
Motorola Mobility execs could reap millions in Google's \$12.5-bil. buy

By: John Pletz August 15, 2011

(Crain's) — Google Inc. is buying Motorola Mobility Holdings Inc. for \$12.5 billion, solving problems for both companies and creating a potential windfall for executives.

Google will pay \$40 a share — a 63% premium from Friday's closing price — for Motorola Mobility, giving its shareholders, led by Carl Icahn, the boost they couldn't get from the spinoff of the cellphone maker in January. CEO Sanjay Jha stands to receive a payout worth a total of \$66.5 million if he were to leave the company, according to proxy statements.

Motorola Mobility shares had jumped 56% shortly after the market opened Monday. The stock stayed up all day, closing at \$38.12.

Google will get a stockpile of more than 17,000 Motorola patents that will solidify Google's Android phone software, which has become the industry's fastest-growing platform for smartphones. Google faces a number of patent-infringement lawsuits over Android.

"This is a great outcome for all shareholders of Motorola Mobility, especially in light of today's markets," Mr. Icahn said in a statement, adding that "we applaud management and the board for acting so responsibly."

The deal also promises a big payday for Mr. Jha and the other executives who kept the phone business afloat through the recession and spun it off as a separate company in January.

Mr. Jha's restricted stock grants related to the spinoff are worth \$12.8 million at the \$40 cash offer by Google. He held options worth \$43.8 million more after exercise costs, according to the proxy. His severance salary and incentive package is worth \$9.9 million.

Other executives who would see large payouts if they lose their jobs after the acquisition include: President Dan Moloney, who would receive a payout valued at \$11.0 million; Marc Rothman, chief financial officer, severance and stock worth \$6.2 million; and Scott Crum, senior vice-president, and Geoffrey Roman, chief technology officer, \$5.0 million.

Google plans to run Motorola Mobility as a separate business and will continue to license Android to other phone makers. Other Android phone makers welcomed the news, saying that it gave Google valuable patent ammunition to "defend Android."

Analysts praised the deal by Google, saying it provides valuable intellectual property that will be needed if Android is to continue its dominance. It became the dominant operating systems for smartphones earlier this year.

"The acquisition will give Google a massive patent portfolio dating back to Motorola's founding in 1928," says Ed Snyder, a San Francisco-based analyst at Charter Equity Research Inc. "This should be of great benefit to Google and OEMs using Android."

Google would pay Motorola Mobility \$2.5 billion if it decided to walk away from the deal, a source close to the situation told Reuters. If Motorola were to decide not to go through with the deal, it would have to pay Google a \$375-million break-up fee, the source said.

The two companies have been very close partners, with Motorola's Droid quickly establishing the Android brand. Mr. Jha's decision to bet on Android was crucial to saving its phone business after Mr. Jha joined the company three years ago.

But with Motorola Mobility's stock price down 19% from its Jan. 4 spinoff, Mr. Jha faced **pressure from Mr. Icahn to find a way to wring money out its patents**. Mr. Icahn's 38.3 million shares are worth \$1.5 billion, up from \$937 million on Friday.

It is unclear what the acquisition will mean to Motorola Mobility's thousands of employees, including 3,000 in Illinois. The company received more than \$100 million in incentives from the state of Illinois earlier this year to remain headquartered in north suburban Libertyville.

(See related story: "Motorola Mobility gets \$100-mil. state incentive to stay put.")

The deal will continue the anxiety for suburban Libertyville, which dodged a bullet earlier this year when Motorola decided to stay put after considering moving its headquarters to California or Texas.

"I talked to representatives from both Google and Motorola, and both indicated no intent in moving the facility at this point in time," said Libertyville Mayor Terry Wepler. "Motorola saw we were a good location and decided to stay here, and Google will see the same thing."

A spokeswoman for Gov. Pat Quinn says the state expects that Google will maintain Motorola's commitments, including keeping 2,500 workers, which will allow it to receive the incentives of about \$10 million annually over the next decade.

Motorola Mobility's turnaround has been losing steam of late, with missed deadlines and problems coming up with a hit followup to Droid.

Reuters contributed.
