

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

██████████ On Behalf of Himself) No.
and All Others Similarly Situated,)
) CLASS ACTION
Plaintiff,)
)
vs.)
)
MOTOROLA, INC., EDWARD J. ZANDER,)
RONALD G. GARRIQUES, DAVID W.)
DEVONSHIRE, GREGORY Q. BROWN,)
DANIEL M. MOLONEY, RICHARD N.)
NOTTENBURG and PADMASREE)
WARRIOR,)
)
Defendants.)
)
_____) DEMAND FOR JURY TRIAL

COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

NATURE OF THE CASE

1. This is a securities class action on behalf of all purchasers of the publicly traded securities of Motorola, Inc. (“Motorola” or the “Company”) between July 19, 2006 and January 4, 2007 (the “Class Period”), against Motorola and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (“1934 Act”).

2. Motorola builds, markets and sells products, services and applications that make connections to people, information and entertainment through broadband, embedded systems and wireless networks. It has three segments: Mobile Devices, Networks and Enterprise, and Connected Home Solutions. It provides wireless handsets, which transmit and receive voice, text, images, multimedia and other forms of information, communication and entertainment.

3. In the summer of 2006, Motorola’s poor financial performance had depressed its stock price to below \$19 per share. In order to artificially inflate the price of Motorola stock, defendants began a series of false and misleading statements regarding the Company’s business and prospects. Specifically, defendants repeatedly told investors to expect strong growth in sales and revenues.

4. On October 17, 2006, defendants announced that Motorola had failed to meet its revenue and sales projections for two reasons: a lack of 3G phones to sell in Europe, which had adopted 3G standards earlier than the U.S., and a shortfall in orders from Sprint/Nextel, which was waiting for Motorola to develop a phone that would operate on both Sprint and Nextel networks. As a result of this announcement, Motorola’s stock price declined over 7% in two trading days. Nonetheless, defendants kept the stock price artificially inflated by forecasting strong growth in the following quarter.

5. On January 4, 2007, defendants announced that Motorola’s fourth quarter 2006 results also failed to meet expectations. Once again, the excuse was that the Company simply did

not have 3G phones to sell in the European market and elsewhere. This time, the Company's stock price declined almost 8%.

6. While innocent investors suffered untold losses, defendants cashed in, selling millions of dollars worth of their personal Motorola stock holdings while the price of that stock was fraudulently inflated.

JURISDICTION AND VENUE

7. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5.

8. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District and Motorola is headquartered and conducts substantial business in this District.

THE PARTIES

9. Plaintiff ██████████ purchased Motorola publicly traded securities as described in the attached certification and was damaged thereby.

10. Defendant Motorola is a corporation headquartered in Schaumburg, Illinois.

11. Defendant Edward J. Zander ("Zander") was Motorola's Board Chairman and CEO during the Class Period.

12. Defendant Ronald G. Garriques ("Garriques") was Motorola's Executive Vice President and President of Mobile Devices during the Class Period.

13. Defendant David W. Devonshire ("Devonshire") was Motorola's Chief Financial Officer during the Class Period.

14. Defendant Gregory Q. Brown ("Brown") was Motorola's Executive Vice President of Networks and Enterprise during the Class Period.

15. Defendant Daniel M. Moloney (“Moloney”) was Motorola’s Executive Vice President and President of Connected Home Solutions during the Class Period.

16. Defendant Richard N. Nottenburg (“Nottenburg”) was Motorola’s Executive Vice President and Chief Strategy Officer during the Class Period.

17. Defendant Padmasree Warrior (“Warrior”) was Motorola’s Executive Vice President and Chief Technology Officer during the Class Period.

18. The defendants named in ¶¶11-17 are referred to herein as the “Individual Defendants.”

SCIENTER, FRAUDULENT SCHEME AND COURSE OF BUSINESS

19. Motorola’s top officers and directors, including the Individual Defendants, are liable for making false statements, including those by Motorola’s executive officers. Defendants’ fraudulent scheme and course of business operated as a fraud or deceit on purchasers of Motorola publicly traded securities in that: (i) it temporarily deceived the investing public regarding Motorola’s prospects and business; (ii) it artificially inflated the prices of Motorola’s publicly traded securities; and (iii) it caused plaintiff and other members of the Class to purchase Motorola publicly traded securities at inflated prices.

FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

20. On July 19, 2006, Motorola held a conference call, during which defendants stated:

[Devonshire:] In terms of our third-quarter outlook for 2006, *we are looking for sales in the range of 10.9 billion*, which is up 20 to 23% versus the third quarter of 2005, reflecting the continuum up momentum in our largest business, Mobile Devices.

* * *

[Zander:] In 3G, we continue to grow with units up 55% quarter over quarter. And our iDEN business is as solid as ever. We had record for the second quarter and grew the business sequentially. And we continue to innovate across technologies and

price tiers, 11 new handsets, and you can see many up here in terms of GSM, CDMA and iDEN.

* * *

Additionally, we're seeing no let-up in iDEN and are rolling out new and innovative products, including our super-rugged i580. Demand for iDEN continues to expand worldwide. In fact, this was a record second quarter for iDEN shipments.

* * *

As far as our outlook goes, the second half of 2006 have [sic] traditional seasonality when compared to the first half of 2006 for the industry; Mobile Devices to continue to keep delivering market share growth on a quarter-to-quarter basis and expanding operating earnings percent on a year-to-year basis. We see good things ahead for the wireless segment. We expect the mobile device market to grow by more than 15% for the full year 2006.

* * *

Mike Walkley – *Piper Jaffray* – Analyst

Just wonder if I can dig a little bit more into your 3G outlook. Could you give us any color on maybe just WCDMA-only units and outlook for that technology in the back of the year for Motorola?

[Garriques:] From an industry perspective, I think that I have been pretty consistent on this. I am more bearish than others about the growth of wideband CDMA in the second half of this year. I still think as an industry, we are really at the beginning stages of getting the real consumer-end benefit to get people really, really excited about devices. And I think in the second half of this year, especially in the European market, it will be a healthy mix of GSM, GPRS, edge and wideband CDMA and HSDPA units.

I will take you through Motorola's UMTS and HSDPA roadmap for the second half of this year. It is quite on track. It is quite compelling. And I think that we will fare quite well on both UMTS and HSDPA devices in the second half of this year.

21. In response to these statements, Motorola's stock price was artificially inflated from \$19.25 to \$20.60.

22. On September 6, 2006, defendants spoke at the Citigroup 13th Annual Global Technology Conference, stating:

[Zander:] And we've been making some announcements. These happened at or before the analyst meeting, acquired a great small company in Broadbus, it gives

us switched digital video for the Wireline market. Our relationship with Huawei around 3G – I think is going to give us, not only a cost advantage but great technology, and we're teaming with them for a worldwide sales and marketing and services play for UMKS and Atris DPA technologies.

* * *

Moderator

I'll start it off. Clearly, last quarter there was a lot of concern about the momentum in the handset industry, industrywide. And as you look into the second half, particular[ly] given the fact that you've had an opportunity to talk to your customers, the service providers, what are you expecting in terms of the overall industry momentum in the second half? Do you think it'll be business as usual? Normal seasonality for the industry, not necessarily just for Motorola but for the industry? Or do you see anything that potentially could keep you up at night?

[Zander:] Well, it won't keep me up at night.

* * *

Moderator

And then one more question before I open it up. Clearly you have a pretty extensive portfolio of new products for the second half, particularly for the fourth quarter. Are you pretty confident in terms of your supply chain now that you won't have connector –?

[Zander:] I don't know. You talk to them, I don't.

Moderator

I was just there in August, but –

[Zander:] What did you find out?

Moderator

Well, they seem to be ready for you guys. But, I want to hear it from your perspective. Are you getting the same thing?

[Zander:] This guy is shipping this month actually. Not here in the U.S., but it's shipping, this is KRZR, I was told I could tell you that. It's shipping in parts of the world as we speak, so, this month and it will be available in the U.S., I think both in CDMA and GSM. Riser's on schedule; the MOTOFOONE will ship in Q4; the MAX and the XX will ship in Q4. So, I was told that all our products are going to ship.

Now, be very careful. There's such demand for products like this that we're going to have to allocate to certain geographies and certain places. In Latin America,

for example, the rocker music area is selling like hotcakes, but we don't even offer it in the United States. So you've always got to look around to see some of the products and where they're selling. So, we won't necessarily be in every geography with every product, but we will ship right now all of our products.

And the other thing I caution, I always do, is the suppliers. We move suppliers around; based on quality, based on strategic fit, based on new designs, and we're shrinking the number of suppliers and sometimes – it happened again this quarter – there was a leak out on some supplier and they were wrong. They admitted they were wrong, but it causes everybody to – just call us and we'll tell you what's going on. I think we will.

* * *

Now, we have a 3G portfolio. We've got some great products coming out the end of this year – the MAX and the XX 3G Razors, and with the Huawei relationship, we're going to compete very aggressively on some of the 3G contracts going on there.

23. On October 16, 2006, *Business Week Online* reported:

Expectations are running high as some of tech's biggest players, from Apple to Yahoo, get ready to report third-quarter results. Signs of bullishness abound in the days leading up to tech reporting season, which kicks off the week of Oct. 16.

Consider shares of cell-phone maker Motorola (MOT), which reports on Oct. 17. The stock reached a 52-week high on Oct. 13 amid hopes for solid results.

24. Defendants' statements set forth above were false and misleading at the time they were made because, as defendants knew or recklessly disregarded, (i) Sprint/Nextel planned to defer significant orders, and (ii) Motorola would not meet its sales targets in several regions, including Europe.

25. On October 17, 2006, Motorola announced its third quarter 2006 sales:

Third-Quarter Financial Highlights

Record quarterly **sales of \$10.6 billion**, up 17 percent versus the year-ago quarter

GAAP earnings of \$0.39 per share, including income of \$0.10 per share from discounted operations and charges of \$0.05 per share from items highlighted below

Record handset shipments of 53.7 million units, up 39 percent versus the year-ago quarter

Global handset market share estimated at 22.4 percent, up 3.8 percentage points versus the year-ago quarter

Positive operating cash flow of \$1.6 billion

26. On October 17, 2006, Motorola held a conference call, during which defendants stated:

[Zander:] While I have many positive things to say about the quarter, I do want to take a moment and explain why our sales were below the midpoint of our guidance range by about 3.5%. About half of our shortfall is due to lower-than-expected GSM infrastructure sales in our EMEA – or Europe, Middle East and Africa – region. Primarily, customers delayed capital spending, plain and simple.

The other half was due to lower sales of iDEN handsets caused by customer inventory adjustments, in anticipation of our new dual-mode phones which will ship this quarter. More about that later.

* * *

[Devonshire:] Now, moving on to our fourth-quarter guidance, our outlook for the fourth quarter is sales between \$11.8 billion and \$12.1 billion, which is up in the 18% to 21% range versus the fourth quarter of 2005.

* * *

[Zander:] Europe was a little bit of a challenge in the quarter, largely due to 3G. . . . To drive 3G momentum in Q4, we're launching, of course, our RAZRXX and RAZRMAXX, and I will talk about those in just a minute.

* * *

As we look to the fourth quarter of 2006, we expect the market to grow by greater than 15% for full year 2006.

* * *

Edward Snyder – *Charter Equity Research – Analyst*

Ron, if I might, you don't seem to have nearly the focus on 3G devices as does, say, Nokia or Samsung. You have been bearish on it in the past. What do you need to see before you get more bullish here? Is it going to be higher data ARPUs at the carriers at greater 3G coverage? Are you looking for a strong uptick in 3G phone sales from others before you kind of plow into it with both legs?

[Garriques:] Thanks for the question, Ed. I think the predominant – when you think 3G, meaning specifically UMTS, for us, this quarter is about a platform

change. We took our previous platform, which we built kind of V3x on, and now have transitioned to what we call [Argon LV] from Freescale.

With new products like XX and MAXX, I do believe this platform in this quarter gets us a very competitive set of products out in the marketplace. I have been relatively bearish about the size of the UMTS market in 2006. I think that's kind of the way it played out. I am more bullish on 2007. I'm also more bullish on our 2007 roadmap, consistent with that stronger market.

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Tal Liani – *Merrill Lynch - Analyst*

In your remarks, you said that part of the reason that you had some weakness this quarter is because Nextel is waiting for dual-mode phone or was waiting, and it's now being shipped. So the question is, when I look at your guidance versus the consensus for next quarter, the consensus is at the high end of your guidance, which means your midpoint is below consensus. So if we are going into a seasonally strong quarter, and if it was just because of Nextel waiting to get the new phones, why don't we see stronger guidance?

[Zander:] Well, first of all, I'm not going to talk about specific customers. We talked about iDEN, and we did have – as I said, that the sales weakness was two things, and that's what they were; they were GSM in Europe and also the iDEN inventory adjustments for anticipation of dual-mode.

As far as our forecast goes, we think it's a healthy, as Dave said, 18% to 20% year-over-year forecast. It [takes into] a lot of businesses that we have here, including infrastructure and other things. But in Ron's business, I think, with our new products we did say we would grow earnings year over year and we would grow market share year over year. So I just don't want to comment specifically on customers, other than to say we do think this quarter is going to be, with all our new products shipping, a good one for Mobile Devices.

[Garriques:] One of the things I would add to Ed's comment is, when we look at our backlog, which is basically our orders for Q4, our orders for this coming quarter are at the highest level since Motorola has been in the Mobile Devices business.

* * *

Matt Hoffman – *Cowen and Company – Analyst*

The iDEN business has been very profitable for Motorola the last few years. But now that you have got a technology transition going on there, is it possible that the new dual-mode iDEN handsets will bring higher pricing, at least initially? Or are we looking more at a volume situation over the near term?

[Garrigues:] I'll let Greg talk about the infrastructure side of the house. But from an iDEN handset perspective, we look at – the big thing that drives basically higher ASPs on iDEN handsets isn't necessarily the technology. It's the fact that we design mill spec products that are different than any other handsets, whether it be a CDMA, UMTS or other technologies that are out there. The fact that it's now CDMA as well, and therefore it has a broadband length – I believe that consumers will find that more valuable.

Having said that, and putting it to the side, if you look over the last 8 to 12 quarters inside of this business, although our iDEN customers are unbelievably important to us and we really do cherish that business, it becomes a smaller percent of our overall business every single quarter. At the exact same time, we're still expanding OE percent on a year-over-year basis.

* * *

[Zander:] I just want to [more say] [sic]. The iDEN was a missed forecast, frankly, on our part and a shortfall. If we forecasted properly, we – you plan accordingly. So understand that. We think we have now forecasted for Q4 what we need to go do there, including the dual-modes, and hopefully throughout 2007.

* * *

[Garrigues:] I think we struggled in the European market on the eastern part of Europe. We struggled because of the stuff in getting Russia going again for us, which is a very important market in Eastern Europe for us. I believe that is behind us now, but that did give us a hiccup in Q3. Quite honestly, in Q3, as Europe has become more of a UMTS market, our products, really, that meet those needs are kind of Q4 products; they weren't Q3 products. I think we have to work through that.

* * *

James Faucette – *Pacific Crest* – Analyst

I just wanted to follow up on the infrastructure question, a bit of clarification. I understand that the EMEA region was a bit weaker than you had expected. But I'm wondering if you had anticipated that it would be up sequentially, as it has been the last couple of years, and this year was just down as normal seasonality would imply. Or is there something a bit broader going on there, with carriers readjusting their plans and reevaluating their priorities?

[Brown:] No, I think you hit it right on. I think that we expected it to perform along more historical trends, either flat or slightly sequentially up in EMEA, and it just didn't materialize. So obviously, we had to readjust accordingly. But that's really the primary driver. Again, I think that was largely driven by the push-out of customer decisions, primarily, to Q4 in 2007.

[Zander:] There was consolidation going on across the world. It doesn't let us off the hook for not forecasting properly in that particular area. So we have to

take that one plus the iDEN one, as in July when we gave you guidance, those two things had different forecast numbers on them. They didn't materialize – one for, we know now, with the dual-mode and the GSM, our checks in the last few weeks or months actually was mostly due to moveouts, some of which you just said about, in terms of consolidation and people reassessing their capital budgets. But nothing in terms of competition in the accounts we went after and took a look at.

27. This announcement caused Motorola's stock price to decline from \$25.49 to \$23.64 in two trading days, as the artificial inflation of the stock price dissipated. The stock remained artificially inflated by defendants' false and misleading forecasts, however.

28. On October 18, 2006, *The Wall Street Journal* reported:

Motorola blamed a slowdown in demand for handsets using iDEN wireless technology, commonly found in Sprint Nextel Corp.'s phones.

* * *

Ron Garriques, head of the company's mobile-handset division, said customers were holding off on purchases in anticipation of dual-mode handsets that will work on both the Sprint and Nextel networks. He expects a rebound in the fourth quarter, when those phones become available.

29. On October 19, 2006, *Business Week Online* reported:

But archrival Motorola just made life a whole lot easier for Finland's Nokia. The Schaumburg [Ill.]-based company said on Oct. 17 that its third-quarter revenues rose 17% – well short of expectations – and earnings fell 45% year-over-year.

Motorola says its handset market share has now reached 22.4%, up from 22% the previous quarter. But that fractional gain was well below the company's stated goal to grow share by one percentage point, according to analyst Richard Windsor of Nomura Securities in London.

The RAZR's Edge

Motorola's surprising shortfall, which caused its shares to sag more than 5% on Oct. 18, has taken some pressure off Nokia.

30. Defendants' statements set forth above were false and misleading at the time they were made because, as defendants knew or recklessly disregarded, Motorola would not meet its sales targets in several regions, including Europe.

31. On January 4, 2007, Motorola announced its preliminary estimates of fourth quarter 2006 results:

Motorola Announces Preliminary Estimates of Fourth Quarter 2006 Results

. . . Motorola, Inc. today announced preliminary estimates of fourth quarter 2006 financial results. Although the company has not finalized its financial results for the fourth quarter, sales are now estimated to be in the range of \$11.6 to \$11.8 billion, versus the guidance given on October 17, 2006, of \$11.8 to \$12.1 billion. Fourth-quarter GAAP earnings per share are now estimated to be in the range of \$.13 to \$.016, which is below the company's internal forecast at the start of the fourth quarter. The estimated earnings per share range includes estimated net charges, primarily non-cash of approximately \$0.10 per share relating to items that are typically highlighted in the company's earnings press releases, including investment-related losses, stock compensation expenses, business reorganization charges and unusual tax expenses. The fourth quarter will represent Motorola's 24th consecutive quarter of positive operating cash flow.

The shortfall in both sales and earnings occurred in the Mobile Devices segment and is attributed to an unfavorable geographical and product-tier mix of sales as compared to the company's internal forecast. In the fourth quarter, Mobile Devices unit sales were approximately 66 million units up 23 percent from the third quarter of 2006 and up 48 percent from the fourth quarter of 2005.

The fourth-quarter results for both the Networks & Enterprise and Connected Home segments are expected to meet or exceed the internal expectations of the company at the start of the fourth quarter.

"We are very disappointed with our fourth-quarter financial performance," said Ed Zander, chairman and CEO, "but we remain committed to the strategic direction and long-term financial targets we discussed at our annual analysts meeting in July 2006. We will discuss plans to improve operating profitability on January 19 when we announce fourth-quarter earnings."

32. In response to this announcement, Motorola's stock price declined from \$20.55 to \$18.60 in two trading days as artificial inflation in the stock price dissipated.

POST CLASS PERIOD DEVELOPMENTS

33. On January 8, 2007, *Business Week Online* reported:

Motorola shares fell sharply on Jan. 5, after the wireless phone maker warned of lower than expected profits and slowing sales. The warning prompted a number of Wall Street firms to downgrade their opinions on the shares.

The Schaumburg, Ill.-based company said late Jan. 4 that it will have sales in the range of \$11.6-\$11.8 billion during the fourth quarter, versus the guidance given on Oct. 17 of \$11.8-\$12.1 billion.

The wireless industry has been growing more slowly recently as it matures and fewer people need to buy new phones. Companies continue selling more in developing countries, where cell phones are less widespread but also not as easy to sell at hefty prices. Industry players have had to contend with bruising competition.

* * *

Investors pummeled Motorola on Jan. 5, with the shares falling 7.8% to finish the week at \$18.94 per share on the New York Stock Exchange. During the session, the stock hit a new 52-week low of \$18.

* * *

Motorola said its Mobile Devices unit sales were around 66 million units, up 23% from the third quarter of 2006 and up 48% from the fourth quarter of 2005. But it also said that its sales and earnings shortfall took place in that segment, and “is attributed to an unfavorable geographical and product-tier mix of sales as compared to the company’s internal forecast.”

34. On January 19, 2007, Motorola held a conference call, during which defendants stated:

[Zander:] As we said in our January 4th earnings pre-announcement, our mobile device segment was challenged by a geographical end product tier mix

Add to this some difficulties in capitalizing on the growth of the UMTS market and softness in the U.S. iDEN market and you have the earnings shortfall in this division.

* * *

However, we did miss our Q4 profit target. As I said earlier, on this slide it’s pretty straightforward. We had some forecasts, some pricing assumptions in our GSM and EDGE business. We moved RAZR into a much more powerful position in terms of taking advantage of market share around the world and some of the newer products just didn’t deliver in the mixed in forecasted geographies that we thought. We’ll share more of that, as I said, later.

In addition, our 3G products began to ship actually in the December time frame, so we did not get the benefit of some of the increases in 3G markets especially here in the U.S. and in Europe. And the iDEN business continues to remain challenged in the United States. And if you add all three of those up, with [sic] was a number like \$66 million you get some of these wrong and you do get some of the impacts we had.

* * *

There is, as you can see, from even some of our competitors that announced this week an opportunity for margin, an opportunity for profit, especially with 3G and rich experiences. We just need to get our product line better in this area and without preannouncing anything I think we've got some products in this space. Maybe I'll let Ron maybe also add to it while Ron is here.

[Garrigues:] Sure. We're going to spend a little bit of time at 10:00 on this, but both the rich experiences and the UMTS devices, I think from an XX and a MAX experience we began to ramp those up. The place where we got a full ramp was the Japanese market where the RAZR XX is flying off the shelves. And as you see, the 10:00 presentation today will bring the UMTS portfolio all the way for enterprise through rich experiences, through feature phones and you'll see us bring out some what I believe to be very compelling both camera products and music products as well.

Now as we go do that, it's a very, very big market. And we do have to ramp these products up. At the exact same time we have to ramp some of the legacy products down. That transition doesn't happen in just one quarter and we'll be doing that through Q1 and through Q2.

* * *

Ittai Kidron – *CIBC World Markets – Analyst*

Ron, can you give us a little bit more color on a geographic standpoint? Clearly you've had a very strong quarter from units, but if you can break it down a little bit more by region, where do you think you did very well in share gains and where do you think you might have lost a little bit?

[Garrigues:] Sure. I think Ed stated in the geographic mobile devices Europe was a very strong market for us, picking up several points of market share. And that was really a conscious decision for us. We had been stagnant for almost a year from a marketshare perspective in the European market. And now with new – with the UMTS portfolio coming in it was time to really double down on our footprint there. North Asia was extremely strong for us, both from a rich experience as well as high-end devices and share, back in the Korea market with KRZR, back in the Japanese market with the RAZR and just continued strength in the China market.

* * *

One just last follow-up on this and I have been reading some of the reports out there about product cycles inside of this industry, whether they be 12 months, 18 months, or 24 months. I alluded to all of you when we were at the financial analyst meeting about that Scalpel broadband platform. And the Scalpel broadband platform is something that's been – Motorola in the labs working on for well over a year when we were at the financial analyst meeting. Those products are going into customer tests here in Q1 to be launching in the middle of 2007. These are the rich

experiences, the UMTS, the HSDPA, the broad set of devices that we believe are the things that really help us be able to bounce gross margins up.

* * *

[Zander:] The area we are missing, and up until just December, is a very strong 3G lineup, especially here in the United States with one carrier that's moved there and in Europe. And I do believe also in the higher end multimedia rich experiences, people that want the multimegapixel cameras and the music experiences which are selling outside the United States. Those two areas I'd have to say we have to do a better job on. But we are going to attack expense structure and we are going to attack new products in those two areas.

... [Garriques:] When I think about returning to profitability in this business, the bulk of it is getting gross margin up higher as we do UMTS and rich experience devices.

* * *

This is not a market issue. This is our ability to bring really, really rich experiences with a great cost structure inside of UMTS. And I believe the team has been working on that platform for well over a year now and you'll see that not only at the end of Q4 through Q1, getting better into Q2 and solid performance in the second half of '07.

* * *

[Zander:] I don't want to complicate this quarter. It's simple what happened. We made some pricing assumptions on KRZR's and RIZR's and some of the EDGE products that didn't materialize, the spread between some of these products and the RAZR product. And then on the other side, where the 3G products were, just – our forecast just wasn't correct in assuming some of these things. It's not rocket science to see on our forecast what happened.

We've been this year getting through this year without a strong 3G portfolio. I think in Q4 – not only 3G, but I think 3G gives you the ability to build rich experiences. Remember, if you're going to do music and video and TV and photos over the air, and again, you can't live in the United States to see this – a lot of it is in Europe, Japan, Korea, and other places – you need a faster network and a faster product to do some of these things.

We've been actually – we haven't been there with some of these products. We have music, but some of the other rich experience we didn't. I think what Ron's saying is with some of the 3G products we've launched, some of the newer product in the first and second quarter plus some of these cool experiences, I think we can get back into where I think a large portion of the profit pool is.

35. On January 19, 2007, Motorola held another conference call with analysts, during which defendants stated:

[Zander:] And finally, the big transformation of course is Networks and Enterprise, which several years ago, was really under a lot of pressure because most of the revenue in that space was GSM, CDMA, iDEN, and whatever 3G we could get. We were not in a strong position in a lot of those areas.

* * *

[Brown:] But in carrier networks, specifically in 3G, Motorola had historically on the infrastructure side really not executed and had a bit of a gap.

* * *

[Garriques:] So Ed talked a little bit about Q4 and about the fact that we shipped all of our products on time. That is not 100% accurate. My wife and I were expecting to have our third child on December 30th. He actually came out on January 8. Okay? Nine pounds, third child, a pretty complicated birth process. Just to give you the idea of the pressure inside of Motorola to get operating earnings of and I quote "it's the Carina, congratulations. The first rich experience, third-generation high margin device Ron has delivered all year."

* * *

From a feature phone perspective, Ed talked about bringing out our first slider device. But, guys, we weren't the first slider out there in the marketplace. Somebody else held onto that slider 2G business. We have to muscle our way onto those shelves out there in the marketplace. We have to go do that in 2G and here is our 3G slider devices coming out in Q1. Big display, really nice device. But we also don't have 3G sliders out there in the market. Somebody else is there.

* * *

On the other side is go to a Cingular store. We are not sitting on their shelves. We have to muscle our way back in, right. We let that customer down without being able to support their product roadmap. We have got to get back in there in the first half of the year and show that customer that we have the skill set and the desire to delight them.

* * *

Unidentified Audience Member

Hi Ron. So given that GSM edge was one of the key things that you perhaps didn't find while you saw pricing test pricing come down faster. (indiscernible) GSM EDGE volumes didn't perhaps meet your needs particularly like perhaps with KRZR. What are you doing to perhaps amplify or expand on your UMTS product line? How

many UMTS products do you plan to launch in the front half of the year? What price points do you see these UMTS products coming in? Do YOU see an acceleration perhaps in the adoption of other suppliers' 3G-based bands to bring the cost down? Do you see that helping you so that you can get more products out and lower price points on UMTS so you can get your margins back up?

[Garriques:] Sure. As I went through the presentation I tried to call out, specifically, whether it be XX, whether it be MAXX, as you saw on their the (technical difficulties). The queue based on HFCPA in customer tests as we speak. So pretty full line of both UMTS and HFCPA devices either launched in Q4 in Q1 or in the Scalpel case kind of in the Q2 period. But I feel pretty good about that.

From an additional supplier from a silicon perspective, clearly what we're shipping on today is the Freescale-type devices and we are still shipping on the P2K or synergy software the ability to go from P2K to the next-generation software with significant cost reduction. You can't just swap out a base band overnight. We did do the QUALCOMM announcement about another base band supplier inside of our portfolio. We will do further announcement of what products based on that base band solution will be out into the marketplace. It will be an additional cost reduction to some of the stuff that we're doing today.

But a significant focus for us getting our fair share of the UMTS market, we still don't see the huge rise up from the UMTS volumes until second half of 2007 from the replacement market perspective.

36. On January 22, 2007, *Business Week Online* reported:

Less than a year ago, Motorola Chief Executive Ed Zander could do no wrong. His company was sizzling with the success of its iconic, ultraslim RAZR phone. During the second quarter, ending in June, the world's No. 2 mobile-phone maker posted a 53% jump in handsets shipped, nearly twice the growth posted by its bigger rival Nokia. Motorola's sales and profit soared as well.

Since then, growth has cooled more than the winter air off Lake Michigan in Motorola's Chicago backyard. After an early warning of a shortfall in profitability [see *BusinessWeek.com*, 1/5/07, "Wall Street Hangs Up on Motorola"¹], Motorola on Jan. 19 reported that while fourth-quarter revenue was up to \$11.8 billion, net profit tumbled 48%, to \$624 million from \$1.2 billion. "We did not forecast properly," Zander told analysts in a conference call. "You can get off a little bit on this thing, and it can get away from you pretty quickly."

Dropping the KRZR

A lot of things got away from Motorola. The company was blindsided by pricing pressure on low-end products in emerging markets such as Latin America and on high-end products in Europe. In addition, Motorola didn't release enough phones with rich multimedia features that take advantage of the most advanced, or third-generation, wireless networks.

Cingular Wireless, which is owned by AT&T and is being renamed after its parent, had exclusive rights to the RAZR when it debuted, but didn't offer the offshoot, the KRZR, late last year. Motorola did not make the KRZR in a 3G version for use on the Global System for Mobile communications used by Cingular and most big European carriers. That means the KRZR doesn't handle services tailored for these carriers' fastest networks.

And even though it's not a 3G device, the KRZR is priced like a high-end phone. So it competes with phones offering far more robust features, including better cameras, more storage, and richer e-mail capabilities. Making matters worse, explained Motorola's mobile-phone chief Ron Garriques, makers of 3G products ratcheted down prices, putting pressure on slightly lower-tier phones like the KRZR.

* * *

To their credit, Motorola's executives aren't dodging blame. Garriques told analysts that after his wife gave birth on Jan. 8, Zander sent him a card saying, among other things, "This is the first rich experience, next-generation device Ron delivered all year."

37. On January 31, 2007, *Business Week Online* reported:

[Carl] Icahn, who's lapped up 33.5 million, or 1.4%, of Motorola shares, wants a seat on Motorola's 13-member board of directors, the handset maker said in a Securities & Exchange Commission filing Jan. 30. If he gets it, what's he likely to do there, and is his brand of rabble-rousing what Chief Executive Ed Zander needs most?

38. On February 12, 2007, *Business Week Online* reported:

For almost two years running, Edward J. Zander looked like a genius. The Motorola Inc. chief executive executed flawlessly on his strategy of cranking out "wow" products like the razr phone and delivering them via an ever-more efficient supply chain. Then Zander ran head-on into a cell-phone price war. Suddenly the CEO, known for his morale-boosting talks, had a serious problem. Earnings plummeted by nearly half in the fourth quarter of 2006 as profit margins sank. Motorola's share price has fallen 24% since last October.

Can it get worse? Sure – Zander could have a pushy billionaire investor on his case. Here comes Carl C. Icahn, who Motorola announced on Jan. 30 has amassed 1.4% of Motorola's shares and wants a seat on its board. And Icahn isn't mincing words. He wants Motorola to spend all of its \$11.2 billion stockpile to repurchase shares. "It's ludicrous that they have all this cash and don't do a buy back," he says. "That cash could be better managed by shareholders than by the company." Motorola says it is reviewing Icahn's request.

A big buyback would make many investors happy. But Icahn's arrival raises a bigger question than just one of cash management: Is Zander's strategy still

workable'? Many recent Motorola efforts to replace the RAZR with a hot new phone have faltered. The Rokr, a music phone that launched with Apple's iTunes a couple of years ago, failed to bowl over consumers. Nor did the pebl, a roundish flip phone, or the KRZR, a skinnier version of the RAZR from last fall. "They've had four to five duds in a row," says Citigroup analyst Daryl Armstrong. "And people are not willing to give them the benefit of the doubt."

Execution has been Zander's biggest problem. Motorola lags its chief rival, Nokia Corp., in the kind of production efficiency that leads to high margins. One former executive says Motorola is trying to be a first-rate consumer electronics company while also outsourcing its manufacturing to third parties. That makes it difficult to manage quality because products go through multiple hands before they get to the consumer. Nokia, on the other hand, has greater control over its manufacturing. On a scale from 1 to 10, Armstrong gives Nokia a 9 in its manufacturing efficiency and Motorola a 4 or 5. That's a big reason why Motorola has overall gross profit margins of 26%, vs. Nokia's 32%.

For now, Zander is concentrating on cutting costs. In a Jan. 19 call with analysts, he said he's cutting 3,500 jobs. But Motorola also has to get a better handle on forecasting how many phones it needs to build. Parts suppliers say that working with the company is more difficult than with other manufacturers because of the volatility in product flow. One day Motorola might indicate that it needs parts for millions of units; the next day, it may cancel that particular device, according to suppliers. The uncertainty leads to a greater chance of defects and missed deadlines in a product launch, analysts say.

Icahn only increases the pressure to fix those problems. When he doesn't get his way he has been known to threaten a proxy fight, as happened at Time Warner inc., and push for a breakup. Icahn says that isn't his plan for now, but added: "We may focus on stuff like that on another date."

In the event of a breakup, Zander may be forced to consider jettisoning his networks business. That unit specializes in wireless broadband gear for emerging technologies such as WiMAX, and Zander considers it a key to future growth. But Motorola has left itself vulnerable by focusing largely on radio frequency technology, which several companies offer, while rivals such as Alcatel-Lucent and Nokia have built a capability in more proprietary switching technologies that are in demand by wireless carriers.

Still, many investors would cringe if Motorola had to get rid of a business that is so tightly integrated with its bread-and-butter mobile-devices business, says Lawrence Harris, an analyst with Oppenheimer & Co. And that may be one reason for Icahn to move cautiously. "He's brought up a very reasonable question of strategy," says Henry Asher, president of Northstar Group Inc. in Manhattan, which owns a small stake in Motorola. "It begins a dialogue."

39. On February 21, 2007, defendants spoke at the Bank of America Technology

Conference, stating:

[Devonshire:] 3G, we were a little hampered all year long because the chipset coming from our sole supplier of 3G chipsets was a little late, so it's out there now. We have some new 3G products out that we introduced in the fourth quarter that we'll be rolling even further out in Q1, MOTOMAX and RAZRMAX and RAZRXX, along with a private-label phone that we're doing only for Vodafone in the 3G space. We just introduced V8 here last week, which was the big hit at GSM. So, there's things that are coming out, but really, a lot of products are coming in the second quarter and through the back half of the year. That is, a lot the products that are sort of in the upper-right-hand quadrant that garner higher profit margins than we have seen.

So that was one of errors.

40. On February 27, 2007, defendants spoke at the Merrill Lynch Communications

Forum, as follows:

[Devonshire:] Q4 is simply not acceptable. . . . 3G sort of came in there behind it and so it didn't materialize as we expected it.

41. On March 1, 2007, defendants spoke at the Goldman Sachs Technology Investment

Symposium, as follows:

[Zander:] We've kind of taken down completely our 3G UMTS business, which we had no market position or revenue, and did a deal with Hauwei and that's working in the areas we want it to work and we've thrown all of our resources incrementally into next generation broadband wireless WiMAX, wi4, whatever you want to call it, both with acquisitions and internal and that's just going great.

* * *

But the hard thing about this business we've learned over the past several years and have learned I think in 20 years it's a very hard business. It's a hard business to stay on your game every quarter. The reason is you've got to guess technology bets every six to nine months and then you've got to be able to have maniacal focus on cost and maniacal focus on execution and for the better part of three years we did an almost an unbelievable job in getting products out, including customer sat, hitting the right price points with many of our products, whether it was the main products or whether it was the Q, whether it was RAZR, KRZR and Slivers and Pebbles and then the low end products with the C Series and when you get that going you get to see the kind of results you had. We just didn't get it done in Q4. I can talk about that if you want. A lot of the Q4 misses were really manifested itself [sic] when you really go back into Q1, Q2 of 2006 and some of the decisions that

were made about 3G versus non-3G and about moving up pricing in certain bands and just bad guesses, bad misses, bad things that we did that we've got to go fix, so that's – excuse me.

Mobile devices are all about execution. We've just got to get our product portfolio straightened out. We've got to get platforms LINUX/JAVA done and implemented. We've got a couple of products that are now coming out with LINUX/JAVA. Really excited about that, but that gives us that LINUX/JAVA the ability to ad to multimedia and the kind of software APIs our people can write applications to. We need a more robust 3G product line. We need to get cost at the very, very low end addressed. We've got great product down there. Motofone won GSM Product of the Year at the low end, but those products need to deliver the profitability we need and then we need to continue with our rich experience products that I talked about.

* * *

Well this is it. You've got to come out with a product like this or products like this or stay tuned hopefully this year that are the wow products for 3G. We had them. We were the first in 3G. We just totally messed that up with our designs and lateness and with our semiconductor partners and got behind the 3G curve. ...

I mean I think we have the brand and the wow and the iconic still in the things we do, but if you're selling 3G in Europe and you go to the store and that's what's being subsidized and pushed by Motofones and T-Mobiles and Motorola doesn't have any in that space and we only have a couple then you're gong to pay the price we paid in Q4. Same thing in Cingular in the United States.

* * *

I mean Q4 to me was the inability to execute and have on the shelves at Cingular and Europe the kind of 3G products that they require. I mean you can just add the numbers up times the revenue times the ASPs times the profits. A lot of Q4 would have been right there.

42. On March 21, 2007, Motorola held a conference call, during which defendants stated:

[Zander:] As you know, about a month ago there was a change in management in Mobile Devices. After that change it became apparent that the actions that we outlined in January were not progressing fast enough, if at all. These included minimum movement on the cost structure changes, continued delays in some of our newer 3G products, and implementation of our simplified software platform and silicon strategy. . . .

Further, our performance in Europe continues to be below expectations because we had a limited 3G product portfolio. As a result and as you can see in today's press release, Q1 for Mobile Devices will be very difficult and disappointing. We also anticipate that Q2 will be difficult.

* * *

The 3G products moved in, especially in Europe and even in places here in the U.S, So at the “high end,” we need to get our 3G portfolio and we are starting to ship some products. . . .

. . . [Brown:] On the higher end, our performance in Europe continues to be below expectations, and as has already been referenced, it’s primarily because we have a limited 3G product portfolio at this point in time.

* * *

[Zander:] I think you said and some of the other fellows on the phone about the high end is much more of a feature competitive. UMTS in Europe, especially, which is a – as we’ve always said a big source of the profit pools. It’s beginning to happen here in the U.S. And there we just need more products. We’ve got some out, but you need a lot of products and a lot of geographies with a lot of the carriers and the branded services, and I think it’s what we did with the mid tier – or at that time, the entire family of iconic products that we introduced, we did a hell of a job in 2004 and 2005. We just got to recreate that again. And then in the low end we just got to pick our spots and go after market share where we can make money.

43. On March 22, 2007, *Business Week Online* reported:

In January, when Motorola Chief Executive Ed Zander reported figures that missed analysts’ estimates, he lamented how matters “can get away from you.” Less than two months later, they’ve slipped even further. Amid sinking performance of his flagship mobile-phone business, Zander on Mar. 21 ratcheted down financial targets for the first quarter and the full year, and announced a dramatic reorganization of top management.

The phone unit is under so much pressure that Motorola now expects first-quarter sales to be in the range of \$9.2 billion to \$9.3 billion, down more than \$1 billion from its January forecast of \$10.4 billion to \$10.6 billion. And the company anticipates a loss in the range of 7 to 9 a share. rather than the 17 profit analysts were expecting. The first quarter “will be difficult and disappointing, and I also anticipate Q2 will be difficult,” Zander said in a conference call with Wall Street analysts. Investors pushed the stock down nearly 5%, to \$17.85, in after-hours trading.

* * *

Despite the high-level management infusion, it’s Zander’s job that could be on the line. When the Motorola board picked him to take over for the company founder’s grandson, Chris Galvin, in 2004, Zander sent a jolt through the company with his enthusiasm, no-nonsense focus, and sense of urgency. But as the company prospered, largely on the soaring success of the Razr, Zander pulled back. He left much of the phone division’s strategy in the hands of Ron Garriques, a hard-driving young executive who headed the unit.

Losing Patience

Garriques focused the team on building cell-phone market share and did so well that many expected Motorola to usurp Nokia in global share by this year. The strategy backfired as the company failed to follow the Razr with equally successful phones. Although volumes rose, operating margins deteriorated. Zander and Garriques feuded over strategy, sources say, and Garriques bolted for Dell last month. “We can’t chase market share for market share’s sake,” Zander told BusinessWeek. “It’s like a bad habit that we have to break.”

* * *

Deal Possibilities

The push for change is coming at Zander from all angles. Investor Carl Icahn has been agitating for Motorola to use a substantial amount of its \$11-plus billion in cash for stock buybacks [see BusinessWeek.com, 2/12/07, “All This and Icahn Too”]. And amid all of the disappointing earnings news and management shuffling, Motorola also announced Tuesday that it has accelerated its repurchase of \$2 billion of common stock and increased its existing share repurchase program to \$7.5 billion. That may not be enough to get Icahn off Zander’s back.

Even if it does, the CEO has much more to worry about. As Motorola struggles, private equity players are circling. Sources on Wall Street say a deal is not out of the question. Motorola’s woes and collection of vast assets make it a perfect candidate for any one of the big private equity firms. One banker says a deal could even happen in the mid-20s-per share range, just above where Motorola is trading now, “and you could still get a good return.”

Motorola is not commenting on any deal possibilities. And Zander says he will reveal more detail about how he plans to better execute in the cell-phone operation on Apr. 18, when Motorola announces first-quarter earnings. He’ll need to be convincing. Right now, “they have not really addressed how they are really going to fix and turn around the mobile-phone biz,” says Albert Lin of American Technology Research. “It’s not enough for most shareholders.”

44. On March 23, 2007, *Business Week Online* reported:

On Mar. 21, archrival Motorola slashed its first-quarter sales forecast and said it would post a loss in the period. The second quarter will be little better, the Schaumburg, Illinois-based company added.

45. On March 29, 2007, *Business Week Online* reported:

On Mar. 21, the Schaumburg, Ill. company forecast a \$1.2 billion revenue shortfall and quarterly loss, its first sales decline in four years. Its margin on phones, which make up 60% of sales, plunged from 12% in the previous quarter to 4.4%.

46. On April 18, 2007, Motorola held a conference call, during which defendants stated:

[Zander:] Scott, I think you're right on. We have been talking about some of these platforms for several years actually. One of the problems over there has been we just haven't moved with a sense of urgency and priorities. I think the lack of focus on the realities of 3G, while they were known were not executed, and that is the reason we made some of the changes over there. And the second thing is putting a stake in the ground around when we are going to get Linux/Java out so we can do multiplatforms.

* * *

Yes, I think you said it. If you look at the profit pools of the world in this business, we know where they are. And Europe represents a profit pool, and it is 3G, and of that 3G, there is some part of that that is these richer experiences. We need to be there.

In [the] US we're doing quite well, but still you can hear – you can take some of the GSM customers. They are moving to 3G and subsidizing 3G heavily into their networks. A lot of 3G operators now need to get 3G products in. Even if the user does not experience 3G, it is about the network efficiency and what they do with their 3G networks. That is where the subsidies are going, and in some cases you will find even GSM products not being subsidized at that level, which puts it at a disadvantage into the market.

So that is an area of profit pool that we just got to get at, and it is going to be some in Q2, a little better in Q3, even better than that in Q4, and then, of course, when we get the things we talked about with [LJ] and some of the silicon in 2008 a whole lot better. And the other area we have got to do, which is internal execution, is when we're going to announce low-end products like the new W-series, we've got to make money on them. And we've got to pick our spots to go after, which will also help too.

So I think in the midrange, as I said earlier, we are okay. If you look at – we always talk about RAZR, but it is still doing quite well. It still had a good quarter. We introduced new 3G versions. If you run down to a Cingular store, it's a great product, a hot product. We just introduced a good 3G one, a new chrome one. We have them in Europe now, and I think you will see more in the second half of this year off of the RAZR family and, of course, the new 3G KRZR, which right now is only in Europe. So those all help. And what we need to do is get more of those out there because again, when you're dealing – whether it is 45 million or whatever the number is – 200 million units, you need to get more of those units at those higher profits with higher ASPs.

LOSS CAUSATION/ECONOMIC LOSS

47. During the Class Period, as detailed herein, defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially

inflated Motorola's stock price and operated as a fraud or deceit on Class Period purchasers of Motorola stock by misrepresenting the Company's business. Later, when defendants' prior misrepresentations and fraudulent conduct became apparent to the market, Motorola stock price fell precipitously, as the prior artificial inflation came out of the stock price over time. As a result of their purchases of Motorola stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

48. Motorola's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

49. The defendants are also liable for any false FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false and the FLS was authorized and/or approved by an executive officer of Motorola who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET

50. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- (a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (b) The omissions and misrepresentations were material;

- (c) The Company's securities traded in efficient markets;
- (d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- (e) Plaintiff and other members of the Class purchased Motorola publicly traded securities between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

51. At all relevant times, the markets for Motorola publicly traded securities were efficient for the following reasons, among others:

- (a) As a regulated issuer, Motorola filed periodic public reports with the SEC;
- (b) Motorola regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services; and
- (c) Motorola's publicly traded securities were actively traded in an efficient market, namely the NYSE, under the symbol MOT.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

52. Plaintiff incorporates ¶¶1-51 by reference.
53. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
54. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:
- (a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Motorola publicly traded securities during the Class Period.

55. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Motorola publicly traded securities. Plaintiff and the Class would not have purchased Motorola publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

56. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Motorola publicly traded securities during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

57. Plaintiff incorporates ¶¶1-56 by reference.

58. The Individual Defendants acted as controlling persons of Motorola within the meaning of §20 of the 1934 Act. By virtue of their positions and their power to control public statements about Motorola, the Individual Defendants had the power and ability to control the actions of Motorola and its employees. Motorola controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

59. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Motorola publicly traded securities during the Class Period (the “Class”). Excluded from the Class are defendants, directors and officers of Motorola and their families and affiliates.

60. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Motorola had more than 2.3 billion shares of stock outstanding, owned by thousands of persons.

61. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants’ statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the prices of Motorola publicly traded securities were artificially inflated; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

62. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

63. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

64. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment, as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. Pro. 23;
- B. Awarding plaintiff and the members of the Class damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: August 9, 2007