

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

---

**FORM 10-K**

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2016**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**COMMISSION FILE NUMBER 000-19406**

Zebra Technologies Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-2675536  
(I.R.S. Employer  
Identification No.)

3 Overlook Point, Lincolnshire, IL 60069  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (847) 634-6700

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Exchange on which Registered</u>
Class A Common Stock, par value \$.01 per share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [  ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Act) (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Act). Yes \_\_\_\_ No

As of July 2, 2016, the aggregate market value of each of the registrant's Class A Common held by non-affiliates was approximately \$2,589,001,121. The closing price of the Class A Common Stock on July 1, 2016, as reported on the Nasdaq Stock Market, was \$49.82 per share.

As of February 20, 2017, there were 52,877,247 shares of Class A Common Stock, par value \$.01 per share, outstanding.

**Documents Incorporated by Reference**

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 18, 2017, are incorporated by reference into Part III of this report, as indicated herein.

---

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INDEX

	<u>PAGE</u>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	3
Item 1A. <a href="#">Risk Factors</a>	10
Item 1B. <a href="#">Unresolved Staff Comments</a>	21
Item 2. <a href="#">Properties</a>	21
Item 3. <a href="#">Legal Proceedings</a>	21
Item 4. <a href="#">Mine Safety Disclosures</a>	21
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	22
Item 6. <a href="#">Selected Financial Data</a>	24
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	26
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	36
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	38
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosures</a>	38
Item 9A. <a href="#">Controls and Procedures</a>	38
Item 9B. <a href="#">Other Information</a>	41
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	42
Item 11. <a href="#">Executive Compensation</a>	42
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	42
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	42
Item 14. <a href="#">Principal Accounting Fees and Services</a>	42
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	43
<b><u>SIGNATURES</u></b>	
Signatures	44
<b><u>CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE</u></b>	
<a href="#">Index to Consolidated Financial Statements and Schedule</a>	F- 1
<b><u>EXHIBITS</u></b>	
<a href="#">Index to Exhibits</a>	F- 37

## PART I

References in this document to “the Company,” “we,” “us,” or “our” refer to Zebra Technologies Corporation and its subsidiaries, unless the context specifically indicates otherwise.

### Safe Harbor

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors, which could cause actual results to differ materially from those expressed or implied in such forward-looking statements. When used in this document and documents referenced, the words “anticipate,” “believe,” “intend,” “estimate,” “will,” and “expect” and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements but are not the exclusive means of identifying these statements. The forward-looking statements include, but are not limited to, the Company’s financial outlook for the first quarter and full year of 2017. These forward-looking statements are based on current expectations, forecasts and assumptions and are subject to the risks and uncertainties inherent in the Company’s industry, market conditions, general domestic and international economic conditions, and other factors. These factors include:

- Market acceptance of the Company’s products and solution offerings and competitors’ offerings and the potential effects of technological changes,
- The effect of global market conditions, including North America; Europe, Middle East, and Africa; Latin America; and Asia-Pacific regions in which we do business,
- The impact of foreign exchange rates due to the large percentage of our sales and operations being outside the United States (“U.S.”),
- Our ability to control manufacturing and operating costs,
- Risks related to the manufacturing of the Company’s products and conducting business operations in non-U.S. countries, including the risk of depending on key suppliers who are also in non-U.S. countries,
- The Company’s ability to purchase sufficient materials, parts, and components to meet customer demand, particularly in light of global economic conditions,
- The availability of credit and the volatility of capital markets, which may affect our suppliers, customers, and ourselves,
- Success of integrating acquisitions, including the Enterprise business we acquired in October 2014 from Motorola Solutions, Inc.,
- Interest rate and financial market conditions,
- Access to cash and cash equivalents held outside the United States,
- The effect of natural disasters on our business,
- The impact of changes in foreign and domestic governmental policies, laws, or regulations,
- The outcome of litigation in which the Company may be involved, particularly litigation or claims related to infringement of third-party intellectual property rights, and
- The outcome of any future tax matters or tax law changes.

We encourage readers of this report to review Item 1A, “Risk Factors,” in this report for further discussion of issues that could affect the Company’s future results. We undertake no obligation, other than as may be required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this report.

## Item 1. Business

### The Company

We are a global leader in the Automatic Identification and Data Capture (“AIDC”) market. The AIDC market consists of mobile computing, data capture, radio frequency identification devices (“RFID”), barcode printing, and other automation products and services. The Company’s solutions are proven to help our customers and end-users achieve their mission critical strategic business objectives, including improved operational efficiency, optimized workflows, increased asset utilization, and better customer experiences.

We design, manufacture, and sell a broad range of AIDC products, including: mobile computers, barcode scanners, RFID readers, specialty printers for barcode labeling and personal identification, real-time location systems (“RTLS”), related accessories and supplies, such as self-adhesive labels and other consumables, and utilities and application software. We also provide a full range of services, including maintenance, technical support, repair and managed services, including cloud-based subscriptions. End-users of our products and services include those in the retail, transportation and logistics, manufacturing, health care, hospitality, warehouse and distribution, energy and utilities, and education industries around the world. We provide

our products and services globally through a direct sales force and extensive network of channel partners. We provide products and services in over 170 countries, with approximately 120 facilities and 6,500 employees worldwide.

Through innovative application of our technologies, we are leading an evolution of the AIDC market into Enterprise Asset Intelligence (“EAI”) solutions. Specifically, EAI encompasses solutions which “sense” information from enterprise assets, including packages moving through a supply chain, equipment in a factory, workers in warehouse, and shoppers in a store. Operational data from enterprise assets, including status, location, utilization, or preferences, is then analyzed to provide actionable insights. Finally, with the benefits of mobility, these insights can be delivered to the right worker at the right time to drive more effective actions. As a result, our solutions and technologies enable enterprises to “sense, analyze, and act” more effectively to improve operational effectiveness and achieve critical business objectives.

The evolution of the AIDC market toward a more strategically oriented EAI focus is being driven by strong underlying secular trends in technology. These trends include internet of things (“IoT”), cloud-based data analytics, and mobility. The IoT is enabling a proliferation of smart, connected devices. EAI solutions, which include these smart, connected devices, capture a much broader range of information than is possible with traditional AIDC solutions and communicate this information in real-time. Cloud computing and expanded data analytics are allowing enterprises to make better business decisions through improved timeliness and visibility to information and workflows. While AIDC solutions sporadically capture limited amounts of data and populate static enterprise systems, EAI solutions continuously analyze real-time data from many sources to generate actionable insights. Finally, the continued rapid growth of mobile devices and applications are significantly expanding mobile computing use cases to levels of near ubiquity in the enterprise. With expanded mobility, end-users are able to consume or act upon dynamic enterprise data and information anytime and anywhere. The broad availability of wireless and internet connectivity also supports the adoption and deployment of the Company’s solutions to enable organizations to collect more data in real-time on the location, movement, and condition of their assets.

#### **Acquisition of Enterprise Business**

In October 2014, the Company acquired the Enterprise business (“Enterprise”), excluding its iDEN or Integrated Digital Enhanced Network Business, from Motorola Solutions, Inc. (“MSI”) for \$3.45 billion in cash (the “Acquisition”). Enterprise is an industry leader in mobile computing and advanced data capture technologies and services, which complement the Company’s printing and RFID products. Its products include rugged and enterprise-grade mobile computers, barcode scanners and RFID readers, WLAN solutions, and accessories, software, and services that are associated with these products. Enterprise service revenues include sales arising from maintenance, repair, product support, system installation and integration services, and other services.

The Acquisition expanded the Company’s product lines with complementary products that together are employed by customers to obtain greater visibility and insights into their operations. It enables us to deliver end-to-end solutions supporting the IoT in targeted industries. The expanded capabilities of the combined company make us a more valued strategic supplier to end-users, as well as a more important supplier of products and solutions to our channel partners.

The Company funded the Acquisition through a combination of cash on hand of \$250 million, the sale of 7.25% senior notes due 2022 in an aggregate principal amount of \$1.05 billion (the “Senior Notes”), and a new credit agreement with various lenders that provided a term loan of \$2.2 billion (the “Term Loan”) due 2021. A \$250 million revolving credit facility (the “Revolving Credit Facility”) was included as part of the new credit agreement (the Senior Notes and, together with the Term Loan and Revolving Credit Facility, the “Debt Agreements”).

#### **Integration of Enterprise Business**

Since closing the Acquisition in October 2014, integration activities by the Company have focused on creating “One Zebra” by integrating the operations of Enterprise with Zebra to create a single business with common sales, service, supply chain, marketing, finance, information technology (“IT”), and other functions. Our priorities have centered on maintaining business continuity while identifying and implementing cost synergies, operating efficiencies, and integration of functional organizations and processes. Another key focus of the integration has been to conclude MSI-provided transition service agreements (“TSAs”) related primarily to IT support services. These TSAs are an interim measure to continue the operations of the Enterprise business without disruption while integration activities are in process.

During 2016, significant progress was made in the areas of culture development and integration of IT infrastructure and business systems, including those to support our global network of channel partners and our Asia-Pacific regional operations. These efforts resulted in the elimination of more than 75% of our TSAs, driven by Enterprise IT applications. In addition, the Company consolidated legacy channel programs of the Legacy Zebra and Enterprise businesses that culminated into the launch of the Company’s PartnerConnect channel program in April 2016.

Additional business system integration work remains including completion of the implementation of a common enterprise resource planning (“ERP”) system. Until such time that the Company is able to complete its transition to common systems, Legacy Zebra and Enterprise will continue to operate largely on separate systems, including separate ERP systems. The IT integration, when completed, will result in a modernized and right-sized IT network and streamlined business processes. Completion of the IT integration, including a common ERP system, is expected before the end of 2017 and will enable us to terminate the remaining TSAs. As a result of our integration efforts, we expect a more efficient and cost effective IT infrastructure, improved operational efficiency, and reduced operating costs.

### **Dispositions**

On October 28, 2016, the Company concluded its Asset Purchase Agreement with Extreme Networks, Inc. (“Extreme”) whereby the Company sold its wireless LAN (“WLAN”) business (“Divestiture Group”) for a gross purchase price of \$55 million. See Note 3 Business Combinations and Divestitures.

### **Operations**

Our operations consist of two segments - (1) Legacy Zebra, comprised of barcode and card printing, location solutions, supplies, and services and (2) Enterprise, comprised of mobile computing, data capture, RFID, and services.

#### ***Legacy Zebra***

***Barcode and Card Printing:*** We design, manufacture, and sell printers, which produce high-quality labels, wristbands, tickets, receipts, and plastic cards on demand. Our customers use our printers in a wide range of applications, including routing and tracking, patient safety, transaction processing, personal identification, and product authentication. These applications require high levels of data accuracy, speed, and reliability. They also include specialty printing for receipts and tickets for improved customer service and productivity gains. Plastic cards are used for secure, reliable personal identification (e.g. state identification cards and drivers’ licenses, healthcare IDs), access control (e.g. employee or student building access), and financial cards (e.g. credit, debit and ATM cards) by financial institutions. Our RFID printers/encoders are used to print and encode passive RFID labels. We offer a wide range of accessories and options for our printers, including vehicle mounts and battery chargers.

***Location Solutions:*** The Company offers a range of RTLS and services, which incorporate active and passive RFID and other tracking technologies to provide visibility into the location and movement of enterprise assets and personnel. Our solutions enable users to locate, track, manage, and optimize the utilization of high-value assets, equipment, and people. We provide substantially all elements of the location solution, including asset tags, call tags, sensors, exciters, middleware software, and application software. Applications for our location solutions span a broad array of industries where tracking assets, transactions, and people are critical. Our solutions are deployed primarily in industrial manufacturing, process industries, aerospace, transportation and logistics, sports, and healthcare environments. Various sports teams utilize our MotionWorks<sup>®</sup> sports solution to track the location and movement of personnel and objects in real-time during sporting events, as well as in training and practice activities.

***Supplies:*** We produce and sell stock and customized thermal labels, receipts, ribbons, plastic cards, and wristbands suitable for use with our printers, and also wristbands which can be imaged in most commercial laser printers. We support our printing products, resellers, and end-users with an extensive line of superior quality, high-performance supplies optimized to a particular end-user’s needs. We promote the use of genuine Zebra branded supplies with its printing equipment. We also provide a family of self-laminating wristbands for use in laser printers. These wristbands are marketed under the LaserBand<sup>®</sup> name. We operate supplies production facilities located in the United States and Western Europe. We supplement our in-house production capabilities with those of third-party manufacturers to offer genuine Zebra supplies, principally in Asia.

***Services:*** We provide a full range of maintenance, technical support, repair, and managed services. These offerings include multiple service levels and typically are contracted through multi-year service agreements. We also provide services strategically aligned to the way businesses manage their devices and related software applications. We provide our services directly and also through our network of partners to extend the geographic reach of our service offerings.

#### ***Enterprise***

***Mobile Computing:*** We design, manufacture, and sell rugged and enterprise-grade mobile computing products in a variety of specialized form factors and features for specific enterprise applications. Industrial applications include inventory management in warehouses and distribution centers; field mobility applications include field service, post and parcel, and direct store delivery; and retail and customer facing applications include e-commerce, omnichannel, mobile point of sale, inventory look-up, and staff collaboration. Our products incorporate both Android<sup>™</sup> and Microsoft<sup>®</sup> Windows<sup>®</sup> operating systems and support local- and wide-area voice and data communications. Our mobile computing products often incorporate barcode scanning, global position system (“GPS”) and RFID features, and other sensory capabilities. We also provide related software tools, utilities, and applications.

**Data Capture and RFID:** We design, manufacture, and sell barcode scanners, image capture devices, and RFID readers. Our portfolio of barcode scanners includes laser scanning and imager products and form factors, including fixed, handheld, and embedded original equipment manufacturer (“OEM”) modules. The Company’s data capture products allow the capture of business critical information simply, quickly, and accurately. Common applications include asset identification and tracking and workflow management in a variety of industries, including retail, transportation and logistics, manufacturing, and healthcare. The devices collect and decode barcodes and images and transmit the resulting data to enterprise systems for analysis and timely decision making. Our RFID line of data capture products is focused on ultra-high frequency (“UHF”) technology. These RFID devices comply with the electronic product code (“EPC”) global Generation 2 UHF standard and similar standards around the world. We also provide related accessories.

**Services:** We provide a full range of maintenance, technical support, repair and managed services, including cloud-based subscriptions. These offerings include multiple service levels and typically are contracted through multi-year service agreements. We also provide services strategically aligned to the way enterprise businesses manage their mobility devices and related software applications. This includes services that help customers design, test, and deploy our solutions. We also assist customers in modernizing their mobile user experiences and increasing the efficiency of their operations by migrating legacy applications to newer architectures or redesigning user software applications, workflows, and backend system integrations. We provide our services directly and also through our network of partners to extend the geographic reach of our service offerings.

### **Our Competitive Strengths**

The following are core competitive strengths that we believe enable us to differentiate ourselves from our competitors:

#### ***An industry leader focused solely on Enterprise Asset Intelligence***

We focus on key technologies of Enterprise Asset Intelligence, including mobile computing; barcode and card printing; data capture; RFID; and location solutions. We also provide related software, services, and accessories. We believe we are the market leader in mobile computing, barcode printing, data capture, and UHF RFID readers.

#### ***High entry and switching barriers***

On a global basis, we have long-standing relationships with end customers and with our extensive network of channel partners. We believe these customer relationships and a strong partner network are critical parts of our success and would be difficult for a new market entrant to replicate. We believe a significant portion of our products are deployed with specialized product performance and software application requirements, which could result in high switching costs.

#### ***Commitment to innovation and deep industry-specific expertise***

We leverage our strong commitment to innovation and deep industry-specific expertise to deliver end-to-end solutions across targeted industries, with a broad portfolio of products and services.

#### ***Highly diversified business mix***

We are highly diversified across business segments, end markets, geographies, customers, and suppliers. Additionally, we have strong recurring business in services and supplies driven by an extensive global installed base of products.

#### ***Global reach and brand***

We sell to customers directly and through our network of channel partners around the world. This global presence gives us the capability to supply our customers with products, solutions, and services no matter the location of their operations. In addition, we believe we have strong brand recognition with a reputation in the industry as a trusted and strategic partner and supplier.

#### ***Scale advantages***

We believe the size and scope of our operations, including market leadership; product development investment; portfolio breadth; and global distribution, give us advantages over our competitors. We believe we have the largest installed base of products, compared with other companies in our industry. These characteristics enable us to compete successfully, achieve economies of scale, and develop industry-leading solutions.

### **Our Business Strategies**

#### ***Leverage our leadership position and innovation to drive profitable growth in our core business***

We expect to drive revenue growth by continuing to outpace our competition in our core businesses, including mobile computing, data capture, barcode printing, and services. We expect to achieve this by leveraging our broad portfolio of solutions and product innovation and becoming a more strategic partner to our end customers. We also expect to drive growth by capitalizing on technology transitions occurring in the industry, including the transition to more modern mobile operating systems in mobile computing and transitions in data capture to newer technologies involving 2D imaging and RFID. This will be augmented by increased focus on market segments and geographies that offer share-gain opportunities. In addition, we plan

to leverage our market-leading installed base to accelerate growth in attach-oriented products, including services, supplies, and accessories. Our global channel partner network is vital to helping us achieve these goals. As such, we will ensure that we provide the necessary value and support for our partners to be successful.

***Integrate and optimize the combined company as one seamless, focused company***

We are integrating, optimizing, and reshaping the Company into a seamless, focused company with a high-performance culture characterized by a common purpose and shared set of values. We also plan to introduce common features, functions, and user experiences across our broad portfolio of solutions to drive competitive differentiation and increase cross-selling. Our plans include developing and delivering new offerings that integrate various devices, software, and services into complete, end-to-end solutions for our customers and partners. We also expect to continue to position ourselves for additional operating efficiencies driven by a common IT platform and operating model enhancements.

***Drive our Enterprise Asset Intelligence vision***

We believe that secular technology trends, particularly in enterprise mobility, cloud computing, and IoT are transforming our customers' businesses and our industry and provide us with significant new opportunities to create value for our customers and for the Company. By capitalizing on these trends, and in particular the proliferation of smart connected sensors and devices in our core market segments, we plan to provide new end-to-end solutions that integrate these sensors and devices with cloud-based workflow and analytics applications. These solutions will enable increased visibility into the enterprise, real-time, actionable information, and improved customer experiences.

***Continuously improve operating efficiency to expand profitability***

We intend to continuously improve profitability through operational execution, cost reductions, and further operating efficiencies derived from continuous business process improvement and the integration of the Enterprise business and systems. We also intend to increase profitability through growing our business by delivering innovative end-to-end solutions that provide significant value to our customers.

***Improve cash flow generation and reduce debt***

Our primary balance sheet priority is to expand operating cash flow generation through growth in the business, margin expansion, and reductions in certain uses of cash, including costs and capital expenditures related to integration of the Company, as well as maintaining a strong focus on working capital efficiency. Our capital allocation priority will continue to be the reduction of debt.

**Competition**

We operate in a highly competitive environment. The need for companies to improve productivity and implement their strategies, as well as the secular trends around IoT, cloud computing, and mobility are some of the factors that are creating growth opportunities for established and new competitors.

Key competitive factors include the design, breadth and quality of products and services, price, product performance, durability, product and service availability, warranty coverage, brand recognition, company relationships with customers and channel partners, and company reputation. We believe we compete effectively with respect to these factors.

*Mobile Computing* : Competitors in mobile computing include companies that have historically served enterprises with ruggedized devices. We also compete with companies engaged in the design, manufacture, and marketing of devices for broader consumer and commercial applications, including notebook computers and tablets, smart phones, cordless phones, and cellular/wired infrastructure equipment. Competitors include the following: Apple, Datalogic, Honeywell, Panasonic, and Samsung.

*Data Capture and RFID* : Competitors that provide a broad portfolio of barcode scanning products that are suitable for the majority of global market applications include Honeywell and Datalogic. In addition, we also compete against several smaller companies that focus on limited product subsets or specific regions. These competitors include Code Corporation, Fujian, Impinj, Newland, and Opticon.

*Barcode and Card Printing* : We consider our direct competition in printing to be producers of on-demand thermal transfer and direct thermal label printing systems, RFID printer/encoders, and mobile printers. We also compete with companies engaged in the design, manufacture, and marketing of printing systems that use alternative technologies, such as ink-jet, direct marking and laser printing, as well as card printers based on ink-jet, thermal transfer, embossing, film-based systems, encoders, laser engraving, and large-scale dye sublimation printers. In addition, service bureaus, which provide centralized services, compete for end-user business and provide an alternative to the purchase of our card printing equipment and supplies. Competitors to our printing business include: Datacard, Evolis, Fargo Electronics (a unit of HID Global), Honeywell, Sato, and Toshiba TEC.



*Location Solutions:* We compete with a diverse group of companies marketing location solutions that are primarily based on active RFID technologies. These competitors include: Alien Technology, Cisco, Impinj, and Ubisense.

*Supplies:* The supplies industry is highly fragmented with competition comprised of numerous companies of various sizes around the world.

**Customers**  
Our customers are diversified across a wide variety of industries, including retail, transportation and logistics, manufacturing, and healthcare industries. Over the past three years, we have had three customers that each accounted for 10% or more of our sales. All three of these customers are distributors and not end-users. No end-user accounts for 10% or more of net sales during these years. See Note 16 Segment Information and Geographic Data for further information.

	Year Ended December 31,		
	2016	2015	2014
Customer A	20.1%	19.4%	17.9%
Customer B	13.2%	12.7%	13.6%
Customer C	12.4%	11.6%	11.6%

### **Sales and Marketing**

*Sales:* We sell our products, solutions, and services primarily through distributors (two-tier distribution), value added resellers (“VAR”), independent software vendors (“ISVs”), direct marketers, and OEMs. We also sell directly to a select number of customers through our direct sales force. Distributors purchase our products and sell to VARs, ISVs and others, thereby increasing the distribution of our products globally. VARs, ISVs, OEMs, and systems integrators provide customers with a variety of hardware, accessories, software applications, and services. VARs and ISVs typically customize solutions for specific end-user applications using their industry, systems, and applications expertise. Some OEMs resell the Zebra-manufactured products under their own brands as part of their own product offering. Because these sales channels provide specific software, configuration, installation, integration, and support services to end-users within various industry segments, these relationships are highly valued by end-users and allow us to reach customers in a wide array of industries around the world. We believe that the breadth of our distributor and channel partner network enhances our ability to compete and to effectively offer our solutions to a wide array of end-users globally. Finally, we experience some seasonality in sales, depending upon the geographic region and industry served.

*Marketing:* Our marketing function aligns closely with sales and product management functions to market our products and to deliver and promote solutions that address the needs of our customers and partners. Our marketing organization includes global corporate marketing, solutions marketing, field marketing, business intelligence, demand center, and channel marketing functions. Our corporate marketing function manages our brand, public and industry relations, and other communications activities. Regional marketing encompasses field and channel marketing, demand generation, and sales enablement. Solutions marketing includes product and industry marketing. Business intelligence provides fact-based insights into our markets, competitors, customers, and partners. Our global demand center leads content development and digital marketing, including our website and social media. The global channel team develops and executes channel strategy and operations.

### **Manufacturing and Outsourcing**

Final assembly of our hardware products is performed by third-parties, including electronics manufacturing services companies (“EMS”) and joint design manufacturers (“JDMs”). Our products are produced primarily in facilities located in China, Mexico, and Brazil. We maintain the services of JDMs for certain products. These JDMs or manufacturers produce our products to our design specifications. We maintain control over portions of the supply chain, including supplier selection and price negotiations for key components. The manufacturers purchase the components and subassemblies used in the production of our products. The majority of our products are shipped to regional distribution centers, which are primarily operated by 3<sup>rd</sup> party logistics providers (“3PL’s”). A portion of products are reconfigured at the distribution centers through firmware downloads, packaging, and customer specific customization before they are shipped to customers. In addition, certain products are manufactured in accordance with procurement regulations and various international trade agreements, and remain eligible for sale to the United States government. Production facilities for our supplies products are located in the United States and Western Europe. We also supplement our in-house production capabilities with those of third-party manufacturers to offer our supplies, principally in Asia.

### **Research and Development**

The Company devotes significant resources to developing innovative solutions for our target markets and ensuring that our products and services maintain high levels of reliability and provide value to end-users. Research and development expenditures for the years ended 2016, 2015, and 2014 were \$ 376 million, \$394 million, and \$151 million respectively, or

10.5% of net sales for 2016, 10.8% of net sales for 2015 and 9.0% of net sales in 2014. We have more than 1,500 product development engineers worldwide focused on strengthening and broadening our extensive portfolio of products and solutions.

### **Our Technology**

*Mobile Computing* : Our mobile computing products incorporate a wide array of advanced technologies in rugged, ergonomic enclosures to meet the needs of specific use cases. These purpose-built devices couple hardened industry-standard operating systems with specialized hardware and software features to satisfy a customer’s mission-critical applications. Purpose-built rugged housings ensure reliable operations for targeted use cases, surviving years of rough handling and harsh environments. Specialized features such as advanced data capture technologies, voice and video collaboration tools, and advanced battery technologies enable our customers to work more efficiently and better serve their customers. A broad portfolio of enterprise accessories further tailors mobile computers to meet a wide variety of enterprise use cases. Our mobile computers are offered with software tools and services that support application development, device configuration, and field support to facilitate smooth and rapid deployment and ensure maximum customer return on investment.

*Data Capture and RFID* : Our data capture products allow businesses to track business critical information simply, quickly, and accurately - providing critical visibility into business processes and performance, thus, enabling real-time action in response to the information. These products include barcode scanners in a variety of form factors, including handheld scanners and standalone modules designed for integration into third-party OEM devices. These scanners incorporate a variety of technologies including area imagers, linear imagers, lasers and read linear, and two-dimensional barcodes. They are used in a broad range of applications, ranging from supermarket checkout to industrial warehouse optimization to patient management in hospitals. The design of these products reflects the diverse needs of these markets, with different ergonomics, multiple communication protocols, and varying levels of ruggedness. Our RFID readers use passive Ultra High Frequency (“UHF”) to provide high speed, non-line of sight data capture, reading data from hundreds or thousands of RFID tags in near real-time. Using the Electronic Product Code (“EPC”) standard, our customers take advantage of RFID technology across multiple industries to track high-value assets, monitor shipments, and drive increased retail sales through improved inventory accuracy. We also offer mobile computers that support high frequency (“HF”) near-field communications (“NFC”) and low frequency (“LF”) radio technologies.

*Barcode and Card Printing*: All of the Company’s printers and print engines incorporate thermal printing and RFID tag encoding technology. Thermal printing technology creates an image by heating certain pixels of an electrical printhead to selectively image a ribbon or heat-sensitive substrate. Thermal printing benefits applications requiring simple and reliable operations, yet it is flexible enough to support a wide range of specialty label materials and associated inks. Our dye-sublimation thermal card printers produce full-color, photographic quality images that are well-suited for driver’s licenses, access and identification cards, transaction cards, and on-demand photographs. Many of our printers also incorporate RFID technology that can encode data into passive RFID transponders embedded in a label or card.

The Company’s printers integrate company-designed mechanisms, electrical systems, and firmware. Enclosures of metal or high-impact plastic ensure the durability of our printers. Special mechanisms optimize handling of labels, ribbons, and plastic cards. Fast, high-current electrical systems provide consistent image quality. Firmware supports serial, parallel, Ethernet, USB, Bluetooth, or 802.11 wireless communications with appropriate security protocols. Printing instructions can be received as a proprietary language such as Zebra Programming Language II (“ZPL II<sup>®</sup>”), as a print driver-provided image, or as user-defined XML. These features make our printers easy to integrate into virtually all common computer systems.

*Location Solutions* : Our RTLS solutions use active and passive RFID technologies, beacons, and other tracking technologies to locate, track, manage, and optimize high-value assets, equipment, and people. We offer a range of scalable RTLS technologies that generate precise, on-demand information about the physical location and status of high-valued assets. Customers benefit by utilizing the choice or combination of asset tracking products that can be “application matched” based on ISO/IEC 24730-2, Cisco CCX Wi-Fi, precision GPS, beacons and ultra-wideband (“UWB”) technologies. In addition, we offer a selection of RTLS infrastructure products that receive tag transmissions and provide location and motion calculations, database and system management functions and asset visibility. The flexible infrastructure supports large tag populations and coverage areas that range from small to large.

*Supplies* : Our supplies business includes thermal labels, receipts, ribbons, plastic cards and wristbands suitable for use with our printers, and also wristbands which can be imaged in most commercial laser printers. Our wristbands incorporate multi-layer form technology to ensure trouble-free printing, wearer comfort, and reliable barcode reading, even when exposed to harsh chemical environments. We offer many thermal label, card, and receipt materials, and matching ribbons for diverse applications that may require meeting unique or precise specifications, including chemical or abrasion resistance, temperature extremes, exceptional image quality, or long life.

### **Intellectual Property**

We rely on a combination of trade secrets, patents, trademarks, copyrights, and contractual rights to establish and protect our innovations, and holds a large portfolio of intellectual property rights in the United States and other countries. As of December 31, 2016, the Company owned approximately 1,600 trademark registrations and trademark applications, and approximately 4,200 patents and patent applications, worldwide. We continue to actively seek to obtain patents and trademarks, whenever possible and practical, to secure intellectual property rights in our innovations.

We believe that our intellectual property will continue to provide us with a competitive advantage in our core product areas as well as provide leverage for future technologies. We also believe that we are not dependent upon any single patent or select group of patents. Our success depends more upon our extensive know-how, deep understanding of end-user processes and workflows, innovative culture, technical leadership and marketing and sales abilities. Although we do not rely only on patents or other intellectual property rights to protect or establish our market position, we will enforce our intellectual property rights when and where appropriate.

### **Employees**

As of December 31, 2016, the Company employed approximately 6,500 persons. Some portions of our business, primarily in Europe and China, are subject to labor laws that differ significantly from those in the United States. In Europe, for example, it is common for a works council to represent employees when discussing matters such as compensation, benefits, restructurings and layoffs. We consider our relations with our employees to be very good.

### **Regulatory Matters**

#### ***Wireless Regulatory Matters***

Our business is subject to certain wireless regulatory matters.

The use of wireless voice, data, and video communications systems requires radio spectrum, which is regulated by government agencies throughout the world. In the U.S., the Federal Communications Commission (“FCC”) and the National Telecommunications and Information Administration (“NTIA”) regulate spectrum use by non-federal entities and federal entities, respectively. Similarly, countries around the world have one or more regulatory bodies that define and implement the rules for use of the radio spectrum, pursuant to their respective national laws and international coordination under the International Telecommunications Union. We manufacture and market products in spectrum bands already made available by regulatory bodies- these include voice and data infrastructure, mobile radios, and portable or hand held devices. Consequently, our results of operations could be positively or negatively affected by the rules and regulations adopted from time-to-time by the FCC, NTIA, or regulatory agencies in other countries. Our products operate both on licensed and unlicensed spectrum. The availability of additional radio spectrum may provide new business opportunities, and consequently, the loss of available radio spectrum may result in the loss of business opportunities. Regulatory changes in current spectrum bands may also provide opportunities or may require modifications to some products so they can continue to be manufactured and marketed.

#### ***Other Regulatory Matters***

Some of our operations use substances regulated under various federal, state, local, and international laws governing the environment and worker health and safety, including those governing the discharge of pollutants into the ground, air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Certain products are subject to various federal, state, local, and international laws governing chemical substances in electronic products. During 2016, compliance with U.S. federal, state and local, and foreign laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment did not have a material effect on our business or results of operations.

## **Item 1A. Risk Factors**

Investors should carefully consider the risks, uncertainties, and other factors described below, as well as other disclosures in Management’s Discussion and Analysis of Financial Condition and Results of Operations, because they could have a material adverse effect on our business, financial condition, operating results, cash flows, and growth prospects. These risks are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial.

We have organized the risk factors into three sections: (1) Risks related to our business; (2) Risks related to the Acquisition and Integration of Enterprise; and (3) Risks related to our Indebtedness.

### **Risks related to our business**

*The Company has substantial operations and sells a significant portion of our products outside of the U.S. and purchases important components, including final products, from suppliers located outside the U.S. Shipments to non-U.S. customers are*

expected to continue to account for a material portion of net sales. We also expect to continue the use of third-party contract manufacturing services with non-U.S. production and assembly operations for our products.

Risks associated with operations, sales, and purchases outside the United States include:

- Fluctuating foreign currency rates could restrict sales, increase costs of purchasing, and impact collection of receivables outside of the U.S.;
- Volatility in foreign credit markets may affect the financial well-being of our customers and suppliers;
- Violations of anti-corruption laws, including the Foreign Corrupt Practices Act and the U.K. Bribery Act;
- Adverse changes in, or uncertainty of, local business laws or practices, including the following:
  - Foreign governments may impose burdensome tariffs, quotas, taxes, trade barriers, or capital flow restrictions;
  - Restrictions on the export or import of technology may reduce or eliminate the ability to sell in or purchase from certain markets;
  - Political and economic instability may reduce demand for our products or put our non-U.S. assets at risk;
  - Potentially limited intellectual property protection in certain countries may limit recourse against infringing on our products or cause us to refrain from selling in certain geographic territories;
  - Staffing may be difficult along with higher turnover at international operations;
  - A government controlled exchange rate and limitations on the convertibility of currencies, including the Chinese *yuan*;
  - Transportation delays and customs related delays that may affect production and distribution of our products;
  - Effectively managing and overseeing operations that are distant and remote from corporate headquarters may be difficult; and
  - Integration and enforcement of laws varies significantly among jurisdictions and may change significantly over time.

*The Company may not be able to continue to develop products or solutions to address user needs effectively in an industry characterized by ongoing change. To be successful, we must adapt to rapidly changing technological and application needs by continually improving our products, as well as introducing new products and services, to address user demands.*

The Company's industry is characterized by:

- Evolving industry standards,
- Frequent new product and service introductions,
- Evolving distribution channels,
- Increasing demand for customized product and software solutions,
- Changing customer demands, and
- Changing security protocols.

Future success will depend on our ability to effectively and economically adapt in this evolving environment. We could incur substantial costs if we have to modify our business to adapt to these changes, and may even be unable to adapt to these changes.

*The Company participates in a competitive industry, which may become more competitive. Competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements. We face significant competition in developing and selling our products and solutions. To remain competitive, we believe we must continue to effectively and economically provide:*

- Technologically advanced systems that satisfy user demands,
- Superior customer service,
- High levels of quality and reliability, and
- Dependable and efficient distribution networks.

We cannot assure we will be able to compete successfully against current or future competitors. Increased competition in mobile computing products, data capture products, printers, or supplies may result in price reductions, lower gross profit margins, and loss of market share, and could require increased spending on research and development, sales and marketing, and customer support. Some competitors may make strategic acquisitions or establish cooperative relationships with suppliers or companies that produce complementary products, which may create additional pressures on our competitive position in the marketplace.

*The Company is vulnerable to the potential difficulties associated with the increase in the complexity of our business.* We have grown rapidly over the last several years through the Acquisition and worldwide growth. This growth has caused increased complexities in the business. We believe our future success depends in part on our ability to manage our growth and increased complexities of our business. The following factors could present difficulties to us:

- Managing our distribution channel partners;
- Managing our contract manufacturing and supply chain;
- Manufacturing an increased number of products;
- Increased administrative and operational burden;
- Maintaining and improving information technology infrastructure to support growth;
- Increased logistical problems common to complex, expansive operations; and
- Increasing international operations.

*Inability to consummate future acquisitions at appropriate prices could negatively impact our growth rate and stock price.* Our ability to expand revenues, earnings, and cash flow depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and to realize anticipated synergies. Acquisitions can be difficult to identify and consummate due to competition among prospective buyers and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approval on acceptable terms.

*The Company could encounter difficulties in any acquisition it undertakes, including unanticipated integration problems and business disruption. Acquisitions could also dilute stockholder value and adversely affect operating results.* We may acquire or make investments in other businesses, technologies, services, or products. An acquisition may present business issues which are new to us. The process of integrating any acquired business, technology, service, or product into our operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume considerable management time and attention, which could otherwise be available for ongoing operations and the further development of our existing business. These and other factors may result in benefits of an acquisition not being fully realized.

Acquisitions also may involve a number of risks, including:

- Difficulties and uncertainties in retaining the customers or other business relationships from the acquired entities;
- The loss of key employees of acquired entities;
- The ability of acquired entities to fulfill their customers' obligations;
- The discovery of unanticipated issues or liabilities;
- Pre-closing and post-closing acquisition-related earnings charges could adversely impact operating results and cash flows in any given period, and the impact may be substantially different from period to period;
- The failure of acquired entities to meet or exceed expected returns could result in impairment of goodwill or intangible assets acquired;
- The acquired entities' ability to implement internal controls and accounting systems necessary to be compliant with requirements applicable to public companies subject to SEC reporting, which could result in misstated financial reports; and
- Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities.

*Infringement by the Company or our suppliers on the proprietary rights of others could put us at a competitive disadvantage, and any related litigation could be time consuming and costly.* Third parties may claim that we or our suppliers violated their intellectual property rights. To the extent of a violation of a third-party's patent or other intellectual property right, we may be prevented from operating our business as planned, and may be required to pay damages, to obtain a license, if available, or to use a non-infringing method, if possible, to accomplish our objectives. Any of these claims, with or without merit, could result in costly litigation and divert the attention of key personnel. If such claims are successful, they could result in costly judgments or settlements. Also, as new technologies emerge the intellectual property rights of parties in such technologies can be uncertain. As a result, our products involving such technologies may have higher risk of claims of infringement of the intellectual proprietary rights of third parties.

*The inability to protect intellectual property could harm our reputation, and our competitive position may be materially damaged.* Our intellectual property is valuable and provides us with certain competitive advantages. We use copyrights, patents, trademarks, trade secrets, and contracts to protect these proprietary rights. Despite these precautions, third parties may be able to copy or reproduce aspects of our intellectual property and our products or, without authorization, to misappropriate and use information, which we regard as trade secrets. Additionally, the intellectual property rights we obtain may not be sufficient to provide us with a competitive advantage and may be successfully challenged, invalidated, circumvented, or infringed. In any

infringement litigation that the Company may undertake to protect our intellectual property, any award of monetary damages may be unlikely or very difficult to obtain, and any such award we may receive may not be commercially valuable. Furthermore, efforts to enforce or protect our proprietary rights may be ineffective and could result in the invalidation or narrowing of the scope of our intellectual property and incurring substantial litigation costs. Because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation. Some aspects of our business and services also rely on technologies, software, and content developed by or licensed from third parties, and we may not be able to maintain our relationships with such third parties or enter into similar relationships in the future on reasonable terms or at all.

*We currently use third party and/or open source operating systems and associated application ecosystems in certain of our products. Such parties ceasing continued development of the operating system or restricting our access to such operating system could adversely impact our business and financial results.* We are dependent on third-parties' continued development of operating systems, software application ecosystem infrastructures, and such third-parties' approval of our implementations of their operating system and associated applications. If such parties cease to continue development or support of such operating systems or restrict our access to such operating systems, we would be required to change our strategy for such devices. As a result, our financial results could be negatively impacted because a resulting shift away from the operating systems we currently use and the associated applications ecosystem could be costly and difficult. A strategy shift could increase the burden of development on the Company and potentially create a gap in our portfolio for a period of time, which could competitively disadvantage us.

*Cybersecurity incidents could disrupt business operations.* Like many companies, we continually strive to meet industry information security standards relevant to our business. We periodically perform vulnerability assessments, remediate vulnerabilities, review log/access, perform system maintenance, manage network perimeter protection, and implement and manage disaster recovery testing. A cybersecurity incident could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. "Phishing" and other types of attempts to obtain unauthorized information or access are often sophisticated and difficult to detect or defeat.

A cybersecurity incident, including deliberate attacks and unintentional events, may lead to a material disruption of our core business systems, the loss or corruption of confidential business information and/or the disclosure of personal data that in each case could result in an adverse business impact, as well as, possible damage to our brand. This could also lead to a public disclosure or theft of private intellectual property and a possible loss of customer confidence.

While we have experienced and expect to continue to experience these types of threats and incidents, there have been no material incidents incurred to-date at the Company. If our core business operations, or that of one of our third-party service providers, were to be breached, this could affect the confidentiality, integrity, and availability of our systems and data. While we continue to perform security due diligence, there is always the possibility of a significant breach affecting the confidentiality, integrity, and availability of our systems and/or data.

Our products that are deployed in customer environments also have the possibility of being breached, which could result in damage to a customer's confidentiality, integrity, and availability of the customer's data and systems. It is possible that such a breach could result in delays in, or loss of market acceptance of, our products and services; diversion of our resources; injury to our reputation; increased service and warranty expenses; and payment of damages. To date, we have had no material incidents related to the security on our products.

*Laws and regulations relating to the handling of personal data may result in increased costs, legal claims, or fines against the Company.* As part of our operations, the Company collects, uses, stores, and transfers personal data of third parties and employees in and across jurisdictions. The governing bodies in such jurisdictions have adopted or are considering adopting laws and regulations regarding the collection, use, transfer, storage and disclosure of personal data obtained from third parties and employees; for example General Data Protection Regulation effective May 2018. These laws may result in burdensome or inconsistent requirements affecting the collection, use, storage, transfer and disclosure of our third party and employee personal data. Compliance may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. Failure to comply with existing or new rules may result in claims against the Company or significant penalties or orders to stop the alleged noncompliant activity.

*We may incur liabilities as a result of product failures due to actual or apparent design or manufacturing defects.* We may be subject to product liability claims, which could include claims for property or economic damage or personal injury, in the event our products present actual or apparent design or manufacturing defects. Such design or manufacturing defects may occur not only in our own designed products but also in components provided by third party suppliers. We generally have insurance protection against property damage and personal injury liabilities and also seek to limit such risk through product design,

manufacturing quality control processes, product testing and contractual indemnification from suppliers. However, due to the large and growing size of the Company's installed product base, a design or manufacturing defect involving this large installed product base could result in product recalls or customer service costs that could have material adverse effects on our financial results.

*Defects or errors in the Company's software products could harm our reputation, result in significant cost to us, and impair our ability to market such products.* Our software may contain undetected errors, defects, or bugs. Although we have not suffered significant harm from any errors, defects, or bugs to date, we may discover significant errors, defects, or bugs in the future that we may not be able to correct or correct in a timely manner. It is possible that errors, defects, or bugs will be found in our existing or future software products and related services with the possible results of delays in, or loss of market acceptance of, our products and services, diversion of our resources, injury to our reputation, increased service and warranty expenses, and payment of damages.

*We depend on the ongoing services of our senior management and the ability to attract and retain key personnel.* The future success of the Company is substantially dependent on the continued services and continuing contributions of senior management and other key personnel. The ability to attract, retain, and motivate highly skilled employees is important to our long-term success. Competition for skill sets in certain functions within our industry is intense, and we may be unable to retain key employees or attract, assimilate, or retain other highly qualified employees in the future. Any disruption in the services of senior management or our ability to attract and retain key personnel may have a material adverse effect on our business and results of operations.

*Terrorist attacks or war could lead to further economic instability and adversely affect the Company's stock price, operations, and profitability.* The terrorist attacks that occurred in the United States on September 11, 2001 caused major instability in the U.S. and other financial markets. Since then, a number of significant acts of terrorism have occurred, and war continues in the Middle East, all of which may contribute to instability in financial markets. Additional acts of terrorism and current and future war risks could have a similar impact. Any such attacks could, among other things, cause further instability in financial markets and could directly, or indirectly through reduced demand, negatively affect our facilities and operations or those of our customers or suppliers.

*The impact of potential changes in tax and trade policies in the United States and the potential corresponding actions by other countries in which the Company does business could adversely affect our financial performance.* The U.S. government has recently proposed comprehensive tax and trade reform. These proposals are designed to encourage increased production in the United States and include a border tax on imports, an increase in customs duties and the renegotiation of U.S. trade agreements. The Company imports a significant percentage of our products into the United States, and the imposition of a border tax or an increase in customs duties with respect to these imports could negatively impact the Company's financial performance. If such taxes or customs duties are implemented, it also may cause the U.S.' trading partners to take actions with respect to U.S. imports or U.S. investment activities in their respective countries. Any potential changes in tax and trade policies in the United States and the potential corresponding actions by other countries in which the Company does business could adversely affect the Company's financial performance. Given the level of uncertainty over which provisions will be enacted, the Company cannot predict with certainty the impact of the proposals.

*Taxing authority challenges may lead to tax payments exceeding current reserves.* We are subject to, and may become subject to, ongoing tax examinations in various jurisdictions. As a result, we may record incremental tax expense based on expected outcomes of such matters. In addition, we may adjust previously reported tax reserves based on expected results of these examinations. Such adjustments could result in an increase or decrease to the Company's effective tax rate and cash flows. Future changes in tax law in various jurisdictions around the world and income tax holidays could have a material impact on our effective tax rate, foreign rate differential, future income tax expense, and cash flows.

*Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates.* Forecasts of our income tax position and effective tax rate are complex, subject to uncertainty and periodic updates because our income tax position for each year combines the effects of a mix of profits earned and losses incurred by us in various tax jurisdictions with a broad range of income tax rates, as well as changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules and changes to these rules and tax laws, the results of examinations by various tax authorities, and the impact of any acquisition, business combination, disposition or other reorganization, or financing transaction.

As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations, as well as multinational tax conventions. The European Union and countries within the European Union are contemplating changes to their respective tax laws based on the recent reports issued by the Organization for Economic Co-operation and Development

("OECD")/G20 Base Erosion and Profit Shifting ("BEPS") Project, which, if enacted, could materially impact our tax liability due to our organizational structure and significant operations within Europe. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses resulting from our structure and operating model, the tax regulations and tax holidays in each geographic region, and the availability of tax credits and carry-forwards. The application of tax laws and regulations is subject to legal and factual interpretation, judgment, and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, and the evolution of regulations and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against us that could materially impact our tax liability and/or our effective income tax rate.

*Economic conditions and financial market disruptions may adversely affect our business and results of operations . Adverse economic conditions or reduced information technology spending may adversely impact our business.* General disruption of financial markets and a related general economic downturn could adversely affect our business and financial condition through a reduction in demand for our products by our customers. If a slowdown were severe enough, it could require further impairment testing and write-downs of goodwill and other intangible assets. Cost reduction actions may be necessary and might lead to restructuring charges. A tightening of financial credit could adversely affect our customers, suppliers, outsourced manufacturers, and channel partners (e.g., distributors and resellers) from obtaining adequate credit for the financing of significant purchases. Another economic downturn could also result in a decrease in or cancellation of orders for our products and services; negatively impacting the ability to collect accounts receivable on a timely basis; result in additional reserves for uncollectible accounts receivable; and require additional reserves for inventory obsolescence. Higher volatility and fluctuations in foreign exchange rates for the U.S. dollar against currencies such as the euro, the British pound, the Chinese *yuan* , and the Brazilian real could negatively impact product sales, margins, and cash flows.

*A natural disaster may cause supply disruptions that could adversely affect our business and results of operations.* Natural disasters may occur in the future, and the Company is not able to predict to what extent or duration any such disruptions will have on our ability to maintain ordinary business operations. The consequences of an unfortunate natural disaster may have a material adverse effect on our business and results of operations.

*We could be adversely impacted by the United Kingdom's referendum on withdrawal from the European Union.* We maintain our European regional headquarters and a label converting facility in the U.K. and have significant operations and sales throughout Europe. Because the terms of the U.K.'s withdrawal are uncertain, we are unable at this time to determine the impact on our operations and business in the U.K. and Europe. The U.K.'s referendum has resulted, and is expected to continue to result, in market volatility, including fluctuations in the British Pound, that could adversely impact our operating costs in the U.K. Such market volatility could also cause customers to alter or delay buying decisions that would adversely impact our sales in the U.K. and throughout Europe. A significant portion of our business involves cross border transactions throughout the region. Future trade agreements between the U.K. and the European Union could adversely impact our operations in the region by increasing costs on or importation requirements on shipments between our distribution center in the Netherlands and customers in the U.K. or between our facility in the U.K. and customers in the European Union.

*We are exposed to risks under large, multi-year system and solutions and services contracts that may negatively impact our business.* We enter into large, multi-year system and solutions and services contracts with our customers. This exposes us to risks, including among others: (i) technological risks, especially when the contracts involve new technology; (ii) financial risks, including the estimates inherent in projecting costs associated with large, long-term contracts and the related impact on operating results; and (iii) cyber security risk, especially in managed services contracts with customers that process personal data. Recovery of front loaded capital expenditures in long-term managed services contracts with customers is dependent on the continued viability of such customers. The insolvency of customers could result in a loss of anticipated future revenue attributable to that program or product, which could have an adverse impact on our profitability.

*We enter into fixed-price contracts that could subject us to losses in the event we fail to properly estimate our costs.* If our initial cost estimates are incorrect, we can lose money on these contracts. Because many of these contracts involve new technologies and applications and require the Company to engage subcontractors and can last multiple years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our subcontractors or suppliers and other cost overruns, can result in the contract pricing becoming less favorable or even unprofitable to us and have an adverse impact on our financial results. In addition, a significant increase in inflation rates could have an adverse impact on the profitability of longer-term contracts.

*We utilize the services of subcontractors to perform under many of our contracts and the inability of our subcontractors to perform in a timely and compliant manner could negatively impact our performance obligations as the prime contractor.* We engage subcontractors on many of our contracts and as we expand our global solutions and services business, our use of subcontractors has and will continue to increase. Our subcontractors may further subcontract performance and may supply third-party products and software. We may have disputes with our subcontractors, including disputes regarding the quality and



timeliness of work performed by the subcontractor or our subcontractors and the functionality, warranty and indemnities of products, software, and services supplied by our subcontractor. We are not always successful in passing along customer requirements to our subcontractors, and thus in some cases may be required to absorb contractual risks from our customers without corresponding back-to-back coverage from our subcontractor. Our subcontractors may not be able to acquire or maintain the quality of the materials, components, subsystems and services they supply, or secure preferred warranty and indemnity coverage from their suppliers which might result in greater product returns, service problems, warranty claims and costs and regulatory compliance issues and could harm our business, financial condition, and results of operations.

*Over the last several years we have outsourced portions of certain business operations such as repair, distribution, engineering services and information technology services and may outsource additional business operations, which limits our control over these business operations and exposes us to additional risk as a result of the actions of our outsource partners.* As we outsource more of our business operations, we are not able to directly control these activities. Our outsource partners may not prioritize our business over that of their other customers and they may not meet our desired level of service, cost reductions, or other metrics. In some cases, their actions may result in our being found to be in violation of laws or regulations like import or export regulations. As many of our outsource partners operate outside of the U.S., our outsourcing activity exposes us to information security vulnerabilities and increases our global risks. In addition, we are exposed to the financial viability of our outsource partners. Once a business activity is outsourced, we may be contractually prohibited from, or may not practically be able to, bring such activity back within the Company or move it to another outsource partner. The actions of our outsource partners could result in reputational damage to us and could negatively impact our financial results.

*Failure of our suppliers, subcontractors, distributors, resellers, and representatives to use acceptable legal or ethical business practices could negatively impact our business.* It is our policy to require suppliers, subcontractors, distributors, resellers, and third-party sales representatives (“TPSRs”) to operate in compliance with applicable laws, rules, and regulations regarding working conditions, employment practices, environmental compliance, anti-corruption, and trademark and copyright licensing. However, we do not control their labor and other business practices. If one of our suppliers, subcontractors, distributors, resellers, or TPSRs violates labor or other laws or implements labor or other business practices that are regarded as unethical, the shipment of finished products to us could be interrupted, orders could be canceled, relationships could be terminated, and our reputation could be damaged. If one of our suppliers or subcontractors fails to procure necessary license rights to trademarks, copyrights, or patents, legal action could be taken against us that could impact the saleability of the Company’s products and expose us to financial obligations to a third-party. Any of these events could have a negative impact on our sales and results of operations.

*We rely on third-party dealers, distributors, and resellers to sell many of our products.* In addition to our own sales force, we offer our products through a variety of third-party dealers, distributors, and resellers. These third-parties may also market other products that compete with our products. Failure of one or more of our dealers, distributors, or resellers to effectively promote our products could affect our ability to bring products to market and have a negative impact on our results of operations. As the Company refines our recently implemented channel program, some of our third-party dealers, distributors or resellers may exit the program due to modifications to the program structure, thereby reducing our ability to bring products to market and have a negative impact on our results of operations.

Some of these third-parties are smaller and more likely to be impacted by a significant decrease in available credit that could result from a weakness in the financial markets. If credit pressures or other financial difficulties result in insolvency for third-party dealers, distributors, or retailers and we are unable to successfully transition end-customers to purchase our products from other third-parties or from us directly, it may cause, and in some cases has caused, a negative impact on our financial results.

*Final assembly of certain of our products is performed by third-party electronics manufacturers. We may be dependent on these third-party electronics manufacturers as a sole-source of supply for the manufacture of such products. A failure by such manufacturers to provide manufacturing services to us as we require, or any disruption in such manufacturing services up to and including a catastrophic shut-down, may adversely affect our business results. Because we rely on these third-party electronics manufacturers to manufacture our products, we may incur increased business continuity risks.* We are not able to exercise direct control over the assembly or related operations of certain of our products. If these third party manufacturers experience business difficulties or fail to meet our manufacturing needs, then we may be unable to satisfy customer product demands, lose sales, and be unable to maintain customer relationships. Longer production lead times may result in shortages of certain products and inadequate inventories during periods of unanticipated higher demand. Without such third parties continuing to manufacture our products, we may have no other means of final assembly of certain of our products until we are able to secure the manufacturing capability at another facility or develop an alternative manufacturing facility. This transition could be costly and time consuming.

Although we carry business interruption insurance to cover lost sales and profits in an amount it considers adequate, in the event of supply disruption, this insurance does not cover all possible situations. In addition, the business interruption insurance

would not compensate us for the loss of opportunity and potential adverse impact, both short-term and long-term, on relations with our existing customers going forward.

*Our future operating results depend on our ability to purchase a sufficient amount of materials, parts, and components, as well as services and software to meet the demands of customers. We source some of our components from sole source suppliers. Any disruption to our suppliers or significant increase in the price of supplies could have a negative impact on our results of operations.* Our ability to meet customers' demands depends, in part, on our ability to obtain in a timely manner an adequate delivery of quality materials, parts, and components, as well as services and software from our suppliers. In addition, certain supplies are available only from a single source or limited sources and we may not be able to diversify sources in a timely manner. If demand for our products or services increases from our current expectations or if suppliers are unable to meet our demand for other reasons, including as a result of natural disasters or financial issues, we could experience an interruption in supplies or a significant increase in the price of supplies that could have a negative impact on our business. We have experienced shortages in the past that have negatively impacted our results of operations and may experience such shortages in the future. Credit constraints at our suppliers could cause us to accelerate payment of accounts payable by us, impacting our cash flow.

In addition, our current contracts with certain suppliers may be canceled or not extended by such suppliers and, therefore, not afford us with sufficient protection against a reduction or interruption in supplies. Moreover, in the event any of these suppliers breach their contracts with us, our legal remedies associated with such a breach may be insufficient to compensate us for any damages it may suffer.

*The unfavorable outcome of any pending or future litigation, arbitration, or administrative action could have a material adverse effect on our financial condition or results of operations.* From time to time we are made a party to litigation, arbitration, or administrative actions. Our financial results and reputation could be negatively impacted by unfavorable outcomes to any pending or future litigation or administrative actions, including those related to the Foreign Corrupt Practices Act, the U.K. Bribery Act, or other anti-corruption laws. There can be no assurances as to the favorable outcome of any litigation or administrative proceedings. In addition, it can be very costly to defend litigation or administrative proceedings and these costs could negatively impact our financial results.

*It is important that we are able to obtain many different types of insurance, and if we are not able to obtain insurance or exhausts our coverage we may be forced to retain the risk.* We have many types of insurance coverage and is also self-insured for some risks and obligations. While the cost and availability of most insurance is stable, there are still certain types and levels of insurance that remain difficult to obtain, such as professional liability insurance, which is expensive to obtain for the amount of coverage often requested by certain customers. As we grow our global solutions and services business, we are being asked to obtain higher amounts of professional liability insurance, which could result in higher costs to do business. Natural disasters and certain risks arising from securities claims, professional liability, and public liability are potential self-insured events that could negatively impact our financial results. In addition, while we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident, incident, or claim.

*We are subject to a wide range of product regulatory and safety, consumer, worker safety, and environmental laws.* Our operations and the products we manufacture and/or sell are subject to a wide range of product regulatory and safety, consumer, worker safety, and environmental laws and regulations. Compliance with such existing or future laws and regulations could subject us to future costs or liabilities, impact our production capabilities, constrict our ability to sell, expand or acquire facilities, restrict what products and services we can offer, and generally impact our financial performance. Some of these laws are environmental and relate to the use, disposal, remediation, emission and discharge of, and exposure to hazardous substances. These laws often impose liability and can require parties to fund remedial studies or actions regardless of fault. We continue to incur disposal costs and have ongoing remediation obligations. Environmental laws have tended to become more stringent over time and any new obligations under these laws could have a negative impact on our operations or financial performance.

Laws focused on the energy efficiency of electronic products and accessories; recycling of both electronic products and packaging; reducing or eliminating certain hazardous substances in electronic products; and the transportation of batteries continue to expand significantly. Laws pertaining to accessibility features of electronic products, standardization of connectors and power supplies, the transportation of lithium-ion batteries, and other aspects are also proliferating. There are also demanding and rapidly changing laws around the globe related to issues such as product safety, radio interference, radio frequency radiation exposure, medical related functionality, and consumer and social mandates pertaining to use of wireless or electronic equipment. These laws, and changes to these laws, could have a substantial impact on whether we can offer certain products, solutions, and services, and on what capabilities and characteristics our products or services can or must include.

These laws impact our products and negatively affect our ability to manufacture and sell products competitively. We expect these trends to continue. In addition, we anticipate that it will see increased demand to meet voluntary criteria related to reduction or elimination of certain constituents from products, increasing energy efficiency, and providing additional accessibility.

*Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any negative reports concerning our internal controls could adversely affect our future results of operations and financial condition.* We may discover areas of our internal controls that need improvement, particularly with respect to areas of our business impacted by the integration of our business processes, systems, and facilities. We cannot be certain that any remedial measures we take will ensure appropriate implementation and maintenance of adequate internal controls over the financial reporting processes and reporting in the future. We may incur significant additional costs in order to ensure we adequately remediate any weaknesses identified in our internal control environment, which, in turn, would reduce our earnings. Implementing any remedial measures may be complicated by the limited timeframe in which to implement such measures, the possibility that implementation of such measures may require a substantial amount of work and time by our personnel, and the challenge of migrating to a new ERP while implementing such remedial measures. In addition, development of an integrated financial reporting system with the accompanying system of internal controls to comply with the Sarbanes-Oxley Act of 2002 may increase the time and costs necessary to complete the integration of Enterprise or cause us to miss our reporting obligations.

Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements. Failure to comply with Section 404 of the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, or other regulatory authorities. In addition, failure to comply with our reporting obligations with the SEC may cause an event of default to occur under the Debt Agreements, or similar instruments governing any debt we or our subsidiaries incur in the future.

*We could be adversely impacted by changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters.* Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, impairment of goodwill and other intangible assets, inventories, customer rebates and other customer consideration, tax matters, and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates, and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates, or judgments could significantly change our reported or expected financial performance or financial condition. New accounting guidance may also require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to revenue, accounting for leases and other areas could require us to make significant changes to our accounting systems, impact to existing Credit Agreements and could result in adverse changes to our financial statements.

#### **Risks Related to the Acquisition and Integration of Enterprise**

*We may be unable to effectively integrate Enterprise into our existing business.* The integration of Enterprise into our operations is a significant undertaking and requires significant attention from our management. The Acquisition, with an approximate enterprise value of \$3.45 billion, is significantly larger than prior acquisitions we have completed and significantly increased the size of our operations, increased our number of employees and operating facilities and expanded our geographic scope. There can be no assurance that we will be able to successfully integrate Enterprise, or if such integration is successfully accomplished, that such integration will not be costlier than currently contemplated. There can also be no assurance that we can successfully manage the combined business due to our greatly increased size and scope. If we cannot successfully integrate and manage Enterprise within a reasonable time following the Acquisition, we may not be able to realize the potential and anticipated benefits of the Acquisition, which could have a material adverse effect on our business, financial condition, operating results, cash flows and growth prospects.

*We may be unable to realize the expected growth opportunities and cost savings from the Acquisition.* In connection with the integration of Enterprise into our existing operating structure, we seek to realize growth opportunities, along with cost savings. The anticipated cost savings are based upon assumptions about our ability to implement integration measures in a timely fashion and within certain cost parameters. Our ability to achieve the planned cost synergies relies upon a number of factors, some of which may be beyond our control. For example, we may be unable to eliminate duplicative costs in a timely fashion or at all. Our inability to realize anticipated cost savings, and revenue enhancements from the Acquisition could have a material adverse effect on our business, financial condition, operating results, cash flows, and growth prospects.

*We continue to rely on MSI to perform certain critical transition services and there can be no assurance that those services will be performed timely and effectively or that we can replace those services prior to the expiration of the transition services agreement or successfully develop our own operations going forward.* Under the terms of the transition services agreement that we entered into with MSI in connection with the Acquisition, MSI provided and continues to provide us with services critical for the operation and continuity of our operation of Enterprise. We have transitioned some of these critical functions, and are in the process of transitioning other critical functions, which primarily include information technology systems. Until we transition all such functions, we will continue to rely on MSI for those services. There can be no assurances that these remaining services will be performed timely and effectively or that we will be able to successfully or timely transition remaining functions and assume responsibility over them. Significant disruption in these transition services, or unanticipated costs related to these services, could materially and adversely affect our business, financial condition and results of operations. Additionally, if we are unable to transition such remaining services to ourselves in a timely fashion or without disruption to our operations, we could experience an adverse effect on our business, financial condition and cash flows, and results of operations.

*As part of the integration, we are moving Enterprise off of our legacy ERP systems and implementing an ERP system under a single instance with our legacy business. The implementation process is complex and involves a number of risks that may adversely affect our business and results of operations.* We are currently replacing our multiple legacy business systems, including moving Enterprise off of our legacy systems that are being operated under a transition services agreement with MSI, with a new company-wide, integrated enterprise resource planning (ERP) system to handle various business, operating and financial processes for us. The integrated system will streamline a variety of important functions, such as order entry, invoicing, accounts receivable, accounts payable, financial consolidation, logistics, and internal and external financial and management reporting matters. We moved our operations in Asia Pacific to the combined ERP in May 2016 and expect to move our operations in North America, Latin America and EMEA to the combined ERP before the end of fiscal year 2017.

ERP implementations are complex and time-consuming projects that involve substantial expenditures on system hardware and software and implementation activities that often continue for several years. Such an integrated, wide-scale implementation is extremely complex and requires transformation of business and financial processes in order to reap the benefits of the ERP system. Significant efforts are needed for requirements identification, functional design, process documentation, data conversion, user training and post implementation support. Problems in any of these areas could result in operational issues including delayed shipments or production, missed sales, billing and accounting errors and other operational issues. System delays or malfunctioning could also disrupt our ability to timely and accurately process and report key components of the results of our consolidated operations, our financial position and cash flows, which could impact our ability to timely complete important business processes such as the evaluation of our internal controls and attestation activities pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. After the Company transitions Enterprise off of our legacy ERP system, data contained on that legacy ERP system may be difficult and costly to access.

*We have a substantial amount of goodwill and other intangible assets, which could, in the future, become impaired and result in material non-cash charges to our results of operations.* As of December 31, 2016, we had \$2.9 billion of goodwill and other intangible assets, a significant increase since prior to the Acquisition of Enterprise. At least annually, or whenever events or changes in circumstances indicate a potential impairment in the carrying value as defined by U.S. GAAP, we will evaluate this goodwill and other intangible assets for impairment by first assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than the carrying amount. Estimated fair values could change if, for example, there are changes in the business climate, unanticipated changes in the competitive environment, declines in the financial condition of a reporting unit, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows, or market capitalization. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could require material non-cash charges to our results of operations, which could have a material adverse effect on our financial condition and results of operations. Impairment of goodwill and other intangibles of \$62 million was recorded during the third quarter related to the wireless LAN business divestiture.

#### **Risks Related to our Indebtedness**

*In connection with the Acquisition, we incurred substantial debt obligations.* Our total outstanding debt for borrowed money was approximately \$3.25 billion on October 27, 2014. At December 31, 2016, the remaining principal amount of indebtedness was \$ 2.7 billion, gross of unamortized discounts and debt issuance costs. In addition, subject to restrictions in agreements governing our existing and future indebtedness, we may incur additional indebtedness. Our substantial level of indebtedness could have important consequences, including the following:

- We may experience difficulty in satisfying our obligations with respect to our existing indebtedness or future indebtedness;
- Our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;

## [Table of Contents](#)

- We plan to use a substantial portion of cash flow from operations to pay interest and principal on our indebtedness, which may reduce the funds available to ourselves for other purposes, such as acquisitions and capital expenditures;
- We may be at a competitive disadvantage with reduced flexibility in planning for, or responding to, changing conditions in the industry, including increased competition; and
- We may be more vulnerable to economic downturns and adverse developments in the business.

We expect to fund our expenses and to pay the principal and interest on our indebtedness from cash flow from operations. Our ability to meet our expenses and to pay principal and interest on our indebtedness when due depends on our future performance, which will be affected by financial, business, economic, and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. Additionally, we have not previously undertaken substantial amounts of indebtedness. Historically, we operated our business without incurring significant indebtedness for borrowed money and has limited experience operating our business subject to the constraints imposed by debt agreements.

*Despite our indebtedness, we may need to incur substantially more indebtedness and take other actions that could further exacerbate the risk associated with our existing indebtedness.* At December 31, 2016, the remaining principal amount of indebtedness was \$ 2.7 billion. In addition to the financing activities, we may need to incur substantially more indebtedness in the future, resulting in higher leverage. Subject to the limits contained in our Debt Agreements, we may incur additional indebtedness from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. To the extent we incur additional indebtedness, the risks associated with our substantial indebtedness will be exacerbated.

*Our use of derivative financial instruments to reduce interest rate risk may result in added volatility in our quarterly operating results.* We do not hold or issue derivative financial instruments for trading purposes. However, we do utilize derivative financial instruments to reduce interest rate risk associated with our indebtedness. To manage variable interest rate risk, we entered into forward interest rate swap agreements, which will effectively convert a portion of our indebtedness into a fixed rate loan. Under generally accepted accounting principles, the fair values of the swap contracts, which will either be amounts receivable from or payable to counterparties, are reflected as either assets or liabilities on our Consolidated Balance Sheets. We record our fair value change in our Consolidated Statements of Earnings, as a component of “Other, net” if not hedged. The associated impact on our quarterly operating results is directly related to changes in prevailing interest rates. If interest rates increase, we would have a non-cash gain on the swaps, and vice versa in the event of a decrease in interest rates. Consequently, these swap contracts introduce complexity to our operating results.

*Restrictive covenants in the Debt Agreements may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.* The Debt Agreements contain, and instruments governing any future indebtedness may contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to take actions that we believe may be in our interest. We expect these covenants will limit our ability to:

- incur additional indebtedness or guarantees;
- pay dividends or make other distributions or repurchase or redeem our stock or prepay or redeem certain indebtedness;
- sell or dispose of assets and issue capital stock of restricted subsidiaries;
- incur liens or enter into sale-leaseback transactions;
- enter into agreements restricting our subsidiaries’ ability to pay dividends;
- enter into transactions with affiliates;
- engage in new lines of business;
- consolidate, merge or enter into other fundamental changes;
- make loans, investments and/or acquisitions; and
- enter into amendments or modifications of certain material subordinated debt agreements or organizational documents.

Additionally, the Term Loan entered into to fund a portion of the Acquisition requires us to maintain in certain circumstances compliance with a consolidated total secured net leverage ratio. Our ability to comply with this ratio may be affected by events beyond our control, and we cannot assure you that we will meet this ratio. The restrictions could adversely affect our ability to:

- finance operations;
- make needed capital expenditures;
- make strategic acquisitions or investments or enter into alliances;
- withstand a future downturn in our business or the economy in general;
- engage in business activities, including future opportunities, that may be in our interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

A breach of any of the covenants contained in the Debt Agreements (including an inability to comply with the financial maintenance covenants) that is not remedied within the applicable cure period, if any, would result in an event of default under the Debt Agreements. If, when required, we are unable to repay or refinance our indebtedness or amend the covenants contained in the Debt Agreements, or if a default otherwise occurs that is not cured or waived, the lenders or holders of our debt securities could elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable or institute foreclosure proceedings against those assets that secure the borrowings. Should the outstanding obligations be accelerated and become due and payable because of any failure to comply with the applicable covenants in the future, we would be required to search for alternative measures to finance current and ongoing obligations of our business. There can be no assurance that such financing will be available on acceptable terms, if at all. Any of these scenarios could adversely impact our liquidity, financial condition and results of operations.

*A significant amount of cash will be required to service our indebtedness*. Our ability to make payments on and to refinance our indebtedness and to fund working capital needs, general corporate expenditures and planned capital expenditures depends on our ability to generate a significant amount of cash. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory, and other factors that are beyond our control.

If our business does not generate sufficient cash flows from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness on or before the maturity thereof, sell assets, reduce or delay capital investments, or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness will depend on the condition of the capital and debt markets and our financial condition at such time. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of anticipated or future debt instruments may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and/or principal on outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to access additional capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy the obligations in respect of our indebtedness.

#### **Item 1B. Unresolved Staff Comments**

Not applicable.

#### **Item 2. Properties**

Our corporate headquarters are located in Lincolnshire, Illinois; a northern suburb of Chicago. We also operate manufacturing, production and warehousing, administrative, research, and sales facilities in other U.S. and international locations.

As of December 31, 2016, we owned 3 lab and warehouse facilities located in: Holtsville, NY; Preston, UK; and Mississauga, Ontario, Canada. The Company operates 8 facilities for the purposes of manufacturing, production, and warehousing, 5 of which are located in the United States and 3 are located in other countries. As of December 31, 2016, the Company leased 115 office facilities, 33 of which were located in the United States and 82 were located in other countries.

We generally consider the productive capacity of the plants to be adequate and sufficient for our requirements. The extent of utilization of each manufacturing facility varies throughout the year.

#### **Item 3. Legal Proceedings**

See Note 11 Contingencies in the Notes to Consolidated Financial Statements included in this Form 10-K.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Stock Information: Price Range and Common Stock**

Our Class A common stock is traded on the NASDAQ Stock Market under the symbol ZBRA. The following table shows the high and low trade prices for each fiscal quarter in 2016 and 2015, as reported by the NASDAQ Stock Market.

<b>2016</b>	<b>High</b>	<b>Low</b>	<b>2015</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 70.30	\$ 52.14	First Quarter	\$ 92.48	\$ 74.40
Second Quarter	68.49	48.51	Second Quarter	119.47	88.41
Third Quarter	71.61	46.13	Third Quarter	117.00	71.95
Fourth Quarter	88.00	62.91	Fourth Quarter	83.02	63.92

Source: The NASDAQ Stock Market

At February 20, 2017, the last reported price for the Class A common stock was \$85.99 per share, and there were 140 registered stockholders of record for Zebra’s Class A common stock. In addition, we had approximately 25,868 stockholders who owned our stock in street name.

**Dividend Policy**

Since our initial public offering in 1991, we have not declared any cash dividends or distributions on our capital stock. We currently do not anticipate paying any cash dividends in the foreseeable future.

**Treasury Shares**

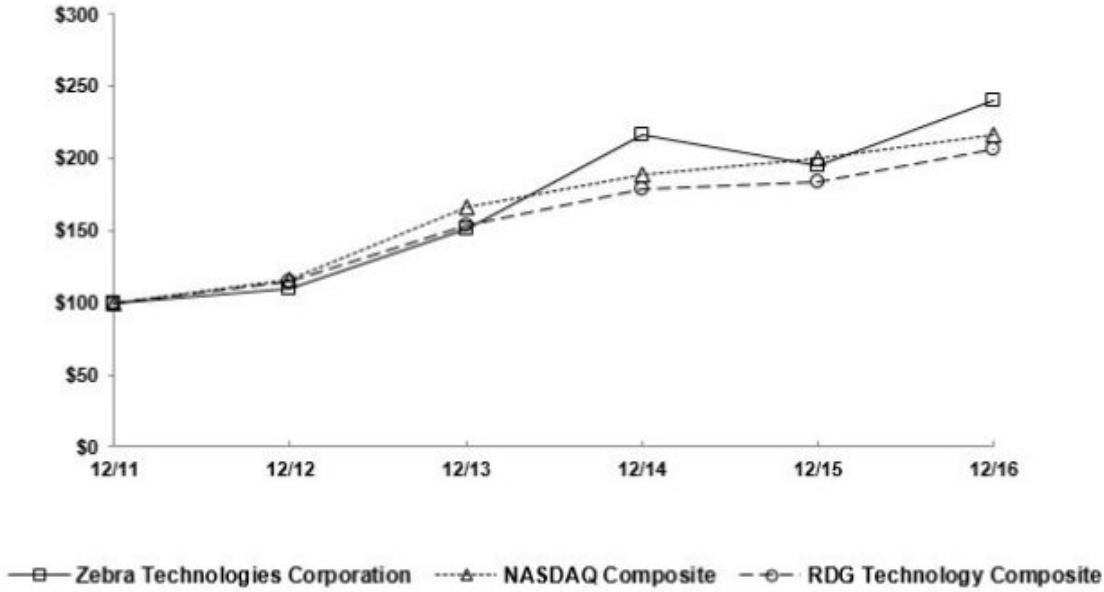
We did not purchase shares of Zebra Class A common stock during 2016 as part of the purchase plan program.

In November 2011, our Board authorized the purchase of up to an additional 3,000,000 shares under the purchase plan program and the maximum number of shares that may yet be purchased under the program is 665,475. The November 2011 authorization does not have an expiration date.

**Stock Performance Graph**

This graph compares the cumulative annual change since December 31, 2011, of the total stockholder return of Zebra Technologies Corporation Class A common stock with the cumulative return on the following published indices: (i) the RDG Technology Composite; and (ii) the NASDAQ Composite Market Index, during the same period. The comparison assumes that \$100 was invested in each of the Company’s Class A common stock, the stocks comprising the RDG Technology Composite and the stocks comprising the NASDAQ Composite Market Index on December 31, 2011. The comparison assumes that all dividends were reinvested at the end of the month in which they were paid.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Zebra Technologies Corporation, the NASDAQ Composite Index  
and the RDG Technology Composite Index



\*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.



**Item 6. Selected Financial Data**
**FIVE YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(In millions, except shares and per share amounts)

Net (Loss)/Income <sup>(1)</sup>	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net sales	\$ 3,574	\$ 3,650	\$ 1,671	\$ 1,038	\$ 996
Cost of sales	1,932	2,006	893	535	505
Gross profit	1,642	1,644	778	503	491
Acquisition and integration costs	125	145	127	5	3
Exit and restructuring costs	19	40	6	6	1
Other operating expenses	1,418	1,422	556	332	323
Total operating expenses	1,562	1,607	689	343	327
Operating income	80	37	89	160	164
(Loss) income from continuing operations before income taxes	(129) <sup>(2)</sup>	(180) <sup>(2)</sup>	17 <sup>(2)</sup>	164	164
(Loss) income from continuing operations, net of tax	(137)	(158)	32	134	122
Income from discontinued operations, net of tax <sup>(3)</sup>	—	—	—	—	1
Net (loss) income	\$ (137)	\$ (158)	\$ 32	\$ 134	\$ 123
Basic earnings per share:					
(Loss) income from continuing operations	\$ (2.65)	\$ (3.10)	\$ 0.64	\$ 2.65	\$ 2.36
Income from discontinued operations <sup>(3)</sup>	—	—	—	—	0.02
Net (loss) income	\$ (2.65)	\$ (3.10)	\$ 0.64	\$ 2.65	\$ 2.38
Diluted earnings per share:					
(Loss) income from continuing operations	\$ (2.65)	\$ (3.10)	\$ 0.63	\$ 2.63	\$ 2.35
Income from discontinued operations <sup>(3)</sup>	—	—	—	—	0.02
Net (loss) income	\$ (2.65)	\$ (3.10)	\$ 0.63	\$ 2.63	\$ 2.37
Weighted average shares outstanding					
Basic	51,579,112	50,996,297	50,789,173	50,692,942	51,566,468
Diluted	51,579,112	50,996,297	51,379,698	51,063,189	51,843,051

Balance Sheet <sup>(1)</sup>	December 31,				
	2016	2015	2014	2013	2012
Cash and cash equivalents, investments and marketable securities	\$ 156	\$ 192	\$ 418	\$ 416	\$ 394
Working capital <sup>(4)</sup>	273	439	719	635	616
Total assets	4,632	5,040	5,539	1,120	968
Long-term liabilities	2,891	3,252	3,346	15	14
Stockholders' equity	792	893	1,040	959	857

- (1) Includes the Enterprise business from its date of acquisition, October 27, 2014.
- (2) 2016 includes interest expense of \$193 million , accelerated loan discount amortization of \$3 million due to debt refinancing, and a minimal impact from forward swaps. See Note 9 Long-Term Debt for further information on debt refinancing amendments. 2015 includes interest expense of \$197 million and forward swaps gain of \$4 million. 2014 includes interest expense of \$57 million and forward swaps loss of \$5 million.
- (3) Income from discontinued operations is related to a reversal of amounts previously reserved, which were part of the finalization of the accounting for the sale of Navis, LLC and Proveo AG during 2011.
- (4) Calculated as current assets minus current liabilities.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The Company is a global leader respected for innovative EAI solutions in the automatic information and data capture solutions industry. We design, manufacture, and sell a broad range of products that capture and move data, including: mobile computers; barcode scanners and imagers; RFID readers; specialty printers for barcode labeling and personal identification; RTLS; related accessories and supplies, such as self-adhesive labels and other consumables; and utilities and application software. We also provide a full range of services, including maintenance, technical support, repair, and managed services, including cloud-based subscriptions. End-users of our products and services include those in the retail, transportation and logistics, manufacturing, healthcare, hospitality, warehouse and distribution, energy and utilities, and education industries around the world. Benefits of our solutions include improved efficiency and workflow management, increased productivity and asset utilization, real-time, actionable enterprise information, and better customer experiences. We provide our products and services globally through a direct sales force and extensive network of partners. We provide products and services in over 170 countries, with approximately 120 facilities and 6,500 employees worldwide.

In October 2014, Zebra acquired Enterprise from MSI, excluding its iDEN, or Integrated Digital Enhanced Network Business, for \$3.45 billion in cash. Zebra financed the Acquisition through a combination of cash on hand and borrowings of \$3.25 billion (the “Indebtedness”), including the sale of 7.25% senior notes due 2022 with an aggregate principal amount of \$1.05 billion and a new credit agreement with various lenders that provided a term loan of \$2.20 billion due 2021. The new credit agreement also included a \$250 million revolving credit facility. See Note 3 Business Combinations and Divestitures for additional information.

On September 13, 2016, the Company entered into an Asset Purchase Agreement with Extreme Networks, Inc. to divest of its wireless LAN (“WLAN”) business (“Divestiture Group”). WLAN operating results are reported in the Enterprise segment through the closing date of the WLAN divestiture of October 28, 2016. See Note 3 Business Combinations and Divestitures for additional information.

### Segments

The Company’s operations consist of two reportable segments: Legacy Zebra and Enterprise.

#### Legacy Zebra

The Legacy Zebra segment is an industry leader in barcode printing and asset tracking technologies. Its major product lines include barcode and card printers, location solutions, supplies, and services. Industries served include retail, transportation and logistics, manufacturing, healthcare, and other end markets within the following regions: North America; Europe, Middle East, and Africa; Asia-Pacific; and Latin America.

#### Enterprise

The Enterprise segment is an industry leader in automatic information and data capture solutions. Its major product lines include mobile computing, data capture, RFID, and services. Industries served include retail, transportation and logistics, manufacturing, healthcare, and other end markets within the following regions: North America; Europe, Middle East, and Africa; Asia-Pacific; and Latin America.

**Geographic Information.** For the year ended December 31, 2016, the Company recorded \$ 3.6 billion of net sales in its consolidated statements of operations, of which approximately 48.7% were attributable to North America; approximately 31.8% were attributable to Europe, Middle East, and Africa (“EMEA”); and other foreign locations accounted for the remaining 19.5% . Net sales attributable from each region are relatively consistent with the prior year period.

**Results of Operations: Year Ended 2016 versus 2015 and Year Ended 2015 versus 2014**
**Consolidated Results of Operations**

(Amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Net sales	\$ 3,574	\$ 3,650	\$ 1,671	(2.1)%	118.3 %
Gross profit	1,642	1,644	778	(0.1)%	111.3 %
Operating expenses	1,562	1,607	689	(2.8)%	133.1 %
Operating income	\$ 80	\$ 37	\$ 89	116.2 %	(58.4)%
Gross margin	45.9%	45.0%	46.6%		

Net sales by product category were as follows (amounts in millions, except percentages):

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Hardware	\$ 2,778	\$ 2,863	\$ 1,234	(3.0)%	132.1%
Supplies	278	268	265	3.7 %	1.2%
Service and Software	518	519	172	(0.2)%	201.7%
Total Net sales	\$ 3,574	\$ 3,650	\$ 1,671		

Net sales to customers by geographic region were as follows (in millions, except percentages):

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Europe, Middle East, and Africa	\$ 1,138	\$ 1,194	\$ 583	(4.7)%	104.8%
Latin America	214	219	135	(2.3)%	62.7%
Asia-Pacific	483	463	216	4.3 %	114.3%
Total International	1,835	1,876	934	(2.2)%	100.9%
North America	1,739	1,774	737	(2.0)%	140.7%
Total Net sales	\$ 3,574	\$ 3,650	\$ 1,671		

Operating expenses are summarized below (in millions, except percentages):

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Selling and marketing	\$ 444	\$ 494	\$ 213	(10.1)%	131.6%
Research and development	376	394	151	(4.6)%	160.7%
General and administrative	307	283	138	8.5 %	104.8%
Amortization of intangible assets	229	251	54	(8.8)%	364.0%
Acquisition and integration costs	125	145	127	(13.8)%	14.4%
Impairment of goodwill and other intangibles	62	—	—	NMF	—%
Exit and restructuring costs	19	40	6	(52.5)%	565.9%
Total Operating expenses	\$ 1,562	\$ 1,607	\$ 689	(2.8)%	133.2%

The Company's non-operating income and expense items are summarized in the following tables (in millions, except percentages):

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Foreign exchange loss	\$ (5)	\$ (23)	\$ (9)	(78.3)%	162.6%
Interest expense	(193)	(193)	(62)	— %	211.3%
Other, net	(11)	(1)	(1)	1,000.0 %	—%
Total Other (expenses) income	\$ (209)	\$ (217)	\$ (72)	(3.7)%	201.6%

(1) The businesses included in our Enterprise segment were acquired as part of the Acquisition. The consolidated results for the year ended December 31, 2014 include only two months (November and December 2014) of the Enterprise segment. The increase in net sales, gross profit, operating expenses and operating income, for the year ended December 31, 2014 was primarily related to the Acquisition.

#### 2016 compared to 2015

Net sales decreased by \$76 million or 2.1% compared with the prior year period. The decline in net sales is due to lower hardware sales in North America, EMEA, and Latin America, including the unfavorable impact of foreign currency changes, partially offset by higher hardware sales in Asia-Pacific. The decline in hardware sales is largely attributable to lower sales of barcode printer, data capture, wireless LAN products, and location solutions. On a constant currency basis and excluding purchase accounting adjustments, overall net sales declined approximately 1% compared to the prior year period, reflecting growth of approximately 4% in Asia-Pacific, offset by declines of approximately 2%, 1%, and 3% in North America, EMEA, and Latin America, respectively.

Gross margin as a percent of sales was 45.9% compared to the prior year period of 45.0%. This improvement in gross margin reflects an increase in the Enterprise segment gross margin primarily due to lower services and hardware product costs. Legacy Zebra segment gross margin decreased primarily due to lower sales demand and the impact of incentive programs, including the concessions to distributors of printer products imported into China, partially offset by product cost improvements.

Operating expenses for the year ended December 31, 2016 and 2015, were \$ 1.6 billion, or 43.7% and 44.0% of net sales, respectively. The reduction in operating expenses as a percentage of net sales reflects the Company's continued focus on improving operating efficiency and controlling expenses. Selling and marketing expenses were lower compared to the prior year due to the full-year impact of staff reductions implemented in 2015 and lower discretionary expenses and promotional spending. The decrease in research and development costs was primarily due to a reduction in headcount and other third-party resources, the impact from the divestiture of the wireless LAN business, and shifting of headcount to lower cost engineering locations. The increase in general and administrative costs was primarily due to higher IT related expenses, including increased support and maintenance costs for IT infrastructure and business systems as we exit transition services agreements with Motorola Solutions, and increased legal fees and litigation related expenses. The decrease in amortization of intangibles was due to impairment charges taken in the current year along with other intangible assets becoming fully amortized. Impairment of goodwill and other intangibles of \$62 million was recorded during the third quarter related to the wireless LAN business divestiture. The Company has made significant progress on its integration activities associated with the Acquisition, including exiting many transition services agreements with Motorola Solutions. This has resulted in a decline in acquisition and integration costs compared to the prior year period. Exit and restructuring costs were lower due to a reduced level of restructuring activity as the Company progresses with its restructuring plan related to the Acquisition, partially offset by expenses associated with the Company's divestiture of its wireless LAN business.

Operating income increased \$ 43 million or 116.2% compared to the prior year. The increase was primarily due to the decline in operating expenses.

The Company conducts business in multiple currencies throughout the world, thus has exposure to movements in foreign exchange rates with regard to non-functional denominated revenue, cash assets, and cash liabilities. As a result of these exposures, the Company recognized a foreign exchange loss of \$5 million for 2016.

Interest expense was \$ 193 million for the year ended December 31, 2016, flat compared to the prior year. Early repayments of debt resulted in accelerated amortization costs while debt refinancing savings were offset by closing costs of the refinancing.

Other non-operating expenses increased \$10 million to \$11 million for the year ended December 31, 2016. This increase is driven by long-term investment impairments of \$7 million and an increase in accelerated loan discount amortization of \$3 million due to the debt refinancing. See Note 9 Long-Term Debt for further information on the debt refinancing amendments.

In the period ending December 31, 2016, the Company recognized tax expense of \$ 8 million compared to a tax benefit of \$ 22 million for 2015. The Company's effective tax rates were (6.2)% and 12.2% as of December 31, 2016 and December 31, 2015, respectively. The Company's effective tax rate was lower than the federal statutory rate of 35% primarily due to deferred income taxed on the outbound transfer of U.S. assets, pre-tax losses in the United States, and the rate differential between U.S. and foreign jurisdictions.

2015 compared to 2014

Net sales growth of 118.3% for the twelve months ended December 31, 2015 as compared to the prior year was primarily as a result of the Acquisition of the Enterprise business and higher North America sales, offset partially by \$149 million of unfavorable foreign currency effects, net of hedges. The Enterprise business contributed \$1,888 million or 95.4% of the increase in total net sales, increased gross profit by \$808 million or 93.4%, and increased recurring operating expenses by \$830 million or 95.9%, and non-recurring operating expenses by \$42 million or 81.3%. Included within the total recurring operating expenses was an increase of \$197 million of amortization expense as a result of intangibles acquired. Within non-recurring operating expenses were increases of \$18 million of integration and acquisition costs as a result of IT costs of transitioning and exiting the Motorola platforms and \$34 million of exit and restructuring costs as a result of integrating acquired facilities and related employees.

Included in the total Enterprise impacts of 2015 versus 2014 are the following purchase accounting adjustments: a \$10 million reduction in revenue related to the valuation of service contracts acquired, a \$25 million decrease to cost of sales related to a step up in value of inventory acquired, and a \$167 million increase in depreciation and amortization expenses.

Net sales, excluding the impact of the Acquisition of the Enterprise business, increased by \$91 million or 7.7% in 2015 versus 2014. The unfavorable impact of foreign currency reduced sales by \$70 million. This increase is primarily due to sales growth in the North America and Asia-Pacific regions, specifically higher volumes of barcode printers and location solutions. Latin America sales were lower driven by a weak macro-economic environment. Consolidated net sales, excluding the effect of the Enterprise business, grew 12.5%, on a constant currency basis.

Gross margin as a percent of sales, excluding the effect of the Enterprise business, was 50.9% for the year ended December 31, 2015 compared to 50.0% in the comparable year ended December 31, 2014. This increase in margins reflects the favorable impact of higher unit sales within the North America and Asia-Pacific regions and lower product costs for both hardware and supplies, offset partially by unfavorable foreign currency effects, net of hedges.

Operating expenses for the year ended December 31, 2015, excluding the effect of the Enterprise business, were \$415 million compared to \$370 million in the prior year. Included in the increase were exit and restructuring costs within Legacy Zebra of \$10 million related to organizational redesign. As a percentage of sales, operating expenses, excluding the Enterprise business, were 32.3% for the year ended December 31, 2015 compared to 31.0% for the year ended December 31, 2014 primarily due to additional investments made to support business growth in the sales, research and development, and administrative functions, and exit and restructuring costs.

Operating income for the year ended December 31, 2015, excluding the effect of the Enterprise business, increased \$12 million or 5.2% compared to the prior year. The increase is primarily due to higher sales and gross profit, partially offset by higher operating expenses and the unfavorable foreign currency effects, net of hedges.

The Company recognized a foreign exchange loss of \$23 million for 2015 as a result of changes in the value of non-US dollar assets and liabilities primarily related to the Enterprise business that were not hedged during the period.

Interest expense was \$194 million for the year ended December 31, 2015 compared to \$63 million for 2014 mainly reflecting the indebtedness incurred related to the Acquisition of \$3.2 billion borrowed in October of 2014. There was also \$4 million of forward interest rate swap gains in 2015 included in interest expense compared to a \$5 million loss in 2014 primarily due to the changes in market interest rates.

In 2015, the Company recognized a tax benefit of \$22 million compared to a tax benefit of \$15 million for 2014. The Company's effective tax rates were 12.2% and (95.0)% as of December 31, 2015 and December 31, 2014, respectively. The Company's effective tax rate was lower than the federal statutory rate of 35% primarily due to pre-tax losses in the United States and corporate structure realignment initiatives in various non-US jurisdictions.

Since the date of the Acquisition, as part of its corporate initiatives of integrating the Enterprise business, the Company has been executing its integration plan for the Enterprise business (the “Integration Plan”). The Company anticipates completing the Integration Plan as soon as practicable and expects that the Integration Plan will allow the combined businesses to achieve further synergies and cost savings associated with the Acquisition. As part of the Integration Plan, the Company began realigning certain acquired assets of the Enterprise business with and into the Company’s corporate structure and business model.

### **Results of Operations by Segment**

The following commentary should be read in conjunction with the financial results of each operating business segment as detailed in Note 16 Segment Information and Geographic Data in the Notes to the Consolidated Financial Statements included in this Form 10-K. The segment results exclude purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, impairment of goodwill and intangibles, and exit and restructuring costs.

#### **Legacy Zebra Segment**

(amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014		
Net sales	\$ 1,247	\$ 1,286	\$ 1,195	(3.0)%	7.7%
Gross profit	620	654	598	(5.2)%	9.4%
Operating expenses	380	396	360	(3.9)%	10.0%
Operating income	\$ 240	\$ 258	\$ 238	(7.0)%	8.4%
Gross margin	49.7%	50.9%	50.0%		

#### 2016 compared to 2015

Net sales for the period ending December 31, 2016 within Legacy Zebra decreased \$ 39 million or 3.0% compared to prior year period. The decline in net sales was primarily due to lower net sales of barcode printers and location solutions, and the unfavorable impact of foreign currency changes, most notably in EMEA which was partially offset by an increase in sales of supplies. The barcode printer sales decline was primarily due to lower sales in North America and EMEA. Legacy Zebra sales declined compared to the prior year period on a constant currency basis by approximately 1%.

Gross margin as a percentage of sales was 49.7% compared to 50.9% for comparable prior year period. The decrease in gross margin included impacts from lower sales of barcode printers, the impact of incentive programs, including the concession to distributors of printer products imported into China, costs associated with the relocation of North American distribution operations, and the unfavorable impact of foreign currency changes. These factors were partially offset by manufacturing cost improvements in supplies and lower hardware product costs.

Operating income declined 7.0% as a result of lower net sales and gross margin, partially offset by lower operating expenses.

#### 2015 compared to 2014

Net sales for 2015 increased \$91 million or 7.7% compared to 2014. Net sales growth compared to 2014 on a constant currency basis was \$149 million or 12.5%. This reflects higher net sales for the North America and Asia-Pacific regions. Net sales in EMEA were essentially unchanged while Latin America net sales were lower. On a constant currency basis, net sales in EMEA increased 14% compared to 2014. The increase in net sales for the North America region was primarily due to higher volume of sales related to barcode printers and location solutions. The higher level of net sales for EMEA and Asia-Pacific regions reflected increased volumes of barcode printers. The decrease in net sales in the Latin America region was primarily driven by a weak macro-economic environment.

Gross margin as a percentage of sales was 50.9% for the year ended December 31, 2015 compared to 50.0% for 2014. This increase in margin reflects the favorable impact of higher unit sales and lower product costs for both hardware and supplies, offset partially by unfavorable foreign currency effects, net of hedges.

Operating income for the year ended December 31, 2015, increased 8.4% as a result of higher sales and gross profit partially offset by increases in operating expenses and unfavorable foreign currency effects, net of hedges. Operating expenses increased compared to the prior year primarily to support business growth.

**Enterprise Segment** (amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
	2016	2015	2014 <sup>(1)</sup>		
Net sales	\$ 2,337	\$ 2,380	\$ 482	(1.8)%	393.6%
Gross profit	1,032	1,010	215	2.2 %	370.3%
Operating expenses	746	774	150	(3.6)%	416.7%
Operating income	\$ 286	\$ 236	\$ 65	21.2 %	263.1%
Gross margin	44.2%	42.4%	44.5%		

(1) The businesses included in our Enterprise segment were acquired as part of the Acquisition. The Enterprise segment's results, including the increases in net sales, gross profit, operating expenses and operating income, for the year ended December 31, 2014 was primarily related to the Acquisition. Accordingly, the results for this segment for the year ended December 31, 2014 include only two months (November and December 2014).

**2016 compared to 2015**

Net sales for the period ending December 31, 2016 within Enterprise decreased \$ 43 million or 1.8% compared to prior year period. The decline in net sales was primarily driven by lower sales of wireless LAN and data capture products and the unfavorable impact of foreign currency changes in EMEA, partially offset by higher sales of mobile computing products. The sales decline compared to the prior year period on a constant currency basis was approximately 1%.

Gross profit margin for the year ended December 31, 2016 was 44.2% compared to 42.4% in the prior year period. The improvement in gross margin was due primarily to lower service and hardware product costs, including lower excess and obsolescence expense. The prior year costs also included higher product rebranding expenses. This improvement was partially offset by product mix and the unfavorable impact of foreign currency changes.

Operating income increased 21.2% primarily as a result of improvement in gross margin and lower operating expenses, partially offset by lower sales.

**2015 compared to 2014**

On October 27, 2014, the Company acquired Enterprise, an industry leader in mobile computing and data capture technologies and services, therefore 2014 only includes results since the acquisition date and is not directly comparable to the full fiscal year 2015.

For the year ended December 31, 2015, net sales for Enterprise were \$2.4 billion compared to \$482 million in 2014, which includes net sales only for the period following the Acquisition. Mobile computing, data capture, and repair services generated the majority of Enterprise net sales for the year in 2015 and 2014. The regions which accounted for the majority of 2015 and 2014 Enterprise net sales included North America and EMEA. Sales in the fourth quarter were \$635 million, up 4.8% compared to the third quarter due to higher net sales in EMEA.

Gross profit margin for the year ended December 31, 2015 was 42.4% compared to 44.5% in the prior year period. Gross margin of 44.5% in 2014 reflects only the period following the Acquisition on October 27, 2014. Gross margin in the fourth quarter was 42.4%, comparable to the third quarter of 2015, reflecting higher gross margin in services offset by unfavorable foreign currency effects.

Enterprise's operating expenses for the year ended December 31, 2015 were \$774 million and operating income was \$236 million. Operating expenses in the fourth quarter were flat compared to third quarter; however, the fourth quarter was 30.8% of sales compared to 31.9% in the third quarter of 2015 due to the improved operating leverage.

**Critical Accounting Policies and Estimates**

Management prepared the consolidated financial statements of the Company under accounting principles generally accepted in the United States of America. These principles require the use of estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions we used are reasonable based upon the information available at that time.

Our estimates and assumptions affect the reported amounts in our consolidated financial statements. See Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements included in this Form 10-K.



**Recently Issued Accounting Pronouncements**

See Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements included in this Form 10-K.

**Liquidity and Capital Resources**

The primary factors that influence our liquidity include, but are not limited to, the amount and timing of our revenues, cash collections from our customers, capital expenditures, repatriation of foreign cash and investments, and acquisitions of third-parties. Management believes that our existing capital resources and funds generated from operations are sufficient to meet anticipated capital requirements and service our indebtedness. The following table summarizes our cash flow activities for the years indicated (in millions):

	Year Ended December 31,		
	2016	2015	2014
<b>Cash flow (used in) provided by:</b>			
Operating activities	\$ 372	\$ 110	\$ 248
Investing activities	(39)	(148)	(3,111)
Financing activities	(376)	(149)	3,192
Effect of exchange rates on cash balances	7	(15)	2
Net (decrease) increase in cash and cash equivalents	<u>\$ (36)</u>	<u>\$ (202)</u>	<u>\$ 331</u>

The change in our cash and cash equivalents balance is reflective of the following:

2016 vs. 2015

Cash flows from operations increased \$ 262 million during 2016 to \$ 372 million. This improvement was driven by lower net losses of \$ 21 million, which included significant non-cash drivers of a lower deferred income tax benefit of \$98 million and asset impairment for goodwill, intangibles and other assets of \$69 million, primarily related to the wireless LAN business divestiture. Additionally, the Company had improved working capital of \$ 85 million during 2016. Working capital improvements consisted primarily of accounts payable increases due to the Company successfully renegotiating longer payment terms with vendors being partially offset by an increase in income tax cash outflows.

Net cash used in investing activities during 2016 included capital expenditures of \$ 77 million compared to \$ 122 million in 2015. The decrease consisted primarily of a reduction in integration and real estate related capital expenditures. This was offset somewhat by the sale of the wireless LAN business resulting in net cash received of \$39 million.

Net cash used in financing activities during 2016 consisted primarily of early debt principal repayments of \$382 million under the Term Loan compared to early debt principal repayments of \$ 165 million in the comparable prior year period. Resulting from the debt refinancing amendments entered into during fiscal 2016, the Company recognized \$102 million of proceeds from the issuance of long-term debt, offset by \$102 million in payments of long-term debt within the Consolidated Statements of Cash Flows. Additionally, proceeds received from the exercise of stock options and employee stock purchase plan purchases ("ESPP") were \$ 11 million this year compared to \$ 17 million in 2015 reflecting decreased option exercises and stock purchase plan purchases. The taxes paid related to the net share settlement of equity awards were \$ 8 million in 2016 compared to \$ 13 million in 2015 reflecting decreased stock exercises.

In connection with the Acquisition in October 2014, we incurred indebtedness totaling \$3.25 billion. As of December 31, 2016, we had long-term debt, gross of unamortized discounts and debt issuance costs, totaling \$ 2.7 billion. We did not have any borrowings against our revolving credit facility with \$246 million available (\$250 million less \$4 million of outstanding letters of credit). See Note 9 Long-Term Debt for further details and under Financing activities below.

2015 vs. 2014

Cash flows from operations decreased \$138 million during 2015 to \$110 million. While an increase in net loss of \$190 million netted against an increase in non-cash operating items of \$161 million yielded a decrease in cash flow from operations of \$29 million, the overall decrease in cash provided by operating activities is primarily attributable to changes in certain assets and liabilities of \$109 million during 2015. These changes consisted primarily of a decrease in accounts payable and accrued liabilities of \$252 million offset by a \$72 million increase in accounts receivable and a \$52 million increase in income taxes payable.

[Table of Contents](#)

Net cash used in investing activities during 2015 included additional consideration of \$51 million paid to MSI in relation to the opening cash balance and working capital adjustments. In addition, there were capital expenditures of \$122 million in 2015 compared to \$39 million in 2014. The increase in capital expenditures in 2015 as compared to 2014 consisted primarily of investments in IT infrastructure, software applications, facilities, engineering, development, test equipment, and production and tooling equipment. Reflecting the effect of the Acquisition on the Company's capital structure, net cash used for investing activities during 2014 included \$3.4 billion paid to MSI and purchases of marketable securities of \$651 million offset by \$644 million and \$336 million of proceeds from the sale and maturity of investments in marketable securities, respectively.

Net cash used in financing activities during 2015 consisted primarily of principal repayments of \$165 million under the Term Loan compared to proceeds of \$3.2 billion from the issuance of long-term debt to fund the Acquisition during 2014. Additionally, proceeds received from the exercise of stock options and employee stock purchase plan purchases ("ESPP") were \$17 million this year compared to \$26 million in 2014 reflecting decreased option exercises and ESPP purchases. The taxes paid related to the net share settlement of equity awards were \$13 million in 2015 compared to \$5 million in 2014 reflecting increased restricted stock exercises.

The following table shows our level of indebtedness as of December 31, 2016 (in millions):

Senior Notes	\$	1,050
Term loan		1,653
Less: debt issuance costs		(22)
Less: unamortized discounts		(33)
Total outstanding debt	\$	<u>2,648</u>

#### *Private Offering*

On October 15, 2014, the Company completed a private offering of \$1.05 billion in 7.25% Senior Notes due October 15, 2022. Interest on the Senior Notes is payable in cash on April 15 and October 15 of each year.

The indenture covering the Senior Notes contains certain covenants limiting among other things the ability of the Company and its restricted subsidiaries, with certain exceptions as described in the indenture, to: (i) incur indebtedness or issue certain preferred stock; (ii) incur liens; (iii) pay dividends or make distributions in respect of capital stock; (iv) purchase or redeem capital stock; (v) make investments or certain other restricted payments; (vi) sell assets; (vii) issue or sell stock of restricted subsidiaries; (viii) enter into transactions with stockholders or affiliates; or (ix) effect a consolidation or merger. On December 31, 2016, the Company was in compliance with the covenants.

#### *Credit Facilities*

On October 27, 2014, the Company entered into a new credit agreement which provides for a term loan of \$2.2 billion ("Term Loan") and a revolving credit facility of \$250 million ("Revolving Credit Facility"). On June 2, 2016, the Company entered into the first amendment to the credit agreement (the "Refinancing Amendment 1"). The Refinancing Amendment lowered the index rate spread for LIBOR loans from LIBOR + 400 bp to LIBOR + 325 bp. During the second quarter of 2016, the Company recorded a one-time \$2.7 million expense, primarily related to costs incurred with third parties for arranger, legal and other services and the loss incurred on the extinguished debt. These expenses are reflected as non-operating expenses within the consolidated statement of operations. Additionally, the Company paid \$4.9 million to the creditors in exchange for the modification and reported it as debt discount which is being amortizing over the life of the modified debt using the interest method. Borrowings under the modified Term Loan bear interest at a variable rate subject to a floor of 4.00%.

On December 6, 2016, the Company entered into the second amendment to our existing credit agreement dated as of October 27, 2014 (the "Refinancing Amendment 2"). The Refinancing Amendment lowered the index rate spread for LIBOR loans from LIBOR + 325 bp to LIBOR + 250 bp. As a result of the December 6, 2016 refinancing transaction, the Company recorded a one-time \$1.7 million expense, primarily related to costs incurred with third parties for arranger, legal and other services and the loss incurred on the modified debt. The Company had no costs due to creditors associated with fees for the modification.

As of December 31, 2016, the Term Loan interest rate was 3.45%. Interest payments are payable quarterly. The Company has entered into interest rate swaps to manage interest rate risk on its long-term debt. See Note 8 Derivative Instruments for further details.

The credit agreement requires the Company to prepay the Term Loan and Revolving Credit Facility, under certain circumstances or transactions defined in the credit agreement. Also, the Company may voluntarily prepay its obligations under the Term Loan at any time in whole or in part, without premium or penalty. The Company has made such optional principal prepayments of \$382 million in 2016. Through February 2017, the Company made an additional optional principal prepayment

of \$20 million. Unless satisfied by further optional prepayments, the Company is required to make a scheduled principal payment of \$1.6 billion on October 27, 2021.

The Revolving Credit Facility is available for working capital and other general corporate purposes including letters of credit. The amount (including letters of credit) shall not exceed \$250 million. As of December 31, 2016, the Company had established letters of credit totaling \$4 million, which reduced funds available for other borrowings under the agreement to \$246 million. The Revolving Credit Facility will mature and the commitments thereunder will terminate on October 27, 2019.

Borrowings under the Revolving Credit Facility bear interest at a variable rate plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility ranges from 2.25% to 2.75% depending on the Company's consolidated total secured net leverage ratio, which is evaluated on a quarterly basis. Interest payments are payable quarterly. As of December 31, 2016, the Company did not have any borrowings outstanding against the Revolving Credit Facility.

The Revolving Credit Facility contains certain covenants limiting among other things, the ability of the Company and its restricted subsidiaries, with certain exceptions as described in the credit agreement, to: (i) incur indebtedness, make guarantees or issue certain equity securities; (ii) pay dividends on its capital stock or redeem, repurchase or retire its capital stock; (iii) make certain investments, loans and acquisitions; (iv) sell certain assets or issue capital stock of restricted subsidiaries; (v) create liens or engage in sale-leaseback transactions; (vi) merge, consolidate or transfer or dispose of substantially all of their assets; (vii) engage in certain transactions with affiliates; (viii) alter the business it conducts; (ix) amend, prepay, redeem or purchase subordinated debt; and (x) enter into agreements limiting subsidiary dividends and distributions. The Revolving Credit Facility also requires the Company to comply with a financial covenant consisting of a quarterly maximum consolidated Total Secured Net Leverage Ratio, (as defined in the credit agreement). This test is only required to be performed at the end of the fiscal quarter and when 20% of the commitments under the Revolving Credit Facility have been drawn and remain outstanding.

The Term Loan and obligations under the Revolving Credit Facility are collateralized by a security interest in substantially all of the Company's assets as defined in the security agreement and guaranteed by its direct and indirect wholly-owned existing and future domestic restricted subsidiaries, subject to certain exceptions.

Certain domestic subsidiaries of the Company (the "Guarantor Subsidiaries") guarantee the Notes, the Term Loan and the Revolving Credit Facility on a senior basis: For the year ended December 31, 2016, the non-Guarantor Subsidiaries would have (a) accounted for 45% of our total revenue and (b) held 24% or \$1 billion of our total assets and approximately 12% or \$0.4 billion of our total liabilities including trade payables but excluding intercompany liabilities.

On December 31, 2016, the Company was in compliance with all covenants.

Historically, significant portions of our cash inflows were generated by our operations. We currently expect this trend to continue throughout 2017. We believe that our existing cash and investments, borrowings available under our Revolving Credit Facility, together with cash flows expected from operations will be sufficient to meet expected operating, capital expenditure and debt obligation requirements for the next 12 months.

As of December 31, 2016, the Company's cash position of \$ 156 million included foreign cash and investments of \$98 million.

Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

#### **Contractual Obligations**

Zebra's contractual obligations as of December 31, 2016 were (in millions):

**Payments due by period**

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Operating lease obligations	\$ 140	\$ 30	\$ 46	\$ 26	\$ 38
Deferred compensation liability	11	—	—	—	11
Long-term debt – principal payments	2,703	—	—	1,653	1,050
Interest payments	752	135	270	270	77
Interest on interest rate swaps	45	11	22	12	—
Purchase obligations	318	318	—	—	—
<b>Total</b>	<b>\$ 3,969</b>	<b>\$ 494</b>	<b>\$ 338</b>	<b>\$ 1,961</b>	<b>\$ 1,176</b>

Purchase obligations are for purchases made in the normal course of business to meet operational requirements, primarily raw materials and finished goods.

Uncertain tax position liabilities of \$42 million have been excluded from the above table as we cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

The Company anticipates that it is reasonably possible that \$5 million of unrecognized tax benefits may reverse in 2017, due to settlements with the tax authorities. The Company is currently undergoing audits of the 2013 through 2015 US federal income tax returns. The Company is engaged in an inquiry from the UK HM Revenue and Customs for the years 2012 and 2014. The tax years 2011 through 2016 remain open to examination by multiple foreign and U.S. state taxing jurisdictions. Due to uncertainties in any tax audit outcome, the Company's estimates of the ultimate settlement of uncertain tax positions may change and the actual tax benefits may differ significantly from the estimates. The Company continues to review these positions.

Item 7A. **Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the sensitivity of income to changes in interest rates, commodity prices, and foreign currency changes. Zebra is exposed to the following types of market risk: interest rates and foreign currency.

**Interest Rate Risk**

Historically, we mitigated interest rate risk on marketable security investments with an investment policy and use of outside professional investment managers; our objective was to achieve stable and predictable targeted rates of return and to provide the liquidity necessary for the operations of our business.

In connection with the acquisition of Enterprise, Zebra incurred significant debt, including variable rate debt (subject to interest rate caps). As of December 31, 2016, we had \$ 1.7 billion of debt outstanding under our Term Loan, which bears interest determined by reference to a variable rate index. A one percentage point increase or decrease in interest rates on the various debt instruments we hold would increase or decrease the annual interest expense we recognize and the cash we pay for interest expense by approximately \$ 17 million . This amount excludes the impact of any associated derivative contracts. To mitigate this risk, we entered into forward interest rate swaps to hedge the interest rate risk associated with the variable interest payments on our Term Loan that was used to fund the acquisition of Enterprise. Refer to Note 8 Derivative Instruments in the Notes to Consolidated Financial Statements included in this Form 10-K for further discussions of hedging activities.

**Foreign Exchange Risk**

We provide products and services in over 170 countries throughout the world and, therefore, at times are exposed to risk based on movements in foreign exchange rates. On occasion, we invoice customers in their local currency and have a resulting foreign currency denominated revenue transaction and accounts receivable. We also purchase certain raw materials and other items in foreign currencies. We manage these risks using derivative financial instruments. See Note 8 Derivative Instruments for further discussions of hedging activities.

The following table sets forth the impact of a hypothetical ten percent (plus or minus) movement in the dollar/pound, dollar/euro, euro/pound, dollar/Czech koruna, dollar/Brazilian real, dollar/Canadian dollar, dollar/Malaysian ringgit, dollar/Australian dollar, and dollar/Singapore dollar rates measured as if Zebra did not engage in the selective hedging practices described above. The risk is increased through additional exposure as it relates to the euro, pound, Czech koruna, Brazilian real, Canadian dollar, Malaysian ringgit, Australian dollar, and Singapore dollar denominated assets and liabilities.

(in millions, except per share data)

<b>Foreign exchange</b>	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Dollar/Pound</b>		
Effect on Pretax Income	\$ —	\$ 1
Effect on Diluted EPS (after tax)	—	0.01
<b>Dollar/Euro</b>		
Effect on Pretax Income	\$ 19	\$ 13
Effect on Diluted EPS (after tax)	0.24	0.16
<b>Euro/Pound</b>		
Effect on Pretax Income	\$ 1	\$ 1
Effect on Diluted EPS (after tax)	0.01	0.02
<b>Dollar/Czech Koruna</b>		
Effect on Pretax Income	\$ 1	\$ 1
Effect on Diluted EPS (after tax)	0.01	0.01
<b>Dollar/Brazilian Real</b>		
Effect on Pretax Income	\$ 1	\$ 1
Effect on Diluted EPS (after tax)	0.01	0.01
<b>Dollar/Canadian dollar</b>		
Effect on Pretax Income	\$ —	\$ 1
Effect on Diluted EPS (after tax)	—	0.01
<b>Dollar/Malaysian Ringgit</b>		
Effect on Pretax Income	\$ 1	\$ —
Effect on Diluted EPS (after tax)	0.01	—
<b>Dollar/Australian Dollar</b>		
Effect on Pretax Income	\$ 1	\$ —
Effect on Diluted EPS (after tax)	0.01	—
<b>Dollar/Singapore Dollar</b>		
Effect on Pretax Income	\$ 1	\$ —
Effect on Diluted EPS (after tax)	0.01	—

## **Item 8. Financial Statements and Supplementary Data**

The financial statements and schedules of Zebra are annexed to this report as pages F-2 through F-36. An index to such materials appears on page F-1.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

Not applicable.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Form 10-K. The evaluation was conducted under the supervision of our Disclosure Committee, and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us in this Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by us in our reports that we file or furnish under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework as released in 2013. Based on this assessment and those criteria, our management believes that, as of December 31, 2016, our internal control over financial reporting is effective.

### **Changes in Internal Control over Financial Reporting**

In the first quarter of 2015, the Company identified a material weakness related to the process to prepare and review its quarterly and annual income tax provision as a result of the increased complexity in the legal entity structure of the business following the Enterprise acquisition. A material weakness is a deficiency, or combination of deficiencies, in the internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The impact of this material weakness contributed to the restatement of our consolidated financial statements for the year-ended December 31, 2015, the three-months ended April 2016, and the three and six months ended July 2, 2016. With the identification of the material weakness associated with the preparation and review process of our quarterly and annual tax provision in 2015, we began implementing a remediation plan to address these issues. This plan included the implementation of improved and documented processes and procedures, as well as hiring additional accounting and tax professionals.

During the fourth quarter of 2016, we successfully completed the testing necessary to conclude that the material weakness has been remediated. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on Zebra's internal control over financial reporting. Ernst & Young LLP's report is included on page 40 of this report on Form 10-K.

Except as noted above, there have been no other changes in our internal controls that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on the Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls

must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Zebra have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.



**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of  
Zebra Technologies Corporation:

We have audited Zebra Technologies Corporation and subsidiaries' ("the Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Zebra Technologies Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Zebra Technologies Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zebra Technologies Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016, and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois

February 27, 2017

**Item 9B. Other Information**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

We have adopted a Code of Ethics for Senior Financial Officers that applies to Zebra's Chief Executive Officer, Chief Financial Officer and the Chief Accounting Officer. The Code of Ethics is posted on the Investor Relations – Corporate Governance page of Zebra's Internet web site, [www.zebra.com](http://www.zebra.com), and is available for download. Any waiver from the Code of Ethics and any amendment to the Code of Ethics will be disclosed on such page of Zebra's web site

All other information in response to this item is incorporated by reference from the Proxy Statement sections entitled "Corporate Governance," "Election of Directors," "Board and Committees of the Board," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance."

### **Item 11. Executive Compensation**

The information in response to this item is incorporated by reference from the Proxy Statement sections entitled "Compensation Discussion and Analysis- Executive Summary," "Compensation Discussion and Analysis," "Executive Compensation," "Director Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information in response to this item is incorporated by reference from the Proxy Statement sections entitled "Ownership of our Common Stock" and "Equity Compensation Plan Information."

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information in response to this item is incorporated by reference from the Proxy Statement section entitled "Corporate Governance."

### **Item 14. Principal Accounting Fees and Services**

The information in response to this item is incorporated by reference from the Proxy Statement section entitled "Fees of Independent Auditors."

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

The financial statements and schedule filed as part of this report are listed in the accompanying Index to Financial Statements and Schedule. The exhibits filed as a part of this report are listed in the accompanying Index to Exhibits.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized, on the 27th day of February 2017.

**ZEBRA TECHNOLOGIES CORPORATION**

By: /s/ Anders Gustafsson

Anders Gustafsson

*Chief Executive Officer*

Pursuant to the requirements of the Securities and Exchange Act of 1934, the report has been signed below by the following persons in the capacities and on the dates indicated.

<b><u>Signature</u></b>	<b><u>Title</u></b>	<b><u>Date</u></b>
<u>/s/ Anders Gustafsson</u> Anders Gustafsson	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2017
<u>/s/ Olivier Leonetti</u> Olivier Leonetti	Chief Financial Officer (Principal Financial Officer)	February 27, 2017
<u>/s/ Colleen O'Sullivan</u> Colleen O'Sullivan	Chief Accounting Officer	February 27, 2017
<u>/s/ Michael A. Smith</u> Michael A. Smith	Director and Chairman of the Board of Directors	February 27, 2017
<u>/s/ Andrew K. Ludwick</u> Andrew K. Ludwick	Director	February 27, 2017
<u>/s/ Ross W. Manire</u> Ross W. Manire	Director	February 27, 2017
<u>/s/ Richard L. Keyser</u> Richard L. Keyser	Director	February 27, 2017
<u>/s/ Janice M. Roberts</u> Janice M. Roberts	Director	February 27, 2017
<u>/s/ Chirantan J. Desai</u> Chirantan J. Desai	Director	February 27, 2017
<u>/s/ Frank B. Modruson</u> Frank B. Modruson	Director	February 27, 2017

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE**

	<u>Page</u>
Financial Statements	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F- 2
<a href="#">Consolidated Balance Sheets as of December 31, 2016 and 2015</a>	F- 3
<a href="#">Consolidated Statements of Operations for the year ended December 31, 2016, 2015, and 2014</a>	F- 4
<a href="#">Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2016, 2015, and 2014</a>	F- 5
<a href="#">Consolidated Statements of Stockholders' Equity for the year ended December 31, 2016, 2015, and 2014</a>	F- 6
<a href="#">Consolidated Statements of Cash Flows for the year ended December 31, 2016, 2015, and 2014</a>	F- 7
<a href="#">Notes to Consolidated Financial Statements</a>	F- 8

Financial Statement Schedule

The following financial statement schedule is included herein:

<a href="#">Schedule II - Valuation and Qualifying Accounts</a>	F- 36
---	-------

*All other financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or related notes.*

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Zebra Technologies Corporation

We have audited the accompanying consolidated balance sheets of Zebra Technologies Corporation and subsidiaries (“the Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in Index at Item 15. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zebra Technologies Corporation and subsidiaries at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zebra Technologies Corporation and subsidiaries’ internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 27, 2017

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share data)

	December 31,	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 156	\$ 192
Accounts receivable, net	625	671
Inventories, net	345	397
Income tax receivable	32	4
Prepaid expenses and other current assets	64	70
Total Current assets	1,222	1,334
Property, plant and equipment, net	292	298
Goodwill	2,458	2,490
Other intangibles, net	480	757
Long-term deferred income taxes	113	70
Other long-term assets	67	91
<b>Total Assets</b>	<b>\$ 4,632</b>	<b>\$ 5,040</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 413	\$ 289
Accrued liabilities	323	367
Deferred revenue	191	197
Income taxes payable	22	42
Total Current liabilities	949	895
Long-term debt	2,648	3,012
Long-term deferred tax liability	3	1
Long-term deferred revenue	124	124
Other long-term liabilities	116	115
<b>Total Liabilities</b>	<b>3,840</b>	<b>4,147</b>
Stockholders' Equity:		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; none issued	—	—
Class A common stock, \$0.01 par value; authorized 150,000,000 shares; issued 72,151,857 shares	1	1
Additional paid-in capital	210	194
Treasury stock at cost, 19,267,269 and 19,990,006 shares at December 31, 2016 and December 31, 2015, respectively	(614)	(631)
Retained earnings	1,240	1,377
Accumulated other comprehensive loss	(45)	(48)
<b>Total Stockholders' Equity</b>	<b>792</b>	<b>893</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,632</b>	<b>\$ 5,040</b>

See accompanying Notes to Consolidated Financial Statements.



**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except share data)

	Year Ended December 31,		
	2016	2015	2014
Net sales:			
Net sales of tangible products	\$ 3,056	\$ 3,131	\$ 1,499
Revenue from services and software	518	519	172
Total Net sales	3,574	3,650	1,671
Cost of sales:			
Cost of sales of tangible products	1,593	1,629	792
Cost of services and software	339	377	101
Total Cost of sales	1,932	2,006	893
Gross profit	1,642	1,644	778
Operating expenses:			
Selling and marketing	444	494	213
Research and development	376	394	151
General and administrative	307	283	138
Amortization of intangible assets	229	251	54
Acquisition and integration costs	125	145	127
Impairment of goodwill and other intangibles	62	—	—
Exit and restructuring costs	19	40	6
Total Operating expenses	1,562	1,607	689
Operating income	80	37	89
Other expenses:			
Foreign exchange loss	(5)	(23)	(9)
Interest expense, net	(193)	(193)	(62)
Other, net	(11)	(1)	(1)
Total Other expenses	(209)	(217)	(72)
(Loss) income before income taxes	(129)	(180)	17
Income tax expense (benefit)	8	(22)	(15)
Net (loss) income	\$ (137)	\$ (158)	\$ 32
Basic (loss) earnings per share	\$ (2.65)	\$ (3.10)	\$ 0.64
Diluted (loss) earnings per share	\$ (2.65)	\$ (3.10)	\$ 0.63
Basic weighted average shares outstanding	51,579,112	50,996,297	50,789,173
Diluted weighted average and equivalent shares outstanding	51,579,112	50,996,297	51,379,698

See accompanying Notes to Consolidated Financial Statements.

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(In millions)

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net (loss) income	\$ (137)	\$ (158)	\$ 32
Other comprehensive (loss) income, net of tax:			
Unrealized gain (loss) on anticipated sales hedging transactions	7	(6)	7
Unrealized (loss) on forward interest rate swaps hedging transactions	—	(7)	(8)
Foreign currency translation adjustment	(4)	(26)	1
Comprehensive (loss) income	<u>\$ (134)</u>	<u>\$ (197)</u>	<u>\$ 32</u>

See accompanying Notes to Consolidated Financial Statements.

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions, except share data)

	Class A Common Stock Shares	Class A Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2013	50,349,546	\$ 1	\$ 143	\$ (679)	\$ 1,503	\$ (9)	\$ 959
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards net of cancellations	1,370,705	—	(22)	50	—	—	28
Shares withheld related to net share settlement	(65,914)	—	—	(5)	—	—	(5)
Additional tax benefit resulting from exercise of options	—	—	6	—	—	—	6
Share-based compensation	—	—	20	—	—	—	20
Net income	—	—	—	—	32	—	32
Unrealized gain anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	7	7
Unrealized loss on forward interest rate swaps hedging transactions (net of income taxes)	—	—	—	—	—	(8)	(8)
Foreign currency translation adjustment	—	—	—	—	—	1	1
Balance at December 31, 2014	51,654,337	\$ 1	\$ 147	\$ (634)	\$ 1,535	\$ (9)	\$ 1,040
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards net of cancellations	646,395	—	1	16	—	—	17
Shares withheld related to net share settlement	(138,881)	—	—	(13)	—	—	(13)
Issuance of warrants exercisable for 250,000 shares, exercise price \$89.34, expiration April 5, 2017	—	—	4	—	—	—	4
Additional tax benefit resulting from exercise of options	—	—	11	—	—	—	11
Share-based compensation	—	—	31	—	—	—	31
Net loss	—	—	—	—	(158)	—	(158)
Unrealized loss on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	(6)	(6)
Unrealized loss on forward interest rate swaps hedging transactions (net of income taxes)	—	—	—	—	—	(7)	(7)
Foreign currency translation adjustment	—	—	—	—	—	(26)	(26)
Balance at December 31, 2015	52,161,851	\$ 1	\$ 194	\$ (631)	\$ 1,377	\$ (48)	\$ 893
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards net of cancellations	817,943	—	(14)	25	—	—	11
Shares withheld related to net share settlement	(95,206)	—	—	(8)	—	—	(8)
Additional tax benefit resulting from exercise of options	—	—	3	—	—	—	3
Share-based compensation	—	—	27	—	—	—	27
Net loss	—	—	—	—	(137)	—	(137)
Unrealized gain on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	7	7
Foreign currency translation adjustment	—	—	—	—	—	(4)	(4)
Balance at December 31, 2016	52,884,588	\$ 1	\$ 210	\$ (614)	\$ 1,240	\$ (45)	\$ 792

See accompanying Notes to Consolidated Financial Statements.

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Year Ended December 31,		
	2016	2015	2014
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$ (137)	\$ (158)	\$ 32
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	304	320	81
Impairment of goodwill, intangibles and other assets	69	—	—
Amortization of debt issuance cost and discount	23	16	2
Share-based compensation	27	31	20
Excess tax benefit from share-based compensation	(3)	(12)	(6)
Deferred income taxes	(44)	(142)	(44)
Unrealized (gain) loss on forward interest rate swaps	—	(4)	5
Other	3	14	4
Changes in operating assets and liabilities:			
Accounts receivable, net	34	2	(70)
Inventories, net	34	(13)	(2)
Other assets	7	(7)	(13)
Accounts payable	125	(21)	62
Accrued liabilities	(29)	(5)	164
Deferred revenue	7	16	10
Income taxes	(41)	47	(5)
Other operating activities	(7)	26	8
Net cash provided by operating activities	<u>372</u>	<u>110</u>	<u>248</u>
<b>Cash flows from investing activities:</b>			
Acquisition of businesses, net of cash acquired	—	(52)	(3,399)
Purchases of property, plant and equipment	(77)	(122)	(39)
Proceeds from the sale of a business	39	—	—
Proceeds from the sale of long-term investments	—	3	—
Purchases of long-term investments	(1)	(1)	(2)
Purchases of investments and marketable securities	—	(1)	(651)
Maturities of investments and marketable securities	—	—	336
Proceeds from sales of investments and marketable securities	—	25	644
Net cash used in investing activities	<u>(39)</u>	<u>(148)</u>	<u>(3,111)</u>
<b>Cash flows from financing activities:</b>			
Payment of debt issuance costs	—	—	(24)
Proceeds from issuance of long-term debt	102	—	3,189
Payment of long term-debt	(484)	(165)	—
Proceeds from exercise of stock options and stock purchase plan purchases	11	17	26
Taxes paid related to net share settlement of equity awards	(8)	(13)	(5)
Excess tax benefit from share-based compensation	3	12	6
Net cash (used in) provided by financing activities	<u>(376)</u>	<u>(149)</u>	<u>3,192</u>
Effect of exchange rate changes on cash	7	(15)	2
Net (decrease) increase in cash and cash equivalents	(36)	(202)	331
Cash and cash equivalents at beginning of year	192	394	63
Cash and cash equivalents at end of year	<u>\$ 156</u>	<u>\$ 192</u>	<u>\$ 394</u>
<b>Supplemental disclosures of cash flow information:</b>			
Income taxes paid	\$ 81	\$ 38	\$ 17
Interest paid	\$ 180	\$ 183	\$ —

See accompanying Notes to Consolidated Financial Statements.



## ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1 Description of Business**

Zebra Technologies Corporation and its wholly-owned subsidiaries (“Zebra” or the “Company”) designs, manufactures, sells, and supports a broad range of direct thermal and thermal transfer label printers, radio frequency identification printer/encoders, dye sublimation card printers, real-time locating solutions, related accessories, and support software. These products are used principally in automatic identification (auto ID), data collection and personal identification applications and are distributed world-wide through a network of resellers, distributors and end-users representing a wide cross-section of industrial, service, and government organizations.

In October 2014, Zebra acquired the Enterprise business (“Enterprise”) from Motorola Solutions, Inc. (“MSI”), for \$3.45 billion in cash (the “Acquisition”). Enterprise is an industry leader in mobile computing and advanced data capture technologies and services, which complement Zebra’s printing and radio frequency identification device (“RFID”) products. Enterprise products include rugged and enterprise-grade mobile computers; laser, imaging and radio frequency identification based data capture products; wireless LAN (“WLAN”) solutions and software; and applications that are associated with these products and services. Enterprise service revenues include revenues arising from maintenance, integration services and device and network management. During the third quarter of 2016, the Company entered into an Asset Purchase Agreement with Extreme Networks, Inc. to dispose of its wireless LAN (“WLAN”) business (“divestiture group”), see Note 3 Business Combinations and Divestitures.

#### **Note 2 Summary of Significant Accounting Policies**

*Principles of Consolidation.* These accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Zebra and its wholly-owned subsidiaries. All significant intercompany accounts, transactions, and unrealized profit were eliminated in consolidation.

*Fiscal Calendar.* Zebra operates on a 4 week/4 week/5 week fiscal quarter, and each fiscal quarter ends on a Saturday. The fiscal year always begins on January 1 and ends on December 31. This fiscal calendar results in some fiscal quarters being either greater than or less than 13 weeks, depending on the days of the week on which those dates fall. During the 2016 fiscal year, our quarter end dates were as follows:

- April 2,
- July 2,
- October 1, and
- December 31.

*Use of Estimates.* These consolidated financial statements were prepared using estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of estimates include: cash flow projections and other assumptions included in our annual goodwill impairment test; loss contingencies; product warranties; useful lives of our tangible and intangible assets; allowances for doubtful accounts; the recognition and measurement of income tax assets and liabilities; and share-based compensation forfeiture rates. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

*Cash and Cash Equivalents.* Cash consists primarily of deposits with banks. In addition, the Company considers highly liquid short-term investments with original maturities of less than three months to be cash equivalents. These highly liquid short-term investments are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of a change in value because of changes in interest rates.

Included in the Company’s cash and cash equivalents are amounts held by foreign subsidiaries. The Company had \$98 million as of December 31, 2016 and \$166 million as of December 31, 2015 of foreign cash and investments out of the Company’s total cash positions of \$ 156 million and \$192 million , respectively.

*Accounts Receivable and Allowance for Doubtful Accounts.* Accounts receivable consist primarily of amounts due to us from our customers in the course of normal business activities. Collateral on trade accounts receivable is generally not required. The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on our assessment of known delinquent accounts. Accounts are written off against the allowance account when they are determined to be no longer collectible.

*Inventories.* Inventories are stated at the lower of cost or market, and cost is determined by the first-in, first-out (“FIFO”) method. Manufactured inventories consist of the following costs: components, direct labor and manufacturing overhead. Purchased inventories also include internal purchasing overhead costs. We review inventory quantities on hand and record a provision for excess and obsolete inventory based on forecasts of product demand and production requirements or historical consumption when appropriate.

The components of inventories, net are as follows (in millions):

	December 31,	
	2016	2015
Raw material	\$ 172	\$ 178
Work in process	1	—
Finished goods	254	274
Inventories, gross	427	452
Inventory reserves	(82)	(55)
Inventories, net	\$ 345	\$ 397

*Property, Plant and Equipment.* Property, plant and equipment is stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the various classes of property, plant and equipment, which are 30 years for buildings and range from 3 to 10 years for all other asset categories. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Property, plant and equipment, net is comprised of the following (in millions):

	December 31,	
	2016	2015
Buildings	\$ 51	\$ 50
Land	10	10
Machinery and equipment	226	195
Furniture and office equipment	15	20
Software and computer equipment	197	180
Leasehold improvements	64	63
Projects in progress	35	36
	598	554
Less accumulated depreciation	(306)	(256)
Property, plant and equipment, net	\$ 292	\$ 298

Depreciation expense recognized to operations was \$75 million , \$69 million , and \$27 million for the periods ended December 31, 2016, 2015, and 2014, respectively.

*Income Taxes.* The Company accounts for income taxes under the liability method in accordance with Accounting Standards Codification (“ASC”) 740, *Income Taxes* . Accordingly, deferred income taxes are provided for the future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company recognizes the benefit of tax positions when it is more likely than not to be sustained on its technical merits. The Company recognizes interest and penalties related to income tax matters as part of income tax expense.

*Goodwill.* Goodwill is not amortized but is evaluated for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. If a quantitative assessment is completed as part of our impairment analysis for a reporting unit, we engage a third-party appraisal firm to assist in the determination of estimated fair value for each reporting unit. This determination includes estimating the fair value using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping. The fair value of the reporting unit is compared to the carrying amount of the reporting unit. If a

reporting unit is considered impaired, the impairment is recognized in the amount by which the carrying amount exceeds the fair value of the reporting unit.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which we compete; the discount rates; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures. The allocation requires several analyses to determine the fair value of assets and liabilities including, among other things, customer relationships and trade names. Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates.

During the fourth quarter of 2016, the Company voluntarily changed the date of its annual goodwill impairment testing for its Specialty Printing Group reporting unit from the last business day of May to the first day of the fourth quarter. This voluntary change is preferable under the circumstances as it results in better alignment with the Company's other reporting units' testing dates. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate, or avoid an impairment charge. This change is not applied retrospectively as it is impracticable to do so because retrospective application would require application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.

Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of any goodwill impairment charge, or both.

We also compared the sum of the estimated fair values of the reporting units to the Company's total value as implied by the market value of the Company's securities. This comparison indicated that, in total, our assumptions and estimates were reasonable. However, future declines in the overall market value of the Company's securities may indicate that the fair value of one or more reporting units has declined below its carrying value.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds the carrying amount) or "failed" (the carrying amount exceeds fair value) the first step of the goodwill impairment test. See Note 4 Goodwill and Other Intangibles, net, for additional information.

*Other Intangibles.* Other intangible assets capitalized consist primarily of current technology, customer relationships, trade names, unpatented technology, and patents and patent rights. These assets are recorded at cost and amortized on a straight-line basis over the asset's useful life which range from 3 years to 15 years .

*Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of.* The Company accounts for long-lived assets in accordance with the provisions of ASC 360, *Property, Plant and Equipment*. The statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of the undiscounted cash flows expected to result from the use and the eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

*Cost method investments.* The long-term investments, which are accounted for using the cost method of accounting, are primarily in venture capital backed technology companies, and the Company's ownership interest is less than 20% of each investee. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions and additional investments. The Company held cost method investments in the amount of \$25 million and \$31 million as of December 31, 2016 and 2015, respectively. The Company recognized impairments of \$7 million during fiscal 2016 which were recorded within Other expenses in the Consolidated Statements of Operations. There were no impairments to cost method investments in fiscal 2015 and \$2 million of impairments in fiscal 2014.

*Amortization of Debt Issuance Costs.* The Company capitalizes costs incurred in connection with borrowings or establishment of credit facilities. These costs are amortized over the life of the borrowing or life of the credit facility using the effective interest method.

*Revenue Recognition.* Revenue includes sales of hardware, supplies and services (including repair services and product maintenance service contracts, which typically occur over time, and professional services, which typically occur in the early stages of a project). We enter into revenue arrangements that may consist of multiple deliverables of our hardware products and services due to the needs of our customers. For these type of revenue arrangements, we apply the guidance in ASC 605, *Revenue Recognition* to identify the separate units of accounting by determining whether the delivered items have value to the



customer on a standalone basis. Generally, there is no right of return for the hardware we sell. Allocation of arrangement consideration to repair services, product maintenance services, and extended warranty is equal to the stated contractual rate for such services, in accordance with the guidance in ASC 605-20. We also follow the accounting principles that establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value (“VSOE”), (ii) third-party evidence of selling price (“TPE”) and (iii) best estimate of the selling price (“BESP”). Generally, our agreements contain termination provisions whereby we are entitled to payment for delivered equipment and services rendered through the date of the termination. Some of our agreements may also contain cancellation provisions that in certain cases result in customer penalties. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title has passed to the customer, which typically happens at the point of shipment provided that no significant obligations remain, the price is fixed and determinable and collectability of the sales price is reasonably assured. For hardware sales, in addition to the criteria discussed above, revenue recognition incorporates allowances for discounts, price protection, returns and customer incentives that can be reasonably estimated. In addition to cooperative marketing and other incentive programs, the Company has arrangements with some distributors, which allow for price protection and limited rights of return, generally through stock rotation programs. Under the price protection programs, the Company gives distributors credits for the difference between the original price paid and the Company’s then current price. Under the stock rotation programs, distributors are able to exchange certain products based on the number of qualified purchases made during the period. We monitor and track these programs and record a provision for future payments or credits granted as reductions of revenue based on historical experience. Recorded revenues are reduced by these allowances. The Company enters into product maintenance and support agreements; revenues are deferred and then recognized ratably over the service period and the cost of providing these services is expensed as incurred. The Company includes shipping and handling charges billed to customers as revenue when the product ships; any costs incurred related to these services are included in cost of sales. Taxing authorities may assess tax on the Company based on the gross receipts from customers, referred to as indirect taxes. The Company’s policy is to record indirect taxes as a short-term liability and not as a component of gross revenue.

*Research and Development Costs.* Research and development costs (“R&D”) are expensed as incurred. These costs include:

- Salaries, benefits, and other R&D personnel related costs,
- Consulting and other outside services used in the R&D process,
- Engineering supplies,
- Engineering related information systems costs, and
- Allocation of building and related costs.

*Advertising.* Advertising is expensed as incurred. Advertising costs totaled \$18 million for the year ended December 31, 2016, \$22 million for the year ended December 31, 2015 and \$13 million for the year ended December 31, 2014.

*Warranty.* The Company generally provides warranty coverage of 1 year on mobile computers. Advanced data capture products are warranted from 1 to 5 years, depending on the product. Printers are warranted for 1 year against defects in material and workmanship. Thermal printheads are warranted for 6 months and batteries are warranted for 1 year. Battery based products, such as location tags, are covered by a 90 -day warranty. A provision for warranty expense is adjusted quarterly based on historical warranty experience.

The following table is a summary of the Company’s accrued warranty obligation (in millions):

Warranty reserve	Year Ended December 31,		
	2016	2015	2014
Balance at the beginning of the year	\$ 22	\$ 25	\$ 4
Acquisition	—	—	21
Warranty expense	31	30	13
Warranty payments	(32)	(33)	(13)
Balance at the end of the year	\$ 21	\$ 22	\$ 25

*Fair Value of Financial Instruments.* Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Our financial assets and liabilities that require recognition under the accounting guidance generally include our available-for-sale investments, employee deferred compensation plan investments, foreign currency derivatives, and interest rate swaps. In accordance with ASC 815, *Derivatives and Hedging*, we recognize derivative instruments and hedging activities as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. See Note 8 Derivative Instruments for additional information on our derivatives and hedging activities.

The Company has foreign currency forwards to hedge certain foreign currency exposures and interest rate swaps to hedge a portion of the variability in future cash flows on debt. We use broker quotations or market transactions, in either the listed or over-the-counter markets to value our foreign currency exchange contracts and relevant observable market inputs at quoted intervals, such as forward yield curves and the Company's own credit risk to value our interest rate swaps.

The Company's investments in marketable debt securities are classified as available-for-sale except for securities held in the Company's deferred compensation plans, which are considered to be trading securities. In general, we use quoted prices in active markets for identical assets to determine fair value. If active markets for identical assets are not available to determine fair value, then we use quoted prices for similar assets or inputs that are observable either directly or indirectly.

*Share-Based Compensation.* At December 31, 2016, the Company had a general share-based compensation plan and an employee stock purchase plan under which shares of our common stock were available for future grants and sales, and which are described more fully in Note 12 Share-Based Compensation. We account for these plans in accordance with ASC 505, *Equity* and ASC 718, *Compensation - Stock Compensation*. The Company recognizes compensation costs using the straight-line method over the vesting period upon grant of up to 4 years.

The compensation expense and the related income tax benefit for share-based compensation were included in the Consolidated Statements of Operations as follows (in millions):

Compensation costs and related income tax benefit	Year Ended December 31,		
	2016	2015	2014
Cost of sales	\$ 2	\$ 3	\$ 1
Selling and marketing	6	8	4
Research and development	9	8	3
General and administration	11	14	12
Total compensation expense	\$ 28	\$ 33	\$ 20
Income tax benefit	\$ 9	\$ 11	\$ 7

*Foreign Currency Translation.* The balance sheet accounts of the Company's non-U.S. subsidiaries, those not designated as U.S. dollar functional currency, are translated into U.S. dollars using the year-end exchange rate, and statement of earnings items are translated using the average exchange rate for the year. The resulting translation gains or losses are recorded in stockholders' equity as a cumulative translation adjustment, which is a component of accumulated other comprehensive (loss) income.

*Acquisition and Integration Costs.* The Company expenses acquisition and integration costs as incurred. The Company incurred transaction expenses of approximately \$ 125 million, \$145 million and \$127 million for the years ended December 31, 2016, 2015, and 2014, respectively, which have been recorded as operating expenses in acquisition and integration costs in the Consolidated Statements of Operations.

*Acquisitions.* We account for acquired businesses using the acquisition method of accounting. This method requires that the purchase price be allocated to the identifiable assets acquired and liabilities assumed at their estimated fair values. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill.

The estimates used to determine the fair value of long-lived assets, such as intangible assets, can be complex and require significant judgments. We use information available to us to make fair value determinations and engage independent valuation specialists, when necessary, to assist in the fair value determination of significant acquired long-lived assets. While we use our best estimates and assumptions as a part of the purchase price allocation process, our estimates are inherently uncertain and subject to refinement. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships, customer attrition rates, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but due to the inherent uncertainty during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

*Recently Issued Accounting Pronouncements.*

*Recently Adopted*

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. This update provides guidance to customers about whether a cloud computing arrangement includes a software license or should be accounted for differently. If a cloud computing arrangement includes a software

license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change generally accepted accounting principles for a customer's accounting for service contracts. This update is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company has prospectively adopted this new standard as of January 1, 2016 and concluded that it does not have a material impact on its consolidated financial statements.

*Not Yet Effective*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle is that a company should recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. There are two transition methods available under the new standard, either modified retrospective (cumulative effect to retained earnings) or retrospective. These standards will be effective for the Company in the first quarter of 2018. Earlier adoption is permitted only for annual periods after December 15, 2016. We have completed the assessment phase of this ASU in 2016 and developed a project plan to guide the implementation phase. We are in the process of updating our accounting policy around revenue recognition, evaluating new disclosure requirements, and identifying and implementing appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new standard. The Company plans to apply the modified retrospective approach when adopting ASU 2014-09 in the first quarter of 2018.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)*. The amendments in this ASU simplify goodwill impairment testing by removing the requirement of Step 2 to determine the implied fair value of goodwill of a reporting unit which fails Step 1. The implication of this update results in the amount by which a carrying amount exceeds the reporting unit's fair value to be recognized as an impairment charge in the interim or annual period identified. The standard is effective for public companies in the first calendar quarter of 2020 with early adoption permitted on a prospective basis. Management is currently assessing early adoption of this ASU. Management does not believe this pronouncement will have a material impact on its consolidated financial statements or existing accounting policies.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory." The ASU allows for an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this ASU eliminate the exception for an intra-entity transfer of an asset other than inventory. The standard will be effective for public companies in the first calendar quarter of 2018, with early adoption permitted and on a modified retrospective basis as of the beginning of the period of adoption. Management is currently assessing early adoption of this ASU and the impact of adoption on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments*. This pronouncement provides clarification guidance on eight specific cash flow presentation issues that have developed due to diversity in practice. The issues include, but are not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and cash receipts from payments on beneficial interests in securitization transactions. The amendments in this ASU where practicable will be applied retrospectively. The standard will be effective for the Company in the first quarter of 2018. Earlier adoption is permitted. Management does not believe this pronouncement will have a material impact on its consolidated financial statements or existing accounting policies.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) -Measurement of Credit Losses on Financial Instruments*. The new standard requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. There are two transition methods available under the new standard dependent upon the type of financial instrument, either cumulative effect or prospective. The standard will be effective for the Company in the first quarter of 2020. Earlier adoption is permitted only for annual periods after December 15, 2018. Management is currently assessing the impact of adoption on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The Company will adopt this ASU during the first quarter of 2017 on a prospective basis. On a go forward basis, the ASU requires that entities recognize excess tax benefits and deficiencies related to employee share-based payment transactions as income tax expense and benefit versus additional paid in capital. This ASU also eliminates the requirement to reclassify excess tax benefits and deficiencies from operating activities to financing activities within the statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Subtopic 842)*. This ASU increases the transparency and comparability of organizations by recognizing lease assets and liabilities on the consolidated balance sheet and disclosing key quantitative and qualitative information about leasing arrangements. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases were not previously recognized in the consolidated balance sheet. The recognition, measurement, presentation and cash flows arising from a lease by a lessee have not significantly changed. This standard will be effective for the Company in the first quarter of 2019, with early adoption permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. Management is currently assessing the impact of adoption on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. With respect to the Company's consolidated financial statements, the most significant impact relates to the accounting for equity investments. This standard will be effective for the Company in the first quarter of 2018. Early adoption is prohibited for those provisions that apply to the Company. Amendments should be applied by means of cumulative effect adjustment to the consolidated balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values including disclosure requirements should be applied prospectively to equity investments that exist as of the date of adoption of the ASU. Management is still assessing the impact of adoption on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost or net realizable value for entities that measure inventory using first-in, first-out (FIFO) or average cost. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for the Company in the first quarter of 2017 and must be applied prospectively after the date of adoption. Adoption of this ASU is not material to the Company's consolidated financial statements.

### **Note 3 Business Combinations and Divestitures**

#### *Acquisitions*

On October 27, 2014, the Company completed the Acquisition from MSI for a purchase price of \$3.45 billion. The Acquisition enables the Company to further sharpen its strategic focus on providing mission-critical Enterprise Asset Intelligence solutions for its customers. Certain assets and liabilities historically associated with the Enterprise business were retained by MSI, including MSI's iDEN infrastructure business. The Acquisition was completed pursuant to the Master Acquisition Agreement dated April 14, 2014, as amended (the "Master Acquisition Agreement") and was structured as a combination of stock and asset acquisitions and a merger of certain US entities, resulting in 100% ownership of Enterprise.

The Company financed the Acquisition through a combination of cash on hand and borrowings of \$3.25 billion (the "Indebtedness"), including the sale of 7.25% senior notes due 2022 in an aggregate principal amount of \$1.05 billion and a credit agreement with various lenders that provided a term loan of \$2.2 billion due 2021. See Note 9 Long-Term Debt. The consideration paid to MSI was 100% cash in the amount of \$3.45 billion. During the year ended December 31, 2015, the Company paid additional consideration of \$52 million to MSI, which included a \$2 million opening cash adjustment and settlement of working capital adjustments.

Goodwill represents the consideration paid in excess of the fair value of the net tangible and intangible assets acquired. The Company paid this premium for a number of reasons, including acquiring an experienced workforce and enhanced technology capabilities as further described above.

The purchase price was allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values resulting in goodwill of \$2.3 billion. See Note 4 Goodwill and Other Intangibles, net. Certain intangible assets including goodwill are denominated in foreign currency and, as such, include the effects of foreign currency translation.

#### *Divestitures*

On September 13, 2016, the Company entered into an Asset Purchase Agreement with Extreme Networks, Inc. to dispose of its wireless LAN ("WLAN") business ("Divestiture Group") for a gross purchase price of \$55 million. The Company recorded net proceeds of \$39 million as of December 31, 2016. Final working capital adjustments are expected to be completed in 2017.

In the third quarter of 2016, the Company incurred a non-cash pre-tax charge of \$62 million related to the divestiture group consisting of impairments of goodwill for \$32 million and other intangibles for \$30 million and is shown separately on the Consolidated Statements of Operations. The sale price of the divestiture group was used as fair value in determining the

impairment of the assets held for sale. Since the sales price of the divestiture group was less than its carrying value, the resulting loss was recorded as an impairment.

WLAN operating results are reported in the Enterprise segment through the closing date of the WLAN divestiture of October 28, 2016. Within the fiscal year ended December 31, 2016 Consolidated Statement of Operations, the Company generated revenue and gross profit from these assets of \$78 million and \$37 million, respectively.

On October 28, 2016, the Company completed the disposition of the Divestiture Group. There are no significant remaining assets or liabilities held on the Company's Consolidated Balance Sheet related to the Divestiture Group as of December 31, 2016.

**Note 4 Goodwill and Other Intangibles, net**

Other Intangibles, net are as follows (in millions):

	December 31, 2016		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	\$ 24	\$ (21)	\$ 3
Trade names	40	(40)	—
Unpatented technology	241	(146)	95
Patents and patent rights	238	(161)	77
Customer relationships	478	(173)	305
Total	<u>\$ 1,021</u>	<u>\$ (541)</u>	<u>\$ 480</u>
Amortization expense for the year ended December 31, 2016		<u>\$ 229</u>	

	Amount
Estimated amortization expense:	
For the year ended December 31, 2017	\$ 181
For the year ended December 31, 2018	96
For the year ended December 31, 2019	83
For the year ended December 31, 2020	39
For the year ended December 31, 2021	37
Thereafter	44
Total	<u>\$ 480</u>

	December 31, 2015		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	\$ 25	\$ (19)	\$ 6
Trade names	40	(24)	16
Unpatented technology	270	(87)	183
Patent and patent rights	247	(99)	148
Customer relationships	517	(113)	404
Total	<u>\$ 1,099</u>	<u>\$ (342)</u>	<u>\$ 757</u>
Amortization expense for the year ended December 31, 2015		<u>\$ 251</u>	

Impairment of Other Intangible assets of \$30 million was recorded during the third quarter of 2016 related to the wireless LAN business divestiture within the Enterprise segment.

Certain intangible assets including goodwill are denominated in foreign currency and, as such, include the effects of foreign currency translation. Foreign currency translation impacts to intangible assets and goodwill was less than one million dollars in fiscal 2016.

Changes in the net carrying value amount of goodwill were as follows (in millions):

	<b>Total</b>
Goodwill as of December 31, 2014	\$ 2,490
Opening balance sheet adjustments – Enterprise 2015	8
Foreign exchange impact	(8)
Goodwill as of December 31, 2015	2,490
Impairment charge – wireless LAN divestiture	(32)
Goodwill as of December 31, 2016	\$ 2,458

As of December 31, 2016, goodwill totaled \$ 2.3 billion for the Enterprise reportable segment and \$ 154 million for the Legacy Zebra reportable segment.

Goodwill impairment of \$32 million was recorded during the third quarter of 2016 related to the wireless LAN business divestiture within the Enterprise segment.

Our reporting units' fair values exceeded their carrying amounts ranging from approximately 20% to more than 200% .

**Note 5 Costs Associated with Exit and Restructuring**

Total exit and restructuring charges of \$65 million life-to-date specific to the Acquisition, including the sale of the Company's WLAN business, have been recorded through December 31, 2016: \$15 million in the Legacy Zebra segment and \$50 million in the Enterprise segment related to organizational design changes. See Note 3 Business Combinations and Divestitures for specific information regarding the Acquisition.

During the period ended December 31, 2016, the Company incurred exit and restructuring costs specific to the Acquisition as follows (in millions):

<b>Type of Cost</b>	<b>Cumulative costs incurred through December 31, 2016</b>	<b>Costs incurred for the year ended December 31, 2016</b>	<b>Cumulative costs incurred through December 31, 2015</b>
Severance, stay bonuses, and other employee-related expenses	\$ 54	\$ 17	\$ 37
Obligations for future non-cancellable lease payments	11	2	9
<b>Total</b>	<b>\$ 65</b>	<b>\$ 19</b>	<b>\$ 46</b>

Exit and restructuring charges for the year ended December 31, 2016 were \$5 million and \$14 million for the Legacy Zebra and the Enterprise segments, respectively. The Company expects remaining charges related to this program in 2017 to be in the range of \$5 to \$7 million .

A rollforward of the exit and restructuring accruals is as follows (in millions):

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Balance at beginning of year	\$ 15	\$ 7
Charged to earnings	19	40
Cash paid	(22)	(32)
WLAN divestiture	(2)	—
Balance at the end of year	\$ 10	\$ 15

Liabilities related to exit and restructuring activities are included in the following accounts in the Consolidated Balance Sheets (in millions):

	December 31,	
	2016	2015
Accrued liabilities	\$ 7	\$ 10
Other long-term liabilities	3	5
Total liabilities related to exit and restructuring activities	<u>\$ 10</u>	<u>\$ 15</u>

Settlement of the specified long-term balance will be completed by October 2023 due to the remaining obligation of non-cancellable lease payments associated with the exited facilities.

**Note 6 Investments and Marketable Securities**

Investments in marketable debt securities were classified based on intent and ability to sell investment securities. The Company's available-for-sale securities were used to fund acquisitions and other operating needs and therefore could be sold prior to maturity.

Changes in the market value of available-for-sale securities were reflected in the accumulated other comprehensive income caption of stockholders' equity in the Consolidated Balance Sheet. The securities were disposed of during fiscal 2015 and have been released from other comprehensive income. The accumulated changes in market value were transferred to investment income. On the Consolidated Statements of Cash Flows, changes in the balances of *available-for-sale* securities were shown as purchases, sales and maturities of investments and marketable securities under investing activities.

As of December 31, 2016 and 2015, there were no investments and marketable securities. For the years ended December 31, 2015 and 2014, changes in unrealized gains and losses on available-for-sale securities were immaterial.

Using the specific identification method, there were no proceeds in 2016 and \$25 million and \$644 million of proceeds in fiscal 2015 and 2014, respectively. There were no material realized gains or losses on the sales of available-for-sale securities for the fiscal years ended 2016, 2015, and 2014.

**Note 7 Fair Value Measurements**

Financial assets and liabilities are to be measured using inputs from three levels of the fair value hierarchy in accordance with ASC Topic 820, *Fair Value Measurements*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into the following three broad levels:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. (e.g. U.S. Treasuries and money market funds).
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. In addition, the Company considers counterparty credit risk in the assessment of fair value.

Financial assets and liabilities carried at fair value as of December 31, 2016, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts <sup>(1)</sup>	\$ 11	\$ 12	\$ —	\$ 23
Money market investments related to the deferred compensation plan	11	—	—	11
Total Assets at fair value	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ 34</u>
Liabilities:				
Forward interest rate swap contracts <sup>(2)</sup>	\$ —	\$ 27	\$ —	\$ 27
Liabilities related to the deferred compensation plan	11	—	—	11
Total Liabilities at fair value	<u>\$ 11</u>	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ 38</u>

Financial assets and liabilities carried at fair value as of December 31, 2015, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts <sup>(1)</sup>	\$ 6	\$ 1	\$ —	\$ 7
Money market investments related to the deferred compensation plan	9	—	—	9
<b>Total Assets at fair value</b>	<b>\$ 15</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 16</b>
Liabilities:				
Forward interest rate swap contracts <sup>(2)</sup>	\$ —	\$ 26	\$ —	\$ 26
Liabilities related to the deferred compensation plan	9	—	—	9
<b>Total Liabilities at fair value</b>	<b>\$ 9</b>	<b>\$ 26</b>	<b>\$ —</b>	<b>\$ 35</b>

(1) The fair value of foreign exchange contracts is calculated as follows:

- a. Fair value of a collar or put option contract associated with forecasted sales hedges is calculated using bid and ask rates for similar contracts.
- b. Fair value of regular forward contracts associated with forecasted sales hedges is calculated using the period-end exchange rate adjusted for current forward points.
- c. Fair value of hedges against net assets is calculated at the period end exchange rate adjusted for current forward points unless the hedge has been traded but not settled at period end (Level 2). If this is the case, the fair value is calculated at the rate at which the hedge is being settled (Level 1). As a result, transfers from Level 2 to Level 1 of the fair value hierarchy totaled \$11 million and \$6 million as of December 31, 2016 and 2015, respectively.

(2) The fair value of forward interest rate swap contracts is based upon a valuation model that uses relevant observable market inputs at the quoted intervals, such as forward yield curves, and is adjusted for the Company's own credit risk and the interest rate swap terms. See gross balance reporting in Note 8 Derivative Instruments.

#### Note 8 Derivative Instruments

In the normal course of business, the Company is exposed to global market risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company uses derivative instruments to manage its exposure to such risks and may elect to designate certain derivatives as hedging instruments under ASC 815, *Derivatives and Hedging*. The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking the hedge transactions. The Company does not hold or issue derivatives for trading or speculative purposes.

In accordance with ASC 815, *Derivative and Hedging*, the Company recognizes derivative instruments as either assets or liabilities on the consolidated balance sheet and measures them at fair value. The following table presents the fair value of its



derivative instruments (in millions):

	<b>Asset (Liability) Derivatives</b>			
	<b>Balance Sheet Classification</b>	<b>Fair Value</b>		
		<b>December 31</b>		
		<b>2016</b>	<b>2015</b>	
<b>Derivative instruments designated as hedges:</b>				
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 12	\$ 2	
Forward interest rate swaps	Accrued liabilities	(3)	(1)	
Forward interest rate swaps	Other long-term liabilities	(13)	(14)	
Total derivative instruments designated as hedges		\$ (4)	\$ (13)	
<b>Derivative instruments not designated as hedges:</b>				
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 11	\$ 5	
Forward interest rate swaps	Accrued liabilities	(1)	(2)	
Forward interest rate swaps	Other long-term liabilities	(10)	(9)	
Total derivative instruments not designated as hedges		—	(6)	
<b>Total Net Derivative Liability</b>		<b>\$ (4)</b>	<b>\$ (19)</b>	

See also Note 7 Fair Value Measurements.

The following table presents the gains (losses) from changes in fair values of derivatives that are not designated as hedges (in millions):

	<b>Statement of Operations Classification</b>	<b>Gain (Loss) Recognized in Income</b>		
		<b>Year Ended December 31,</b>		
		<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Derivative instruments not designated as hedges:</b>				
Foreign exchange contracts	Foreign exchange gain	\$ 5	\$ 11	\$ 6
Forward interest rate swaps	Interest expense, net	—	4	(5)
Total gain recognized in income		\$ 5	\$ 15	\$ 1

#### *Credit and Market Risk Management*

Financial instruments, including derivatives, expose the Company to counterparty credit risk of nonperformance and to market risk related to currency exchange rate and interest rate fluctuations. The Company manages its exposure to counterparty credit risk by establishing minimum credit standards, diversifying its counterparties, and monitoring its concentrations of credit. The Company's credit risk counterparties are commercial banks with expertise in derivative financial instruments. The Company evaluates the impact of market risk on the fair value and cash flows of its derivative and other financial instruments by considering reasonably possible changes in interest rates and currency exchange rates. The Company continually monitors the creditworthiness of the customers to which it grants credit terms in the normal course of business. The terms and conditions of the Company's credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer.

#### *Foreign Currency Exchange Risk Management*

The Company conducts business on a multinational basis in a wide variety of foreign currencies. Exposure to market risk for changes in foreign currency exchange rates arises from euro denominated external revenues, cross-border financing activities between subsidiaries, and foreign currency denominated monetary assets and liabilities. The Company realizes its objective of

preserving the economic value of non-functional currency denominated cash flows by initially hedging transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign exchange forward and option contracts.

The Company manages the exchange rate risk of anticipated euro denominated sales using put options, forward contracts, and participating forwards, all of which typically mature within twelve months of execution. The Company designates these derivative contracts as cash flow hedges. Gains and losses on these contracts are deferred in accumulated other comprehensive loss until the contract is settled and the hedged sale is realized. The gain or loss is then reported as an increase or decrease to net sales. As of December 31, 2016 and 2015, the notional amounts of the Company's foreign exchange cash flow hedges were €341 million and €193 million, respectively. At the end of the fourth quarter of 2015, the Company expanded its hedging activities to manage the exposure from the Enterprise segment related to fluctuations of foreign currency exchange rates. The impact is reflected in the consolidated statements of comprehensive loss. The Company has reviewed cash flow hedges for effectiveness and determined they are highly effective.

The Company uses forward contracts, which are not designated as hedging instruments, to manage its exposures related to its Brazilian real, British pound, Canadian dollar, Czech koruna, euro, Malaysian ringgit, Australian dollar, Swedish krona, Japanese yen and Singapore dollars denominated net assets. These forward contracts typically mature within three months after execution. Monetary gains and losses on these forward contracts are recorded in income each quarter and are generally offset by the foreign exchange gains and losses related to their net asset positions. The notional values of these outstanding contracts are as follows:

	December 31,			
	2016		2015	
Notional balance of outstanding contracts (in millions):				
British pound/US dollar	£	3	£	5
euro/US dollar	€	148	€	133
British pound/euro	£	8	£	7
Canadian dollar/US dollar	\$	13	\$	5
Czech koruna/US dollar	Kč	147	Kč	140
Brazilian real/US dollar	R\$	56	R\$	28
Malaysian ringgit/US dollar	RM	16	RM	13
Australian dollar/US dollar	\$	50	\$	—
Swedish krona/US dollar	kr	7	kr	—
Japanese yen/US dollar	¥	48	¥	—
Singapore dollar/US dollar	S\$	15	S\$	—
Net fair value of outstanding contracts (in millions)	\$	11	\$	1

*Interest Rate Risk Management*

In October 2014, the Company entered into a credit agreement, which provides for a term loan (“Term Loan”) of \$2.2 billion and a revolving credit facility (“Revolving Credit Facility”) of \$250 million. See Note 9 Long-Term Debt. Borrowings under the Term Loan bear interest at a variable rate plus an applicable margin. As a result, the Company is exposed to market risk associated with the variable interest rate payments on the Term Loan. The Company has entered into forward interest rate swaps to hedge a portion of this interest rate risk.

Upon receiving a commitment in June 2014 for the Term Loan, the Company entered into floating-to-fixed forward interest rate swaps. In July 2014, these swaps were designated as cash flow hedges of interest rate exposure associated with variability in future cash flows on this variable rate loan commitment. Upon funding in October 2014, the Company terminated these swaps and discontinued hedge accounting treatment. The change in fair value of the terminated swaps which had been included in other comprehensive (loss) income up to termination will continue to be amortized to interest expense, net as the interest payments under the Term Loan affect earnings. The Company then issued new floating-to-fixed forward interest rate swaps to a syndicated group of commercial banks. These swaps were not designated as hedges and the changes in fair value are recognized in interest expense, net. To offset this impact to earnings, the Company, in November 2014, entered into fixed-to-floating forward interest rate swaps, which were also not designated in a hedging relationship and thus the changes in the fair value are recognized in interest expense, net. At the same time, the Company entered into additional floating-to-fixed interest rate swaps and designated them as cash flow hedges for hedge accounting treatment.

[Table of Contents](#)

The changes in fair value of the swaps designated as cash flow hedges are recognized in accumulated other comprehensive loss, with any ineffectiveness immediately recognized in earnings. At December 31, 2016, the Company estimated that approximately \$10 million in losses on the forward interest rate swaps designated as cash flow hedges will be reclassified from accumulated other comprehensive loss into earnings during the next four quarters.

The Company's master netting and other similar arrangements with the respective counterparties allow for net settlement under certain conditions, which are designed to reduce credit risk by permitting net settlement with the same counterparty. The following table presents the gross fair values and related offsetting counterparty fair values as well as the net fair value amounts at December 31, 2016 (in millions):

	Gross Fair Value	Counterparty Offsetting	Net Fair Value in the Consolidated Balance Sheets
Counterparty A	\$ 12	\$ 6	\$ 6
Counterparty B	4	2	2
Counterparty C	4	1	3
Counterparty D	9	3	6
Counterparty E	4	2	2
Counterparty F	4	2	2
Counterparty G	6	—	6
Total	<u>\$ 43</u>	<u>\$ 16</u>	<u>\$ 27</u>

The notional amount of the designated interest rate swaps effective in each year of the cash flow hedge relationships does not exceed the principal amount of the Term Loan, which is hedged. The Company has reviewed the interest rate swap hedges for effectiveness and determined they are 100% effective.

The interest rate swaps have the following notional amounts per year (in millions):

Year 2017	\$ 697
Year 2018	544
Year 2019	544
Year 2020	272
Year 2021	272
Notional balance of outstanding contracts	<u>\$ 2,329</u>

**Note 9 Long-Term Debt**

The following table summarizes the carrying value of the Company's debt (in millions):

	December 31,	
	2016	2015
Senior Notes	\$ 1,050	\$ 1,050
Term Loan	1,653	2,035
Less: debt issuance costs	(22)	(26)
Less: unamortized discounts	(33)	(47)
Total outstanding debt	<u>\$ 2,648</u>	<u>\$ 3,012</u>

At December 31, 2016, the future maturities of long-term debt, excluding debt discounts and issuance costs, consisted of the following (in millions):

2017	\$	—
2018		—
2019		—
2020		—
2021		1,653
Thereafter		1,050
Total maturities of long-term debt	\$	<u>2,703</u>

The estimated fair value of our long-term debt approximated \$2.8 billion at December 31, 2016 and \$3.1 billion at December 31, 2015. These fair value amounts represent the estimated value at which the Company's lenders could trade its debt within the financial markets and does not represent the settlement value of these long-term debt liabilities to the Company. The fair value of the long-term debt will continue to vary each period based on fluctuations in market interest rates, as well as changes to the Company's credit ratings. This methodology resulted in a Level 2 classification in the fair value hierarchy.

#### *Private Offering*

On October 15, 2014, the Company completed a private offering of \$1.05 billion aggregate principal of 7.25% Senior Notes due October 15, 2022 (the "Senior Notes"). The Senior Notes yielded an effective interest rate of 7.61% at issuance. The Senior Notes are governed by the terms of the indenture, dated as of October 15, 2014, by and among the Company and U.S. Bank National Association, as Trustee. Interest on the Senior Notes is payable in cash on April 15 and October 15 of each year.

The indenture covering the Senior Notes contains certain covenants limiting among other things, the ability of the Company and its restricted subsidiaries, with certain exceptions as described in the Indenture, to: (i) incur indebtedness or issue certain preferred stock; (ii) incur liens; (iii) pay dividends or make distributions in respect of capital stock; (iv) purchase or redeem capital stock; (v) make investments or certain other restricted payments; (vi) sell assets; (vii) issue or sell stock of restricted subsidiaries; (viii) enter into transactions with stockholders or affiliates; or (ix) effect a consolidation or merger.

The Senior Notes are guaranteed, jointly and severally, on a senior and unsecured basis by its direct and indirect wholly-owned existing and future domestic restricted subsidiaries, subject to certain exceptions. The Senior Notes rank equal in right of payment to all of our existing and future unsecured, unsubordinated obligations. The Senior Notes are effectively subordinated to the secured obligations of the Company and subsidiaries to the extent of the value of the assets securing such obligations.

#### *Credit Facilities*

On October 27, 2014, the Company entered into a new credit agreement which provides for a term loan of \$2.2 billion ("Term Loan") and a revolving credit facility of \$250 million ("Revolving Credit Facility"). On June 2, 2016, the Company entered into the first amendment to the credit agreement (the "Refinancing Amendment 1"). The Refinancing Amendment 1 lowered the index rate spread for LIBOR loans from LIBOR + 400 bp to LIBOR + 325 bp. In accounting for the amendment, the Company applied the provisions of ASC 470-50, *Modifications and Extinguishments*. The evaluation of the accounting was done on a creditor by creditor basis in order to determine if the terms of the debt were substantially different and, as a result, whether to apply modification or extinguishment accounting. As a result, the Company recorded a one-time \$2.7 million expense in the second quarter of 2016, primarily related to costs incurred with third parties for arranger, legal and other services and the loss incurred on the extinguished debt. These expenses are reflected as non-operating expenses within the consolidated statement of operations. Additionally, the Company paid \$4.9 million to the creditors in exchange for the modification and reported it as debt discount which is being amortizing over the life of the modified debt using the interest method. Borrowings under the modified Term Loan bear interest at a variable rate subject to a floor of 4.00% .

On December 6, 2016, the Company entered into the second amendment to our existing credit agreement dated as of October 27, 2014 (the "Refinancing Amendment 2"). The Refinancing Amendment 2 lowered the index rate spread for LIBOR loans from LIBOR + 325 bp to LIBOR + 250 bp. Similar to Refinancing Amendment 1, the Company applied the provisions of ASC 470-50. As a result of the December 6, 2016 refinancing transaction, the Company recorded a one-time \$1.7 million expense, primarily related to costs incurred with third parties for arranger, legal and other services and the loss incurred on the modified debt. These expenses are reflected as non-operating expenses within the Consolidated Statements of Operations. The Company had no costs due to creditors associated with fees for the modification.

As of December 31, 2016, the Term Loan interest rate was 3.45% . Interest payments are payable quarterly. The Company has entered into interest rate swaps to manage interest rate risk on its long-term debt. See Note 8 Derivative Instruments for further details.

[Table of Contents](#)

The credit agreement requires the Company to prepay the Term Loan and Revolving Credit Facility, under certain circumstances or transactions defined in the credit agreement. Also, the Company may make optional prepayments against the Term Loan, in whole or in part, without premium or penalty. The Company made optional principal prepayments of \$382 million in 2016. In January and February 2017, the Company made total additional optional principal prepayments of \$20 million. Unless satisfied by further optional prepayments, the Company is required to make a scheduled principal payment of \$ 1.7 billion due on October 27, 2021.

The Revolving Credit Facility is available for working capital and other general corporate purposes including letters of credit. The amount (including letters of credit) cannot exceed \$250 million. As of December 31, 2016, the Company established letters of credit totaling \$4 million, which reduced funds available for other borrowings under the agreement to \$246 million. The Revolving Credit Facility will mature and the related commitments will terminate on October 27, 2019.

Borrowings under the Revolving Credit Facility bear interest at a variable rate plus an applicable margin. As of December 31, 2016, the Revolving Credit Facility interest rate was 3.50%. Interest payments are payable quarterly. As of December 31, 2016 and December 31, 2015, the Company did not have any borrowings against the Revolving Credit Facility.

In addition to paying interest on outstanding principal amounts under the Revolving Credit Facility, the Company is required to pay a quarterly commitment fee to the lenders with respect to the unutilized commitments. The commitment fee rate is currently 0.375%. The commitment fee rate will be adjusted to 0.250%, 0.375% or 0.500% depending on the Company's consolidated total secured net leverage ratio.

The Revolving Credit Facility contains certain covenants limiting among other things, the ability of the Company and its restricted subsidiaries, with certain exceptions as described in the agreement, to: (i) incur indebtedness, make guarantees or issue certain equity securities; (ii) pay dividends on its capital stock or redeem, repurchase or retire its capital stock; (iii) make certain investments, loans and acquisitions; (iv) sell certain assets or issue capital stock of restricted subsidiaries; (v) create liens or engage in sale-leaseback transactions; (vi) merge, consolidate or transfer or dispose of substantially all of their assets; (vii) engage in certain transactions with affiliates; (viii) alter the business it conducts; (ix) amend, prepay, redeem or purchase subordinated debt; and (x) enter into agreements limiting subsidiary dividends and distributions. The Revolving Credit Facility also requires the Company to comply with a financial covenant consisting of a quarterly maximum consolidated total secured net leverage ratio test that will be tested only at the end of the fiscal quarter if 20% of the commitments under the Revolving Credit Facility have been drawn and remain outstanding.

The Term Loan and obligations under the Revolving Credit Facility are collateralized by a security interest in substantially all of the Company's assets as defined in the security agreement and guaranteed by its direct and indirect wholly-owned existing and future domestic restricted subsidiaries, subject to certain exceptions.

On December 31, 2016, the Company was in compliance with all covenants.

Debt issuance costs of \$ 22 million were recorded as of December 31, 2016; \$17 million relates to the Senior Notes, \$1 million relates to the Term Loan, and \$4 million relates to the Revolver. These costs are amortized over 8, 7 and 5 years, respectively.

**Note 10 Lease Commitments**

*Leases.* Minimum future obligations under all non-cancelable operating leases as of December 31, 2016 are as follows (in millions):

	<b>Payments Due By Period</b>
2017	\$ 30
2018	25
2019	21
2020	16
2021	10
Thereafter	38
Total minimum lease obligations	<u>\$ 140</u>

Rent expenses associated with our operating leases were included in our Consolidated Statements of Operations as follows (in millions):

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Rent expense	\$ 39	\$ 45	\$ 21

The operating lease information includes a variety of properties around the world. These properties are used as manufacturing facilities, distribution centers and sales offices. Lease terms range from 1 year to 15 years with break periods specified in the lease agreements.

#### Note 11 Contingencies

The Company is subject to a variety of investigations, claims, suits, and other legal proceedings that arise from time to time in the ordinary course of business, including but not limited to, intellectual property, employment, tort, and breach of contract matters. The Company currently believes that the outcomes of such proceedings, individually and in the aggregate, will not have a material adverse impact on its business, cash flows, financial position, or results of operations. Any legal proceedings are subject to inherent uncertainties, and the Company's view of these matters and its potential effects may change in the future.

In connection with the acquisition of the Enterprise business from Motorola Solutions, Inc., the Company acquired Symbol Technologies, Inc., a subsidiary of Motorola Solutions ("Symbol"). A putative federal class action lawsuit, Waring v. Symbol Technologies, Inc., et al., was filed on August 16, 2005 against Symbol Technologies, Inc. and two of its former officers in the United States District Court for the Eastern District of New York by Robert Waring. After the filing of the Waring action, several additional purported class actions were filed against Symbol and the same former officers making substantially similar allegations (collectively, the New Class Actions"). The Waring action and the New Class Actions were consolidated for all purposes and on April 26, 2006, the Court appointed the Iron Workers Local # 580 Pension Fund as lead plaintiff and approved its retention of lead counsel on behalf of the putative class. On August 30, 2006, the lead plaintiff filed a Consolidated Amended Class Action Complaint (the "Amended Complaint"), and named additional former officers and directors of Symbol as defendants. The lead plaintiff alleges that the defendants misrepresented the effectiveness of Symbol's internal controls and forecasting processes, and that, as a result, all of the defendants violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and the individual defendants violated Section 20(a) of the Exchange Act. The lead plaintiff alleges that it was damaged by the decline in the price of Symbol's stock following certain purported corrective disclosures and seeks unspecified damages. The court has certified a class of investors that includes those that purchased Symbol common stock between March 12, 2004 and August 1, 2005. The parties have substantially completed fact and expert discovery. However, there are certain discovery motions pending that could, if granted, reopen fact discovery. The court has held in abeyance all other deadlines, including the deadline for the filing of dispositive motions, and has not set a date for trial. The current lead Directors and Officers ("D&O") insurer continues to maintain its position of not agreeing to reimburse defense costs incurred by the Company in connection with this matter, and the Company disputes the position taken by the current D&O insurer.

The Company establishes an accrued liability for loss contingencies related to legal matters when the loss is both probable and estimable. In addition, for some matters for which a loss is probable or reasonably possible, an estimate of the amount of loss or range of loss is not possible, and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of non-monetary remedies. Currently, the Company is unable to reasonably estimate the amount of reasonably possible losses for the above mentioned matter.

#### Note 12 Share-Based Compensation

The Zebra Technologies Corporation Long-Term Incentive Plan ("2015 Plan") which became effective in fiscal 2015, provides for incentive compensations to the Company's non-employee directors, officers and employees. The awards available under the 2015 Plan include Stock Appreciation Rights ("SARs"), Restricted Stock Awards ("RSAs"), Performance Share Awards ("PSAs"), Cash-settled Stock Appreciation Rights ("CSRs"), Restricted Stock Units ("RSUs"), and Performance Stock Units ("PSUs"). Non-qualified stock options were available under the 2006 Long-Term Incentive Plan ("2006 Plan"). Non-qualified stock options are no longer granted under the 2015 Plan. A total of 4.0 million shares became available for delivery under the 2015 Plan.

A summary of the equity awards authorized and available for future grants under the 2015 Plan is as follows:

Available for future grants at December 31, 2015	3,430,707
Newly authorized options	—
Granted	(1,204,214)
Cancellation and forfeitures	—
Plan termination	—
Available for future grants at December 31, 2016	<u>2,226,493</u>

Pre-tax share-based compensation expense recognized in the statements of operations was \$ 28 million , \$ 33 million , and \$ 20 million for the years ended December 31, 2016, 2015 and 2014, respectively. Tax related benefits of \$ 9 million , \$ 11 million and \$ 7 million were also recognized for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016

[Table of Contents](#)

total unearned compensation costs related to the Company's share-based compensation plans was \$47 million , which will be amortized over the weighted average remaining service period of 2.3 years .

*Stock Appreciation Rights ("SARs")*

A summary of the Company's SARs outstanding under the 2015 Plan is as follows:

Stock Awards	2016		2015		2014	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	1,397,611	\$ 56.78	1,292,142	\$ 42.20	1,402,784	\$ 36.36
Granted	627,971	52.13	332,159	107.31	195,560	74.59
Exercised	(160,946)	35.37	(179,702)	40.71	(267,077)	34.03
Forfeited	(115,215)	65.74	(45,441)	75.26	(38,738)	50.57
Expired	(8,635)	88.65	(1,547)	47.11	(387)	46.07
Outstanding at end of period	1,740,786	\$ 56.15	1,397,611	\$ 56.78	1,292,142	\$ 42.20
Exercisable at end of period	828,754	\$ 45.14	736,075	\$ 35.90	586,344	\$ 33.03

The fair value of share-based compensation is estimated on the date of grant using a binomial model. Volatility is based on an average of the implied volatility in the open market and the annualized volatility of the Company's stock price over its entire stock history. Grants in the table below include SARs that will be settled in the Class A common stock or cash.

The following table shows the weighted-average assumptions used for grants of SARs, as well as the fair value of the grants based on those assumptions:

	2016	2015	2014
Expected dividend yield	0%	0%	0%
Forfeiture rate	9.01%	10.24%	10.32%
Volatility	43.14%	33.98%	34.92%
Risk free interest rate	1.29%	1.53%	1.73%
Range of interest rates	0.25%-1.75%	0.02% - 2.14%	0.02% - 2.61%
Expected weighted-average life	5.33	5.32	5.36
Fair value of SARs granted (in millions)	\$13	\$12	\$5
Weighted-average grant date fair value of SARs granted (per underlying share)	\$20.18	\$35.00	\$24.98

The following table summarizes information about SARs outstanding at December 31, 2016:

	Outstanding	Exercisable
Aggregate intrinsic value - (in millions)	\$ 28	\$ 20
Weighted-average remaining contractual term	7.0	5.0

The intrinsic value for SARs exercised in fiscal 2016, 2015 and 2014 was \$6 million , \$11 million and \$11 million , respectively. The total fair value of SARs vested in fiscal 2016, 2015 and 2014 was \$3 million , \$8 million and \$9 million , respectively.

Cash received from the exercise of SARs in fiscal 2016 was \$6 million compared to \$7 million in the prior year. The related tax benefit realized was \$1 million in fiscal 2016 compared to \$3 million in the prior year.

The Company's SARs are expensed over the vesting period of the related award, which is typically 4 years.

*Non-qualified Stock Options*

A summary of the Company's options outstanding under the 2006 Plan is as follows:

Non-qualified Options	2016		2015		2014	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	204,434	\$ 36.66	415,960	\$ 40.19	956,502	\$ 42.77
Granted	—	—	—	—	—	—
Exercised	(47,393)	38.60	(209,976)	43.53	(540,542)	44.76
Forfeited	—	—	—	—	—	—
Expired	(2,490)	43.35	(1,550)	51.62	—	—
Outstanding at end of year	154,551	\$ 35.96	204,434	\$ 36.66	415,960	\$ 40.19
Exercisable at end of year	154,551	\$ 35.96	204,434	\$ 36.66	415,960	\$ 40.19

The following table summarizes information about non-qualified stock options outstanding at December 31, 2016:

	Outstanding	Exercisable
Aggregate intrinsic value - (in millions)	\$ 4	\$ 4
Weighted-average remaining contractual term	1.32	1.32

There were no non-qualified stock options issued during the 12 months ended December 31, 2016.

The intrinsic value for non-qualified options exercised in fiscal 2016, 2015 and 2014 was \$2 million, \$10 million and \$15 million, respectively. There were no non-qualified options vested in fiscal 2016, 2015, and 2014.

Cash received from the exercise of non-qualified options in fiscal 2016 was \$2 million compared to \$9 million in the prior year. The related tax benefit realized was less than \$1 million in fiscal 2016 compared to \$2 million in the prior year.

#### Employee Stock Purchase Plan

The Zebra Technologies Corporation 2011 Employee Stock Purchase Plan (“2011 Plan”) which became effective in fiscal 2011, and the 2011 Plan permits eligible employees to purchase common stock at 95% of the fair market value at the date of purchase. Employees may make purchases by cash or payroll deductions up to certain limits. The aggregate number of shares that may be purchased under this plan is 1.5 million. At December 31, 2016, 1 million shares were available for future purchase.

#### Restricted Stock Awards (“RSAs”) and Performance Share Awards (“PSAs”)

The Company’s restricted stock grants consist of time-vested restricted stock awards (“RSAs”) and performance vested restricted stock awards (“PSAs”). The RSAs and PSAs vest at each vesting date subject to restrictions such as continuous employment except in certain cases as set forth in each stock agreement. The Company’s restricted stock awards are expensed over the vesting period of the related award, which is typically 3 years. Some awards, including those granted annually to non-employee directors as an equity retainer fee, were vested upon grant. Compensation cost is calculated as the market date fair value on grant date multiplied by the number of shares granted.

A summary of information relative to the Company’s restricted stock awards is as follows:

Restricted Stock Awards	2016		2015		2014	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year	566,447	\$ 77.68	691,621	\$ 60.06	435,377	\$ 40.92
Granted	389,193	51.93	185,782	107.17	423,644	73.42
Released	(275,229)	59.39	(253,801)	51.95	(153,200)	43.16
Forfeited	(57,597)	70.50	(57,155)	75.11	(14,200)	54.08
Outstanding at end of year	622,814	\$ 70.19	566,447	\$ 77.68	691,621	\$ 60.06



[Table of Contents](#)

The fair value of each performance award granted includes assumptions around the Company's performance goals. A summary of information relative to the Company's performance awards is as follows:

Performance Share Awards	2016		2015		2014	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year	332,630	\$ 73.40	374,180	\$ 61.53	195,159	\$ 42.25
Granted	172,024	51.01	106,411	75.77	233,111	73.00
Released	(111,325)	46.58	(120,000)	38.67	(33,535)	41.45
Forfeited	(14,103)	75.73	(27,961)	73.45	(20,555)	41.45
Outstanding at end of year	<u>379,226</u>	<u>\$ 70.14</u>	<u>332,630</u>	<u>\$ 73.40</u>	<u>374,180</u>	<u>\$ 61.53</u>

*Other Award Types*

The Company also has cash-settled compensation awards including Cash-settled Stock Appreciation Rights ("CSRs"), Restricted Stock Units ("RSUs"), and Performance Stock Units ("PSUs") (the "Awards") that are expensed over the vesting period of the related award, which is not more than 4 years. Compensation cost is calculated at the market date fair value on grant date multiplied by the number of share-equivalents granted and the fair value is remeasured at the end of each reporting period. Share-based liabilities paid for these awards was \$0.8 million in 2016 compared to \$0.9 million in 2015. Share-equivalents issued under these programs totaled 95,210, 11,618 and 52,416 in fiscal 2016, 2015, and 2014, respectively.

The Company also issues stock awards to nonemployee directors. Each director receives an equity grant of shares every year during the month of May. The number of shares granted to each director is determined by dividing the value of the annual grant by the price of a share of common stock. In fiscal 2016, there were 25,088 shares granted to nonemployee directors compared to 9,194 shares and 12,953 shares in fiscal 2015 and 2014, respectively. New directors in any fiscal year earned a prorated amount. The shares vest immediately upon the grant date.

**Note 13 Income Taxes**

The geographical sources of (loss) income before income taxes were as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014
United States	\$ (120)	\$ (288)	\$ (122)
Outside United States	(9)	108	139
Total	<u>\$ (129)</u>	<u>\$ (180)</u>	<u>\$ 17</u>

Income tax expense (benefit) consists of the following (in millions):

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ 14	\$ 84	\$ 6
State	6	4	4
Foreign	31	32	19
Total current	<u>51</u>	<u>120</u>	<u>29</u>
Deferred:			
Federal	(31)	(117)	(38)
State	(6)	(24)	(5)
Foreign	(6)	(1)	(1)
Total deferred	<u>(43)</u>	<u>(142)</u>	<u>(44)</u>
Total expense (benefit)	<u>\$ 8</u>	<u>\$ (22)</u>	<u>\$ (15)</u>

The Company recognized a tax expense of \$8 million for the year ended December 31, 2016 compared to a tax benefit of \$22 million for the year ended December 31, 2015. The Company's effective tax rates were (6.2)% and 12.2% as of December 31,

2016 and December 31, 2015, respectively. The Company's effective tax rate was lower than the federal statutory rate of 35% primarily due to the following items:

	Year Ended December 31,		
	2016	2015	2014
Provision computed at statutory rate	35.0 %	35.0%	35.0 %
State income tax, net of federal tax benefit	(1.0)	1.1	(5.9)
Foreign rate differential	(16.0)	13.9	(176.5)
Change in valuation allowance	(1.0)	(8.3)	17.6
US impact of Enterprise acquisition	(14.1)	(26.7)	41.2
Return to provision and other true ups	(3.7)	0.0	(17.6)
Tax credits	9.5	6.1	(17.6)
Foreign earnings subject to US taxation	(6.6)	(3.9)	17.6
Change in contingent income tax reserves	(1.6)	(3.3)	17.6
Other	(6.7)	(1.7)	0.0
Provision for income taxes	<u>(6.2)%</u>	<u>12.2%</u>	<u>(88.6)%</u>

Tax effects of temporary differences that resulted in deferred tax assets and liabilities are as follows (in millions):

	December 31,	
	2016	2015
Deferred tax assets:		
Capitalized research expenditures	\$ 58	\$ 46
Deferred revenue	57	59
Tax credits	33	32
Net operating loss carryforwards	35	65
Other accruals	35	47
Inventory items	27	27
Capitalized software costs	25	43
Sales return/rebate reserve	23	22
Share-based compensation expense	15	15
Accrued bonus	11	16
Unrealized gains and losses on securities and investments	4	10
Valuation allowance	(47)	(48)
Total deferred tax assets	<u>276</u>	<u>334</u>
Deferred tax liabilities:		
Unrealized loss on other investments	—	—
Depreciation and amortization	165	265
Undistributed earnings	1	—
Total deferred tax liabilities	<u>\$ 166</u>	<u>\$ 265</u>

At December 31, 2016, the Company has approximately \$35 million (tax effected) of net operating losses ("NOLs") and approximately \$33 million (tax effected) of credit carryforwards. Approximately \$29 million of NOLs will expire beginning in 2033 thru 2037, and \$25 million of credits will expire beginning in 2023 thru 2032. The remaining \$6 million of NOLs and \$8 million of credits will begin to expire in 2021.

[Table of Contents](#)

The Company earns a significant amount of our operating income outside of the U.S. As of year ended December 31, 2016, the Company has recorded a deferred tax liability of \$0.5 million for foreign withholding taxes related to unremitted earnings not expected to be indefinitely reinvested in its foreign subsidiaries. However, it remains the Company's policy to consider foreign earnings and profits to be indefinitely reinvested with respect to the U.S. For the years ended December 31, 2016 and 2015, the Company has not recognized deferred tax liabilities in the U.S. for unremitted earnings of approximately \$797 million and \$720 million, respectively. It is not practicable to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Year ended December 31,	
	2016	2015
Balance at beginning of year	\$ 40	\$ 19
Additions for tax positions related to the current year	2	6
Additions for tax positions related to prior years	2	18
Reductions for tax positions related to prior years	(2)	(2)
Settlements for tax positions	-	(1)
Balance at end of year	<u>\$ 42</u>	<u>\$ 40</u>

At December 31, 2016 and December 31, 2015, there are \$40 million and \$36 million of unrecognized tax benefits that if recognized would affect the annual effective tax rate. The Company anticipates that it is reasonably possible that \$18 million of unrecognized tax benefits may reverse in 2017, due to settlements with the tax authorities. The Company is currently undergoing audits of the 2013 through 2015 U.S. federal income tax returns. The Company is engaged in an inquiry from the UK HM Revenue and Customs for the years 2012 and 2014. The tax years 2004 through 2016 remain open to examination by multiple foreign and US state taxing jurisdictions. Due to uncertainties in any tax audit outcome, the Company's estimates of the ultimate settlement of uncertain tax positions may change and the actual tax benefits may differ significantly from the estimates.

The Company recognized \$1 million of interest and/or penalties related to income tax matters as part of income tax expense for the year ended December 31, 2016. The Company accrued \$4 million and \$3 million of interest and penalties accrued in the Consolidated Balance Sheets as of December 31, 2016 and 2015.

**Note 14 Earnings (Loss) Per Share**

Earnings (loss) per share were computed as follows (dollars in millions, except share data):

	Year Ended December 31,		
	2016	2015	2014
<b>Weighted average shares:</b>			
Basic weighted average shares outstanding	51,579,112	50,996,297	50,789,173
Effect of dilutive securities outstanding	—	—	590,525
Diluted weighted average and equivalent shares outstanding	<u>51,579,112</u>	<u>50,996,297</u>	<u>51,379,698</u>
Net (loss) income	<u>\$ (137)</u>	<u>\$ (158)</u>	<u>\$ 32</u>
<b>Basic per share amounts:</b>			
Basic weighted average shares outstanding	51,579,112	50,996,297	50,789,173
Per share amount	\$ (2.65)	\$ (3.10)	\$ 0.64
<b>Diluted per share amounts:</b>			
Diluted weighted average and equivalent shares outstanding	51,579,112	50,996,297	51,379,698
Per share amount	\$ (2.65)	\$ (3.10)	\$ 0.63

Anti-dilutive securities consist primarily of stock appreciation rights ("SARs") with an exercise price greater than the average market closing price of the Class A common stock.

[Table of Contents](#)

Due to net losses in the periods ended December 31, 2016 and December 31, 2015, options, awards and warrants were anti-dilutive and therefore excluded from the diluted earnings per share calculation in the respective fiscal year ends. For 2014, options and awards were included in the diluted earnings per share calculation. The anti-dilutive shares are as follows:

	Year Ended December 31,		
	2016	2015	2014
Anti-dilutive shares	1,391,567	1,421,506	175,902

**Note 15 Accumulated Other Comprehensive (Loss) Income**

Stockholders' equity includes certain items classified as other comprehensive income (loss), including:

- **Unrealized (loss) gain on anticipated sales hedging transactions** relate to derivative instruments used to hedge the exposure related to currency exchange rates for forecasted Euro sales. These hedges are designated as cash flow hedges, and the Company defers income statement recognition of gains and losses until the hedged transaction occurs. See Note 8 Derivative Instruments.
- **Unrealized (loss) gain on forward interest rate swaps hedging transactions** refer to the hedging of the interest rate risk exposure associated with the variable rate commitment entered into for the Acquisition. See Note 8 Derivative Instruments for more details.
- **Foreign currency translation adjustment** relates to the Company's non-U.S. subsidiary companies that have been designated a functional currency other than the U.S. dollar. The Company is required to translate the subsidiary functional currency financial statements to dollars using a combination of historical, period-end, and average foreign exchange rates. This combination of rates creates the foreign currency translation adjustment component of other comprehensive (loss) income.

The components of accumulated other comprehensive (loss) income (“AOCI”) for each of the three years ended December 31 are as follows (in millions):

	<b>Unrealized gains (losses) on sales hedging</b>	<b>Unrealized gains (losses) on forward interest rate swaps</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Total</b>
Balance at December 31, 2013	\$ (2)	\$ —	\$ (7)	\$ (9)
Other comprehensive (loss) income before reclassifications	8	(12)	1	(3)
Amounts reclassified from AOCI	1	—	—	1
Tax benefit (expense)	(2)	4	—	2
Other comprehensive income (loss)	7	(8)	1	—
Balance at December 31, 2014	5	(8)	(6)	(9)
Other comprehensive (loss) income before reclassifications	7	(12)	(11)	(16)
Amounts reclassified from AOCI	(15)	1	(15)	(29)
Tax benefit (expense)	2	4	—	6
Other comprehensive (loss) income	(6)	(7)	(26)	(39)
Balance at December 31, 2015	(1)	(15)	(32)	(48)
Other comprehensive (loss) income before reclassifications	1	(1)	(4)	(4)
Amounts reclassified from AOCI	7	2	—	9
Tax benefit (expense)	(1)	(1)	—	(2)
Other comprehensive (loss) income	7	—	(4)	3
Balance at December 31, 2016	<u>\$ 6</u>	<u>\$ (15)</u>	<u>\$ (36)</u>	<u>\$ (45)</u>

Reclassification out of AOCI to earnings were as follows (in millions):

Comprehensive Income Components	Financial Statement Line Item	Year Ended December 31,		
		2016	2015	2014
Unrealized gain (loss) on sales hedging:				
Total before tax	Net sales of tangible products	\$ (7)	\$ 15	\$ (1)
Tax benefit (expense)		1	(3)	—
Net of taxes		(6)	12	(1)
Unrealized gain (loss) on forward interest rate swaps:				
Total before tax	Interest expense, net	(2)	(1)	—
Tax benefit (expense)		1	—	—
Net of taxes		(1)	(1)	—
Foreign Currency Translation	Foreign exchange loss	—	15	—
Total amounts reclassified from AOCI		\$ (7)	\$ 26	\$ (1)

#### Note 16 Segment Information and Geographic Data

The segment information reflects the operating results of the Company's business segments. The Company has two reportable segments; Legacy Zebra and Enterprise.

- The Legacy Zebra segment consists of barcode and card printing, location solutions, supplies, and services
- The Enterprise segment consists of mobile computing, data capture, and RFID

The operating segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief operating decision maker) to assess segment performance and allocate resources between the Company's segments. The chief operating decision maker uses adjusted operating income to evaluate segment profitability.

The accounting policies of the segments are in accordance with Note 2 Summary of Significant Accounting Policies. The chief operating decision maker does not use total assets by segment to make decisions regarding resources, therefore the total asset disclosure by segment has not been included.

Financial information by segment is presented as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014 <sup>(3)</sup>
<b>Net sales:</b>			
Legacy Zebra	\$ 1,247	\$ 1,286	\$ 1,195
Enterprise	2,337	2,380	482
Total segment net sales	3,584	3,666	1,677
Corporate, eliminations <sup>(1)</sup>	(10)	(16)	(6)
Total	\$ 3,574	\$ 3,650	\$ 1,671
<b>Operating income:</b>			
Legacy Zebra	\$ 240	\$ 258	\$ 238
Enterprise	286	236	65
Total segment operating income	526	494	303
Corporate, eliminations <sup>(2)</sup>	(446)	(457)	(214)
Total	\$ 80	\$ 37	\$ 89

(1) Amounts included in Corporate, eliminations consist of purchase accounting adjustments related to the Acquisition.

[Table of Contents](#)

- (2) Amounts included in Corporate, eliminations consist of purchase accounting adjustments not reported in segments; amortization of intangible assets, acquisition/integration costs, impairment of goodwill and other intangibles, and exit and restructuring costs.
- (3) The businesses included in our Enterprise segment were acquired as part of the Acquisition. The Enterprise segment's results, including the increases in net sales, gross profit, operating expenses, and operating income, for the year ended December 31, 2014 was primarily related to the Acquisition. Accordingly, the results for this segment for the year ended December 31, 2014 include only two months (November and December 2014).

Information regarding the Company's operations by geographic area is contained in the following table. These amounts are reported in the geographic area of the destination of the final sale. We manage our business based on regions rather than by individual countries.

Geographic data for sales is as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
Europe, Middle East, and Africa	\$ 1,138	\$ 1,194	\$ 583
Latin America	214	219	135
Asia-Pacific	483	463	216
Total International	1,835	1,876	934
North America	1,739	1,774	737
Total Net sales	<u>\$ 3,574</u>	<u>\$ 3,650</u>	<u>\$ 1,671</u>

Geographic data for long-lived assets, defined as property, plant and equipment is as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
Europe, Middle East, and Africa	\$ 13	\$ 10	\$ 10
Latin America	3	3	2
Asia-Pacific	9	10	5
Total International	25	23	17
North America	267	275	238
Total long-lived assets	<u>\$ 292</u>	<u>\$ 298</u>	<u>\$ 255</u>

Net sales by country that are greater than 10% of total net sales are as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
United States	\$ 1,950	\$ 2,045	\$ 875
United Kingdom	1,065	1,102	558
Singapore	362	175	155
Other	197	328	83
Total	<u>\$ 3,574</u>	<u>\$ 3,650</u>	<u>\$ 1,671</u>

Net sales by country are determined by the country from where the products are invoiced when they leave the Company's warehouse. Generally, our United States sales company serves North America and Latin America; United Kingdom sales company serves Europe, Middle East, and Africa; and our Singapore sales company serves Asia-Pacific.

Long-lived assets, which were predominately located in the United States, were 91.4% , 87.0% and 89.6% of total long-lived assets as of December 31, 2016, 2015, and 2014, respectively.

[Table of Contents](#)

Net sales by major product category are as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
Hardware	\$ 2,778	\$ 2,863	\$ 1,234
Supplies	278	268	265
Services and Software	518	519	172
Total	\$ 3,574	\$ 3,650	\$ 1,671

Our net sales to significant customers as a percentage of the total Company's net sales were as follows:

	Year Ended December 31,								
	2016			2015			2014 <sup>(1)</sup>		
	Legacy Zebra	Enterprise	Total	Legacy Zebra	Enterprise	Total	Legacy Zebra	Enterprise	Total
Customer A	5.9%	14.2%	20.1%	5.5%	13.9%	19.4%	11.5%	6.4%	17.9%
Customer B	5.0%	8.2%	13.2%	4.6%	8.1%	12.7%	9.4%	4.2%	13.6%
Customer C	5.3%	7.1%	12.4%	5.2%	6.4%	11.6%	8.7%	2.9%	11.6%

(1) The businesses included in our Enterprise segment were acquired as part of the Acquisition. The Enterprise segment's results, including the increases in net sales, gross profit, operating expenses and operating income, for the year ended December 31, 2014 was primarily related to the Acquisition. Accordingly, the results for this segment for the year ended December 31, 2014 include only two months (November and December 2014).

All three of the above customers are distributors and not end-users. No other customer accounted for 10% or more of total net sales during the years presented.

There are three customers at December 31, 2016 and December 31, 2015 that each accounted for more than 10% of outstanding accounts receivable. In 2016, the three largest customers accounted for 20% , 14% , and 13% , respectively of accounts receivable while in 2015, the three largest customers accounted for 19% , 14% and 11% , respectively.

**Note 17 Supplementary Financial Information**

The components of accounts receivable, net are as follows (in millions):

	December 31,	
	2016	2015
Accounts receivable	\$ 628	\$ 677
Allowance for doubtful accounts	(3)	(6)
Accounts receivable, net	\$ 625	\$ 671

Prepaid expenses and other current assets consist of the following (in millions):

	December 31,	
	2016	2015
Foreign Exchange Contracts	\$ 23	\$ 7
Other	41	63
Prepaid expenses and other current assets	\$ 64	\$ 70



[Table of Contents](#)

The components of accrued liabilities are as follows (in millions):

	December 31,	
	2016	2015
Accrued incentive compensation	\$ 52	\$ 68
Customer reserves	50	38
Accrued payroll	51	49
Interest payable	20	36
Accrued other expenses	150	176
Total accrued liabilities	<u>\$ 323</u>	<u>\$ 367</u>

Summary of Quarterly Results of Operations (unaudited)  
(In millions):

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total Net sales	\$ 849	\$ 879	\$ 904	\$ 942	\$ 3,574
Gross profit	390	406	414	432	1,642
Net (loss) income	(26)	(45)	(83)	17	(137)
Net earnings per common share:					
Basic	\$ (0.50)	\$ (0.88)	\$ (1.61)	\$ 0.34	\$ (2.65)
Diluted	(0.50)	(0.88)	(1.61)	0.34	(2.65)

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total Net sales	\$ 893	\$ 890	\$ 916	\$ 951	\$ 3,650
Gross profit	409	393	414	428	1,644
Net loss	(25)	(76)	(29)	(28)	(158)
Net earnings per common share:					
Basic	\$ (0.50)	\$ (1.50)	\$ (0.57)	\$ (0.53)	\$ (3.10)
Diluted	(0.50)	(1.50)	(0.57)	(0.53)	(3.10)

**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**Schedule II**  
**Valuation and Qualifying Accounts**  
(In millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
<b>Valuation account for accounts receivable:</b>				
Year ended December 31, 2016	\$ 6	\$ —	\$ 3	\$ 3
Year ended December 31, 2015	1	5	—	6
Year ended December 31, 2014	—	1	—	1
<b>Valuation account for inventories:</b>				
Year ended December 31, 2016	\$ 55	\$ 32	\$ 5	\$ 82
Year ended December 31, 2015	6	53	4	55
Year ended December 31, 2014	13	6	13	6
<b>Valuation account for deferred tax assets:</b>				
Year ended December 31, 2016	\$ 48	\$ 18	\$ 19	\$ 47
Year ended December 31, 2015	57	5	14	48
Year ended December 31, 2014	—	57	—	57

See accompanying report of independent registered public accounting firm.

2.1	(19)	Master Acquisition Agreement, dated as of April 14, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.2	(18)	Amendment No. 1 to Master Acquisition Agreement, dated October 24, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.3	(18)	Amendment No. 2 to Master Acquisition Agreement, dated October 26, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.4	(20)	Amendment No. 4 to Master Acquisition Agreement, dated February 9, 2015 between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.5	(19)	Intellectual Property Agreement, dated as of April 14, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.6	(18)	Amendment No. 1 to Intellectual Property Agreement, dated as of October 27, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
2.7	(19)	Employee Matters Agreement, dated as of April 14, 2014, between Zebra Technologies Corporation and Motorola Solutions, Inc.
3.1(i)	(4)	Restated Certificate of Incorporation of the Company.
3.1(ii)	(16)	Amended and Restated By-laws of Zebra Technologies Corporation, as amended as of January 7, 2013.
4.1	(3)	Specimen stock certificate representing Class A Common Stock.
4.2	(17)	Indenture, dated as of October 15, 2014, between Zebra Technologies Corporation and U.S. Bank National Association, as trustee, relating to the 7.25% Senior Notes due 2022.
4.3	(17)	Registration Rights Agreement, dated as of October 27, 2014, between Zebra Technologies Corporation and Morgan Stanley & Co., as representative of the initial purchasers.
4.4	(18)	Supplemental Indenture, dated as of October 27, 2014, by and among Zebra Technologies Corporation, the guarantors and U.S. Bank National Association, as trustee, relating to the 7.25% Senior Notes due 2022.
10.1	(6)	Employment Agreement between the Company and Hugh Gagnier dated December 12, 2007. +
10.2	(5)	Amendment No. 1 to Employment Agreement between the Company and Hugh Gagnier dated December 30, 2008. +
10.3		Employment Agreement between Olivier Leonetti and the Company dated October 31, 2016.* +
10.4	(5)	Form of Amendment No. 1 to Employment Agreement by and between the Company and each executive officer other than Messrs. Gustafsson and Gagnier, each dated December 30, 2008.+
10.5	(8)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to executive officers on or after April 25, 2007 and prior to December 2, 2008. +
10.6		Form of indemnification agreement between Zebra Technologies Corporation and each director and executive officer. *
10.7	(13)	Form of Director Stock Option Agreement (1-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after May 22, 2008 and prior to December 2, 2008. +
10.8	(13)	Form of Director Stock Option Agreement (4-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after May 22, 2008 and prior to December 2, 2008. +
10.9	(15)	Form of Director Stock Option Agreement (1-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after December 2, 2008. +
10.10	(15)	Form of Director Stock Option Agreement (4-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after December 2, 2008. +
10.11	(15)	Amendment to outstanding Stock Option Agreements under the 2006 Incentive Compensation Plan, dated December 2, 2008. +
10.12	(15)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to executive officers on or after December 2, 2008. +
10.13	(14)	Purchase Agreement, dated as of September 30, 2014, between Zebra Technologies Corporation and Morgan Stanley & Co. LLC, as representative of the initial purchasers.
10.14	(10)	2006 Incentive Compensation Plan. +
10.15	(15)	Amendment to the 2006 Incentive Compensation Plan dated December 2, 2008. +
10.16	(24)	2011 Long-Term Incentive Plan (Amended and Restated as of May 15, 2014). +
10.17	(23)	2015 Long-Term Incentive Plan. +
10.18	(23)	2015 Short-Term Incentive Plan. +

[Table of Contents](#)

10.19	(12)	2005 Executive Deferred Compensation Plan, as amended. +
10.20	(9)	Form of Amendment to Employment Agreement between Zebra Technologies Corporation and executive officers. +
10.21	(11)	Amended and Restated Employment Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.22	(11)	Letter Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.23	(11)	Form of 2010-2011 time-vested stock appreciation rights agreement for employees other than CEO. +
10.24	(7)	Form of 2012 time-vested stock appreciation rights agreement for employees other than CEO. +
10.25	(25)	Form of 2013-16 time-vested stock appreciation rights agreement for employees other than CEO. +
10.26	(11)	Form of 2010 time-vested stock appreciation rights agreement for CEO. +
10.27	(7)	Form of 2011-12 time-vested stock appreciation rights agreement for CEO. +
10.28	(25)	Form of 2013-16 time-vested stock appreciation rights agreement for CEO. +
10.29	(11)	Form of 2009 time-vested stock appreciation rights agreement for non-employee directors. +
10.30	(11)	Form of 2010 time-vested stock appreciation rights agreement for non-employee directors. +
10.31	(1)	Form of 2011 time-vested stock appreciation rights agreement for non-employee directors. +
10.32	(7)	Form of 2012 time-vested stock appreciation rights agreement for non-employee directors. +
10.33	(2)	Form of 2014-2016 time-vested restricted stock agreement for employees other than CEO. +
10.34	(21)	Form of November 2014 performance-based restricted stock agreement for employees other than CEO. +
10.35	(22)	Form of 2015-2016 performance-vested equity agreement for employees other than CEO. +
10.36	(25)	Form of 2014-16 time-vested restricted stock agreement for CEO. +
10.37	(21)	Form of November 2014 performance-based restricted stock agreement for CEO. +
10.38	(22)	Form of 2015-2016 performance-vested equity agreement for CEO. +
10.39	(18)	Credit Agreement, dated October 27, 2014, by and among Zebra, the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A., and Morgan Stanley Senior Funding, Inc.
10.40	(27)	Refinancing Amendment/Amendment No. 1 dated June 2, 2016 to Credit Agreement, dated October 27, 2014, by and among Zebra, the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A., and Morgan Stanley Senior Funding, Inc.
10.41		Refinancing Amendment/Amendment No. 2 dated December 6, 2016 to Credit Agreement, dated October 27, 2014, by and among Zebra, the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A., and Morgan Stanley Senior Funding, Inc.*
10.42	(26)	Sublease Agreement dated November 15, 2013 between Hewitt Associates, LLC and Zebra Technologies Corporation.
10.43		Confidential Waiver Agreement and General Release between Zebra Technologies Corporation and Michael Smiley dated as of December 2, 2016.*+
21.1		Subsidiaries of the Company. *
23.1		Consent of Ernst & Young LLP, independent registered public accounting firm. *
31.1		Certification pursuant to Rule 13a-14(a)/15d-14(a). *
31.2		Certification pursuant to Rule 13a-14(a)/15d-14(a). *
32.1		Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2		Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101		The following financial information from Zebra Technologies Corporation Annual Report on Form 10-K/A, for the year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the consolidated balance sheets; (ii) the consolidated statements of earnings (loss); (iii) the consolidated statements of comprehensive income (loss); (iv) the consolidated statements of stockholders equity; (v) the consolidated statements of cash flows; and (vi) notes to consolidated financial statements.

[Table of Contents](#)

- (1) Incorporated by reference from Current Report on Form 8-K dated May 19, 2011.
  - (2) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2014.
  - (3) Incorporated by reference from Registration Statement on Form S-1, File No. 33-41576.
  - (4) Incorporated by reference from Current Report on Form 8-K dated August 1, 2012.
  - (5) Incorporated by reference from Current Report on Form 8-K dated January 5, 2009.
  - (6) Incorporated by reference from Current Report on Form 8-K filed on December 17, 2007.
  - (7) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.
  - (8) Incorporated by reference from Current Report on Form 8-K filed on May 1, 2007.
  - (9) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended October 2, 2010.
  - (10) Incorporated by reference from Current Report on Form 8-K filed on May 15, 2006.
  - (11) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 3, 2010.
  - (12) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2008.
  - (13) Incorporated by reference from Current Report on Form 8-K filed on May 29, 2008.
  - (14) Incorporated by reference from Current Report on Form 8-K dated September 30, 2014.
  - (15) Incorporated by reference from Current Report on Form 8-K filed on December 8, 2008.
  - (16) Incorporated by reference from Current Report on Form 8-K dated January 7, 2013.
  - (17) Incorporated by reference from Current Report on Form 8-K dated October 15, 2014.
  - (18) Incorporated by reference from Current Report on Form 8-K dated October 24, 2014.
  - (19) Incorporated by reference from Current Report on Form 8-K dated April 14, 2014.
  - (20) Incorporated by reference from Current Report on Form 8-K dated February 9, 2015.
  - (21) Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 2014.
  - (22) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
  - (23) Incorporated by reference from Proxy Statement dated April 15, 2015 for the 2015 Annual Meeting of Stockholders.
  - (24) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 28, 2014.
  - (25) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 30, 2013.
  - (26) Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 2015.
  - (27) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended July 2, 2016.
- + Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.
- \* Included with this Annual Report on this Form 10-K.

## EMPLOYMENT AGREEMENT

**THIS EMPLOYMENT AGREEMENT** (the "**Agreement**") is made and entered into by and between **ZEBRA TECHNOLOGIES CORPORATION**, a Delaware corporation (the "**Company**" or the "**Employer**"), and Olivier Leonetti (the "**Executive**") as of October 31, 2016.

### RECITALS

A. The Employer wishes to employ the Executive, and the Executive desires to accept employment with the Employer.

B. The Employer and the Executive desire to enter into this agreement to delineate the terms and conditions of the Executive's employment.

NOW, THEREFORE, in consideration of the above premises and the following mutual covenants and conditions, the parties agree as follows:

1. Employment.

A. Effective Date. As of October 31, 2016 (the "**Effective Date**"), the Executive hereby accepts employment on the following terms and conditions. Beginning on the Effective Date, the Employer shall employ the Executive as Senior Vice President of the Employer until such time as the assumption by the Executive of the duties of chief financial officer one business day after the Employer completes the filing of its Quarterly Report on Form 10-Q for the quarter ended October 2, 2016. On and after such date, the Employer shall employ the Executive as the Chief Financial Officer. The Executive understands and agrees that the Executive is an at-will employee, and the Executive and the Employer can, and shall have the right to, terminate the employment relationship at any time for any or no reason, with or without notice, and with or without cause, subject to the payment provisions contained in Paragraph 7 of this Agreement. Nothing contained in this Agreement or any other agreement shall alter the at-will relationship.

B. Relocation. The terms and conditions applicable to the Executive's relocation of his home from the Los Angeles, California metro area to Illinois are set forth on attached Exhibit A.

2. Duties. The Executive shall work for the Employer in a full-time capacity. The Executive shall, during the term of the Executive's employment, have the duties, responsibilities, powers, and authority customarily associated with the position of an executive officer. The Executive shall solely report to, and follow the direction of, the Chief Executive Officer of the Employer (the "**CEO**") or a designee of the Board of Directors of the Company (the "**Board**"). The Executive shall diligently, competently, and faithfully perform all duties and will use the Executive's best efforts to promote the interests of the Employer. It shall not be considered a violation of the foregoing for the Executive to serve on business, industry, civic, religious or charitable boards or committees, so long as such service is in compliance with the Employer's Corporate Governance Guidelines, the CEO is provided notice of such service and, in the CEO's reasonable determination, such service does not individually or in the aggregate significantly interfere with the performance of the

Executive's responsibilities as an employee of the Employer in accordance with this Agreement. Notwithstanding the foregoing, Executive represents that the Executive presently serves in a position of authority for, or on a committee, the board of directors, or a similar governing body of, the entities listed on attached Exhibit B, and that so long as such service does not individually or in the aggregate significantly interfere with the performance of the Executive's responsibilities as an employee of the Employer in accordance with this Agreement, Employer will permit Executive to continue such service.

3. Executive Loyalty. Subject to the terms of this Agreement and the Corporate Governance Guidelines, the Executive shall devote all of the Executive's business time, attention, knowledge, and skill solely and exclusively to the business and interests of the Employer, and the Employer shall be entitled to all benefits and profits arising from or incident to any and all work, services, and advice of the Executive. The Executive expressly agrees that during the term of the Executive's employment, the Executive shall not engage, directly or indirectly, as a partner, officer, director, member, manager, stockholder, supplier, advisor, agent, employee, or in any other form or capacity, in any other business similar to that of the Employer. The foregoing notwithstanding, and except as otherwise set forth in Paragraph 8, and provided that none of the following reflects poorly on the Employer or, in the reasonable determination of the CEO, individually or in the aggregate significantly interferes with the performance of the Executive's responsibilities as an employee of the Employer in accordance with this Agreement, nothing herein contained shall be deemed to prevent the Executive from (1) otherwise managing the Executive's personal investments and financial affairs, or (2) investing the Executive's money in the capital stock or other securities of any corporation whose stock or securities are publicly-owned or are regularly traded on any public exchange, so long as (a) the Executive does not beneficially own stock in any such corporation if more than five percent (5%) of the Employer's annual sales are to such corporation or if the Employer's products comprise more than five percent (5%) of such corporation's annual sales, or (b) the Executive does not beneficially own more than one percent (1%) of the outstanding capital stock of any such corporation.

4. Compensation.

A. Base Salary. The Employer shall pay the Executive an initial gross base salary at an annual rate of \$525,000 (the "**Base Salary**"), payable in substantially equal installments in accordance with the Employer's payroll policy from time to time in effect. The Base Salary shall be subject to any payroll or other deductions as may be required to be made pursuant to law, government order, or by agreement with, or consent of, the Executive. The Base Salary shall be reviewed at least annually, and may be increased or decreased from time to time as shall be determined by the Employer, and once such Base Salary shall have been increased or decreased, it shall thereafter be treated for all purposes of this Agreement as the Executive's Base Salary. Unless specifically agreed to in writing by the Employer and the Executive, any increase or decrease in Base Salary shall not limit or reduce any other obligation of the Employer or the Executive under this Agreement.

B. Incentive Pay. The Executive shall be eligible to earn a performance incentive under the Zebra Technologies Corporation 2015 Short-Term Incentive Plan, or any successor short-

term incentive plan, as any such plan may be amended from time to time, upon the attainment of certain performance measures. The Compensation Committee of the Board (the “ **Compensation Committee** ”) or the Board shall set the performance goals and targets for a given year, which goals and targets shall be the same for executive officers other than personal performance goals and targets and other than the CEO. Beginning in 2016, the incentive shall be targeted at ninety percent (90%) of the Base Salary (the “ **Target Incentive** ”), with the actual incentive (“ **Incentive** ”) earned to be calculated on that portion of the Base Salary actually earned during the calendar year for which the Incentive is calculated and in accordance with the short-term incentive plan established by the Board or the Compensation Committee for that year. The Incentive, if any, for a given year (the “ **Incentive Year** ”) may be below, at or above the Target Incentive and shall be paid in the following year in March of such year, provided, and except as otherwise set forth in Paragraph 7B, the Executive must be employed by the Employer and in good standing as of the date that the Incentive is paid to earn any Incentive for the Incentive Year. Notwithstanding the foregoing, your Incentive for the fourth quarter of 2016 shall equal your Target Incentive for such quarter.

C. Equity. The Executive shall be eligible to be granted equity awards under and pursuant to the terms of the Zebra Technologies Corporation 2015 Long-Term Incentive Plan, or any successor long-term incentive plan, as any such plan may be amended from time to time. Except with respect to the equity awards to be granted in connection with the commencement of the Executive’s employment, the Executive’s equity awards shall be on the same terms and conditions as other executive officers other than the CEO. In connection with the commencement of the Executive’s employment, the Executive will be granted equity awards with an aggregate grant date fair value equal to \$1,000,000 in accordance with Zebra’s Equity Grant Approval Process. This \$1,000,000 award will be in the form of time-vested restricted stock (40%), performance-vested restricted stock (40%) and time-vested stock appreciation rights (20%) and will be on the same terms and conditions as the equity awards granted in 2016 to executive officers other than the CEO; provided, that the time-vested restricted stock shall vest in accordance with its terms on the third anniversary of the grant date, the performance-vested restricted stock will have a two-year performance period ending December 31, 2018, and the time-vested stock appreciation rights shall vest in accordance with their terms in 25% increments on the fourth anniversary of the grant date. So long as the Executive is employed by Zebra on the grant date of annual equity awards made to other executive officers in 2017, the Executive will be granted equity awards in 2017 with an aggregate grant date fair value equal to \$1,500,000 in accordance with Zebra’s Equity Grant Approval Process. This \$1,500,000 award will be on the same terms and conditions as the equity awards granted in 2017 to executive officers other than the CEO. Future year consideration for an equity award is based upon the Executive’s overall performance and contribution to the business, which results in an actual award greater than, equal to or less than the target award.

D. Employee Benefits. During the term of the Executive’s employment, the Employer shall:

(1) include the Executive in any life insurance, disability insurance, medical, dental or health insurance, paid time off of five (5) weeks accrued pro-rata in each calendar year, which shall in all instances cease accruing in accordance with the Employer’s paid time off policy for U.S. employees, savings, and retirement



plans and other benefit plans or programs (including, if applicable, any excess benefit or supplemental executive retirement plans) maintained by the Employer for the benefit of its executive officers; and

(2) include the Executive in such perquisites as the Employer may establish from time to time that are commensurate with the Executive's position and at least comparable to those received by other executive officers of the Employer.

Nothing in this Agreement shall be construed to limit, condition, or otherwise encumber the rights of the Employer, in its sole discretion, to amend, discontinue, substitute or maintain any benefit plan, program, or perquisite.

5. Expenses. While employed by the Employer, the Executive shall be entitled to receive prompt reimbursement for all reasonable and necessary business expenses incurred by the Executive, in accordance with the practices and policies applicable to executive officers of the Employer, including travel expenses incurred in connection with the performance of the Executive's duties, professional and service company dues, journal subscriptions, educational seminars, conferences, and symposiums and as required by the Internal Revenue Service to qualify as ordinary and necessary business expenses under the Internal Revenue Code of 1986, as amended (the " **Code** "). To receive reimbursement, the Executive shall submit to the Employer such vouchers or expense statements that reasonably evidence expenses incurred in accordance with the Employer's travel and expense reimbursement policy.

6. Termination. The Executive's services shall terminate upon the first to occur of the following events:

A. Death or Disability. Upon the Executive's date of death or the date the Executive is given written notice that the Executive has been determined to be disabled by the Employer. For purposes of this Agreement, the Executive shall be deemed to be disabled if the Executive, as a result of illness or incapacity, shall be unable to perform substantially the Executive's required duties for a period of one hundred eighty (180) consecutive days with or without accommodation; provided, however, that if the Executive, after being unable to perform substantially the Executive's required duties for a period of less than one hundred eighty (180) consecutive days as a result of illness or incapacity returns to active duty for less than thirty (30) days, the period of such active duty will be disregarded in determining whether the 180 consecutive day threshold has been accumulated (although it will not be accumulated as part of the 180 day period). A termination of the Executive's employment by the Employer for disability shall be communicated to the Executive by written notice and shall be effective on the tenth (10th) business day after receipt of such notice by the Executive, unless the Executive returns to full-time performance of the Executive's duties before such tenth (10th) business day.

B. Cause Termination. On or as of the date the CEO or the CEO's designee provides the Executive with written notice that the Executive is being terminated for Cause. For purposes of this Agreement, and as determined by the CEO or the CEO's designee in the CEO's or such designee's sole discretion, the Executive shall be deemed terminated for " **Cause** " if the CEO or the CEO's designee terminates the Executive after the Executive:

(1) shall have committed, been indicted of, or been convicted of, or admitted, plea bargained, entered a plea of no contest or nolo contendere to, any felony of any kind or a misdemeanor, or violated any laws, involving fraud, dishonesty or an act of moral turpitude;

(2) shall have materially breached this Agreement or any other agreement to which the Executive and the Employer are parties;

(3) shall have materially violated any written Employer policy, regardless of whether within or outside the scope of the Executive's authority;

(4) shall have committed willful or intentional misconduct, gross negligence, or dishonest, fraudulent or unethical behavior, or other conduct involving serious moral turpitude in the performance of the Executive's duties hereunder;

(5) shall have failed or refused to materially comply (to the best of the Executive's ability) with a specific direction of the Employer, unless the Executive reasonably and in good faith believes such specific direction to be unlawful (in which case the Employer's termination of the Executive's employment shall not be for Cause under this provision); or

(6) engages in any conduct which breaches the Executive's fiduciary duty to the Employer, which materially injures the integrity, character or reputation of the Employer or which impugns Executive's own integrity, character or reputation so as to cause Executive to be unfit to act in the capacity of an executive officer of the Employer.

A termination of employment by the Employer for Cause under subparagraphs 6B(2), (3), (4), (5) or (6) shall be effectuated by the CEO or the CEO's designee giving the Executive written notice of the termination within thirty (30) days of the event constituting Cause or the CEO having actual knowledge of the event constituting Cause, or such longer period as the parties may agree, setting forth in reasonable detail the specific conduct of the Executive that constitutes Cause, the specific provisions of this Agreement on which the Employer relies and, to the extent such Cause is susceptible to cure, providing the Executive with a thirty (30) day cure period. If such Cause is susceptible to cure and the Executive fails to remedy the condition within such thirty (30) day cure period, the Employer may terminate the Executive's employment within thirty (30) days after the expiration of the cure period, and if the Employer fails to so terminate the Executive's employment, any subsequent termination based upon the same underlying facts shall not constitute a termination for Cause under this subparagraph 6B.

C. Employer Termination. On the date the Employer terminates the Executive's employment for any reason, other than a reason otherwise set forth in this Paragraph 6.

D. Good Reason Termination. On the date the Executive terminates the Executive's employment for Good Reason. The term "**Good Reason**" means the occurrence of any one of the following:

(1) demotion of the Executive by the Employer to a non-executive officer position (including a material diminution in the status of the Executive's responsibilities, authorities, powers or duties taken as a whole) or assignment to the Executive of any duties materially inconsistent with the Executive's position, status or responsibilities under this Agreement;

(2) material breach of any provision of this Agreement by the Employer; or

(3) decrease in Base Salary as in effect on the Effective Date in an amount equal to or greater than ten percent (10%) (unless such decrease is applied on a proportionally equal basis to all executive officers of the Employer) (an "**Applicable Decrease**"), but only if the Executive terminates the Executive's employment with the Employer as a result of an Applicable Decrease within fifteen (15) business days of the later of (i) the effective date of the Applicable Decrease, or (ii) the Executive having actual knowledge of Applicable Decrease ("**Applicable Decrease Date**"). For clarification purposes, should the Executive fail to terminate the Executive's employment with the Employer within fifteen (15) business days of the Applicable Decrease Date, such termination shall not constitute termination of employment by the Executive for Good Reason under this provision.

A termination of employment by the Executive for Good Reason under subparagraph 6D(1) or (2) shall be effectuated by giving the Employer written notice of the termination within thirty (30) days of the event constituting Good Reason, setting forth in reasonable detail the specific conduct of the Employer that constitutes Good Reason and the specific provisions of this Agreement on which Executive relies and providing the Employer with a thirty (30) day period during which it may remedy the condition constituting Good Reason. If the Employer fails to remedy the condition within such thirty (30) day period, the Executive must terminate the Executive's employment within thirty (30) days after the expiration of the cure period, and if the Executive fails to so terminate the Executive's employment, any subsequent termination based upon the same underlying facts shall not constitute a termination for Good Reason under this subparagraph 6D.

E. Resignation. On the date the Executive terminates the Executive's employment for any reason (other than Good Reason), provided that the Executive shall give the CEO thirty (30) days written notice prior to such date of the Executive's intention to terminate such employment. The CEO or the CEO's designee may, in the CEO's or such designee's sole discretion, waive such thirty (30) day notice requirement.

## 7. Compensation Upon Termination.

A. Final Payments. If the Executive's services are terminated pursuant to Paragraph 6, the Executive shall be entitled to the Executive's salary through the Executive's final date of active employment plus any accrued but unused vacation pay. The Executive also shall be entitled to any benefits mandated under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") or pursuant to the terms of any death, insurance, or retirement plan, program, or agreement provided by the Employer and to which the Executive is a party or in which the

Executive is a participant, including, but not limited to, any short-term or long-term disability plan or program, if applicable.

B. Severance Benefits.

(1) In addition to the salary and benefits described in Paragraph 7A, if the Executive's employment is terminated pursuant to Paragraphs 6C or 6D, the Executive shall be entitled to the following: (i) the continuation of the Executive's Base Salary at the annual salary rate then in effect (before any reduction under Paragraph 6D(3) which is made on a proportionally equal basis to all executive officers and which is made within the one (1) year period preceding the date the Executive's employment is terminated), for a period of one year following the termination of the Executive's employment (the "**Severance Period**"), payable commencing on the first regularly scheduled payroll date after the date the Executive's employment is terminated and continuing thereafter on each subsequent payroll date throughout the Severance Period in accordance with the Employer's payroll policy from time to time in effect and subject to the limitations imposed under subparagraph 7B(3); (ii) a pro-rata portion of the Incentive for the year in which the Executive's employment terminates, if such Incentive would have been earned had the Executive been employed and in good standing as of the date the Incentive otherwise is paid to other executive officers of the Employer, and payable at the time the Incentive otherwise is paid to other senior level executives of the Employer; (iii) any unpaid Incentive attributable to the calendar year prior to the calendar year in which the Executive's employment terminates, if such Incentive would have been earned had the Executive been employed and in good standing as of the date the Incentive otherwise is paid to other executive officers of the Employer, and payable at the time the Incentive otherwise is paid to other executive officers of the Employer; (iv) a payment equal to one hundred percent (100%) of the Target Incentive (before any reduction under Paragraph 6D(3) which is made on a proportionally equal basis to all executive officers and which is made within the one (1) year period preceding the date the Executive's employment is terminated), based upon the Base Salary then in effect as determined under subparagraph 7B(1)(i), to be paid at the same time that performance Incentives are paid by the Employer to its executive officers with respect to the year in which such termination occurs; (v) equity compensation, if any, subject to the terms of the Executive's respective award agreements; (vi) professional outplacement services by a company selected by, and paid by, the Employer within one (1) year after the date of termination, in an amount not to exceed \$32,000; and (vii) continued coverage of the Executive and the Executive's dependents in the medical and dental insurance plans sponsored by the Employer, as mandated by COBRA, which may continue to the extent required by applicable law and the Employer shall pay for such coverage, at the same rate the Employer pays for health insurance coverage for its active employees under its group health plan (with the Executive required to pay for any employee-paid portion of such coverage), through the earlier of (a) the last day of the Severance Period or (b) the date the Executive becomes eligible for coverage under another group health

plan; provided, however, that nothing herein shall be construed to extend the period of time over which such COBRA continuation coverage may be provided to the Executive and the Executive's dependents beyond that mandated by law and; provided further, that the Executive shall be required to pay the cost of such COBRA continuation coverage for any time following the last day of the Severance Period.

(2) The foregoing notwithstanding, if at any time within one hundred twenty (120) days immediately preceding or one (1) year immediately following a "Change in Control," the Executive's employment is terminated pursuant to Paragraph 6C or 6D, the Executive shall be entitled to the following compensation, in lieu of any payments otherwise set forth in Paragraph 7B(1)(i) and (iv) above, and payable within sixty (60) days following the later of the Change in Control or the termination, subject, however, to the limitations imposed under subparagraph 7B(3) and (4): two (2.0) times the Executive's Base Salary at the annual rate then in effect (before any reduction under Paragraph 6D(3) which is made on a proportionally equal basis to all executive officers and which is made prior to the Change in Control and within the one (1) year period preceding the date the Executive's employment is terminated) and two (2.0) times the Target Incentive (before any reduction under Paragraph 6D(3) which is made on a proportionally equal basis to all executive officers and which is made prior to the Change in Control and within the one (1) year period preceding the date the Executive's employment is terminated), based upon the Base Salary then in effect as determined under this subparagraph 7B(2). In addition, upon the termination of the Executive's employment as set forth in this subparagraph 7B(2) the Executive and the Executive's dependents shall be offered continued coverage under the Employer's group health plan for the duration of the COBRA continuation period on the same financial terms as described above in subparagraph 7B(1)(vii) and shall also be entitled to the compensation and benefits, if any, set forth in subparagraphs 7B(1)(ii), (iii), (v) and (vi), above.

(3) Notwithstanding the foregoing, if the Executive is a "specified employee" as such term is defined under Section 409A of the Code and the regulations and guidance promulgated thereunder, any payments described in this Paragraph 7B or Paragraph 7C to the extent applicable shall be delayed for a period of six (6) months following the Executive's separation of employment to the extent and up to an amount necessary to ensure such payments are not subject to the penalties and interest under Section 409A of the Code. The payments to be made under this Paragraph 7B shall be further conditioned upon the Executive's execution of an agreement acceptable to the Employer that (i) waives any rights the Executive may otherwise have against the Employer, and (ii) releases the Employer from actions, suits, claims, proceedings and demands related to the period of employment and/or the termination of employment. Such agreement shall be provided to the Executive prior to or promptly following the Executive's termination of employment, and must be executed by the Executive and returned to the Employer within the time prescribed in such agreement (but in no event later than the sixtieth (60th) day following

termination of employment). No payments shall be made pursuant to Paragraph 7B unless and until the Employer shall have received such agreement and any period during which the Executive may revoke such agreement shall have expired without revocation. In the event such period spans two (2) calendar years, payment will not commence until the second calendar year and after the severance agreement and general release of claims has become effective. Any payments which the Executive would have otherwise received prior to the end of such revocation period shall be paid, in a single lump sum without interest, as soon as practical after the revocation period expires, but in no event later than March 15 of the year following the year in which the termination of employment occurs. For purposes of this Paragraph 7B, " **Change in Control** " shall be as defined under the 2015 Long-Term Incentive Plan, as in effect on the date hereof, which definition is incorporated herein by reference; provided, however, the definition of Change in Control as set forth herein is not intended to be broader than the definition of a "change in control event" as defined by reference to the regulations under Section 409A of the Code, and the payments described in Paragraph 7B(2) shall not be payable unless the applicable Change in Control constitutes a change in control event in accordance with Section 409A of the Code and the regulations and guidance promulgated thereunder.

(4) Each installment of Base Salary and Incentive paid under Section 7B is designated as a separate payment for purposes of the short-term deferral rules under Treasury Regulation Section 1.409A-1(b)(4)(i)(F) and the exemption for involuntary terminations under separation pay plans under Treasury Regulation Section 1.409A-1(b)(9)(iii). As a result, the following payments are intended to be exempt from Section 409A of the Code: (1) payments that are made on or before the 15<sup>th</sup> day of the third month of the calendar year following the calendar year in which the Executive terminates employment, and (2) subsequent payments made on or before the last day of the second calendar year following the year of the Executive's termination that do not exceed the lesser of two times the Executive's annual rate of pay in the year prior to the Executive's termination or two times the limit under Section 401(a)(17) of the Internal Revenue Code then in effect. In the event that any provision of this Agreement is deemed to be subject to Section 409A of the Code, the Employer shall administer this Agreement in accordance with the requirements set forth in Section 409A of the Code and any rules and regulations issued thereunder. If any provision of this Agreement does not comply with the requirements of Section 409A of the Code, the Employer, in exercise of its sole discretion and without consent of the Executive, may amend or modify this Agreement in any manner to the extent necessary to meet the requirements of Section 409A of the Code; provided, that any such amendment or modification shall not reduce or diminish the amount or value of any payment to be made to Executive under this Agreement.

C. Excise Tax. If it shall be determined that any payment to the Executive pursuant to this Agreement or any other payment or benefit from the Employer, any affiliate, any stockholder of the Employer or any other person that constitutes a “parachute payment” as defined by Section 280G of the Code would be subject to the excise tax imposed by Section 4999 of the Code because the total present value of such parachute payments equals or exceeds three times the “**Base Amount**” (as defined under Section 280G of the Code), then such parachute payments shall be reduced to an amount (the “**Reduced Amount**”) such that the total present value of all such parachute payments, calculated as provided in Section 280G, equals one dollar less than three times the Base Amount; provided, however, that such reduction shall be made if and only if the Reduced Amount is at least equal to the total amount of all parachute payments prior to such reduction less the amount of the excise tax that would be imposed on the Executive under Section 4999 if the parachute payments were not so reduced. Such reduction shall be done (i) first by reducing all cash parachute payments in the reverse order that they are scheduled to be paid, (ii) next by reducing all performance-vested equity grants, the acceleration of which would result in parachute payments, in proportion to the value of such grants, and (iii) next by reducing all time-vested equity grants, the acceleration of which would result in parachute payments, in the reverse order of the date on which they would otherwise have vested, and the Executive hereby consents to the reduction of any parachute payments, the payment or vesting of which is not governed by this Agreement.

8. Restrictive Covenants.

A. Confidentiality.

(1) Confidential Information. The Executive understands that the Employer possesses Confidential Information which is important to its business, the Employer devotes significant financial, human and other resources to the development of its products, its customer base and the general goodwill associated with its business and the Employer diligently maintains the secrecy and confidentiality of its Confidential Information. For purposes of this Agreement, Confidential Information is information that was or will be developed, created, or discovered by or on behalf of the Employer, or which became or will become known by, or was or is conveyed to the Employer, which has commercial value in the Employer’s business. “**Confidential Information**” means any and all financial, technical, commercial or other information concerning the business and affairs of the Employer that is confidential and proprietary to the Employer, including without limitation, (i) information relating to the Employer’s past and existing customers and vendors and development of prospective customers and vendors, including specific customer product requirements, pricing arrangements, payment terms, customer lists and other similar information; (ii) inventions, designs, methods, discoveries, works of authorship, creations, improvements or ideas developed or otherwise produced, acquired or used by the Employer; (iii) the Employer’s

proprietary programs, processes or software, consisting of but not limited to, computer programs in source or object code and all related documentation and training materials, including all upgrades, updates, improvements, derivatives and modifications thereof and including programs and documentation in incomplete stages of design or research and development; (iv) the subject matter of the Employer's patents, design patents, copyrights, trade secrets, trademarks, service marks, trade names, trade dress, manuals, operating instructions, training materials, and other industrial property, including such information in incomplete stages of design or research and development; and (v) other confidential and proprietary information or documents relating to the Employer's products, business and marketing plans and techniques, sales and distribution networks and any other information or documents which the Employer reasonably regards as being confidential.

(2) Employer Materials. Executive understands that the Employer possesses or will possess Employer Materials which are important to its business. For purposes of this Agreement, “ **Employer Materials** ” are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or future/strategic plans of the Employer, whether such documents have been prepared by the Executive or by others.

(3) Treatment of Confidential Information and Employer Property. In consideration of the Executive's employment by the Employer, the compensation received by the Executive from the Employer, and the Employer's agreement to give Executive access to certain Confidential Information, the Executive agrees as follows:

(a) All Confidential Information and trade secret rights, and other intellectual property and rights (collectively “ **Rights** ”) in connection therewith will be the sole property of the Employer. At all times, both during the Executive's employment by the Employer and after its termination for any reason, Executive will keep in confidence and trust and will not use or disclose any Confidential Information or anything relating to it without the prior written consent of the CEO or the CEO's designee, except as may be necessary and appropriate in the ordinary course of performing the Executive's duties to the Employer.

(a) All Employer Materials will be the sole property of the Employer. The Executive agrees that during the Executive's employment by the Employer, the Executive will not remove any Employer Materials from the business premises of the Employer or deliver any Employer Materials to any person or entity outside the Employer, except in connection with performing the duties of the Executive's employment. The Executive further agrees that, immediately upon the termination of the Executive's



employment by the Executive or by the Employer for any reason, or during the Executive's employment if so requested by the Employer, the Executive will return all Employer Materials, apparatus, equipment and other physical property, or any reproduction of such property, excepting only the Executive's copy of this Agreement.

(1) No Limitation on Reporting of Violations or Protected Disclosures. Notwithstanding any of the foregoing or any other provisions in this Agreement, nothing in this Agreement prohibits me from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. I do not need the prior authorization of Zebra or its CEO, Legal Department or anyone else to make any such reports or disclosures and I am not required to notify Zebra that I have made such reports or disclosures.

B. Non-Solicitation and Non-Competition. In consideration for the compensation and benefits granted by the Employer to Executive under this Agreement, and in further consideration of Executive's continued employment by the Employer, the Executive hereby agrees that during the Executive's employment by the Employer and for a period ending twelve (12) months after the Executive's termination of employment with the Employer, the Executive will not directly or indirectly:

(1) Contact, solicit, interfere with or divert any of the Employer's or its subsidiaries' customers by disclosing, divulging, using or relying on Confidential Information, proprietary information or trade secrets acquired during the Executive's employment with the Employer;

(2) Accept employment or engage in a competing business, or engage in any activity that may result in the disclosure, divulging or otherwise use of Confidential Information acquired during the Executive's employment with the Employer; and

(3) Solicit any person who is employed by the Employer or any subsidiary of the Employer for the purpose of encouraging that employee to cease employment with the Employer or join Executive as a partner, agent, employee or otherwise in any business activity which is competitive with the Employer or any subsidiary of the Employer.

C. Nondisparagement. While employed by the Employer and for a one year period thereafter, the Executive shall refrain from (1) making any false statement about the Employer, and (2) all conduct, verbal or otherwise, that disparages or damages or could disparage or damage the reputation, goodwill, or standing in the community of the Employer or any of its subsidiaries or affiliates, or any of their officers, directors, employees and stockholders, or that could have a deleterious effect upon the Employer's or any of its subsidiaries' or affiliates' business; provided, however, that nothing contained in this Paragraph 8C or any other paragraph of this Agreement shall preclude the Executive from making any statement in good faith that is required or protected by law or order of any court or regulatory commission.

D. Forfeitures. In the event that the Executive breaches any of the restrictions in this Paragraph 8, the Executive shall forfeit all of the applicable payments and benefits under this Agreement, including but not limited to such payments and benefits pursuant to Paragraph 7 (except those contained in Paragraph 7A or as otherwise prohibited by law), and the Employer shall have the right to recapture and seek repayment of any such applicable payments and benefits under this Agreement. The Employer and the Executive acknowledge that the remedy set forth hereunder is not to be considered a form of liquidated damages and the forfeiture, recapture or repayment shall not be the exclusive remedy hereunder.

E. Intellectual Property. The Employer has adopted a policy on Inventions intended to encourage research and inventions by its employees, to appraise and determine relative rights and equities of all parties concerned, to facilitate patent applications, licensing, and the generation of royalties, if any, and to provide a uniform procedure in patent matters when the Employer has a right or equity. “ **Inventions** ” includes all improvements, inventions, designs, formulas, works of authorship, trade secrets, technology, computer programs, compositions, ideas, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or developed by the Executive, either alone or jointly with others, during the term of the Executive’s employment, including during any period prior to the date of this Agreement.

(1) Ownership and Assignment. Except as defined in this Agreement, all Inventions which the Executive makes, conceives, reduces to practice or develops (in whole or in part, either alone or jointly with others) during the Executive’s employment will be the sole property of the Employer to the maximum extent permitted by law. The Executive agrees to assign such Inventions and all Rights in them to the Employer. Exemptions from this Agreement to assign may be authorized in those circumstances where the mission of the Employer is better served by such action, provided that overriding obligations to other parties are met and such exemptions are not inconsistent with other Employer policies. Further, the Executive may petition the Employer for license to make, market or sell a particular Invention. The Employer may release patent rights to the inventor in those circumstances when:

(a) the Employer provides the Executive with notification in writing that it elects not to file a patent application and the inventor is prepared to do so at the Executive’s expense, or

(b) at the Employer’s discretion, the equity of the situation indicates that such release should be given, provided in either case that no further research or development to develop that invention will be conducted involving Employer support or facilities, and provided further that a shop right is granted to the Employer and, at the Employer’s discretion, the Employer shall have a royalty-free, assignable license to the Invention and any intellectual property rights related to it.

The provisions of Paragraph 8E(1) do not apply to an Invention for which no equipment, supplies, facility, or trade secret information of the Employer was used and which was developed entirely on the Executive’s own time, unless (a) the

Invention relates (1) to the business of the Employer, or (2) to the Employer's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by the Executive for the Employer.

(2) Disclosure to the Employer. The Executive promptly will disclose in writing to the CEO, with a copy to the General Counsel of the Employer, all Inventions. The Executive also will disclose to the General Counsel of the Employer all things that would be Inventions if made during the term of the Executive's employment, conceived, reduced to practice, or developed by the Executive within six months after the termination of the Executive's employment with the Employer, unless the Executive can demonstrate that the Invention has been conceived and first reduced to practice by the Executive following the termination of the Executive's employment with the Employer. Such disclosures will be received by the Employer in confidence (to the extent they are not assigned in this Paragraph and do not extend the assignment made in this Paragraph.) The Executive will not disclose Inventions to any person outside the Employer unless requested to do so by the CEO or the General Counsel of the Employer.

(3) Assistance with Rights. The Executive agrees to perform, during and after employment, all acts deemed necessary or desirable by the Employer to permit and assist it, at the Employer's expense, in obtaining, maintaining, defending and enforcing Rights with respect to such Inventions and improvements in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. The Executive agrees to execute such declarations, assignments, or other documents as may be necessary in the course of Invention evaluation, patent prosecution, or protection of patent or analogous property rights, to assure that title in such Inventions will be held by the Employer or by such other parties designated by the Employer as may be appropriate under the circumstances. The Executive irrevocably designates and appoints the Employer and its duly authorized officers and agents, as the Executive's agents and attorneys-in-fact to act for and on the Executive's behalf and instead of the Executive, to execute and file any documents and to do all other lawfully permitted acts to further the above purposes with the same legal force and effect as if executed by the Executive.

(4) Moral Rights. Any assignment of copyright pursuant to this Agreement includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "**Moral Rights**"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Executive hereby waives such Moral Rights and consents to any action of the Employer that would violate such Moral Rights in the absence of such consent. The Executive will confirm any such waivers and consents from time to time as requested by the Employer.

F. No Conflicts. The execution and delivery of this Agreement by the Executive does not conflict with, or result in a breach of or constitute a default under, any agreement or contract, whether oral or written, to which the Executive is a party or by which the Executive may be bound. In addition, the Executive has informed the Employer of, and provided the Employer with copies of, any non-competition, confidentiality, work-for-hire or similar agreements to which the Executive is subject or may be bound.

G. Disclosure. The Executive acknowledges and agrees that the scope described above is necessary and reasonable in order to protect the Employer in the conduct of its business and that, if the Executive becomes employed by another employer, the Executive shall be required to disclose the existence of this Paragraph 8 to such employer and the Executive hereby consents to and the Employer is hereby given permission to disclose the existence of this Paragraph 8 to such employer.

H. Market Information. The Executive acknowledges that the Executive may become aware of "material" nonpublic information relating to the Employer's vendors, suppliers, alliance and/or joint venture partners, customers, or competitors (each, a "**Business Partner**") whose stocks are publicly traded. The Executive acknowledges that the Executive is prohibited by law as well as by Employer policy from trading in the shares of such Business Partners while in possession of such information or directly or indirectly disclosing such information to any other persons so that they may trade in these shares. For purposes of this Paragraph H, "material" information may include any information, positive or negative, which might be of significance to an investor in determining whether to purchase, sell or hold the stock of publicly traded customers. Information may be significant for this purpose even if it would not alone determine the investor's decision. Examples include a potential business acquisition, internal financial information that departs in any way from what the market would expect, the acquisition or loss of a major contract, or an important financing transaction.

I. Unauthorized Material. The Employer does not wish to incorporate any unlicensed or unauthorized material into its products or services or those of its subsidiaries. Therefore, the Executive agrees that the Executive will not knowingly disclose to the Employer, use in the Employer's business, or cause the Employer to use, any information or material which is confidential or proprietary to any third party including, but not limited to, any former employer, competitor or client, unless the Employer has a right to receive and use such information. The Executive will not incorporate into the Executive's work any material which is subject to the copyrights of any third party unless the Employer has a written agreement with such third party or otherwise has the right to receive and use such information.

J. Injunctive Relief. It is agreed that any breach or anticipated or threatened breach of any of the Executive's covenants contained in this Paragraph 8 will result in irreparable harm and continuing damages to the Employer and its business and that the Employer's remedy at law for any such breach or anticipated or threatened breach will be inadequate and, accordingly, in addition to any and all other remedies that may be available to the Employer at law or in equity in such event, any court of competent jurisdiction may issue a decree of specific performance or issue a temporary and permanent injunction, without the necessity of the Employer posting bond or

furnishing other security and without proving special damages or irreparable injury, enjoining and restricting the breach, or threatened breach, of any such covenant, including, but not limited to, any injunction restraining the Executive from disclosing, in whole or part, any Confidential Information. The Executive further agrees to pay all of the Employer's costs and expenses, including reasonable attorneys' and accountants' fees, incurred in successfully enforcing such covenants.

9. Notices. Any and all notices required in connection with this Agreement shall be deemed adequately given only if in writing and (a) personally delivered, or sent by first class, registered or certified mail, postage prepaid, return receipt requested, or by recognized overnight courier, (b) sent by electronic mail, provided a hard copy is mailed on that date to the party for whom such notices are intended, or (c) sent by other means at least as fast and reliable as first class mail. A written notice shall be deemed to have been given to the recipient party on the earlier of (a) the date it shall be delivered to the address required by this Agreement; (b) the date delivery shall have been refused at the address required by this Agreement; (c) with respect to notices sent by mail or overnight courier, the date as of which the Postal Service or overnight courier, as the case may be, shall have indicated such notice to be undeliverable at the address required by this Agreement; or (d) with respect to electronic mail, the date on which the electronic mail is sent and receipt of which is confirmed. Any and all notices referred to in this Agreement, or which either party desires to give to the other, shall be addressed to the Executive's residence in the case of the Executive, or, if to the Employer, to:

General Counsel  
Zebra Technologies Corporation  
3 Overlook Point  
Lincolnshire, IL 60069

Either party may from time to time designate a new address by notice given in accordance with this Paragraph 9.

10. Waiver of Breach. A waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver or estoppel of any subsequent breach by such other party. No waiver shall be valid unless in writing and signed by an authorized officer of the Employer or by the Executive, as the case may be.

11. Assignment. The Executive acknowledges that the services to be rendered by the Executive are unique and personal. Accordingly, the Executive may not assign any of the Executive's duties or obligations under this Agreement. This Agreement shall be binding upon and inure to the benefit of the Executive, the Executive's estate and beneficiaries. The rights and obligations of the Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Employer.

12. Entire Agreement. This Agreement, together with any agreements referred to herein, sets forth the entire and final agreement and understanding of the parties and contains all of the agreements made between the parties with respect to the subject matter hereof. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto, with respect to the subject matter hereof; provided that any Indemnification Agreement between the

Employer and Executive shall not be affected by this Agreement. No change or modification of this Agreement shall be valid unless in writing and signed by the Employer and the Executive.

13. Severability. If any provision of this Agreement shall be found invalid or unenforceable for any reason, in whole or in part, then such provision shall be deemed modified, restricted, or reformulated to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified, restricted, or reformulated or as if such provision had not been originally incorporated herein, as the case may be. The parties further agree to seek a lawful substitute for any provision found to be unlawful; provided, that, if the parties are unable to agree upon a lawful substitute, the parties desire and request that a court or other authority called upon to decide the enforceability of this Agreement modify those restrictions in this Agreement that, once modified, will result in an agreement that is enforceable to the maximum extent permitted by the law in existence at the time of the requested enforcement.

14. Headings. The headings in this Agreement are inserted for convenience only and are not to be considered a construction of the provisions hereof.

15. Execution of Agreement. This Agreement may be executed in several counterparts, each of which shall be considered an original, but which when taken together, shall constitute one agreement.

16. Recitals. The recitals to this Agreement are incorporated herein as an integral part hereof and shall be considered as substantive and not precatory language.

17. Governing Law; Choice of Forum. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois, without reference to its conflict of law provisions. Furthermore, the Executive agrees and consents to submit to personal jurisdiction in the State of Illinois in any state or federal court of competent subject matter jurisdiction situated in Lake or Cook County, Illinois. The Executive further agrees that the sole and exclusive venue for any suit arising out of, or seeking to enforce, the terms of this Agreement shall be in a state or federal court of competent subject matter jurisdiction situated in Lake or Cook County, Illinois. In addition, the Executive waives any right to challenge in another court any judgment entered by such Lake or Cook County court or to assert that any action instituted by the Employer in any such court is in the improper venue or should be transferred to a more convenient forum. Further, the Executive waives any right the Executive may otherwise have to a trial by jury in any action to enforce the terms of this Agreement.

18. Indemnification. The Employer shall obtain and maintain for the Executive directors' and officers' liability insurance coverage and shall indemnify the Executive to the extent permitted under the Employer's By-Laws and/or Certificate of Incorporation and/or any indemnification agreement between the Employer and the Executive.

19. No Mitigation. The Executive shall have no obligation or duty to seek subsequent employment or engagement as an employee (including self-employment) or as a consultant or

otherwise mitigate the Employer's obligation under this Agreement. Payments and benefits due under Paragraph 7 of this Agreement shall not be reduced by any compensation earned by the Executive as an employee or consultant from any employment or consulting arrangement after the Executive's termination of employment.

**IN WITNESS WHEREOF** , the parties have set their signatures on the date set forth below.

**ZEBRA TECHNOLOGIES CORPORATION: EXECUTIVE:**

By: /s/ Anders Gustafsson  
Anders Gustafsson, CEO

By: /s/ Olivier Leonetti  
Olivier Leonetti

Date signed: 10/25/2016

Date signed: 10/21/2016

**EXHIBIT A.**

**RELOCATION**

The Executive is eligible for certain services in connection with the Executive's relocation. All relocation related expenses must be incurred within 12 months of the hire date to be eligible for reimbursement. Tax assistance (gross-up) will be provided for reimbursements that are not deductible. The Executive's relocation will include the following:

- Destination services to assist in selecting a community and a broker.
- House hunting trips to Illinois to include travel, car rental, hotel accommodations and meal allowances. Expenses are covered for three trips for the Executive and the Executive's spouse for up to a total of 15 days.
- Customary seller closing costs as determined by Zebra's third-party relocation provider.
- Temporary living expenses such as car rental and corporate housing arrangements through June 30, 2017.
- Return trips as necessary to your home in California, if you precede your family to Illinois, twice a month for the temporary living period.
- Customary buyer closing costs (excluding any buy-down discount points) as determined by Zebra's relocation provider.
- Household goods move to include packing and unpacking, insurance, transportation, up to 90 days storage.
- Travel to your new home in Illinois for you and your immediate family.

Should you voluntarily terminate your employment with Zebra pursuant to Paragraph 6E within 12 months of employment you will be responsible for reimbursing all relocation related expenses paid by Zebra.



**EXHIBIT B.**

**LIST OF POSITIONS HELD**

N/A

**INDEMNIFICATION AGREEMENT**

This Indemnification Agreement (" **Agreement** ") by and between Zebra Technologies Corporation, a Delaware corporation (the " **Company** "), and [ADD NAME] (" **Indemnitee** ") is effective as of the Effective Date (as defined in the Employment Agreement dated as of [ADD DATE] between the Company and Indemnitee. This Agreement supersedes and replaces any and all previous agreements between the Company and Indemnitee covering the subject matter of this Agreement.

**RECITALS**

WHEREAS, there is a risk that qualified persons will be reluctant to serve corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the " **Board** ") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities;

WHEREAS, while the furnishing of such insurance has been a customary practice among United States-based corporations and other business enterprises, the Company believes that there is a risk that such insurance may be available in the future at higher premiums and with more coverage exclusions and that directors, officers, and other persons in service to corporations or business enterprises can be subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself;

WHEREAS, the Amended and Restated By-laws (the " **By-laws** ") and the Restated Certificate of Incorporation (the " **Certificate of Incorporation** ") of the Company require indemnification of the directors of the Company, the By-laws require indemnification of the executive officers of the Company, and Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the " **DGCL** ");

WHEREAS, the By-laws, the Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, the risk of uncertainties relating to such insurance and to indemnification may increase the difficulty of attracting and retaining qualified persons;

WHEREAS, the Board has determined that the risk of increased uncertainty in attracting and retaining qualified persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

---

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the By-laws and the Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, the Company desires that the Indemnitee serve as an officer or director with adequate protection against claims and actions arising out of service to and activities on behalf of the Company, and Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee is provided with such protection.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to [serve] [continue to serve] as [a director of the Company] [an officer of the Company], [at the request of the Company, as a director, officer, employee, agent or fiduciary of another Enterprise]. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies adopted by the Board or by the Certificate of Incorporation, the By-laws or the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as [a director of the Company] [an officer of the Company] [at the request of the Company, as a director, officer, employee, agent or fiduciary of another Enterprise], as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to “ **agent** ” shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, and includes such person serving in such capacity as a director, officer, employee, fiduciary or other official of another Enterprise.

(b) A “ **Change in Control** ” shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

- a. Acquisition of Stock by Third Party. Any Person, including a group as defined in Section 13(d)(3) of the Exchange Act, is or becomes the Beneficial Owner (except that a Person shall be deemed to be a Beneficial Owner of all shares that any such Person shall be deemed to have the right to acquire, whether such right is exercisable immediately or only after the

passage of time) of more than thirty-five percent (35%) of the total voting power of the then outstanding voting equity securities of the Company entitled to vote generally in the election of directors (“**Outstanding Company Voting Securities**”); provided, however, that a Person shall not be deemed the Beneficial Owner of shares tendered pursuant to a tender or exchange offer made by that Person or any affiliate of that Person until the tendered shares are accepted for purchase or exchange; provided, further, that a “Change in Control” shall not be deemed to occur solely as a result of (i) any acquisition of the Company’s equity securities by the Company, (ii) any acquisition of the Company’s equity securities directly from the Company (including through an underwriter or other financial intermediary), other than (x) an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself directly acquired from the Company, or (y) in connection with the acquisition by the Company or its affiliates of a business, or (iii) any acquisition of the Company’s equity securities by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company;

- b. Change in Board of Directors. Within any period of 24 consecutive months, persons who were members of the Board at the beginning of such 24-month period, together with any persons who were first elected as directors (other than as a result of any settlement of a proxy or consent solicitation contest or any action taken to avoid such a contest) during such 24-month period by or upon the recommendation of persons who were members of the Board at the beginning of such 24-month period or whose election was previously so recommended and who constituted a majority of the Board at the time of such election (“**Incumbent Directors**”), cease to constitute a majority of the Board;
- c. Liquidation. The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company other than to a corporation which would satisfy the requirements of sub-clauses (1), (2) and (3) of clause (iv) of this definition of “Change in Control,” assuming for this purpose that such liquidation or dissolution was a Business Combination; and
- d. Corporate Transactions. Consummation of a reorganization, merger or consolidation of the Company or any direct or indirect subsidiary of the Company or sale or other disposition of all or substantially all of the assets of the Company (a “**Business Combination**”), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then-outstanding voting securities entitled to vote generally in the election of the members of the board of directors (or other governing body) of the entity resulting from such Business Combination (which shall include for these purposes, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of Outstanding Company Voting Securities, (2) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination and any Person beneficially owning, immediately prior to such Business Combination, directly or indirectly, thirty-five percent (35%) or more

of the Outstanding Company Voting Securities) beneficially owns, directly or indirectly, thirty-five percent (35%) or more of, respectively, the then outstanding shares of voting securities of the entity resulting from such Business Combination, or the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of the members of the board directors (or other governing body), and (3) at least a majority of the members of the board of directors (or other governing body) of the entity resulting from such Business Combination were Incumbent Directors (assuming for purposes of this sub-clause (3), that if the entity resulting from the Business Combination is not a corporation, then references to the term "Board" in the definition of Incumbent Directors shall be deemed to refer to the "governing body" of the resulting entity) at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) " **Exchange Act** " shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) " **Person** " shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) " **Beneficial Owner** " shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) " **Corporate Status** " describes the status of a person who is or was a director, trustee, partner, managing member, officer, employee, agent or fiduciary of the Company or of any Enterprise.

(d) " **Disinterested Director** " shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) " **Enterprise** " shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) " **Expenses** " shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, fax transmission charges, secretarial services, any federal, state, local or foreign taxes imposed on Indemnitee as a

result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements, obligations or expenses of the types customarily incurred in connection with, or as a result of, prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a deponent or witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) for purposes of Section 14(d) only, Expenses incurred by or on behalf of Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable in the good faith judgment of such counsel shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) " **Independent Counsel** " shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term " **Proceeding** " shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, regulatory, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on his part while acting pursuant to his Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "**other enterprise**" shall include employee benefit plans; references to "**fin**s" shall include any excise tax assessed with respect to any employee benefit plan; references to "**serv**ing at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor, by reason of Indemnitee's Corporate Status. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement) actually and reasonably incurred by or on behalf of Indemnitee in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee's conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the By-laws, vote of its stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor, by reason of Indemnitee's Corporate Status. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. If applicable law so provides, no indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably

incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise asked to participate in any aspect of a Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to or a participant in any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by or on behalf of Indemnitee in connection with the Proceeding by reason of Indemnitee's Corporate Status.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any other provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim involving Indemnitee:



(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the " **Sarbanes-Oxley Act** "), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act;

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross-claim or affirmative defense brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding), or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law or

(d) for any amounts paid in settlement of an action effected without the prior written consent of the Company to such settlement.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board as provided in Section 9(c), and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time (which shall include invoices received by the Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be so included), whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute

an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof or Indemnitee's becoming aware thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding, in each case to the extent known to Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The failure by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement, except to the extent (solely with respect to the indemnity hereunder) that such failure or delay materially prejudices the Company. The Corporate Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any Proceeding (in whole or in part) if such settlement would impose any Expense, judgment, liability, fine, penalty or limitation on Indemnitee which Indemnitee is not entitled to be indemnified hereunder without the Indemnitee's prior written consent.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) business days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to

indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request in writing after such Change in Control has occurred that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising the Company of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) business days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) If the Company disputes a portion of the amounts for which indemnification is requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of any such dispute.

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the

Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 13(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the second to the last sentence of Section 12(a) of this Agreement within ten (10) business days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) business days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) the Company or any other Person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14,

the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) business days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by or on behalf of Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement (i) shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the By-laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise and (ii) shall be interpreted independently of, and without reference to, any other such rights to which Indemnitee may at any time be entitled. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Certificate of Incorporation, By-laws, and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy

herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment made by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust or other Enterprise.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as [a director of the Company] [an officer of the Company] [at the request of the Company, as a director, officer, employee, agent or fiduciary of another Enterprise] or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding (including any appeal) commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of Expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of

any other Enterprise, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and shall cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to, by written agreement, expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the By-laws, any directors and officers insurance maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.



Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by electronic mail, with receipt of confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated in the Company's records, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to 3 Overlook Point, Lincolnshire, Illinois 60069; attention Corporate Secretary, or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by or on behalf of Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "**Delaware Court**"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably RL&F Service Corp., 920 North King Street, 2nd Floor, Wilmington, New Castle County, Delaware 19801 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the

party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include use of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

**ZEBRA TECHNOLOGIES CORPORATION**

**INDEMNITEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Jim L. Kaput

Name: [ADD NAME]

Office: Senior Vice President and General Counsel

**REFINANCING AMENDMENT  
(AMENDMENT NO. 2 TO CREDIT AGREEMENT)**

REFINANCING AMENDMENT dated as of December 6, 2016 (this “**Amendment**”) to the Credit Agreement dated as of October 27, 2014 among Zebra Technologies Corporation (the “**Borrower**”), the Lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Revolving Facility Administrative Agent, and Morgan Stanley Senior Funding, Inc. as Term Loan Administrative Agent and Collateral Agent (as amended from time to time, the “**Credit Agreement**”). Capitalized terms used but not defined herein are used as defined in the Credit Agreement.

**RECITALS:**

1. The Borrower wishes to obtain Other Term Loans (the “Second Amendment Refinancing Term Loans”; and the Persons making such Loans, the “Second Amendment Refinancing Lenders”) as Credit Agreement Refinancing Indebtedness under the Credit Agreement to refinance all outstanding Term Loans (collectively, the “Second Amendment Refinanced Term Loans”) pursuant to a Refinancing Amendment under the Credit Agreement, and the Second Amendment Refinancing Lenders are willing to provide the Second Amendment Refinancing Term Loans on and subject to the terms and conditions set forth herein.

2. Second Amendment Refinancing Lenders will comprise, and Second Amendment Refinancing Term Loans will be made by:

(i) in part, Term Lenders who hold Second Amendment Refinanced Term Loans and who agree to convert, exchange or “cashless roll” all of their Second Amendment Refinanced Term Loans to or for Second Amendment Refinancing Term Loans; and

(ii) in part, Persons providing new Second Amendment Refinancing Term Loans the proceeds of which will be used to repay holders of Second Amendment Refinanced Term Loans that will not be so converted, exchanged or rolled.

3. Upon the effectiveness of this Amendment, (A) each Second Amendment Refinancing Lender will make (or convert, exchange or roll its Second Amendment Refinanced Term Loans to or for) Second Amendment Refinancing Term Loans and (B) the Borrower will prepay (in cash or through delivery by the Borrower of Second Amendment Refinancing Term Loans, as applicable) the entire remaining amount of the Second Amendment Refinanced Term Loans, together with accrued and unpaid interest thereon.

4. Therefore, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

---

**Section 1. *Certain Terms of the Second Amendment Refinancing Term Loans and Amendments to the Credit Agreement.***

(a) *New Defined Terms.* Section 1.01 of the Credit Agreement is hereby amended by inserting in appropriate alphabetical order the following new definitions:

“ **Amendment No. 2** ” shall mean Refinancing Amendment to this Agreement dated as of December 6, 2016.

“ **Amendment No. 2 Effective Date** ” means December 6, 2016.

“ **Second Amendment Converting Refinancing Term Lender** ” means a Second Amendment Refinancing Term Lender that agrees pursuant to Amendment No. 2 to convert, exchange or “cashless roll” all, or any portion, of its Second Amendment Refinanced Term Loan for a Second Amendment Refinancing Term Loan. A Second Amendment Refinancing Term Lender may be a Second Amendment Converting Refinancing Term Lender with respect to (i) less than all of its Second Amendment Refinancing Term Loan Commitment (if its Second Amendment Refinancing Term Loan Commitment is greater than its Second Amendment Refinanced Term Loan) or (ii) less than all of its Second Amendment Refinanced Term Loan (if its Second Amendment Refinanced Term Loan is greater than its Second Amendment Refinancing Term Loan Commitment).

“ **Second Amendment Refinancing Term Lender** ” means, at any time, each Lender with a Second Amendment Refinancing Term Loan Commitment or, after the Second Amendment Refinancing Term Loans are made or issued, holding a Second Amendment Refinancing Term Loan at such time.

“ **Second Amendment Refinanced Term Loan** ” means each Refinancing Term Loan, all of which are refinanced or converted, exchanged or rolled into Second Amendment Refinancing Term Loans pursuant to Amendment No. 2.

“ **Second Amendment Refinancing Term Loan** ” means each Other Term Loan made by or issued to a Refinancing Term Lender pursuant to Amendment No. 2.

“ **Second Amendment Refinancing Term Loan Commitment** ” means, for any Refinancing Term Lender, the amount set forth opposite such Second Amendment Refinancing Term Lender’s name on Schedule A (in the case of any Second Amendment Refinancing Lender making its Second Amendment Refinancing Term Loan in cash) to Amendment No. 2 or Schedule B (in the case of any Second Amendment Refinancing Lender converting, exchanging or rolling its Second Amendment Refinanced Term Loan for a Second Amendment Refinancing Term Loan) to Amendment No. 2.

(b) *Pricing and Maturity of Second Amendment Refinancing Term Loans.*

---

(i) The last sentence in the definition of “ **Applicable Margin** ” in Section 1.01 of the Credit Agreement is amended as follows:

“ **Applicable Margin** ” means, for any day with respect to any Second Amendment Refinancing Term Loans, a per annum rate equal to (i) if such Second Amendment Refinancing Term Loan is a Eurocurrency Loan, 2.50% and (ii) if such Second Amendment Refinancing Term Loan is an ABR Loan, 1.50%.

(ii) The proviso at the end of the definition of “ **Adjusted Eurocurrency Rate** ” is amended in its entirety to read as follows:

provided that, notwithstanding the foregoing, as applied solely to the Initial Term Loans, the Refinancing Term Loans and the Second Amendment Refinancing Term Loans, the Adjusted Eurocurrency Rate shall at no time be less than 0.75% per annum.

(iii) The definition of “ **Alternate Base Rate** ” is amended in its entirety to read as follows:

“ **Alternate Base Rate** ” means, for any day, a rate per annum equal to the greatest of (i) the U.S. Prime Rate in effect on such day, (ii) the Federal Funds Rate, in effect on such day, plus one-half of one percent (1/2%) per annum, (iii) the Adjusted Eurocurrency Rate for any Interest Period of 1 month determined on such day (or if such day is not a Business Day, the immediately preceding Business Day) (without giving effect to the proviso of the definition thereof) (any changes in such rates to be effective as of the date of any change in such rate) plus one percent (1.00%) per annum, and (iv) solely in the case of the Initial Term Loans, the Refinancing Term Loans and the Second Amendment Refinancing Term Loans, 1.75%.

(iv) The definition of “ **Term Loan Maturity Date** ” is modified by adding the following sentence to the end thereof:

The Term Loan Maturity Date with respect to the Second Amendment Refinancing Term Loans means October 27, 2021.

(c) *Commitments to Make Second Amendment Refinancing Term Loans.* Section 2.01 of the Credit Agreement is amended by adding the following to the end thereof:

Subject to the terms and express conditions set forth in Amendment No. 2, each Second Amendment Refinancing Term Lender severally agrees to make a Second Amendment Refinancing Term Loan in Dollars to the Borrower (or, in the case of a Second Amendment Converting Refinancing Term Lender, convert, exchange or roll its Second Amendment Refinanced Term Loan for a Second Amendment Refinancing Term Loan in an equal principal amount) on the Amendment No. 2 Effective Date in an aggregate principal amount equal to its Second Amendment Refinancing Term Loan Commitment. Each Second

---

Amendment Refinancing Term Commitment will terminate in full upon the making of the related Second Amendment Refinancing Term Loan (or conversion, exchange or roll of Second Amendment Refinanced Loan, as applicable). Substantially simultaneously with the borrowing of Second Amendment Refinancing Term Loans, the Borrower shall fully prepay any outstanding Second Amendment Refinanced Term Loans, together with accrued and unpaid interest thereon to the Amendment No. 2 Effective Date; *provided* that each Second Amendment Converting Refinancing Term Lender irrevocably agrees to accept, in lieu of cash for the outstanding principal amount of its Second Amendment Refinanced Term Loan so prepaid, delivery from the Borrower on the Amendment No. 2 Effective Date of an equal principal amount of Second Amendment Refinancing Term Loans. Each Second Amendment Refinancing Term Loan shall constitute an Other Term Loan and Term Loan for all purposes of this Agreement.

The initial Borrowing of the Second Amendment Refinancing Term Loans will be a Eurocurrency Borrowing with an initial Interest Period beginning on the Amendment No. 2 Effective Date and ending (subject to the definition of "Interest Period") on March 6, 2017. The Borrower shall pay breakage to the extent required in accordance with the Credit Agreement as though (solely for this purpose) each Second Amendment Refinanced Term Loan of a Second Amendment Converting Refinancing Term Lender had been prepaid on the Amendment No. 2 Effective Date.

(d) *Repayment of Second Amendment Refinancing Term Loans.* Section 2.10(a) of the Credit Agreement is hereby amended in its entirety by adding a new clause (iii) directly below clause (ii) to read as follows:

(iii) Subject to adjustment pursuant to paragraph (b) of this Section and subject to paragraph (i) of Section 2.11, the Borrower shall repay a principal amount of Second Amendment Refinancing Term Loans on March 31, June 30, September 30 and December 31 of each year (commencing with March 31, 2017) in an amount equal to 0.25% of the aggregate initial principal amount of all Second Amendment Refinancing Term Loans outstanding on the Amendment No. 2 Effective Date after giving effect to the transactions contemplated by Amendment No. 2. Without limiting the foregoing, to the extent not previously paid, all Second Amendment Refinancing Term Loans shall be due and payable on the Term Loan Maturity Date with respect to the Second Amendment Refinancing Term Loans.

(e) *Soft-Call for Second Amendment Refinancing Term Loans.* The second and third sentences of Section 2.11(a) of the Credit Agreement are hereby amended to read in full as follows:

Each voluntary prepayment of any Loan pursuant to this Section 2.11(a) and mandatory prepayment pursuant to Section 2.11(e) shall be made without premium or penalty except that, in the event that on or prior to the date that is six months after the Amendment No. 2 Effective Date, the Borrower makes any prepayment or repayment of Second Amendment Refinancing Term Loans as a result of a Repricing Transaction or any amendment to this Agreement to effectuate a Repricing Transaction, the Borrower shall pay

---

to the Term Loan Administrative Agent, for the ratable account of each of the applicable Term Lenders, a prepayment premium in an amount equal to 1% of the amount of the Second Amendment Refinancing Term Loans being so prepaid, repaid or refinanced or the aggregate amount of the applicable Second Amendment Refinancing Term Loans outstanding immediately prior to such amendment and otherwise subject to the Repricing Transaction, as applicable.

**Section 2. *Conditions to Effectiveness of this Amendment.*** This Amendment shall become effective as of December 6, 2016 (the “Amendment No. 2 Effective Date”) when:

(a) this Amendment shall have been executed and delivered by the Borrower, the Subsidiary Loan Parties, each Second Amendment Refinancing Lender and the Term Loan Administrative Agent;

(b) the Term Loan Administrative Agent shall have received a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof certifying (w) that attached thereto is a true and complete copy of the certificate of incorporation, including all amendments thereto of the Borrower certified as of a recent date by the Secretary of State of the State of Delaware (or certifying that there has been no change to the certificate of incorporation of the Borrower since the Amendment No. 1 Effective Date) and a certificate as to the good standing of the Borrower as of a recent date, (x) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on such date (or certifying that there has been no change to the by-laws of the Borrower since the Amendment No. 1 Effective Date), (y) that attached is a true and complete copy of the resolutions duly adopted by the Board of Directors of the Borrower, or duly constituted committee thereof, authorizing the execution, delivery and performance of this Amendment, all documents executed in connection therewith, the borrowings thereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect on such date and (z) as to the incumbency and specimen signature of each officer executing this Amendment and any document executed in connection therewith and countersigned by another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing such certificate;

(c) the Term Loan Administrative Agent shall have received a notice of borrowing of Second Amendment Refinancing Term Loans;

(d) the Term Loan Administrative Agent shall have received a promissory note in form and substance reasonably acceptable to the Administrative Agent executed by the Borrower in favor of each Second Amendment Refinancing Lender requesting a promissory note;

(e) the representations and warranties set forth in Article 3 of the Credit Agreement and in each other Loan Document shall be true and correct in all material respects on and as of the date hereof (both before and after giving effect to the transactions contemplated by this Amendment) with the same effect as though made on

---

and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date;

(f) the representations and warranties in Section 3 of this Amendment shall be true and correct in all material respects as of the date hereof;

(g) each Second Amendment Refinancing Lender and the Term Loan Administrative Agent shall have received at least 3 Business Days prior to the date hereof all documentation and other information about the Borrower and the Subsidiary Loan Parties required under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act that has been requested in writing at least 5 Business Days prior to the date hereof; and

(h) no Default or Event of Default shall exist on the date hereof before or after giving effect to the Second Amendment Refinancing Term Loans and the use of proceeds thereof.

The Borrowing of the Second Amendment Refinancing Term Loans shall be deemed to constitute a representation and warranty by the Borrower on the Amendment No. 2 Effective Date as to the matters specified in paragraphs (e) and (h) above.

**Section 3. *Representations and Warranties.*** By its execution of this Amendment, the Borrower hereby certifies that this Amendment and the Credit Agreement as amended hereby have been duly authorized by all necessary corporate, shareholder or other organizational action by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with the terms hereof, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**Section 4. *Certain Acknowledgements.*** (a) Each Loan Party hereby expressly acknowledges the terms of this Amendment and reaffirms, as of the date hereof, (i) the covenants and agreements contained in each Loan Document to which it is a party, including, in each case, such covenants and agreements as in effect immediately after giving effect to this Amendment and the transactions contemplated hereby and (ii) its guarantee of the Obligations (including, without limitation, the Second Amendment Refinancing Term Loans) under the Subsidiary Guaranty and its grant of Liens on the Collateral to secure the Obligations (including, without limitation, the Obligations with respect to the Second Amendment Refinancing Term Loans) pursuant to the Security Documents.

(b) After giving effect to this Amendment, neither the modification of the Credit Agreement effected pursuant to this Amendment nor the execution, delivery, performance or effectiveness of this Amendment (i) impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all

---



Obligations, whether heretofore or hereafter incurred; or (ii) requires that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens.

**Section 5. *Amendment, Modifications and Waiver.*** This Amendment may not be amended, modified or waived except in writing executed by all parties hereto.

**Section 6. *Representations to the Agents and Lead Arrangers.*** Each Second Amendment Refinancing Lender, solely for the benefit of the Term Loan Administrative Agent and each Amendment No. 1 Lead Arranger, hereby (i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment; (ii) agrees that it will, independently and without reliance upon the Term Loan Administrative Agent or any other Lender or Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; and (iii) agrees that it shall be bound by the terms of the Credit Agreement as a Lender thereunder and it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

**Section 7. *Miscellaneous.***

(a) *Entire Agreement.* This Amendment, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto with respect to the subject matter hereof. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. It is understood and agreed that each reference in each Loan Document to the Credit Agreement, whether direct or indirect, shall hereafter be deemed to be a reference to the Credit Agreement as amended hereby and that this Amendment is a Loan Document.

(b) *GOVERNING LAW.* THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF TO THE EXTENT SUCH PRINCIPLES WOULD CAUSE THE APPLICATION OF THE LAW OF ANOTHER STATE. SECTION 9.09(B) THROUGH (D) OF THE CREDIT AGREEMENT IS HEREBY INCORPORATED BY REFERENCE INTO THIS AMENDMENT AND SHALL APPLY HERETO.

(c) *Severability.* If any provision of this Amendment is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(d) *Counterparts.* This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier or other electronic means of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment.

**IN WITNESS WHEREOF** , each of the undersigned has caused its duly authorized officer to execute and deliver this Amendment as of the date first written above.

**ZEBRA TECHNOLOGIES CORPORATION**

By /s/ Olivier Leonetti  
Name: Olivier Leonetti  
Title: Chief Financial Officer

**ZIH CORP.**

By /s/ James O'Hagan

Name: James O'Hagan  
Title: Vice President

**ZEBRA TECHNOLOGIES INTERNATIONAL, LLC**

By /s/ Jim L. Kaput  
Name: Jim L. Kaput  
Title: Vice President

**ZEBRA TECHNOLOGIES ENTERPRISE CORPORATION**

By /s/ Todd R. Naughton  
Name: Todd R. Naughton  
Title: Vice President

**ZEBRA RETAIL SOLUTIONS, LLC**

By /s/ Todd R. Naughton  
Name: Todd R. Naughton  
Title: Vice President  
**LASER BAND, LLC**

By /s/ Todd R. Naughton  
Name: Todd R. Naughton  
Title: Vice President

**MORGAN STANLEY SENIOR FUNDING, INC. ,**  
as Term Loan Administrative Agent and  
Second Amendment Refinancing Lender

By /s/ Jonathon Raven  
Name: Jonathon Raven  
Title: Authorized Signatory

**TERM LENDER AGREEMENT**

*[Check **ONLY ONE** of the two boxes below]*

**CASHLESS SETTLEMENT OPTION**

o The undersigned Lender hereby commits an amount equal to 100% of the outstanding principal amount of the Second Amendment Refinanced Term Loans held by such Lender on the Amendment No. 2 Effective Date (as set forth below) to the making of the Second Amendment Refinancing Term Loan and agrees to exchange (on a cashless basis) 100% of the outstanding principal amount of the Refinanced Term Loans held by such Lender (as set forth below) for Second Amendment Refinancing Term Loans in an equal principal amount, as set forth below.

**ASSIGNMENT SETTLEMENT OPTION**



### Confidential Waiver Agreement and General Release

Reference is hereby made to the Employment Agreement dated as of May 1, 2008, as amended (the "Employment Agreement") between me, Michael Smiley, and Zebra Technologies Corporation (the "Company"). This Confidential Waiver Agreement and General Release ("Waiver/Release") is a binding agreement between me and the Company and is the waiver and release referenced pursuant to Section 7B(3) of the Employment Agreement. My employment will terminate on **December 2, 2016** (the "Termination Date"). I voluntarily and of my own free will sign this Waiver/Release because the Company is agreeing to give me something of value in return for my signing this Waiver/Release. The payments and benefits being provided for pursuant to the Employment Agreement and in consideration of this Waiver/Release are, specifically:

- (a) In accordance with Section 7A of the Employment Agreement, a payment in an amount equal to any unpaid salary through and including the Termination Date plus any accrued but unused vacation, less statutory income tax withholdings;
- (b) In accordance with Section 7B(1)(i) of the Employment Agreement, a payment in the amount of **\$450,000**, said amount representing severance pay equal to 52 weeks of base salary, to be paid in equal biweekly payments of **\$17,307.69** each in accordance with the Company's payroll practices (the "Salary Severance Payments"), less statutory income tax withholdings;
- (c) In accordance with Section 7B(1)(ii) of the Employment Agreement, a payment in an amount to be determined based on actual performance and base earnings in each of the four plan quarters under the 2016 Zebra Incentive Plan, which aggregate amount is to be paid in a lump sum when the 2016 Zebra Incentive is paid to other participants in the plan (the "2016 Annual Incentive Payment"), less statutory income tax withholdings; it being understood, that for purposes of the 2016 Annual Incentive Payment only, the Company will regard my 2016 personal performance as having "met expectations" and whether and to what extent I may receive a 2016 Annual Incentive Payment is subject to the achievement of financial performance targets in the 2016 Zebra Incentive Plan;
- (d) In accordance with Section 7B(1)(iv) of the Employment Agreement, a one-time payment in the amount of **\$382,500**, said amount representing severance pay equal to my 2016 target annual incentive under the 2016 Zebra Incentive Plan, to be paid in a lump sum when the 2016 Zebra Incentive is paid to other participants in the plan (the "Annual Incentive Severance Payment"), less statutory income tax withholdings;
- (e) In accordance with Section 7B(1)(vi) of the Employment Agreement, the opportunity to participate in the Company's outplacement assistance program with a value of such assistance up to **\$50,000** ("Outplacement Assistance"); and

(f) In accordance with Section 7B(1)(vii) of the Employment Agreement, a subsidy of the cost for continuation coverage of any Company medical and dental plan in which I participated, in accordance with the Consolidated Omnibus Budget Reconciliation Act (COBRA).

The above Salary Severance Payments, 2016 Annual Incentive Payment, and Annual Incentive Severance Payment shall cease and not be made, and the Outplacement Assistance shall cease, if and when I breach any of my obligations with respect to the Transition Cooperation, Confidentiality, Non-Solicitation & Non-Competition provisions and subparagraph (a) under Additional Agreements and Representations set forth below.

With respect to the period of the special COBRA subsidy, I will pay the same share of the applicable premium that would apply if I were participating in the medical and/or dental plans as an active employee and the Company will pay the applicable premium difference. I will also be allowed to continue my coverage in the Company's vision plan in which I participated and will pay the applicable premium I paid as an active employee, in addition to a two percent COBRA administration fee.

This COBRA subsidy begins with the first day of the month after the Termination Date and continues until the earlier of **December 31, 2017** and the date I become eligible for coverage under another group health plan that does not impose preexisting condition limitations on my coverage. Following the completion of my subsidy period, I will be required to pay the total COBRA cost in order to retain medical and dental coverage.

I understand that in return for the payments and benefits listed above, I will be giving up – i.e. “waiving” and “releasing” – any claims that I might have against the Company and certain other related persons or organizations, and am making certain other commitments as listed below.

I will receive the payments and assistance set forth above, less statutory income tax withholdings, only following my return of a fully executed copy of this Waiver/Release, provided that I do not revoke this Waiver/Release; provided, further that the payment set forth in (a) above shall be paid regardless of whether I execute this Waiver/Release. All such payments will be mailed to me at my home address.

#### **Coverage of Waiver/Release**

I intend that this Waiver/Release bind not only me, but also anyone who might stand in my place, including my heirs, executors, administrators, successors and assigns.

I also intend that this Waiver/Release cover not only the Company, but also the present and former employees of the Company, and all other persons who have or are regarded as having some relation to the Company, including its agents, directors, officers and servants. In addition,

I intend this Waiver/Release also cover other companies which are regarded as parents, subsidiaries, divisions, affiliates, owners, successors and assigns of the Company. All of the persons and business entities referred to in this subparagraph are collectively referred to as “Released Parties” for purposes of this Waiver/Release.

### **Claims Waived and Released**

By signing this Waiver/Release, to the fullest extent of the law, I permanently waive, release and discharge each and every one of the Released Parties of and from any and all claims, demands, actions, expenses and liabilities of any kind, including but not limited to attorneys' fees, which

I may have against them. This includes any claims I ever had or now have or can have of any nature whatsoever, whether now known to me or not known, through the date of my signing of this Waiver/Release, except any claims or rights which cannot be waived by law, including the right to file a federal, state or local administrative charge of discrimination.

Nothing in this Waiver/Release shall limit my right to participate or cooperate in a charge or complaint of discrimination or retaliation with any federal, state or local agency, and nothing in this Waiver/Release shall limit my right to challenge the enforceability of the release of age-related claims under this Waiver/Release. This paragraph shall be construed to the fullest extent permitted by law and in a manner that is consistent with the EEOC's regulation on "Tender Back", to the extent applicable.

My waiver, release and discharge of claims includes, but is not limited to, any claims arising in any way from my employment with the Company or the termination of my employment. Among the claims I waive, release and discharge are the following, although my waiver, release and discharge is not limited to these specific claims:

Any claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Section 621 *et seq.* ("ADEA"); Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1866, as amended; the Americans with Disabilities Act; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; any state law prohibiting employment discrimination or harassment and any other federal, state or local statute, rule, regulation or principle of common law, including any claims based on theories of contract, tort or otherwise; and any other claims for compensation or payment of any type other than the payments and benefits described on page (1), including but not limited to salary, bonus, vacation pay and/or long-term incentive payments, including stock options. However, it is agreed that I do not waive, release or discharge any claim I may have to receive whatever benefits in which I am fully vested under the terms of any Company benefit plans applicable to me.

### **No Admission of Liability**

It is agreed that this Waiver/Release is not to be construed in any way as an admission of any liability whatsoever by one or more of the Released Parties. I understand that any such liability has been expressly denied by the Released Parties.

### **Confidentiality of Waiver/Release**

I agree to keep the terms and provisions of this Waiver/Release in strictest confidence, I will not reveal to anyone, either directly or indirectly, the payments and benefits involved or the other terms and provisions of this Waiver/Release, except the following people after I have first had them promise to keep the information confidential: my personal attorney, my tax advisor and members of my immediate family living with me.

### **Transition Cooperation, Confidentiality & Non-Solicitation**

In further consideration for the benefits described above, I agree to cooperate with and reasonably assist the Company in facilitating a smooth transition of my job duties (the "Transition Cooperation"), including by answering questions as may be asked of me by the Company from time-to-time following the termination of my employment, and I agree, understand and acknowledge the following:

- (a) **Confidential Information** . I have been furnished, have used or otherwise have had access to certain Confidential Information of the Company and/or a subsidiary of the Company. For purposes of this Waiver/Release, "Confidential Information" means any and all financial, technical, commercial or other information concerning the business and affairs of the Company and/or a subsidiary that is confidential and proprietary to the Company and/or a subsidiary, including without limitation:

- (i) information relating to the Company's or a subsidiary's past and existing customers and vendors and development of prospective customers and vendors, including specific customer product requirements, pricing arrangements, payment terms, customer lists and other similar information;
- (ii) inventions, designs, methods, discoveries, works of authorship, creations, improvements or ideas developed or otherwise produced, acquired or used by the Company and/or a subsidiary;
- (iii) the Company's or a subsidiary's proprietary programs, processes or software, consisting of but, not limited to, computer programs in source or object code and all related documentation and training materials, including all upgrades, updates, improvements, derivatives and modifications thereof and including programs and documentation in incomplete stages of design or research and development;
- (iv) the subject matter of the Company's or a subsidiary's patents, design patents, copyrights, trade secrets, trademarks, service marks, trade names, trade dress, manuals, operating instructions, training materials, and other industrial property, including such information in incomplete stages of design or research and development; and
- (v) other confidential and proprietary information or documents relating to the Company's or a subsidiary's products, business and marketing plans and techniques, sales and distribution networks and any other information or documents which the Company reasonably regards as being confidential.

The Company and its subsidiaries devote significant financial, human and other resources to the development of its products, its customer base and the general goodwill associated with its business, and the Company and its subsidiaries diligently maintain the secrecy and confidentiality of their Confidential Information. Each and every component of the Confidential Information is sufficiently secret to derive economic value from its not being generally known to other persons. While employed by the Company and/or a subsidiary and thereafter, I have held and will hold in the strictest confidence and not use in any manner which is detrimental to the Company or its subsidiaries or disclose to any individual or entity any Confidential Information.

All Company Materials are and will remain the sole property of the Company and/or a subsidiary. I agree that I will not remove any Company Materials from the business premises of the Company or a subsidiary or deliver any Company Materials to any person or entity outside the Company or a subsidiary. I further agree that I have returned or will return all Company Materials and other physical property, and any reproduction thereof, and other Company property in my possession (i.e. keys, pagers, credit cards, calling cards, procurement cards, conference call cards, identification cards, mobile devices, all documents and records relating in any way to the Company's business, whether written or in electronically stored, including documents (and all copies), manuals, computer files,



diskettes, customer lists and reports, laptop computers and related accessories, all computer equipment, flash drives or memory sticks, personal digital assistants, business equipment, home office equipment, etc.) not later than Termination Date.

For purposes of this Waiver/Release, "Company Materials" means documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or future/strategic plans of the Company and/or any subsidiary, whether such documents have been prepared by me or by others.

Nothing in this Waiver/Release prohibits me from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. I do not need the prior authorization of Zebra or its Legal Department to make any such reports or disclosures and I am not required to notify Zebra that I have made such reports or disclosures.

**(b) Non-Solicitation and Non-Compete**. Notwithstanding any provision of this Waiver/Release, if, at any time prior to the date that is one year after the Termination Date, I directly or indirectly:

- (i) breach or violate subsection (a) above regarding Confidential Information and Company Materials; or
- (ii) employ, recruit or solicit for employment any person who is (or was within six (6) months prior to the Termination Date) an employee of the Company and/or any subsidiary; or
- (iii) accept employment or engage in a competing business which may require contact, solicitation, interference or diverting of any of the Company's or any subsidiary's customers, or that may result in the disclosure, divulging, or other use, of Confidential Information or Company Materials acquired during my employment with the Company or any subsidiary; or
- (iv) solicit or encourage any customer, vendor or potential customer or vendor of the Company or any subsidiary with whom I had contact while employed by the Company or any subsidiary to terminate or otherwise alter his, her or its relationship with the Company or any subsidiary; it being understood by me that any person or entity that I contacted during the twelve (12) months prior to the Termination Date for the purpose of soliciting sales from such person or entity shall be regarded as a "potential customer" of the Company or a subsidiary as to whom the Company or a subsidiary has a protectable proprietary interest;

the payments and other benefits set forth in this Waiver/Release (other than the payment set forth in (a) above) shall be forfeited automatically as of the date I engage in such activity and

I shall pay the Company, within five (5) business days of receipt by me of a written demand therefor, an amount in cash equal to any amounts previously paid to me under this Waiver/Release, without any deductions for tax or other offsets.

**(c) Remedies for Violation .**

**Injunctive Action .** I acknowledge that if I violate the terms of this Section the injury that would be suffered by the Company and/or a subsidiary as a result of a breach of the provisions of this Waiver/Release (including any provision of subsection (a) or (b) above) would be irreparable and that an award of monetary damages to the Company and/or a subsidiary for such a breach would be an inadequate remedy. Consequently, the Company and/or a subsidiary will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Waiver/Release, and the Company and/or a subsidiary will not be obligated to post bond or other security in seeking such relief.

**(d) Enforceability of Restrictive Covenants .** I agree, understand and acknowledge that the scope and duration of the restrictive covenants contained in this Waiver/Release are reasonable and necessary to protect a legitimate, protectable interest of the Company and its subsidiaries.

**Additional Agreements and Representations**

I further agree and represent that:

- a) My eligibility for the benefits in this Waiver/Release are subject to my continuing to serve as the Chief Financial Officer of the Company or in such other transition role as the Company may establish for me until the Termination Date unless an earlier date is agreed to in writing by an executive officer of the Company.
- b) I have not filed any legal proceedings, complaints or charges against any one or more of the Released Parties that has not been dismissed, discontinued, withdrawn or fully and finally resolved;
- c) I have not suffered any workplace injury that could be the basis for a workers' compensation or other claim against the Company or any of the Released Parties and for which I have not already filed a claim;
- d) I agree to answer questions and provide information reasonably required to transfer my job duties as needed following the Termination Date. I further agree that I shall cooperate with any investigations, claims or suits which may relate to my employment or with respect to which I may have knowledge.

- e) I agree to return all Company property, equipment and materials in my possession on or before the Termination Date, including, but not limited to, keys, pagers, credit cards, calling cards, procurement cards, conference call cards, identification cards, mobile devices, laptop computers and related accessories, personal digital assistants, business equipment, home office equipment, all computer equipment, flash drives or memory sticks, and all documents and records relating in any way to the Company's business, whether written or in electronically stored, including documents (and all copies), manuals, computer files, diskettes, customer lists and reports;
- f) I will not encourage or urge or suggest to any current or former employee of the Company or of any other of the Released Parties that she or he should file any claim or complaint against the Company or against any other of the Released Parties; and
- g) That it is my responsibility, together with my personal legal and tax advisors, to consider the effect of this Waiver/Release on my individual tax situation. It is also my responsibility to pay any taxes that any tax authority may claim are payable. I understand that neither the Company, any other of the Released Parties or any of their representatives has made any representation to me with respect to taxes.

### **Entire Agreement/Modification**

This Waiver/Release contains the entire agreement between us; provided, that this Waiver/Release shall not affect the terms or conditions, or affect the validity of, any equity award agreement between the Company and me, any compensation plan of the Company, which will remain in full force and effect and I restate my commitment to comply with any and all applicable post-employment restrictions by my signature below. Subject to such exceptions, we agree that no other agreement, representation, or promise is valid or binding. We also agree that no modification of or change to this Waiver/Release can be binding unless it is made in writing and signed by the party to be bound.

### **Acknowledgements**

The waiver and release of claims, including claims under the ADEA, contained in this Waiver/Release does not cover rights or claims that may arise after the date on which I sign this Waiver/Release. I acknowledge that I have been advised by the Company to consult with an attorney during the Evaluation Period (defined below) and prior to signing this Waiver/Release. I also acknowledge and agree that the payments and benefits listed on page one (1) that I will receive for signing this Waiver/Release are in addition to anything of value to which I was already entitled. I further acknowledge that, as of the date I sign this Waiver/Release and except as provided in this Waiver/Release and as set forth in the Employment Agreement, I have received all monies and benefits from the Company to which I am or was otherwise entitled. If I participate in the Zebra Technologies Corporation Deferred Compensation Plan (the "Plan"), my eligibility to participate in the Plan will end on my Termination Date, and any amounts credited to me under the Plan will be paid, distributed or held under the Plan in accordance with the Plan terms and my elections.

**Evaluation/Revocation Period**

I acknowledge and agree that I have been given the opportunity to take up to twenty-one (21) days from the date I receive this Waiver and Release Agreement within which to consider and evaluate its terms (the "Evaluation Period"), and that I have voluntarily waived that Evaluation Period if I deliver signed documents prior to the expiration of those twenty-one (21) days. I understand that for a period of seven (7) days following my signing this Waiver/Release, I may revoke it by delivering a written notice of revocation to the Company, specifically to the Zebra General Counsel, so that it is received before the eighth day. It is agreed that this Waiver/Release will not become effective or enforceable until the seven (7) day revocation period has expired.

**Voluntary and Knowing Execution**

I declare and represent that I have carefully read and fully understand the terms of this Waiver/Release. In exchange for consideration (something of value) in addition to anything of value to which I am already entitled, I, knowingly and voluntarily, of my own free will without any duress, being fully informed and after due deliberation, accept the terms of this Waiver/Release in full compromise and settlement of all of my claims. I sign this Waiver/Release as my own free act on the date indicated below.

**Applicable Law**

It is agreed that the laws of the State of Illinois will govern this Waiver/Release.

**Employee :**                      **Zebra Technologies Corporation, by:**

Michael Smiley                      (printed name)                      Michael Terzich

/s/ Michael Smiley                      /s/ Michael Terzich  
(signature)                                      (signature)

November 18, 2016                      November 21, 2016  
(date)    (date)

[confidential]  
(email & phone)

**Mail your (original) completed form to:**

**Zebra Technologies Corporation**

**Attention: General Counsel**

3 Overlook Point

Lincolnshire, IL 60069

T: +1 847 634 6700 F: +1 847 821 1492

**Subsidiaries of Registrant**

Zebra Technologies Corporation – a Delaware corporation (NASDAQ listing: ZBRA)  
 Genuine Zebra Technologies Trading (Shanghai) Co., Ltd. – a PRC limited liability company  
 Hart Systems, Ltd. – a UK limited private company  
 Laser Band, LLC – a Missouri limited liability company  
 Psion (Shanghai) Wireless Technologies Co., Ltd. – a PRC limited liability company  
 Psion (UK) Limited – a UK limited private company  
 Psion AB – a Swedish private limited company  
 Psion Africa (Proprietary) Limited – a South African private company  
 Psion ApS – a Danish private limited company  
 Psion Australia Pty. Limited – an Australian limited liability company  
 Psion Connect Holdings Limited – a UK limited private company  
 Psion Connect Limited – a UK limited private company  
 Psion de Argentina S.A. – an Argentinean limited private company  
 Psion Digital Limited – a UK limited private company  
 Psion Holdings Limited – a UK limited private company  
 Psion Inc. – a Canadian Federal corporation  
 Psion Investments Canada – a UK company unlimited with shares  
 Psion Investments Limited – a UK limited private company  
 Psion N.V. – a Belgian limited company  
 Psion SARL – a Swiss limited liability company  
 Psion Shared Services Limited – a UK limited private company  
 Psion Systems India Private Limited – an Indian limited liability company  
 Psion Teklogix (Israel) Ltd. – an Israeli company limited by shares  
 Psion Teklogix do Brasil Ltda – a Brazilian limited liability company  
 Psion Teklogix, S.A. de C.V. – a Mexican limited liability company  
 Symbol Technologies Africa, LLC – a Delaware limited liability company  
 Symbol Technologies Do Brasil S.A. – a Brazilian limited liability company  
 Symbol Technologies Holdings Do Brasil Ltda. – a Brazilian limited liability company  
 SYMBOL TECHNOLOGIES INDIA PRIVATE LIMITED – an Indian limited liability company  
 Symbol Technologies International, LLC – a Delaware limited liability company  
 Symbol Technologies Latin America, LLC – a Delaware limited liability company  
 Symbol Technologies S.A.S. – a French limited liability company  
 Symbol Technologies, LLC – a Delaware limited liability company  
 Telxon Corporation – a Delaware corporation  
 Zebra Diamond Holdings Limited – a UK private limited company  
 Zebra Enterprise Israel Ltd. – an Israeli private limited company  
 Zebra Jersey Holdings I Limited – a Jersey private limited company  
 Zebra Jersey Holdings II Limited – a Jersey private limited company  
 Zebra Luxco I S.a.r.l. – a Luxembourg limited liability company  
 Zebra Luxco II S.a.r.l. – a Luxembourg limited liability company  
 Zebra Luxco III S.a.r.l. – a Luxembourg limited liability company  
 Zebra Retail Solutions, LLC – a Delaware limited liability company  
 Zebra Technical Services (Guangzhou) Co., Ltd. – a PRC limited liability company  
 Zebra Technologies (Barbados) FinCo SRL, a Barbados international society with restricted liability  
 Zebra Technologies (Hong Kong) Limited – a Hong Kong limited company  
 Zebra Technologies (New Zealand) Limited – a New Zealand limited company  
 Zebra Technologies (Thailand) Ltd. – a Bangkok private limited company  
 Zebra Technologies AB – a Swedish limited liability company  
 Zebra Technologies Asia Holding Limited – a Mauritius private company limited by shares  
 Zebra Technologies Asia Pacific Pte. Ltd. – a Singapore private company limited by shares  
 Zebra Technologies Australia Pty Ltd – a Victoria private company limited by shares  
 Zebra Technologies Austria GmbH – an Austrian limited liability company  
 Zebra Technologies B.V. – a Netherlands limited liability company  
 Zebra Technologies Belgium BVBA – a Belgian limited liability company  
 Zebra Technologies Brazil, LLC – a Delaware limited liability company

Zebra Technologies Colombia S.A.S. – a Colombian simplified trading stock company  
Zebra Technologies Colombia, LLC – a Delaware limited liability company  
Zebra Technologies CZ s.r.o. – a Czech limited liability company  
Zebra Technologies d.o.o. Beograd – a Serbian limited liability company  
Zebra Technologies de Juarez, S. de R.L. de C.V. – a Mexican limited liability company  
Zebra Technologies de México, S. de R.L. de C.V. – a Mexican limited liability company (w/ ZIH Corp)  
Zebra Technologies de Reynosa, S. de R.L. de C.V. – a Mexican limited liability company  
Zebra Technologies do Brasil – Comércio de Produtos de Informática Ltda. – a Brazilian limited liability company  
Zebra Technologies Enterprise Corporation – a Delaware corporation  
Zebra Technologies Enterprise de Mexico, S. de R.L. de C.V. – a Mexican limited liability company  
Zebra Technologies Enterprise Inc. – a Canadian corporation  
Zebra Technologies Europe Limited – a private UK company limited by shares  
Zebra Technologies Germany GmbH – a German limited liability company  
Zebra Technologies Hellas Single Member IKE – a Greek private limited company  
Zebra Technologies India Private Ltd. – an Indian limited liability company  
Zebra Technologies International, LLC – an Illinois limited liability company  
Zebra Technologies Italy S.R.L. – an Italian limited liability company  
Zebra Technologies Japan Co. Ltd. – a Japanese limited liability company  
Zebra Technologies Korea YCH – a Korean limited liability company  
Zebra Technologies Lanka (Private) Limited – a Sri Lanka limited liability company  
Zebra Technologies Magyarország Kft. – a Hungarian limited liability company  
Zebra Technologies Malaysia Sdn. Bhd. – a Malaysian limited liability company  
Zebra Technologies Mexico Holdings, Inc. – a Delaware corporation  
Zebra Technologies Mexico, LLC – a Delaware limited liability company  
Zebra Technologies MS Holdings, LLC – a Delaware limited liability company  
Zebra Technologies Netherlands B.V. – a Netherlands limited liability company  
Zebra Technologies Norway AS – a Norwegian limited company  
Zebra Technologies Russia OOO – a Russian limited liability company  
Zebra Technologies Spain, S.L. – a Spanish limited liability company  
Zebra Technologies Sp. z.o.o. – a Polish limited liability company  
Zebra Technologies Taiwan Co., Ltd. – a Taiwanese limited liability company  
Zebra Technologies Thailand LLC – a Delaware limited liability company  
Zebra Technologies UK Limited – a UK private limited company  
Zebra Teknolojileri Sistem Cozumleri Anonim Sirketa – a Turkish joint stock company  
ZIH Corp. – a Delaware corporation  
ZTC Ireland Holdings Unlimited Company – an Irish private unlimited company  
ZTP Portugal, Unipessoal, Lda – a Portuguese private limited company

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (333-135179, 333-174616 and 333-204296) of Zebra Technologies Corporation of our reports dated February 27, 2017, with respect to the consolidated financial statements and schedule listed at Item 15 of Zebra Technologies Corporation and the effectiveness of internal control over financial reporting of Zebra Technologies Corporation included in its Annual Report (Form 10-K) for the year ended December 31, 2016, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 27, 2017



**CERTIFICATION**

I, Anders Gustafsson, certify that:

1. I have reviewed this report on Form 10-K of Zebra Technologies Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017 By: /s/ Anders Gustafsson

Anders Gustafsson  
Chief Executive Officer

**CERTIFICATION**

I, Olivier Leonetti, certify that:

1. I have reviewed this report on Form 10-K of Zebra Technologies Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017 By: /s/ Olivier Leonetti

Olivier Leonetti  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Zebra Technologies Corporation (the "Company") on Form 10-K for the period that ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof, I, Anders Gustafsson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2017 By: /s/ Anders Gustafsson

Anders Gustafsson  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Zebra Technologies Corporation (the “Company”) on Form 10-K for the period that ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof, I, Olivier Leonetti, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2017 By: /s/ Olivier Leonetti

Olivier Leonetti  
Chief Financial Officer