above amounts include the change in the fair value of derivative contracts related to the changes in the difference between the spot price and the forward price. These amounts are excluded from the measure of effectiveness. Expense (income) related to cash flow hedges that were discontinued for the years ended December 31, 2010, 2009 and 2008 are included in the amounts noted above.

During the years ended December 31, 2010, 2009 and 2008, on a pre-tax basis, income (expense) of $1 million, $(1) million and $(2) million, respectively, was reclassified from equity to earnings in the Company's consolidated statements of operations.

At December 31, 2010, the maximum term of derivative instruments that hedge forecasted transactions was 12 months. The weighted average duration of the Company's derivative instruments that hedge forecasted transactions was six months.

Interest Rate Risk

At December 31, 2010, the Company has $2.7 billion of long-term debt, including the current portion of long-term debt, which is primarily priced at long-term, fixed interest rates.

As part of its liability management program, one of the Company's European subsidiaries has an outstanding interest rate agreement ("Interest Agreement") relating to a Euro-denominated loan. The interest on the Euro-denominated loan is variable. The Interest Agreement changes the characteristics of interest rate payments from variable to maximum fixed-rate payments. The Interest Agreement is not accounted for as a part of a hedging relationship and, accordingly, the changes in the fair value of the Interest Agreement is included in Other income (expense) in the Company's consolidated statements of operations. The weighted average fixed rate payment on the Interest Agreement was 5.18%. At December 31, 2010 and 2009, the fair value of the Interest Agreement put the Company in a liability position of $3 million and $4 million, respectively.

Counterparty Risk

The use of derivative financial instruments exposes the Company to counterparty credit risk in the event of nonperformance 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. At present time, all of the counterparties have investment grade credit ratings. The Company is not exposed to material credit risk with any single counterparty. As of December 31, 2010, the Company was exposed to an aggregate credit risk of approximately $2 million with all counterparties.

The following tables summarize the fair values and location in the consolidated balance sheets of all derivative financial instruments held by the Company, including amounts included in held for disposition, at December 31, 2010 and 2009:

December 31, 2010	*Fair Values of Derivative Instruments* — *Assets* — *Fair Value*	*Assets* — *Balance Sheet Location*	*Liabilities* — *Fair Value*	*Liabilities* — *Balance Sheet Location*
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 1	Other assets	$ —	Other liabilities
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	4	Other assets	15	Other liabilities
Interest agreement contracts	—	Other assets	3	Other liabilities
Total derivatives not designated as hedging instruments	4		18	
Total derivatives	**$ 5**		**$ 18**	

December 31, 2009	*Fair Values of Derivative Instruments* — *Assets* — *Fair Value*	*Assets* — *Balance Sheet Location*	*Liabilities* — *Fair Value*	*Liabilities* — *Balance Sheet Location*
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 5	Other assets	$ 1	Other liabilities
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	10	Other assets	16	Other liabilities
Interest agreement contracts	—	Other assets	4	Other liabilities
Total derivatives not designated as hedging instruments	10		20	
Total derivatives	$ 15		$ 21	

The following table summarizes the effect of derivative instruments in our consolidated statements of operations, including amounts related to discontinued operations, for the year ended December 31, 2010 and 2009:

Gain (Loss) on Derivative Instruments	*December 31,* ***2010***	*2009*	*Statement of Operations Location*
Derivatives not designated as hedging instruments:			
Interest rate contracts	**(16)**	(16)	Other income (expense)
Foreign exchange contracts	**(33)**	(166)	Other income (expense)
Total derivatives not designated as hedging instruments	**$ (49)**	$ (182)	

The following table summarizes the gains and losses recognized in the consolidated financial statements, including amounts related to discontinued operations, for the years ended December 31, 2010 and 2009:

Foreign Exchange Contracts	*December 31,* ***2010***	*2009*	*Financial Statement Location*
Derivatives in cash flow hedging relationships:			
Gain/(Loss) recognized in Accumulated other comprehensive loss (effective portion)	**$ (9)**	$ —	Accumulated other comprehensive loss
Loss reclassified from Accumulated other comprehensive loss into Net earnings (loss) (effective portion)	**(6)**	(18)	Cost of sales/Sales
Gain (loss) recognized in Net earnings (loss) on derivative (ineffective portion and amount excluded from effectiveness testing)	**1**	—	Other income (expense)

Stockholders' Equity

Derivative instruments activity, net of tax, included in Accumulated other comprehensive income (loss) within the consolidated statements of stockholders' equity for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	*2009*	*2008*
Balance at January 1	**$ 2**	$ (7)	$ —
Increase (decrease) in fair value	**3**	21	(9)
Reclassifications to earnings, net of tax	**(5)**	(12)	2
Balance at December 31	**$ —**	$ 2	$ (7)

6. Income Taxes

Components of earnings (loss) from continuing operations before income taxes are as follows:

Years Ended December 31	***2010***	*2009*	*2008*
United States	**$ 402**	$ 377	$(1,440)
Other nations	**289**	260	443
	$ 691	$ 637	$ (997)

Components of income tax expense (benefit) are as follows:

Years Ended December 31	***2010***	*2009*	*2008*
United States	**$ (45)**	$ 66	$ (453)
Other nations	**183**	78	348
States (U.S.)	**74**	6	(5)
Current income tax expense (benefit)	**212**	150	(110)
United States	**385**	(38)	2,559
Other nations	**(55)**	103	42
States (U.S.)	**(127)**	(24)	(10)
Deferred income tax expense	**203**	41	2,591
Total income tax expense	**$ 415**	$ 191	$2,481

Deferred tax charges that were recorded within Accumulated other comprehensive income (loss) in the Company's consolidated balance sheets resulted from retirement benefit adjustments, currency translation adjustments, net gains (losses) on derivative instruments and fair value adjustments to available-for-sale securities. The adjustments were $41 million, $(26) million and $(738) million for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company evaluates its permanent reinvestment assertions with respect to foreign earnings at each reporting period and, except for certain earnings that the Company intends to reinvest indefinitely due to the capital requirements of the foreign subsidiaries or due to local country restrictions, accrues for the U.S. federal income taxes applicable to the foreign earnings. Undistributed foreign earnings that the Company intends to reinvest indefinitely, and for which no U.S. federal income taxes have been provided, aggregate to $1.3 billion, $2.4 billion and $2.9 billion at December 31, 2010, 2009 and 2008, respectively. The portion of earnings not reinvested indefinitely may be distributed without an additional U.S. federal income tax charge given the U.S. federal tax accrued on undistributed earnings and the utilization of available foreign tax credits. In 2010, the Company recognized deferred income tax expense of $287 million related to undistributed foreign earnings; including a charge for certain prior foreign earnings the Company concluded are no longer considered to be permanently reinvested and for a reduction of the invested capital of certain of its foreign subsidiaries. The capital reduction is part of the Company's plan to realign its investment in foreign subsidiaries and is pending approval by certain governmental agencies.

In the first quarter of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law, which eliminated the favorable income tax treatment of Medicare Part D Subsidy receipts effective for tax years starting in 2013. As a result of the tax law change, the Company recorded an $18 million non-cash tax charge to reduce its deferred tax asset associated with Medicare Part D subsidies currently estimated to be received after 2012.

Differences between income tax expense (benefit) computed at the U.S. federal statutory tax rate of 35% and income tax expense (benefit) as reflected in the Consolidated Statements of Operations are as follows:

Years Ended December 31	***2010***	*2009*	*2008*
Income tax expense (benefit) at statutory rate	**$ 242**	$ 223	$ (349)
Taxes on non-U.S. earnings	**(11)**	(22)	40
State income taxes	**(34)**	(11)	(10)
Valuation allowances	**(18)**	(28)	2,321
Goodwill impairment	**—**	—	555
Tax on undistributed non-U.S. earnings	**287**	45	15
Other provisions	**(44)**	(6)	(91)
Research credits	**(6)**	(6)	(1)
Tax law changes	**18**	—	—
Section 199 deduction	**(20)**	(7)	—
Other	**1**	3	1
	$ 415	$ 191	$2,481

Gross deferred tax assets were $5.7 billion and $8.3 billion at December 31, 2010 and 2009, respectively. Deferred tax assets, net of valuation allowances, were $5.2 billion and $6.4 billion at December 31, 2010 and 2009, respectively. Gross deferred tax liabilities were $2.4 billion and $3.2 billion at December 31, 2010 and 2009, respectively.

Significant components of deferred tax assets (liabilities) are as follows:

December 31	***2010***	*2009*
Inventory	**$ 114**	$ 117
Accrued liabilities and allowances	**231**	247
Employee benefits	**1,083**	1,336
Capitalized items	**386**	426
Tax basis differences on investments	**40**	63
Depreciation tax basis differences on fixed assets	**66**	19
Undistributed non-U.S. earnings	**(481)**	(235)
Tax carryforwards	**1,617**	2,881
Business reorganization	**24**	30
Warranty and customer reserves	**56**	85
Deferred revenue and costs	**242**	166
Valuation allowances	**(508)**	(1,893)
Deferred charges	**37**	51
Other	**(118)**	(12)
	$2,789	$ 3,281

The Company accounts for income taxes by recognizing deferred tax assets and liabilities using enacted tax rates for the effect of the temporary differences between the book and tax basis of recorded assets and liabilities. The Company makes estimates and judgments with regard to the calculation of certain income tax assets and liabilities. Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more-likely-than-not that some portion of the deferred tax asset will not be realized. Significant weight is given to evidence that can be objectively verified.

The Company evaluates deferred income taxes on a quarterly basis to determine if a valuation allowance is required by considering available evidence, including historical and projected taxable income and tax planning strategies that are both prudent and feasible. As of December 31, 2010, the Company's U.S. operations had generated cumulative pre-tax losses over the most recent three year period as a result of the pre-tax losses of Motorola Mobility. Because of the losses at Motorola Mobility, the Company believes that the weight of negative historical evidence precludes it from considering any forecasted income from the Motorola Mobility in its analysis of the recoverability of deferred tax assets. However, based on the sustained profits of other businesses, the Company believes that the weight of positive historical evidence allows it to include forecasted income from the other businesses in its analysis of the recoverability of its deferred tax assets. The Company also considered in its analysis tax planning strategies that are prudent and can be reasonably implemented. During 2008, the Company recorded a partial valuation allowance of $2.1 billion against a portion of its U.S. tax carryforwards that were more likely than not to expire. During 2009, the Company increased its U.S. valuation allowance by $90 million, primarily relating to capital losses realized from the disposition of a subsidiary, which is accounted for as part of discontinued operations, offset by a decrease in the valuation allowance for refundable general business credits. During 2010, the U.S. valuation allowance was reduced by $39 million, primarily related to certain of the Company's state tax carryforwards that the Company expects to utilize.

At December 31, 2010 and 2009, the Company had valuation allowances of $508 million and $1.9 billion, respectively, against its deferred tax assets, including $187 million and $253 million, respectively, relating to deferred tax assets for non-U.S. subsidiaries. The Company's valuation allowances for its non-U.S. subsidiaries had a net decrease of $66 million during 2010. The decrease is primarily caused by exchange rate variances and adjustments to the valuation allowance based on current year activity. The U.S. valuation allowance relates primarily to tax carryforwards, including foreign tax credits, general business credits and tax carryforwards of acquired businesses which have limitations upon their use, state tax carryforwards and future capital losses related to certain investments. The Company believes that the remaining deferred tax assets are more-likely-than-not to be realizable based on estimates of future taxable income and the implementation of tax planning strategies.

Tax carryforwards are as follows:

December 31, 2010	*Gross Tax Loss*	*Tax Effected*	*Expiration Period*
United States:			
U.S. tax losses	$ 131	$ 46	2018-2027
Foreign tax credits	n/a	843	2017-2019
General business credits	n/a	277	2021-2030
Minimum tax credits	n/a	109	Unlimited
State tax losses	1,676	51	2011-2030
State tax credits	n/a	21	2011-2025
Non-U.S. Subsidiaries:			
China tax losses	208	52	2012-2015
Japan tax losses	79	32	2015-2017
United Kingdom tax losses	55	15	Unlimited
Germany tax losses	252	72	Unlimited
Singapore tax losses	101	17	Unlimited
Other subsidiaries tax losses	40	10	Various
Spain tax credits	n/a	29	2018-2022
Other subsidiaries tax credits	n/a	43	Various
		$ 1,617	

The Company had unrecognized tax benefits of $198 million and $417 million at December 31, 2010 and December 31, 2009, respectively, of which approximately $20 million and $50 million, respectively, if recognized, would affect the effective tax rate, net of resulting changes to valuation allowances.

A roll-forward of unrecognized tax benefits is as follows:

	2010	*2009*
Balance at January 1	**$ 417**	$ 858
Additions based on tax positions related to current year	**25**	27
Additions for tax positions of prior years	**59**	53
Reductions for tax positions of prior years	**(157)**	(96)
Settlements	**(142)**	(423)
Lapse of statute of limitations	**(4)**	(2)
Balance at December 31	**$ 198**	$ 417

During 2010, the Company recorded $157 million of tax benefits related to reductions in unrecognized tax benefits relating to facts that indicate the extent to which certain tax positions are more-likely-than-not of being sustained. Additionally, the Company reduced its unrecognized tax benefits by $142 million for settlements with tax authorities, of which $45 million resulted in cash tax payments and the remainder of which reduced tax carryforwards and other deferred tax assets.

During 2010, the Internal Revenue Service concluded its audit of Symbol Technologies, Inc.'s 2004 through January 9, 2007 pre-acquisition tax years and Motorola Solutions' 2004 through 2007 tax years. The IRS is currently examining the Company's 2008 and 2009 tax years. The Company also has several state and non-U.S. audits pending. A summary of open tax years by major jurisdiction is presented below:

Jurisdiction	*Tax Years*
United States	2007—2010
China	2001—2010
France	2004—2010
Germany	2008—2010
India	1996—2010
Israel	2007—2010
Japan	2004—2010
Malaysia	1998—2010
Singapore	1999—2010
United Kingdom	2004—2010

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

Based on the potential outcome of the Company's global tax examinations or the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the unrecognized tax benefits will change within the next 12 months. The associated net tax impact on the effective tax rate, exclusive of valuation allowance changes, is estimated to be in the range of a $50 million tax charge to a $75 million tax benefit, with cash payments in the range of $0 to $100 million.

At December 31, 2010, the Company had $25 million and $20 million accrued for interest and penalties, respectively, on unrecognized tax benefits. At December 31, 2009, the Company had $25 million and $15 million accrued for interest and penalties, respectively, on unrecognized tax benefits.

7. Retirement Benefits

Pension Benefit Plans

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

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

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

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

In December 2008, the Company amended the Regular Pension Plan, the Officers' Plan and the MSPP. Effective March 1, 2009, (i) no participant shall accrue any benefit or additional benefit on and after March 1, 2009, and (ii) no compensation increases earned by a participant on and after March 1, 2009 shall be used to compute any accrued benefit. Additionally, no service performed on and after March 1, 2009, shall be considered service for any purpose under the MSPP. The Company recognized a $237 million curtailment gain associated with this plan amendment in 2008.

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

Regular Pension Plan

Years Ended December 31	***2010***	*2009*	*2008*
Service cost	**$ —**	$ 14	$ 98
Interest cost	**341**	336	323
Expected return on plan assets	**(377)**	(380)	(391)
Amortization of:			
Unrecognized net loss	**148**	78	52
Unrecognized prior service cost	**—**	—	(31)
Curtailment gain	**—**	—	(232)
Net periodic pension cost (benefit)	**$ 112**	$ 48	($ 181)

Officers' Plan and MSPP

Years Ended December 31	***2010***	*2009*	*2008*
Service cost	**$ —**	$ —	$ 3
Interest cost	**3**	6	7
Expected return on plan assets	**(1)**	(2)	(2)
Amortization of:			
Unrecognized net loss	**3**	3	1
Unrecognized prior service cost	**—**	—	(1)
Curtailment gain	**—**	—	(5)
Settlement loss	**2**	17	5
Net periodic pension cost	**$ 7**	$ 24	$ 8

Non-U.S. Plans

Years Ended December 31	***2010***	*2009*	*2008*
Service cost	**$ 24**	$ 26	$ 34
Interest cost	**84**	77	87
Expected return on plan assets	**(81)**	(69)	(84)
Amortization of:			
Unrecognized net loss	**19**	7	1
Unrecognized prior service cost	**(4)**	1	1
Settlement/curtailment gain	**(4)**	(1)	(7)
Net periodic pension cost	**$ 38**	$ 41	$ 32

The status of the Company's plans is as follows:

	2010			2009		
	Regular	**Officers' and MSPP**	**Non U.S.**	*Regular*	*Officers' and MSPP*	*Non U.S.*
Change in benefit obligation:						
Benefit obligation at January 1	**$ 5,821**	**$ 52**	**$1,576**	$ 5,110	$ 116	$1,221
Service cost	**—**	**—**	**24**	14	—	26
Interest cost	**341**	**3**	**84**	336	6	77
Plan amendments	**—**	**—**	**(115)**	—	—	2
Settlement/curtailment	**—**	**—**	**2**	—	—	(7)
Actuarial (gain) loss	**173**	**4**	**54**	592	(20)	214
Foreign exchange valuation adjustment	**—**	**—**	**(71)**	—	—	87
Employee contributions	**—**	**—**	**5**	—	—	6
Tax payments	**—**	**(3)**	**—**	—	(1)	—
Benefit payments	**(206)**	**(12)**	**(54)**	(231)	(49)	(50)
Benefit obligation at December 31	**6,129**	**44**	**1,505**	5,821	52	1,576
Change in plan assets:						
Fair value at January 1	**3,898**	**17**	**1,147**	3,295	56	957
Return on plan assets	**466**	**1**	**124**	754	1	123
Company contributions	**150**	**7**	**47**	80	10	39
Employee contributions	**—**	**—**	**5**	—	—	6
Foreign exchange valuation adjustment	**—**	**—**	**(43)**	—	—	72
Tax payments from plan assets	**—**	**(1)**	**—**	—	(1)	—
Benefit payments from plan assets	**(206)**	**(12)**	**(54)**	(231)	(49)	(50)
Fair value at December 31	**4,308**	**12**	**1,226**	3,898	17	1,147
Funded status of the plan	**(1,821)**	**(32)**	**(279)**	(1,923)	(35)	(429)
Unrecognized net loss	**2,799**	**11**	**323**	2,863	13	342
Unrecognized prior service cost	**—**	**—**	**(99)**	—	—	6
Prepaid (accrued) pension cost	**$ 978**	**$ (21)**	**$ (55)**	$ 940	$ (22)	$ (81)
Components of prepaid (accrued) pension cost:						
Non-current benefit liability	**$ (1,821)**	**$ (32)**	**$ (279)**	$ (1,923)	$ (35)	$ (429)
Deferred income taxes	**1,033**	**4**	**35**	1,062	6	24
Accumulated other comprehensive income (loss)	**1,766**	**7**	**189**	1,801	7	324
Prepaid (accrued) pension cost	**$ 978**	**$ (21)**	**$ (55)**	$ 940	$ (22)	$ (81)

It is estimated that the net periodic cost for 2011 will include amortization of the unrecognized net loss and prior service costs for the Regular Plan, Officers' and MSPP Plans, and Non-U.S. Plans, currently included in Accumulated other comprehensive loss, of $187 million, $2 million, and $4 million, respectively.

The Company uses a five-year, market-related asset value method of amortizing asset-related gains and losses. Prior service costs are being amortized over periods ranging from 10 to 12 years. Benefits under all pension plans are valued based upon the projected unit credit cost method.

During March of 2010, the Company recognized a curtailment gain in one of its Non-U.S. plans resulting in a reduction of the amounts recognized in Accumulated other comprehensive loss of $22 million. No gain or loss was recognized in the Company's consolidated statement of operations as a result of the curtailment.

In August 2010, the Company created separate Non-U.S. plans in certain locations, pursuant to the Company's separation into two independent, publicly traded companies. The portion of existing pension assets and benefit obligations relating to employees covered by the newly-created plans were transferred to those plans. Prior to this transfer the pension assets and benefit obligations were remeasured resulting in an adjustment to Accumulated other comprehensive loss of $28 million, net of taxes of $13 million.

As a result of the Company's separation into two independent, publicly traded companies, during the three months ended December 31, 2010, the Company recognized a curtailment gain in one of its Non-U.S. plans, resulting in the recognition of a gain in the Company's consolidated statement of operations of $4 million. During the same period, as a result of legislative changes that were finalized in December 2010, the Company changed the index used to estimate cost of living increases. As a result, the Company recorded a $55 million gain in Accumulated other comprehensive loss, net of tax. No gain or loss was recognized in the Company's consolidated statement of operations as a result of the amendment.

Certain actuarial assumptions such as the discount rate and the long-term rate of return on plan assets have a significant effect on the amounts reported for net periodic cost and benefit obligation. The assumed discount rates reflect the prevailing market rates of a universe of high-quality, non-callable, corporate bonds currently available that, if the obligation were settled at the measurement date, would provide the necessary future cash flows to pay the benefit obligation when due. The long-term rates of return on plan assets represents an estimate of long-term returns on an investment portfolio consisting of a mixture of equities, fixed income, cash and other investments similar to the actual investment mix. In determining the long-term return on plan assets, the Company considers long-term rates of return on the asset classes (both historical and forecasted) in which the Company expects the plan funds to be invested.

Weighted average actuarial assumptions used to determine costs for the plans were as follows:

	2010		*2009*	
December 31	**U.S.**	**Non U.S.**	*U.S.*	*Non U.S.*
Discount rate	**6.00%**	**5.39%**	6.75%	6.23%
Investment return assumption (Regular Plan)	**8.25%**	**6.86%**	8.25%	6.86%
Investment return assumption (Officers' Plan)	**6.00%**	**N/A**	6.00%	N/A

Weighted average actuarial assumptions used to determine benefit obligations for the plans were as follows:

	2010		*2009*	
December 31	**U.S.**	**Non U.S.**	*U.S.*	*Non U.S.*
Discount rate	**5.75%**	**5.07%**	6.00%	5.46%
Future compensation increase rate (Regular Plan)	**0.00%**	**2.61%**	0.00%	4.28%
Future compensation increase rate (Officers' Plan)	**0.00%**	**N/A**	0.00%	N/A

The accumulated benefit obligations for the plans were as follows:

	2010			*2009*		
December 31	***Regular***	***Officers' and MSPP***	***Non U.S.***	*Regular*	*Officers' and MSPP*	*Non U.S.*
Accumulated benefit obligation	**$ 6,129**	**$ 44**	**$1,482**	$ 5,821	$ 52	$1,527

The Company has adopted a pension investment policy designed to meet or exceed the expected rate of return on plan assets assumption. To achieve this, the pension plans retain professional investment managers that invest plan assets in equity and fixed income securities and cash. In addition, some plans invest in insurance contracts. The Company's measurement date of its plan assets and obligations is December 31. The Company has the following target mixes for these asset classes, which are readjusted periodically, when an asset class weighting deviates from the target mix, with the goal of achieving the required return at a reasonable risk level:

	Target Mix	
Asset Category	***2010***	*2009*
Equity securities	**63%**	63%
Fixed income securities	**35%**	35%
Cash and other investments	**2%**	2%

The weighted-average pension plan asset allocation by asset categories:

	Actual Mix	
December 31	***2010***	*2009*
Equity securities	**66%**	65%
Fixed income securities	**32%**	32%
Cash and other investments	**2%**	3%

Within the equity securities asset class, the investment policy provides for investments in a broad range of publicly-traded securities including both domestic and international stocks. Within the fixed income securities asset class, the investment policy provides for investments in a broad range of publicly-traded debt securities ranging from U.S. Treasury issues, corporate debt securities, mortgage and asset-backed securities, as well as international debt securities. In the cash and other investments asset class, investments may be in cash, cash equivalents or insurance contracts.

The Company expects to make cash contributions of approximately $240 million to its U.S. pension plans and approximately $40 million to its non-U.S. pension plans in 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	*Regular*	*Officer's and MSPP*	*Non U.S.*
2011	$ 250	$ 8	$ 52
2012	261	2	54
2013	272	5	56
2014	310	2	58
2015	319	2	61
2016-2020	1,803	19	341

Postretirement Health Care Benefits Plan

Certain health care benefits are available to eligible domestic employees meeting certain age and service requirements upon termination of employment (the "Postretirement Health Care Benefits Plan"). For eligible employees hired prior to January 1, 2002, the Company offsets a portion of the postretirement medical costs to the retired participant. As of January 1, 2005, the Postretirement Health Care Benefits Plan has been closed to new participants. The benefit obligation and plan assets for the Postretirement Health Care Benefits Plan have been measured as of December 31, 2010.

The assumptions used were as follows:

December 31	***2010***	*2009*
Discount rate for obligations	**5.25%**	5.75%
Investment return assumptions	**8.25%**	8.25%

Net Postretirement Health Care Benefits Plan expenses were as follows:

Years Ended December 31	***2010***	*2009*	*2008*
Service cost	**$ 6**	$ 6	$ 6
Interest cost	**23**	27	26
Expected return on plan assets	**(16)**	(18)	(20)
Amortization of:			
Unrecognized net loss	**7**	7	5
Unrecognized prior service cost	**(2)**	(2)	(2)
Net postretirement health care expense	**$ 18**	$ 20	$ 15

The funded status of the plan is as follows:

	2010	2009
Change in benefit obligation:		
Benefit obligation at January 1	**$ 461**	$ 429
Service cost	**6**	6
Interest cost	**23**	27
Actuarial (gain) loss	**(17)**	32
Benefit payments	**(26)**	(33)
Benefit obligation at December 31	**447**	461
Change in plan assets:		
Fair value at January 1	**174**	168
Return on plan assets	**20**	35
Company contributions	**—**	—
Benefit payments made with plan assets	**(24)**	(29)
Fair value at December 31	**170**	174
Funded status of the plan	**(277)**	(287)
Unrecognized net loss	**204**	231
Unrecognized prior service cost	**(1)**	(3)
Accrued postretirement health care cost	**$ (74)**	$ (59)

Components of accrued postretirement health care cost:

Years Ended December 31	***2010***	*2009*
Non-current liability	**$(277)**	$(287)
Tax impact of Medicare Part D subsidy law change	**18**	—
Deferred income taxes	**72**	101
Accumulated other comprehensive income	**113**	127
Accrued postretirement health care cost	**$ (74)**	$ (59)

During the first quarter of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law, which eliminated the favorable income tax treatment of Medicare Part D Subsidy receipts effective for tax years starting in 2013. As a result of the tax law change, the Company recorded an $18 million non-cash tax charge to reduce its deferred tax asset associated with Medicare Part D subsidies currently estimated to be received after 2012.

It is estimated that the net periodic cost for the Postretirement Health Care Benefits Plan in 2011 will include amortization of the unrecognized net loss and prior service costs, currently included in Accumulated other comprehensive loss, of $11 million.

The Company has adopted an investment policy for plan assets designed to meet or exceed the expected rate of return on plan assets assumption. To achieve this, the plan retains professional investment managers that invest plan assets in equity and fixed income securities and cash. The Company uses long-term historical actual return experience with consideration of the expected investment mix of the plans' assets, as well as future estimates of long-term investment returns, to develop its expected rate of return assumption used in calculating the net periodic cost and the net retirement healthcare expense. The Company has the following target mixes for these asset classes, which are readjusted at least periodically, when an asset class weighting deviates from the target mix, with the goal of achieving the required return at a reasonable risk level:

	Target Mix	
Asset Category	***2010***	*2009*
Equity securities	**65%**	65%
Fixed income securities	**34%**	34%
Cash and other investments	**1%**	1%

The weighted-average asset allocation for plan assets by asset categories:

	Actual Mix	
December 31	***2010***	*2009*
Equity securities	**65%**	67%
Fixed income securities	**33%**	30%
Cash and other investments	**2%**	3%

Within the equity securities asset class, the investment policy provides for investments in a broad range of publicly-traded securities including both domestic and international stocks. Within the fixed income securities asset class, the investment policy provides for investments in a broad range of publicly-traded debt securities ranging from U.S. Treasury issues, corporate debt securities, mortgages and asset-backed issues, as well as international debt securities. In the cash asset class, investments may be in cash and cash equivalents.

The Company expects to make no cash contributions to the Postretirement Health Care Benefits Plan in 2011. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	
2011	$ 33
2012	32
2013	31
2014	30
2015	29
2016-2020	152

The health care cost trend rate used to determine the December 31, 2010 accumulated postretirement benefit obligation is 7.25% for 2011. This rate is expected to remain flat thru 2013, with a decline in years 2014 and 2015 until it reaches 5% in 2016. Beyond 2016, this rate is expected to remain flat at 5%. The health care trend rate used to determine the December 31, 2009 accumulated postretirement benefit obligation was 8.5%.

Changing the health care trend rate by one percentage point would change the accumulated postretirement benefit obligation and the net retiree health care expense as follows:

	1% Point Increase	*1% Point Decrease*
Increase (decrease) in:		
Accumulated postretirement benefit obligation	$ 14	$ (13)
Net retiree health care expense	1	(1)

The Company maintains a lifetime cap on postretirement health care costs, which reduces the liability duration of the plan. A result of this lower duration is a decreased sensitivity to a change in the discount rate trend assumption with respect to the liability and related expense.

The Company has no significant Postretirement Health Care Benefit Plans outside the United States.

Other Benefit Plans

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

The Company adopted new accounting guidance on accounting for split-dollar life insurance arrangements as of January 1, 2008. This guidance requires that a liability for the benefit obligation be recorded because the promise of postretirement benefit had not been settled through the purchase of an endorsement split-dollar life insurance arrangement. As a result of the adoption of this new guidance, the Company recorded a liability representing the actuarial present value of the future death benefits as of the employees' expected retirement date of $45 million with the offset reflected as a cumulative-effect adjustment to January 1, 2008 Retained earnings and Accumulated other comprehensive income (loss) in the amounts of $4 million and $41 million, respectively, in the Company's consolidated statement of stockholders' equity. It is currently expected that minimal cash payments will be required to fund these policies.

The net periodic pension cost for these split-dollar life insurance arrangements was $5 million and $6 million for the years ended December 31, 2010 and 2009, respectively. The Company has recorded a liability representing the actuarial present value of the future death benefits as of the employees' expected retirement date of $51 million and $48 million as of December 31, 2010 and December 31, 2009, respectively.

Defined Contribution Plan

The Company and certain subsidiaries have various defined contribution plans, in which all eligible employees participate. In the U.S., the 401(k) plan is a contributory plan. Matching contributions are based upon the amount of the employees' contributions. Effective January 1, 2005, newly hired employees have a higher maximum matching contribution at 4% on the first 5% of employee contributions, compared to 3% on the first 6% of employee contributions for employees hired prior to January 2005. Effective January 1, 2009, the Company temporarily suspended all matching contributions to the Motorola Solutions 401(k) plan. Matching contributions were reinstated as of July 1, 2010 at a rate of 4% on the first 4% of employee contributions. The maximum matching contribution for 2010 was pro-rated to account for the number of months remaining after the reinstatement. The Company's expenses, primarily relating to the employer match, for all defined contribution plans, for the years ended December 31, 2010, 2009 and 2008 were $23 million, $8 million and $49 million, respectively.

8. Share-Based Compensation Plans and Other Incentive Plans

All share and per share information presented gives effect to the Reverse Stock Split, which occurred on January 4, 2011. The Company also completed the Distribution of Motorola Mobility on January 4, 2011, however, the share and per share information presented does not reflect the Distribution of Motorola Mobility.

Stock Options, Stock Appreciation Rights and Employee Stock Purchase Plan

The Company grants options to acquire shares of common stock to certain employees, and existing option holders in connection with the merging of option plans following an acquisition. Each option granted and stock appreciation right has an exercise price of no less than 100% of the fair market value of the common stock on the date of the grant. The awards have a contractual life of five to ten years and vest over two to four years. Stock options and stock appreciation rights assumed or replaced with comparable stock options or stock appreciation rights in conjunction with a change in control only become exercisable if the holder is also involuntarily terminated (for a reason other than cause) or resigns for good reason within 24 months of a change in control.

The employee stock purchase plan allows eligible participants to purchase shares of the Company's common stock through payroll deductions of up to 10% of eligible compensation on an after-tax basis. Plan participants cannot purchase more than $25,000 of stock in any calendar year. The price an employee pays per share is 85% of the lower of the fair market value of the Company's stock on the close of the first trading day or last trading day of the purchase period. The plan has two purchase periods, the first one from October 1 through March 31 and the second one from April 1 through September 30. For the years ended December 31, 2010, 2009 and 2008, employees purchased 2.7 million, 4.2 million and 2.7 million shares, respectively, at purchase prices of $41.79 and $42.00, $25.20 and $25.76, and $55.37 and $42.49, respectively.

The Company calculates the value of each employee stock option, estimated on the date of grant, using the Black-Scholes option pricing model. The weighted-average estimated fair value of employee stock options granted during 2010, 2009 and 2008 was $21.43, $19.43 and $24.30, respectively, using the following weighted-average assumptions:

	2010	*2009*	*2008*
Expected volatility	**41.7%**	57.1%	56.4%
Risk-free interest rate	**2.1%**	1.9%	2.4%
Dividend yield	**0.0%**	0.0%	2.7%
Expected life (years)	**6.1**	3.9	5.5

The Company uses the implied volatility for traded options on the Company's stock as the expected volatility assumption required in the Black-Scholes model. The selection of the implied volatility approach was based upon the availability of actively traded options on the Company's stock and the Company's assessment that implied volatility is more representative of future stock price trends than historical volatility.

The risk-free interest rate assumption is based upon the average daily closing rates during the year for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's future expectation of dividend payouts. The expected life of employee stock options represents the average of the contractual term of the options and the weighted-average vesting period for all option tranches.

The Company has applied forfeiture rates, estimated based on historical data, of 13%-50% to the option fair values calculated by the Black-Scholes option pricing model. These estimated forfeiture rates are applied to grants based on their remaining vesting term and may be revised in subsequent periods if actual forfeitures differ from these estimates.

Stock option activity was as follows (in thousands, except exercise price and employee data):

	2010		*2009*		*2008*	
Years Ended December 31	***Shares Subject to Options***	***Wtd. Avg. Exercise Price***	*Shares Subject to Options*	*Wtd. Avg. Exercise Price*	*Shares Subject to Options*	*Wtd. Avg. Exercise Price*
Options outstanding at January 1	**23,061**	**$ 84**	32,592	$ 120	32,036	$ 131
Options granted	**1,630**	**50**	8,939	45	5,681	58
Options exercised	**(1,559)**	**42**	(206)	42	(274)	50
Options terminated, canceled or expired	**(3,518)**	**104**	(18,264)	128	(4,851)	123
Options outstanding at December 31	**19,614**	**81**	23,061	84	32,592	120
Options exercisable at December 31	**12,429**	**99**	11,037	121	21,153	134
Approx. number of employees granted options	**529**		22,095		3,300	

At December 31, 2010, the Company had $100 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock option plans and the employee stock purchase plan that will be recognized over the weighted average period of approximately two years. Cash received from stock option exercises and the employee stock purchase plan was $179 million, $116 million and $145 million for the years ended December 31, 2010, 2009 and 2008, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008 was $17 million, $1 million and $2 million, respectively. The aggregate intrinsic value for options outstanding and exercisable as of December 31, 2010 was $213 million and $111 million, respectively, based on a December 31, 2010 stock price of $63.49 per share. Pursuant to the completion of the Distribution on January 4, 2011, approximately 8.0 million stock options held by the employees of Motorola Mobility were cancelled. Upon the completed divestiture of the Networks business on April 29, 2011, approximately 0.2 million stock options were cancelled.

At December 31, 2010 and 2009, 6.6 million shares and 8.6 million shares, respectively, were available for future share-based award grants under the current share-based compensation plan, covering all equity awards to employees and non-employee directors.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010 (in thousands, except exercise price and years):

	Options Outstanding			*Options Exercisable*	
Exercise price range	*No. of options*	*Wtd. avg. Exercise Price*	*Wtd. avg. contractual life (in yrs.)*	*No. of options*	*Wtd. avg. Exercise Price*
Under $49	9,059	$ 43	7	3,856	$ 41
$49-$97	6,801	65	5	4,914	65
$98-$146	1,537	116	4	1,442	115
$147-$195	233	149	5	233	149
$196-$244	—	—	—	—	—
$245-$293	1,983	275	4	1,983	275
$294-$330	1	313	4	1	313
	19,614			**12,429**	

As of December 31, 2010, the weighted average contractual life for options outstanding and exercisable was six and five years, respectively.

Stock Option Exchange

On May 14, 2009, the Company initiated a tender offer for certain eligible employees (excluding executive officers and directors) to exchange certain out-of-the-money options for new options with an exercise price equal to the fair market value of the Company's stock as of the grant date. In order to be eligible for the exchange, the options had to have been granted prior to June 1, 2007, expire after December 31, 2009 and have an exercise price equal to or greater than $84.00. The offering period closed on June 12, 2009. On that date, 14 million options were tendered and exchanged for 6 million new options with an exercise price of

$47.11 and a ratable annual vesting period over two years. The exchange program was designed so that the fair market value of the new options would approximate the fair market value of the options exchanged. The resulting incremental compensation expense was not material to the Company's consolidated financial statements.

Restricted Stock and Restricted Stock Units

Restricted stock ("RS") and restricted stock unit ("RSU") grants consist of shares or the rights to shares of the Company's common stock which are awarded to employees and non-employee directors. The grants are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the employee. Shares of RS and RSUs assumed or replaced with comparable shares of RS or RSUs in conjunction with a change in control will only have the restrictions lapse if the holder is also involuntarily terminated (for a reason other than cause) or resigns for good reason within 24 months of a change in control.

Restricted stock and restricted stock unit activity was as follows (in thousands, except fair value and employee data):

	2010		2009		2008	
Years Ended December 31	***RSU***	***Wtd. Avg. Grant Date Fair Value***	*RSU*	*Wtd Avg. Grant Date Fair Value*	*RS and RSU*	*Wtd Avg. Grant Date Fair Value*
RS and RSU outstanding at January 1	**8,061**	**$ 55**	4,604	$ 76	1,536	$ 119
Granted	**4,772**	**49**	5,478	43	3,872	64
Vested	**(2,407)**	**58**	(988)	80	(330)	121
Terminated, canceled or expired	**(867)**	**56**	(1,033)	60	(474)	94
RSU outstanding at December 31	**9,559**	**51**	8,061	55	4,604	76
Approx. number of employees granted RSUs	**29,973**		26,969		28,981	

At December 31, 2010, the Company had unrecognized compensation expense related to RSUs of $301 million, net of estimated forfeitures, expected to be recognized over the weighted average period of approximately two years. The total fair value of RS and RSU shares vested during the years ended December 31, 2010, 2009 and 2008 was $114 million, $44 million and $19 million, respectively. The aggregate fair value of outstanding RSUs as of December 31, 2010 was $607 million. Pursuant to the completion of the Distribution on January 4, 2011, approximately 3.8 million unvested restricted stock units held by the employees of Motorola Mobility were cancelled. Upon the completed divestiture of the Networks business on April 29, 2011, approximately 1.4 million unvested restricted stock units were cancelled.

Total Share-Based Compensation Expense

Compensation expense for the Company's employee stock options, stock appreciation rights, employee stock purchase plans, RS and RSUs was as follows:

Year Ended December 31	**2010**	*2009*	*2008*
Share-based compensation expense included in:			
Costs of sales	**$ 19**	$ 16	$ 16
Selling, general and administrative expenses	**82**	80	73
Research and development expenditures	**43**	41	42
Share-based compensation expense included in Operating earnings (loss)	**144**	137	131
Tax benefit	**43**	43	41
Share-based compensation expense, net of tax	**$ 101**	$ 94	$ 90
Decrease in basic earnings per share	**$(0.30)**	$(0.29)	$(0.28)
Decrease in diluted earning per share	**$(0.30)**	$(0.29)	$(0.28)
Share-based compensation expense in discontinued operations	**$ 164**	$ 159	$ 149

Motorola Solutions Incentive Plan

Our incentive plan provides eligible employees with an annual payment, calculated as a percentage of an employee's eligible earnings, in the year after the close of the current calendar year if specified business goals and individual performance targets are met. The expense for awards under these incentive plans for the years ended December 31, 2010, 2009 and 2008 were $201 million, $109 million and $106 million, respectively.

Long-Range Incentive Plan

The Long-Range Incentive Plan ("LRIP") rewards participating elected officers for the Company's achievement of specified business goals during the period, based on two performance objectives measured over three-year cycles. The expense for LRIP (net of the reversals of previously recognized reserves) for the years ended December 31, 2010, 2009 and 2008 was $11 million, $5 million and $(9) million, respectively.

9. Fair Value Measurements

The Company holds certain fixed income securities, equity securities and derivatives, which must be measured using the fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The prescribed fair value hierarchy and related valuation methodologies are as follows:

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

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

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

The fair values of the Company's financial assets and liabilities by level in the fair value hierarchy as of December 31, 2010 and 2009 were as follows:

December 31, 2010	*Level 1*	*Level 2*	*Level 3*	***Total***
Assets:				
Sigma Fund securities:				
U.S. government, agency and government-sponsored enterprise obligations	$ —	$ 2,291	$ —	**$2,291**
Corporate bonds	—	43	15	**58**
Asset-backed securities	—	1	—	**1**
Mortgage-backed securities	—	11	—	**11**
Available-for-sale securities:				
U.S. government, agency and government-sponsored enterprise obligations	—	17	—	**17**
Corporate bonds	—	11	—	**11**
Mortgage-backed securities	—	3	—	**3**
Common stock and equivalents	2	10	—	**12**
Foreign exchange derivative contracts*	—	5	—	**5**
Liabilities:				
Foreign exchange derivative contracts*	—	15	—	**15**
Interest agreement derivative contracts	—	3	—	**3**

** Includes amounts included in held for disposition businesses.*

December 31, 2009	*Level 1*	*Level 2*	*Level 3*	***Total***
Assets:				
Sigma Fund securities:				
U.S. government, agency and government-sponsored enterprise obligations	$ —	$ 4,408	$ —	$4,408
Corporate bonds	—	411	19	430
Asset-backed securities	—	66	—	66
Mortgage-backed securities	—	52	—	52
Available-for-sale securities:				
U.S. government, agency and government-sponsored enterprise obligations	—	23	—	23
Corporate bonds	—	10	—	10
Mortgage-backed securities	—	3	—	3
Common stock and equivalents	115	11	—	126
Foreign exchange derivative contracts*	—	15	—	15
Liabilities:				
Foreign exchange derivative contracts*	—	17	—	17
Interest agreement derivative contracts	—	4	—	4

** Includes amounts included in held for disposition businesses.*

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

	2010	*2009*
Balance at January 1	**$ 19**	$ 134
Transfers to (from) Level 3	**3**	(16)
Payments received and securities sold	**(11)**	(78)
Permanent impairments	**—**	(2)
Mark-to-market gain (loss) on Sigma Fund investments included in Other income (expense)	**4**	(19)
Balance at December 31	**$ 15**	$ 19

Pension and Postretirement Health Care Benefits Plan Assets

The fair value of the various pension and postretirement health care benefits plans' assets by level in the fair value hierarchy as of December 31, 2010 were as follows:

Regular Plan

December 31, 2010	*Level 1*	*Level 2*	*Level 3*	***Total***
Common stock and equivalents	$ 1,222	$ 3	—	**$1,225**
Commingled equity funds	—	1,597	—	**1,597**
Preferred stock	9	—	—	**9**
U.S. government and agency obligations	—	100	—	**100**
Other government bonds	—	5	—	**5**
Corporate bonds	—	185	—	**185**
Mortgage-backed bonds	—	197	—	**197**
Asset-backed bonds	—	40	—	**40**
Commingled bond funds	—	850	—	**850**
Commingled short-term investment funds	—	76	—	**76**
Invested cash	—	16	—	**16**
Total investment securities	$ 1,231	$ 3,069	$ —	**$4,300**
Accrued income receivable				**8**
Fair value plan assets				**$4,308**

The table above includes securities on loan as part of a securities lending arrangement of $92 million of common stock and equivalents, $41 million of U.S. government and agency obligations and $34 million of corporate bonds. All securities on loan are fully cash collateralized.

The following table summarizes the changes in fair value of the Regular Plan assets measured using Level 3 inputs:

	2010
Balance at January 1	$ 7
Gain on assets held	1
Sales	(1)
Transfers out, net	(7)
Balance at December 31	$ —

Officers' Plan

December 31, 2010	*Level 1*	*Level 2*	*Level 3*	***Total***
U.S. government and agencies	$ —	$ 9	$ —	**$ 9**
Corporate bonds	—	1	—	**1**
Mortgage-backed bonds	—	1	—	**1**
Commingled short-term investment funds	—	1	—	**1**
Fair value plan assets	$ —	$ 12	$ —	**$ 12**

Non-U.S. Plans

December 31, 2010	*Level 1*	*Level 2*	*Level 3*	***Total***
Common stock and equivalents	$ 339	$ —	$ —	**$ 339**
Commingled equity funds	—	389	—	**389**
Corporate bonds	—	98	—	**98**
Government and agency obligations	—	91	—	**91**
Commingled bond funds	—	236	—	**236**
Short-term investment funds	—	1	—	**1**
Insurance contracts	—	—	61	**61**
Total investment securities	$ 339	$ 815	$ 61	**$1,215**
Cash				**8**
Accrued income receivable				**3**
Fair value plan assets				**$1,226**

The following table summarizes the changes in fair value of the Non-U.S. pension plan assets measured using Level 3 inputs:

	2010
Balance at January 1	$ 65
Gain on assets held	1
Foreign exchange valuation adjustment	(5)
Balance at December 31	$ 61

Postretirement Health Care Benefits Plan

December 31, 2010	*Level 1*	*Level 2*	*Level 3*	***Total***
Common stock and equivalents	$ 48	$ —	$ —	**$ 48**
Commingled equity funds	—	62	—	**62**
U.S. government and agency obligations	—	4	—	**4**
Corporate bonds	—	7	—	**7**
Mortgage-backed bonds	—	8	—	**8**
Asset-backed bonds	—	2	—	**2**
Commingled bond funds	—	34	—	**34**
Commingled short-term investment funds	—	4	—	**4**
Invested cash	—	1	—	**1**
Fair value plan assets	$ 48	$ 122	—	**$ 170**

The table above includes securities on loan as part of a securities lending arrangement of $4 million of common stock and equivalents, $2 million of U.S. government and agency obligations and $1 million of corporate bonds. All securities on loan are fully cash collateralized.

Valuation Methodologies

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

Level 2—The securities classified as Level 2 are comprised primarily of corporate, government, agency and government-sponsored enterprise bonds. The Company primarily relies on valuation pricing models, recent bid prices, and broker quotes to determine the fair value of these securities. The valuation models for Level 2 assets are developed and maintained by third party pricing services and use a number of standard inputs to the valuation model including benchmark yields, reported trades, broker/dealer quotes where the party is standing ready and able to transact, issuer spreads, benchmark securities, bids, offers and other reference data. The valuation model may prioritize these inputs differently at each balance sheet date for any given security, based on the market conditions. Not all of the standard inputs listed will be used each time in the valuation models. For each asset class, quantifiable inputs related to perceived market movements and sector news may be considered in addition to the standard inputs.

In determining the fair value of the Company's foreign currency derivatives, the Company uses forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. Since the Company primarily uses observable inputs in its valuation of its derivative assets and liabilities, they are classified as Level 2 assets.

Level 3—Fixed income securities are debt securities that do not have actively traded quotes as of the financial statement date. Determining the fair value of these securities requires the use of unobservable inputs, such as indicative quotes from dealers, extrapolated data, proprietary models and qualitative input from investment advisors. As such, these securities are classified within Level 3.

At December 31, 2010, the Company has $1.0 billion of investments in money market mutual funds classified as Cash and cash equivalents in its consolidated balance sheet. The money market funds have quoted market prices that are generally equivalent to par.

10. Long-term Customer Financing and Sales of Receivables

Long-term Customer Financing

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

December 31	***2010***	*2009*
Long-term receivables	**$ 265**	$ 137
Less allowance for losses	**(1)**	(7)
	264	130
Less current portion	**(13)**	(28)
Non-current long-term receivables, net	**$ 251**	$ 102

The current portion of long-term receivables is included in Accounts receivable and the non-current portion of long-term receivables is included in Other assets in the Company's consolidated balance sheets. Interest income recognized on long-term receivables for the years ended December 31, 2010, 2009 and 2008 was $14 million, $2 million and $3 million, respectively.

Certain purchasers of the Company's infrastructure equipment may request that the Company provide long-term financing (defined as financing with a term of greater than one year) in connection with the sale of equipment. These requests may include all or a portion of the purchase price of the equipment. The Company's obligation to provide long-term financing may be conditioned on the issuance of a letter of credit in favor of the Company by a reputable bank to support the purchaser's credit or a pre-existing commitment from a reputable bank to purchase the long-term receivables from the Company. The Company had outstanding commitments to provide long-term financing to third parties totaling $333 million at December 31, 2010, compared to $406 million at December 31, 2009 (including $168 million and $321 million at December 31, 2010 and December 31, 2009, respectively, relating to discontinued operations). Of these amounts, $27 million was supported by letters of credit or by bank commitments to purchase long-term receivables at December 31, 2010, compared to $13 million supported at December 31, 2009 (including $25 million at December 31, 2010 and no amounts at December 31, 2009, relating to the Networks business). The majority of the outstanding commitments at December 31, 2010 are to a small number of network operators in the Middle East region. The Company retains the funded portion of the financing arrangements related to the Networks business following the sale to NSN, which totaled approximately $235 million at December 31, 2010.

In addition to providing direct financing to certain equipment customers, the Company also assists customers in obtaining financing directly from banks and other sources to fund equipment purchases. The Company had committed to provide financial guarantees relating to customer financing totaling $10 million at both December 31, 2010 and 2009 (including $6 million and $7 million at December 31, 2010 and 2009, respectively, relating to the sale of short-term receivables). Customer financing guarantees outstanding were $1 million at December 31, 2010, compared to $2 million at December 31, 2009 (including de minimus amounts at December 31, 2010 and 2009, respectively, relating to the sale of short-term receivables).

Sales of Receivables

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

As of December 31, 2010, the Company had a $200 million revolving receivable sales facility, maturing June 2011, for the sale of accounts receivable, which was fully available. The initial cash proceeds received by the Company for the sale of these receivables is capped at the lower of $200 million or eligible receivables less reserves. At December 31, 2009, the Company had a $200 million committed revolving credit facility for the sale of accounts receivable, of which $140 million was available. The Company had no significant committed facilities for the sale of long-term receivables at December 31, 2010 and 2009, respectively.

The following table summarizes the proceeds received from non-recourse sales of accounts receivable and long-term receivables for the years ended December 31, 2010, 2009 and 2008:

Years Ended December 31	***2010***	*2009*	*2008*
Cumulative annual proceeds received from one-time sales:			
Accounts receivable sales proceeds	**$ 30**	$ 46	$ 53
Long-term receivables sales proceeds	**67**	72	113
Total proceeds from one-time sales	**97**	118	166
Cumulative annual proceeds received from sales under committed facilities	**70**	234	563
Total proceeds from receivables sales	**$ 167**	$ 352	$ 729

At December 31, 2010, the Company retained servicing obligations for $329 million of sold accounts receivables and $277 million of long-term receivables, compared to $141 million of accounts receivables and $297 million of long-term receivables at December 31, 2009.

Under certain arrangements, the value of accounts receivable sold is supported by credit insurance purchased from third-party insurance companies, less deductibles or self-insurance requirements under the insurance policies. Under these arrangements, the Company's total credit exposure, less insurance coverage, to outstanding accounts receivable that have been sold was de minimus at both at December 31, 2010 and 2009.

Credit Quality of Customer Financing Receivables and Allowance for Credit Losses

An aging analysis of financing receivables at December 31, 2010 and December 31, 2009 is as follows:

December 31, 2010	*Total Long-term Receivable*	*Current Billed Due*	*Past Due Under 90 Days*	*Past Due Over 90 Days*
Municipal leases secured tax exempt	$ 16	$ —	$ —	$ —
Commercial loans and leases secured	67	1	—	—
Commercial loans unsecured	182	—	—	—
Total long-term receivables	**$ 265**	**$ 1**	**$ —**	**$ —**

December 31, 2009	*Total Long-term Receivable*	*Current Billed Due*	*Past Due Under 90 Days*	*Past Due Over 90 Days*
Municipal leases secured tax exempt	$ 8	$ —	$ —	$ —
Commercial loans and leases secured	72	—	5	—
Commercial loans unsecured	57	—	—	2
Total long-term receivables	$ 137	$ —	$ 5	$ 2

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

The Company policy for valuing the allowance for credit losses is on an individual review basis. All customer financing receivables with past due balances greater than 90 days are reviewed for collectibility. The value of impairment is calculated based on the net present value of anticipated future cash streams from the customer. At December 31, 2010, there were a de minimus number of loans and leases which were impaired with an allowance for credit loss totaling $1 million, compared to an allowance for credit loss of $7 million at December 31, 2009.

11. Commitments and Contingencies

Legal

Iridium Program: The Company was named as one of several defendants in putative class action securities lawsuits arising out of alleged misrepresentations or omissions regarding the Iridium satellite communications business which, on March 15, 2001, were consolidated in the federal district court in the District of Columbia under *Freeland v. Iridium World Communications, Inc., et al.,* originally filed on April 22, 1999. In April 2008, the parties reached an agreement in principle, subject to court approval, to settle all claims against Motorola in exchange for Motorola's payment of $20 million. During the three months ended March 29, 2008, the Company recorded a charge associated with this settlement. On October 23, 2008, the court granted final approval of the settlement and dismissed the claims with prejudice.

The Company was sued by the Official Committee of the Unsecured Creditors of Iridium (the "Committee") in the United States Bankruptcy Court for the Southern District of New York (the "Iridium Bankruptcy Court") on July 19, 2001. *In re Iridium Operating LLC, et al. v. Motorola*, plaintiffs asserted claims for breach of contract, warranty and fiduciary duty and fraudulent transfer and preferences, and sought in excess of $4 billion in damages. On May 20, 2008, the Bankruptcy Court approved a settlement in which Motorola is not required to pay anything, but released its administrative, priority and unsecured claims against the Iridium estate and withdrew its objection to the 2001 settlement between the unsecured creditors of the Iridium Debtors and the Iridium Debtors' pre-petition secured lenders. This settlement, and its approval by the Bankruptcy Court, extinguished Motorola's financial exposure and concluded Motorola's involvement in the Iridium bankruptcy proceedings.

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

Other

Leases: The Company owns most of its major facilities and leases certain office, factory and warehouse space, land, information technology and other equipment under principally non-cancelable operating leases. Rental expense, net of sublease income, for the years ended December 31, 2010, 2009, and 2008 was $123 million, $140 million, and $151 million, respectively. At December 31, 2010, future minimum lease obligations, net of minimum sublease rentals, for the next five years and beyond are as follows: 2011—$124 million; 2012—$86 million; 2013—$52 million; 2014—$37 million; 2015—$21 million; beyond—$23 million.

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. Some of these obligations arise as a result of divestitures of the Company's assets or businesses and require the Company to hold the other party harmless against losses arising from the settlement of these pending obligations. The total amount of indemnification under these types of provision was $135 million as of December 31, 2010. Subsequent to December 31, 2010 as a result of the divestiture of the Networks business, the total amount of indemnification was approximately $335 million. The Company had accrued $9 million as of December 31, 2010 for potential claims under these provisions.

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

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

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

Intellectual Property Matters: During 2010, the Company entered into a settlement agreement with another company to resolve certain intellectual property disputes between the two companies. As a result of the settlement agreement, the Company received $65 million in cash and was assigned certain patent properties. As a result of this agreement, the Company recorded a pre-tax gain of $39 million (and $55 million was allocated to discontinued operations) during the year ended December 31, 2010, related to the settlement of the outstanding litigation between the parties.

12. Information by Segment and Geographic Region

Following the Distribution, Motorola Solutions reports financial results for the following two segments:

- **Government**: Our Government segment includes sales from two-way radios and public safety networks. Service revenues included in the Government segment are primarily those associated with the design, installation, maintenance and optimization of equipment for public safety networks.

- **Enterprise**: Our Enterprise segment includes sales of enterprise mobile computing devices, scanning devices, wireless broadband systems, RFID data capture solutions and iDEN infrastructure. Service revenues included in the Enterprise segment are primarily maintenance contracts associated with the above products.

Segment operating results are measured based on operating earnings adjusted, if necessary, for certain segment-specific items and corporate allocations. Identifiable assets (excluding intersegment receivables) are the Company's assets that are identified with classes of similar products or operations in each geographic region.

For the years ended December 31, 2010, 2009 and 2008, no single customer accounted for more than 10% of net sales.

Segment information

	Net Sales			*Operating Earnings (Loss)*		
Years Ended December 31	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*
Government	**$5,135**	$4,876	$5,259	**$ 566**	$ 542	$ 630
Enterprise	**2,736**	2,304	2,881	**212**	28	(1,309)
	$7,871	$7,180	$8,140			
Operating earnings (loss)				**778**	570	(679)
Total other income (expense)				**(87)**	67	(318)
Earnings (loss) from continuing operations before income taxes				**$ 691**	$ 637	$ (997)

	Assets			*Capital Expenditures*			*Depreciation Expense*		
Years Ended December 31	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*
Government	**$ 3,427**	$ 2,884	$ 3,263	**$ 172**	$ 115	$ 194	**$ 110**	$ 115	$ 113
Enterprise	**2,721**	2,842	2,778	**20**	21	63	**29**	55	63
	6,148	5,726	6,041	**$ 192**	$ 136	$ 257	**$ 139**	$ 170	$ 176
Other	**11,649**	11,771	11,729						
	17,797	17,497	17,770						
Discontinued operations	**7,780**	8,106	10,099						
	$25,577	$25,603	$27,869						

Assets in Other include primarily cash and cash equivalents, Sigma Fund and short-term investments, deferred income taxes, investments and the administrative headquarters of the Company.

Geographic area information

	Net Sales			*Assets*			*Property, Plant, and Equipment, net*		
Years Ended December 31	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*	***2010***	*2009*	*2008*
United States	**$3,679**	$3,470	$3,742	**$10,501**	$10,063	$ 9,324	**$ 484**	$ 351	$ 413
China	**322**	257	275	**1,823**	1,716	1,899	**9**	13	16
United Kingdom	**589**	533	752	**850**	1,084	1,011	**23**	26	23
Israel	**229**	242	318	**1,366**	1,321	1,264	**40**	172	139
Japan	**112**	110	100	**724**	684	741	**61**	56	61
Other nations, net of eliminations	**2,940**	2,568	2,953	**2,533**	2,629	3,531	**305**	394	386
	$7,871	$7,180	$8,140	**$17,797**	$17,497	$17,770	**$ 922**	$1,012	$1,038

Net sales by geographic region are measured by the locale of end customer.

13. Reorganization of Businesses

The Company maintains a formal Involuntary Severance Plan (the "Severance Plan"), which permits the Company to offer eligible employees severance benefits based on years of service and employment grade level in the event that employment is involuntarily terminated as a result of a reduction-in-force or restructuring. The Company recognizes termination benefits based on formulas per the Severance Plan at the point in time that future settlement is probable and can be reasonably estimated based on estimates prepared at the time a restructuring plan is approved by management. Exit costs consist of future minimum lease payments on vacated facilities and other contractual terminations. At each reporting date, the Company evaluates its accruals for employee separation and exit costs to ensure the accruals are still appropriate. In certain circumstances, accruals are no longer needed because of efficiencies in carrying out the plans or because employees previously identified for separation resigned from the Company and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were initiated. In these cases, the Company reverses accruals through the consolidated statements of operations where the original charges were recorded when it is determined they are no longer needed.

2010 Charges

During 2010, the Company continued to implement various productivity improvement plans aimed at achieving long-term, sustainable profitability by driving efficiencies and reducing operating costs. Both of the Company's segments were impacted by these plans. The employees affected were located in all geographic regions.

During 2010, the Company recorded net reorganization of business charges of $73 million, including $19 million of charges in Costs of sales and $54 million of charges under Other charges in the Company's consolidated statements of operations. Included in the aggregate $73 million are charges of $73 million for employee separation costs and $16 million for exit costs, partially offset by $16 million of reversals for accruals no longer needed.

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

Year Ended December 31,	*2010*
Government	$ 57
Enterprise	16
	$ 73

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2010 to December 31, 2010:

	Accruals at January 1, 2010	*Additional Charges*	*Adjustments*	*Amount Used*	*Accruals at December 31, 2010*
Exit costs	$ 16	$ 16	$ (3)	$ (12)	$ 17
Employee separation costs	31	73	(13)	(41)	50
	$ 47	**$ 89**	**$ (16)**	**$ (53)**	**$ 67**

Exit Costs

At January 1, 2010, the Company had an accrual of $16 million for exit costs attributable to lease terminations. The additional 2010 charges were $16 million. The adjustment of $3 million primarily reflects $3 million of reversals of accruals no longer needed. The $12 million used in 2010 reflects cash payments. The remaining accrual of $17 million, which is included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2010, primarily represents future cash payments for lease termination obligations that are expected to be paid over a number of years.

Employee Separation Costs

At January 1, 2010, the Company had an accrual of $31 million for employee separation costs, representing the severance costs for approximately 1,400. The 2010 additional charges of $73 million represent severance costs for approximately an additional 1,600 employees, of which 800 were direct employees and 800 were indirect employees. The adjustments of $13 million reflect reversals of accruals no longer needed.

During 2010, approximately 1,000 employees, of which 700 were direct employees and 300 were indirect employees, were separated from the Company. The $41 million used in 2010 reflects cash payments to separated employees. The remaining accrual of $50 million, which is included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2010, is expected to be paid, generally, within one year to: (i) severed employees who have already begun to receive payments, and (ii) approximately 2,000 employees to be separated in 2011.

2009 Charges

During 2009, in light of the macroeconomic decline that adversely affected sales, the Company continued to implement various productivity improvement plans aimed at achieving long-term, sustainable profitability by driving efficiencies and reducing operating costs. Both of the Company's segments were impacted by these plans. The employees affected are located in all geographic regions.

During 2009, the Company recorded net reorganization of business charges of $102 million, including $14 million of charges in Costs of sales and $88 million of charges under Other charges in the Company's consolidated statements of operations. Included in the aggregate $102 million are charges of $114 million for employee separation costs and $6 million for exit costs, partially offset by $18 million of reversals for accruals no longer needed.

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

Year Ended December 31,	*2009*
Government	$ 67
Enterprise	35
	$ 102

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2009 to December 31, 2009:

2009	*Accruals at January 1*	*Additional Charges*	*Adjustments*	*Amount Used*	*Accruals at December 31*
Exit costs	$ 14	$ 6	$ (1)	$ (3)	$ 16
Employee separation costs	42	114	(17)	(108)	31
	$ 56	$ 120	$ (18)	$ (111)	$ 47

Exit Costs

At January 1, 2009, the Company had an accrual of $14 million for exit costs attributable to lease terminations. The additional 2009 charges of $6 million were primarily related to the exit of leased facilities and contractual termination costs. The adjustment of $1 million reflects reversals of accruals no longer needed. The $3 million used in 2009 reflects cash payments. The remaining accrual of $16 million, which is included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2009, represented future cash payments, primarily for lease termination obligations.

Employee Separation Costs

At January 1, 2009, the Company had an accrual of $42 million for employee separation costs, representing the severance costs for approximately 900 employees. The additional 2009 charges of $114 million represent severance costs for approximately an additional 2,000 employees, of which 500 are direct employees and 1,500 are indirect employees. The adjustment of $17 million reflects reversals of accruals no longer required.

During 2009, approximately 1,500 employees, of which 200 were direct employees and 1,300 were indirect employees, were separated from the Company. The $108 million used in 2009 reflects cash payments to these separated employees. The remaining accrual of $31 million is included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2009.

2008 Charges

During 2008, the Company committed to implement various productivity improvement plans aimed at achieving long-term, sustainable profitability by driving efficiencies and reducing operating costs. Both of the Company's segments were impacted by these plans. The employees affected were located in all regions. The Company recorded net reorganization of business charges of $65 million, including $5 million of charges in Costs of sales and $60 million of charges under Other charges in the Company's consolidated statements of operations. Included in the aggregate $65 million are charges of $80 million for employee separation costs, partially offset by $15 million of reversals for accruals no longer needed.

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

Year Ended December 31,	*2008*
Government	$ 45
Enterprise	20
	$ 65

The following table displays a rollforward of the reorganization of businesses accruals established for exit costs and employee separation costs from January 1, 2008 to December 31, 2008:

2008	*Accruals at January 1*	*Additional Charges*	*Adjustments*	*Amount Used*	*Accruals at December 31*
Exit costs	$ 24	$ —	$ (3)	$ (7)	$ 14
Employee separation costs	56	80	(12)	(82)	42
	$ 80	$ 80	$ (15)	$ (89)	$ 56

Exit Costs

At January 1, 2008, the Company had an accrual of $24 million for exit costs attributable to lease terminations. The adjustments of $3 million reflect reversals of accruals no longer needed. The $7 million used in 2008 reflected cash payments. The remaining accrual of $14 million, which was included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2008, represented future cash payments, primarily for lease termination obligations.

Employee Separation Costs

At January 1, 2008, the Company had an accrual of $56 million for employee separation costs, representing the severance costs for approximately 1,000 employees. The additional 2008 charges of $80 million were severance costs for approximately an additional 1,500 employees, of which 200 were direct employees and 1,300 were indirect employees. The adjustments of $12 million reflected reversals of accruals no longer required.

During 2008, approximately 1,600 employees, of which 200 were direct employees and 1,300 were indirect employees, were separated from the Company. The $82 million used in 2008 reflected cash payments to these separated employees. The remaining accrual of $42 million was included in Accrued liabilities in the Company's consolidated balance sheets at December 31, 2008.

14. 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 consolidated financial statements for the period subsequent to the date of acquisition. The pro forma effects of these acquisitions on the Company's consolidated financial statements were not significant individually nor in the aggregate. The Company did not have any significant acquisitions during the years ended December 31, 2010, 2009 and 2008.

Intangible Assets

Amortized intangible assets were comprised of the following:

	2010		2009	
December 31	*Gross Carrying Amount*	*Accumulated Amortization*	*Gross Carrying Amount*	*Accumulated Amortization*
Intangible assets:				
Completed technology	**$ 642**	**$ 532**	$ 645	$ 412
Patents	**277**	**211**	277	157
Customer-related	**148**	**90**	162	82
Licensed technology	**25**	**18**	25	16
Other intangibles	**101**	**96**	101	90
	$ 1,193	**$ 947**	$ 1,210	$ 757

Amortization expense on intangible assets, which is included within Other charges in the consolidated statement of operations, was $203 million, $218 million and $227 million for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010 future amortization expense is estimated to be $181 million in 2011, $39 million in 2012, $19 million in 2013 and $2 million in 2014 and $2 million in 2015.

Amortized intangible assets, excluding goodwill, by business segment:

	2010		*2009*	
December 31	***Gross Carrying Amount***	***Accumulated Amortization***	*Gross Carrying Amount*	*Accumulated Amortization*
Government	**$ 140**	**$ 130**	$ 156	$ 135
Enterprise	**1,053**	**817**	1,054	622
	$ 1,193	**$ 947**	$ 1,210	$ 757

Goodwill

The following table displays a rollforward of the carrying amount of goodwill by reportable segment from January 1, 2008 to December 31, 2010:

	Government	*Enterprise*	*Total Company*
Balances as of January 1, 2008:			
Aggregate goodwill acquired	$ 335	$ 2,581	$ 2,916
Accumulated impairment losses	—	—	—
Goodwill, net of impairment losses	335	2,581	2,916
Goodwill acquired	—	60	60
Impairment losses	—	(1,564)	(1,564)
Adjustments	15	13	28
Balance as of December 31, 2008:			
Aggregate goodwill acquired	350	2,654	3,004
Accumulated impairment losses	—	(1,564)	(1,564)
Goodwill, net of impairment losses	350	1,090	1,440
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Adjustments	—	(11)	(11)
Balance as of December 31, 2009:			
Aggregate goodwill acquired	350	2,643	2,993
Accumulated impairment losses	—	(1,564)	(1,564)
Goodwill, net of impairment losses	350	1,079	1,429
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Adjustments	—	—	—
Balance as of December 31, 2010:			
Aggregate goodwill acquired	350	2,643	2,993
Accumulated impairment losses	—	(1,564)	(1,564)
Goodwill, net of impairment losses	**$ 350**	**$ 1,079**	**$ 1,429**

During the year ended December 31, 2008, the Company finalized its assessment of the Internal Revenue Code Section 382 Limitations ("IRC Section 382") relating to the pre-acquisition tax loss carryforwards of its 2007 acquisitions. As a result of the IRC Section 382 studies, the Company recorded additional deferred tax assets and a corresponding reduction in goodwill, which is reflected in the adjustment line above.

The Company conducts its annual assessment of goodwill for impairment in the fourth quarter of each year. The goodwill impairment test is performed at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment. In 2010, 2009 and 2008, the Company's segments, Government and Enterprise, were each tested as reporting units. The Company performs extensive valuation analyses, utilizing both income and market-based approaches, in its goodwill assessment process. The determination of the fair value of the reporting units and other assets and liabilities within the reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rate, earnings before depreciation and amortization, and capital expenditures forecasts specific to each reporting unit. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates.

The Company has weighted the valuation of its reporting units at 75% based on the income approach and 25% based on the market-based approach, consistent with prior periods. The Company believes that this weighting is appropriate since it is often difficult to find other appropriate market participants that are similar to our reporting units and it is the Company's view that future discounted cash flows are more reflective of the value of the reporting units.

Based on the results of the 2009 and 2010 annual assessments of the recoverability of goodwill, the fair values of all reporting units exceeded their book values, indicating that there was no impairment of goodwill.

In 2008, the fair value of the Enterprise reporting unit was below its respective book values, indicating a potential impairment of goodwill and the requirement to perform step two of the analysis for the reporting unit. The Company acquired the main components of the Enterprise reporting unit in 2007 at which time the book and fair value of the reporting unit was the same. Because of this fact, the Enterprise reporting unit was most likely to experience a decline in its fair value below its book value as a result of lower values in the overall market due to the deteriorating macroeconomic environment and the market's view of its near term impact on the reporting unit. For the year ended December 31, 2008, the Company determined that the goodwill relating to the Enterprise reporting unit was impaired, resulting in a charge of $1.6 billion in the Enterprise segment.

15. Valuation and Qualifying Accounts

The following table presents the valuation and qualifying account activity for the years ended December 31, 2010, 2009 and 2008:

	Balance at January 1	*Charged to Earnings*	*Used*	*Adjustments*	*Balance at December 31*
2010					
Allowance for Doubtful Accounts	$ 16	$ 41	$ (2)	$ (6)	$ 49
Allowance for Losses on Long-term Receivables	7	—	(6)	—	1
Inventory Reserves	140	67	(34)	(16)	157
Customer Reserves	97	427	(374)	(33)	117
2009					
Allowance for Doubtful Accounts	$ 17	$ 9	$ (3)	$ (7)	$ 16
Allowance for Losses on Long-term Receivables	3	5	(1)	—	7
Inventory Reserves	150	51	(43)	(18)	140
Customer Reserves	119	313	(323)	(12)	97
2008					
Allowance for Doubtful Accounts	$ 26	$ 10	$ (12)	$ (7)	$ 17
Allowance for Losses on Long-term Receivables	3	2	(2)	—	3
Inventory Reserves	131	54	(43)	8	150
Customer Reserves	128	133	(107)	(35)	119

Adjustments include translation adjustments.

16. Quarterly and Other Financial Data (unaudited)*

	2010				2009			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Operating Results								
Net sales	**$1,740**	**$1,936**	**$1,949**	**$2,246**	$1,668	$1,732	$1,797	$1,983
Costs of sales	**887**	**971**	**964**	**1,132**	865	891	890	965
Gross margin	**853**	**965**	**985**	**1,114**	803	841	907	1,018
Selling, general and administrative expenses	**454**	**471**	**462**	**523**	432	415	415	441
Research and development expenditures	**258**	**269**	**270**	**282**	266	256	253	266
Other charges	**21**	**64**	**34**	**31**	103	12	79	61
Operating earnings (loss)	**120**	**161**	**219**	**278**	2	158	160	250
Earnings (loss) from continuing operations**	**97**	**3**	**(8)**	**166**	33	134	65	217
Net earnings (loss)**	**69**	**162**	**110**	**291**	(231)	26	12	142
Per Share Data (in dollars)								
Continuing Operations:								
Basic earnings (loss) per common share	**$ 0.29**	**$ 0.01**	**$ (0.02)**	**$ 0.49**	$ 0.10	$ 0.41	$ 0.20	$ 0.66
Diluted earnings (loss) per common share	**0.29**	**0.01**	**(0.02)**	**0.49**	0.10	0.41	0.20	0.66
Net Earnings:								
Basic earnings (loss) per common share	**0.21**	**0.49**	**0.33**	**0.87**	(0.71)	0.08	0.04	0.43
Diluted earnings (loss) per common share	**0.21**	**0.48**	**0.33**	**0.85**	(0.71)	0.08	0.04	0.43
Dividends declared	**—**	**—**	**—**	**—**	—	—	—	—
Dividends paid	**—**	**—**	**—**	**—**	0.35	—	—	—
Stock prices								
High	**57.82**	**54.25**	**61.18**	**64.26**	34.65	48.65	66.15	65.52
Low	**42.28**	**43.75**	**45.43**	**53.55**	20.86	29.75	41.37	53.69

* *Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 2010 presentation.*

** *Amounts attributable to Motorola Solutions, Inc. common stockholders.*

Presentation gives effect to the Reverse Stock Split, which occurred on January 4, 2011.