

CEO on Razr's edge with Wall St.

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Burned for the second time this year by a revised earnings outlook, institutional investors in Motorola Inc. are looking for quick change — either in Moto's performance or in the CEO suite.

Pressure is increasing on Chairman and CEO Edward Zander as corporate raider Carl Icahn fights for a board seat and calls on Motorola to disgorge its \$11-billion cash pile to shareholders.

"You wonder whether they've got the right leadership," says Larry Wingate, a portfolio manager and strategist at Greensboro, N.C.-based McMillon Capital Management Inc., which owns 125,000 Motorola shares but says it could sell them if the picture doesn't improve soon. "We want to see evidence things are turning."

Mr. Wingate says McMillon plans to back Mr. Icahn's proxy fight for a board seat at Motorola's May 7 annual meeting.

Motorola's stock slid 5% to its lowest in nearly two years after the Schaumburg-based telecom equipment maker said last week that it expected to lose money this quarter amid fresh indications that business won't get better until at least next year. The stock closed Friday at \$17.75.

Mr. Zander declined to comment but declared in a conference call last week with analysts, "No one understands the gravity of this situation more than my team and I do."

That team was reshaped last week by the promotion of Greg Brown to president and chief operating officer, filling a role that has been vacant for two years, and by the early retirement of Chief Financial Officer David Devonshire.

SELLING SHARES

Change hasn't come soon enough for some investors. "We were concerned they didn't seem to have control of their costs," says Adam Sheer, of New York's Roosevelt Investment Group Inc., which sold 700,000 shares last month.

Arriving from Silicon Valley, Mr. Zander enjoyed a white-knight reputation as the Razr phone raked in profits. Now, with Motorola lacking a new star performer, some are beginning to wonder if he'll make it to the end of his five-year employment contract, which expires in less than two years.

"I think he somewhat is on a short leash here," says John Krause, senior equity analyst for Thrivent Asset Management in Minneapolis, which owns 1 million shares. "I do support the urgency (Mr. Icahn is) instilling. . . . It's a show-me type of situation."

Mr. Zander's job security is "increasingly tenuous," says Edward Snyder, a principal with Charter Equity Research in San Francisco. "He's not in trouble now, but if he doesn't turn it around in six to nine months, he could be. I would expect more (shareholders to join Mr. Icahn's) camp as Motorola falls apart."

Although other shareholders aren't calling for Mr. Zander's head, they're sensitive to what he's done for them lately. "We've turned what once was a large profit into a break-even situation," says Hugh Denison, a portfolio manager at Heartland Funds in Milwaukee, which has owned Motorola shares for five years.