

TRIMBLE NAVIGATION LTD /CA/  
Form 10-Q  
November 09, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

**FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2010**

**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: 001-14845**

**TRIMBLE NAVIGATION LIMITED**

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction of  
incorporation or organization)

**94-2802192**  
(I.R.S. Employer

Identification Number)

**935 Stewart Drive, Sunnyvale, CA 94085**

(Address of principal executive offices) (Zip Code)

**Telephone Number (408) 481-8000**

(Registrant's telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange 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 Exchange Act). Yes  No

As of November 4, 2010, there were 120,085,706 shares of Common Stock (no par value) outstanding.

---

**Table of Contents**

**TRIMBLE NAVIGATION LIMITED**  
**FORM 10-Q for the Quarter Ended October 1, 2010**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I. <u>Financial Information</u></b>	
ITEM 1. <u>Financial Statements (Unaudited):</u>	3
<u>Condensed Consolidated Balance Sheets</u> as of October 1, 2010 and January 1, 2010	3
<u>Condensed Consolidated Statements of Income</u> for the Three and Nine Months Ended October 1, 2010 and October 2, 2009	4
<u>Condensed Consolidated Statements of Cash Flows</u> for the Nine Months Ended October 1, 2010 and October 2, 2009	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	31
ITEM 4. <u>Controls and Procedures</u>	32
<b>PART II. <u>Other Information</u></b>	
ITEM 1. <u>Legal Proceedings</u>	33
ITEM 1A. <u>Risk Factors</u>	33
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
ITEM 6. <u>Exhibits</u>	34
<u>SIGNATURES</u>	35

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TRIMBLE NAVIGATION LIMITED****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

<b>(In thousands)</b>	<b>October 1, 2010</b>	<b>January 1, 2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 211,056	\$ 273,848
Accounts receivable, net	229,746	202,293
Other receivables	18,172	11,856
Inventories, net	176,853	144,012
Deferred income taxes	29,600	39,686
Other current assets	20,673	18,383
<b>Total current assets</b>	<b>686,100</b>	<b>690,078</b>
Property and equipment, net	49,525	44,635
Goodwill	812,564	764,193
Other purchased intangible assets, net	203,230	202,782
Other non-current assets	64,661	51,589
<b>Total assets</b>	<b>\$ 1,816,080</b>	<b>\$ 1,753,277</b>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,913	\$ 445
Accounts payable	73,064	53,775
Accrued compensation and benefits	60,908	43,272
Deferred revenue	74,392	68,968
Accrued warranty expense	13,802	14,744
Other current liabilities	38,187	42,041
<b>Total current liabilities</b>	<b>262,266</b>	<b>223,245</b>
Non-current portion of long-term debt	151,180	151,038
Non-current deferred revenue	12,606	15,599
Deferred income taxes	29,388	38,857
Other non-current liabilities	41,313	59,983
<b>Total liabilities</b>	<b>496,753</b>	<b>488,722</b>
Commitments and contingencies		
<b>EQUITY</b>		
Shareholders' equity:		

Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Preferred stock, no par value; 3,000 shares authorized; none outstanding		
Common stock, no par value; 180,000 shares authorized; 119,961 and 120,450 shares issued and outstanding at October 1, 2010 and January 1, 2010, respectively	754,664	720,248
Retained earnings	500,407	491,367
Accumulated other comprehensive income	50,689	48,297
Total Trimble Navigation Ltd. shareholders' equity	1,305,760	1,259,912
Noncontrolling interests	13,567	4,643
Total equity	1,319,327	1,264,555
Total liabilities and equity	\$ 1,816,080	\$ 1,753,277

See accompanying Notes to the Condensed Consolidated Financial Statements.

**Table of Contents**

**TRIMBLE NAVIGATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

<b>(In thousands, except per share data)</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 1, 2010</b>	<b>October 2, 2009</b>	<b>October 1, 2010</b>	<b>October 2, 2009</b>
Revenue (1)	\$ 318,210	\$ 269,713	\$ 970,588	\$ 848,730
Cost of sales (1)	158,462	137,255	488,417	429,514
Gross margin	159,748	132,458	482,171	419,216
Operating expenses				
Research and development	36,897	33,250	109,339	100,844
Sales and marketing	53,228	47,022	153,518	141,120
General and administrative	29,637	23,237	85,474	75,901
Restructuring charges	238	872	1,244	5,797
Amortization of purchased intangible assets	8,078	7,912	24,250	22,411
Total operating expenses	128,078	112,293	373,825	346,073
Operating income	31,670	20,165	108,346	73,143
Non-operating income, net				
Interest income	221	124	864	546
Interest expense	(576)	(450)	(1,385)	(1,408)
Foreign currency transaction gain (loss), net	77	792	(1,046)	760
Income (loss) from equity method investments, net	3,404	(58)	9,025	421
Other income, net	3,533	988	3,022	1,476
Total non-operating income, net	6,659	1,396	10,480	1,795
Income before taxes	38,329	21,561	118,826	74,938
Income tax provision	5,487	5,714	51,061	20,244
Net income	32,842	15,847	67,765	54,694
Less: Net income (loss) attributable to noncontrolling	(3)	270	669	795
Net income attributable to Trimble Navigation Ltd.	\$ 32,845	\$ 15,577	\$ 67,096	\$ 53,899
Basic earnings per share	\$ 0.27	\$ 0.13	\$ 0.56	\$ 0.45
Shares used in calculating basic earnings per share	119,474	120,047	120,296	119,620
Diluted earnings per share	\$ 0.27	\$ 0.13	\$ 0.54	\$ 0.44
Shares used in calculating diluted earnings per share	122,869	122,854	123,599	121,893

(1)

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Sales to Caterpillar Trimble Control Technologies Joint Venture (CTCT) and Nikon-Trimble Joint Venture (Nikon-Trimble) were \$5.5 million and \$3.6 million for the three months ended October 1, 2010 and October 2, 2009, respectively, with associated cost of sales to those related parties of \$3.6 million and \$2.5 million, respectively. Sales to CTCT and Nikon-Trimble were \$15.8 million and \$11.5 million for the nine months ended October 1, 2010 and October 2, 2009, respectively, with associated cost of sales of \$10.7 million and \$7.7 million, respectively. In addition, cost of sales associated with related party net inventory purchases were \$7.4 million and \$4.7 million for the three months ended October 1, 2010 and October 2, 2009, respectively, and \$22.0 million and \$15.2 million for the nine months ended October 1, 2010 and October 2, 2009, respectively. See Note 4 regarding joint ventures for further information about related party transactions.

See accompanying Notes to the Condensed Consolidated Financial Statements.

**Table of Contents**

**TRIMBLE NAVIGATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<b>(In thousands)</b>	<b>Nine Months Ended</b>	
	<b>October 1, 2010</b>	<b>October 2, 2009</b>
<b>Cash flow from operating activities:</b>		
Net income	\$ 67,765	\$ 54,694
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	13,310	13,941
Amortization expense	42,165	38,968
Provision for doubtful accounts	3,022	2,933
Deferred income taxes	(3,827)	(9,268)
Stock-based compensation	16,165	13,321
Income from equity method investments	(9,025)	(421)
Excess tax benefit for stock-based compensation	(1,971)	(1,304)
Provision for excess and obsolete inventories	3,573	2,943
Other non-cash items	(3,630)	(2,707)
<b>Add decrease (increase) in assets:</b>		
Accounts receivable	(17,030)	2,613
Other receivables	191	6,288
Inventories	(32,549)	1,300
Other current and non-current assets	366	1,915
<b>Add increase (decrease) in liabilities:</b>		
Accounts payable	15,796	(1,068)
Accrued compensation and benefits	15,780	2,273
Accrued liabilities	(25,051)	1,947
Deferred revenue	1,982	10,753
<b>Net cash provided by operating activities</b>	<b>87,032</b>	<b>139,121</b>
<b>Cash flow from investing activities:</b>		
Acquisitions of businesses, net of cash acquired	(90,757)	(50,824)
Acquisitions of property and equipment	(17,162)	(9,541)
Acquisitions of intangible assets	(625)	(26,839)
Purchase of equity method investments	(5,692)	
Net purchases of short term investments		(2,000)
Dividends received	5,000	2,896
Other	99	(379)
<b>Net cash used in investing activities</b>	<b>(109,137)</b>	<b>(86,687)</b>
<b>Cash flow from financing activities:</b>		
Issuances of common stock, net	31,885	13,673
Repurchase and retirement of common stock	(73,853)	
Excess tax benefit for stock-based compensation	1,971	1,304
Payments on long-term debt and revolving credit lines	(467)	(168)
<b>Net cash provided by (used in) financing activities</b>	<b>(40,464)</b>	<b>14,809</b>



Effect of exchange rate changes on cash and cash equivalents	(223)	5,325
Net increase (decrease) in cash and cash equivalents	(62,792)	72,568
Cash and cash equivalents, beginning of period	273,848	142,531
Cash and cash equivalents, end of period	\$ 211,056	\$ 215,099

See accompanying Notes to the Condensed Consolidated Financial Statements.

---

**Table of Contents**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS    UNAUDITED**

**NOTE 1. OVERVIEW AND BASIS OF PRESENTATION**

Trimble Navigation Limited (the Company), incorporated in California in 1981, provides positioning solutions to commercial and government users in a large number of markets. These markets include surveying, agriculture, construction, asset management, mapping, and mobile resource management.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2009 was January 1, 2010. The third quarters of fiscal 2010 and fiscal 2009 ended on October 1, 2010 and October 2, 2009, respectively. Fiscal 2010 and 2009 were both 52-week years. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its majority-owned subsidiaries. Inter-company accounts and transactions have been eliminated. Noncontrolling interests represent the minority shareholders' proportionate share of the net assets and results of operations of the Company's majority-owned subsidiaries.

The accompanying financial data as of October 1, 2010 and for the three and nine months ended October 1, 2010 and October 2, 2009 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of January 1, 2010 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2009. Certain amounts from prior periods have been reclassified to conform to the current period presentation. The following discussion should be read in conjunction with the Company's 2009 Annual Report on Form 10-K.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be different from the estimates.

In the opinion of management, all adjustments necessary to present a fair statement of financial position as of October 1, 2010, results of operations for the three and nine months ended October 1, 2010 and October 2, 2009 and cash flows for the nine months ended October 1, 2010 and October 2, 2009, as applicable, have been made. The results of operations for the three and nine months ended October 1, 2010 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions. The Company has evaluated all subsequent events through the date that these financial statements have been filed with the SEC.

**NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES**

There have been no material changes to the Company's significant accounting policies during the nine months ended October 1, 2010 from those disclosed in the Company's 2009 Form 10-K, with the exception of the Company's accounting policy for revenue recognition as described below.

***Revenue Recognition Accounting Policy***

The Company elected to early adopt new revenue accounting guidance at the beginning of its first quarter of fiscal 2010 on a prospective basis for applicable transactions originating or materially modified after January 1, 2010. See "Recent Accounting Pronouncements" below within this footnote.

The Company recognizes product revenue when persuasive evidence of an arrangement exists, shipment has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is specified by the customer or is uncertain, revenue is deferred until all acceptance criteria have been met.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Contracts and/or customer purchase orders are used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. The Company assesses whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. The Company assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analyses, as well as the customer's payment history.

Revenue for orders is generally not recognized until the product is shipped and title has transferred to the buyer. The Company bears all costs and risks of loss or damage to the goods up to that point. The Company's shipment terms for U.S. orders and international orders fulfilled from

**Table of Contents**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

the Company's European distribution center typically provide that title passes to the buyer upon delivery of the goods to the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the Company may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. Other shipment terms may provide that title passes to the buyer upon delivery of the goods to the buyer. Shipping and handling costs are included in Cost of sales.

Revenue to distributors and resellers is recognized upon shipment, assuming all other criteria for revenue recognition have been met. Distributors and resellers do not typically have a right of return.

Revenue from purchased extended warranty and post contract support (PCS) agreements is deferred and recognized ratably over the term of the warranty or support period.

The Company presents revenue net of sales taxes and any similar assessments.

The Company's software arrangements generally consist of a perpetual license fee and PCS. The Company generally has established vendor-specific objective evidence (VSOE) of fair value for the Company's PCS contracts based on the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method. License revenue is primarily recognized when the software has been delivered and fair value has been established for all remaining undelivered elements.

The Company's multiple deliverable product offerings include hardware with embedded firmware, extended warranty and PCS services, which are considered separate units of accounting. For certain of the Company's products, software and non-software components function together to deliver the tangible product's essential functionality.

Some of the Company's subscription product offerings include hardware, subscription services and extended warranty. Under the Company's hosted arrangements, the customer typically does not have the contractual right to take possession of the software at any time during the hosting period without incurring a significant penalty and it is not feasible for the customer to run the software either on its own hardware or on a third-party's hardware. Upfront fees related to the Company's hosted solutions typically consist of amounts for the in-vehicle enabling hardware device and peripherals.

In evaluating the revenue recognition for agreements which contain multiple deliverable arrangements, under the new accounting guidance, the Company determined that in certain instances it was not able to establish VSOE for all deliverables in an arrangement as the Company infrequently sells each element on a standalone basis, does not price products within a narrow range, or has a limited sales history. When VSOE cannot be established, the Company attempts to establish the selling price of each element based on relevant third-party evidence (TPE). TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy differs from that of competitors, and offerings may contain a significant level of proprietary technology, customization or differentiation such that the comparable pricing of products with similar functionality cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products' selling prices are on a stand-alone basis. Therefore, the Company typically is not able to determine TPE.

When the Company is unable to establish selling price using VSOE or TPE, the Company uses its best estimate of selling price (BESP) in the Company's allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. BESP is generally used for offerings that are not typically sold on a stand-alone basis or for new or highly customized offerings. The Company determines BESP for a product or service by considering multiple factors including, but not limited to, pricing practices, market conditions, competitive landscape, internal costs, geographies and gross margin. The determination of BESP is made through consultation with and formal approval by the Company's management, taking into consideration the Company's go-to-market strategy.

Total revenue as reported and pro forma total revenues that would have been reported during the three and nine months ended October 1, 2010, if the transactions entered into or materially modified after January 1, 2010 were subject to previous accounting guidance, are shown in the following table:

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

(Dollars in thousands)	As Reported	Pro Forma
Total revenue for the three months ended October 1, 2010	\$ 318,210	\$ 314,817
Total revenue for the nine months ended October 1, 2010	\$ 970,588	\$ 963,983

The impact of the revised accounting guidance to total revenue during the three and nine months ended October 1, 2010 was attributable to the reallocation of discounts to revenue deliverables, the recognition of hardware revenue associated with subscription contracts, which was previously recognized ratably over the contract period, and the ability to assign selling price to undelivered elements, which previously required VSOE.

### ***Recent Accounting Pronouncements***

Updates to recent accounting standards as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2010 are as follows:

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

measurements. This guidance, which is now codified under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuances, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance became effective for the Company with the reporting period beginning January 2, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the Company at the beginning of fiscal 2011. Other than requiring additional disclosures, adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued accounting guidance which changes the consolidation guidance applicable to a variable interest entity (VIE). The guidance, now codified under the Consolidation Topic of the FASB Accounting Standards Codification, also amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This guidance also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, GAAP required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. The Company adopted this guidance in the first quarter of fiscal 2010. The adoption of the guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In October 2009, the FASB issued an amendment which eliminates the residual method of allocation for multiple-deliverable revenue arrangements and requires that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. In addition, the guidance updated whether multiple deliverables exist and how the deliverables in an arrangement should be separated. The amendment also establishes a selling price hierarchy for determining the selling price of a deliverable, which includes: (1) vendor specific objective evidence (VSOE) if available; (2) third-party evidence (TPE) if VSOE evidence is not available; and (3) estimated selling (ESP) price if neither VSOE nor TPE is available. In addition, the FASB modified the accounting for revenue arrangements that include both tangible products and software elements, such that tangible products containing both software and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of software revenue guidance. Both amendments are effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company early adopted this guidance in the first quarter of fiscal 2010 on a prospective basis.

**NOTE 3. SHAREHOLDERS' EQUITY*****Stock Repurchase Activities***

In January 2008, the Company's Board of Directors authorized a stock repurchase program (2008 Stock Repurchase Program), authorizing the Company to repurchase up to \$250 million of Trimble's common stock under this program. After placing the program on hold in late 2008 due to the economic downturn, Trimble resumed purchases under the program, beginning in the second quarter of 2010. During the three months ended October 1, 2010, the Company repurchased approximately 216,000 shares of common stock in open market purchases at an average price of \$28.40 per share, for a total of \$6.1 million. During the nine months ended October 1, 2010, the Company repurchased approximately 2,576,000 shares of common stock in open market purchases at an average price of \$28.67 per share, for a total of \$73.8 million. No shares of common stock were repurchased during the three and nine months ended October 2, 2009. Since January 2008, the Company has repurchased approximately 6,819,000 shares of common stock in open market purchases at an average price of \$29.29 per share, for a total of \$199.7 million. The purchase price was reflected as a decrease to common stock based on the average stated value per share with the remainder to retained earnings. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. All common shares repurchased under this program have been retired. As of October 1, 2010, the 2008 Stock Repurchase Program had remaining authorized funds of \$50.3 million. The timing and actual number of future shares repurchased will depend on a variety of factors including price, regulatory requirements, capital availability, and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without public notice.

***Stock-Based Compensation***

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

The Company accounts for its employee stock options and rights to purchase shares under its stock participation plans under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's Condensed Consolidated Statements of Income.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

The following table summarizes stock-based compensation expense, net of tax, related to employee stock-based compensation included in the Condensed Consolidated Statements of Income for the three and nine months ended October 1, 2010 and October 2, 2009.



**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Cost of sales	\$ 485	\$ 453	\$ 1,472	\$ 1,368
Research and development	968	866	2,899	2,504
Sales and marketing	1,283	1,134	4,013	3,200
General and administrative	2,804	2,088	7,781	6,249
<b>Total operating expenses</b>	<b>5,055</b>	<b>4,088</b>	<b>14,693</b>	<b>11,953</b>
Total stock-based compensation expense	5,540	4,541	16,165	13,321
Tax benefit (1)	(1,150)	(1,153)	(3,345)	(2,270)
Total stock-based compensation expense, net of tax	\$ 4,390	\$ 3,388	\$ 12,820	\$ 11,051

- (1) Tax benefit related to U.S. non-qualified options, restricted stock units, and disqualified disposition of incentive stock options, applying a Federal statutory and State (Federal effected) tax rate for the respective periods.

*Options*

Stock option expense recognized during the period is based on the fair value of the portion of the stock option that is expected to vest during the period and is net of estimated forfeitures. The fair value of each stock option is estimated on the date of grant using a binomial valuation model. The Black-Scholes model was used to value those options granted prior to the fourth quarter of fiscal 2005. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. For options granted during the three and nine months ended October 1, 2010 and October 2, 2009, the following weighted average assumptions were used:

	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Expected dividend yield				
Expected stock price volatility	43.8%	46.8%	43.7%	46.7%
Risk free interest rate	1.7%	1.8%	1.8%	1.9%
Expected life of option	4.1 years	4.1 years	4.2 years	4.2 years

*Expected Dividend Yield* The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

*Expected Stock Price Volatility* The Company's computation of expected volatility is based on a combination of implied volatilities from traded options on the Company's stock and historical volatility, commensurate with the expected life of the stock options.

*Expected Risk Free Interest Rate* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected life of the stock options.

*Expected Life Of Option* The Company's expected life represents the period that the Company's stock options are expected to be outstanding and is determined based on historical experience of similar stock options with consideration to the contractual terms of the stock options, vesting schedules, and expectations of future employee behavior.

**NOTE 4. JOINT VENTURES**

***Caterpillar Trimble Control Technologies Joint Venture***

On April 1, 2002, Caterpillar Trimble Control Technologies LLC (CTCT), a joint venture formed by the Company and Caterpillar, began operations. CTCT develops advanced electronic guidance and control products for earth moving machines in the construction and mining industries. The joint venture is 50% owned by the Company and 50% owned by Caterpillar, with equal voting rights. The joint venture is accounted for under the equity method of accounting. Under the equity method, the Company's share of profits and losses are included in Income (loss) from equity method investments, net in the Non-operating income, net section of the Condensed Consolidated Statements of Income. During the three and nine months ended October 1, 2010, the Company recorded \$1.8 million and \$6.2 million, respectively, as its proportionate share of CTCT net income. During the comparable period of 2009, the Company recorded \$0.6 million and \$2.2 million, respectively, as its proportionate share of CTCT net income. During the nine months ended October 1, 2010 and October 2, 2009, dividends received from CTCT, amounted to \$5.0 million and \$2.9 million, and were recorded against Other non-current assets on the Condensed Consolidated Balance Sheets. The carrying amount of the investment in CTCT was \$8.3 million at October 1, 2010 and \$7.1 million at January 1, 2010, and is included in Other non-current assets on the Condensed Consolidated Balance Sheets.

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

The Company acts as a contract manufacturer for CTCT. Products are manufactured based on orders received from CTCT and are sold at direct cost, plus a mark-up for the Company's overhead costs to CTCT. CTCT then resells products at cost, plus a mark-up in consideration for CTCT's research and development efforts to both Caterpillar and to the Company for sales through their respective distribution channels. CTCT does not have net inventory on its balance sheet in that the resale of products to Caterpillar and the Company occurs simultaneously when the products are purchased from the Company. During the three and nine months ended October 1, 2010, the Company recorded \$0.8 million and \$2.6 million of revenue, respectively, and \$0.8 million and \$2.5 million of cost of sales, respectively, for the manufacturing of products sold by the Company to CTCT and then sold through the Caterpillar distribution channel. During the comparable three and nine months ended October 2, 2009, the Company recorded \$0.4 million and \$1.9 million of revenue, respectively, and \$0.4 million and \$1.8 million of cost of sales for the manufacturing of products sold by the Company to CTCT and then sold through the Caterpillar distribution channel. In addition, during the three and nine months ended October 1, 2010, the Company recorded \$7.4 million and \$22.0 million in net cost of sales for the manufacturing of products sold by the Company to CTCT and then repurchased by the Company upon sale through the Company's distribution channel. The comparable net cost of sales recorded by the Company for the three and nine months ended October 2, 2009 were \$4.7 million and \$15.2 million, respectively.

In addition, the Company received reimbursement of employee-related costs from CTCT for company employees dedicated to CTCT or performance of work for CTCT totaling \$2.9 million and \$8.5 million for the three and nine months ended October 1, 2010, respectively, and totaling \$2.5 million and \$7.8 million for the three and nine months ended October 2, 2009, respectively. The reimbursements were offset against operating expense.

At October 1, 2010 and January 1, 2010, the Company had amounts due to and from CTCT. Receivables and payables to CTCT are settled individually with terms comparable to other non-related parties. The amounts due to and from CTCT are presented on a gross basis in the Condensed Consolidated Balance Sheets. At October 1, 2010 and January 1, 2010, the receivables from CTCT were \$4.6 million and \$3.5 million, respectively, and are included within Accounts receivable, net, on the Condensed Consolidated Balance Sheets. As of the same dates, the payables due to CTCT were \$6.0 million and \$4.4 million, respectively, and are included within Accounts payable on the Condensed Consolidated Balance Sheets.

***Nikon-Trimble Joint Venture***

On March 28, 2003, Nikon-Trimble Co., Ltd (Nikon-Trimble), a joint venture, was formed by the Company and Nikon Corporation. The joint venture began operations in July 2003 and is 50% owned by the Company and 50% owned by Nikon, with equal voting rights. It focuses on the design and manufacture of surveying instruments including mechanical total stations and related products.

The joint venture is accounted for under the equity method of accounting. During the three and nine months ended October 1, 2010, the Company recorded a profit of \$1.4 million and \$2.7 million, respectively, and during the three and nine months ended October 2, 2009, the Company recorded loss of \$0.7 million and \$1.8 million, respectively, as its proportionate share of Nikon-Trimble net income. During the three and nine months ended October 1, 2010 and October 2, 2009, there were no dividends received from Nikon-Trimble. The carrying amount of the investment in Nikon-Trimble was \$14.1 million at October 1, 2010 and \$11.4 million at January 1, 2010, and is included in Other non-current assets on the Condensed Consolidated Balance Sheets.

Nikon-Trimble is the distributor in Japan for Nikon and the Company's products. The Company is the exclusive distributor outside of Japan for Nikon branded survey products. For products sold by the Company to Nikon-Trimble, revenue is recognized by the Company on a sell-through basis from Nikon-Trimble to the end customer.

The terms and conditions of the sales of products from the Company to Nikon-Trimble are comparable with those of the standard distribution agreements which the Company maintains with its dealer channel and margins earned are similar to those from third party dealers. Similarly, the purchases of product by the Company from Nikon-Trimble are made on terms comparable with the arrangements which Nikon maintained with its international distribution channel prior to the formation of the joint venture with the Company. During the three and nine months ended October 1, 2010, the Company recorded \$4.7 million and \$13.2 million of revenue and \$2.8 million and \$8.2 million of cost of sales for the manufacturing of products sold by the Company to Nikon-Trimble. During the three and nine months ended October 2, 2009, the Company recorded \$3.2 million and \$9.6 million of revenue and \$2.1 million and \$5.9 million of cost of sales for the manufacturing of products sold by the Company to Nikon-Trimble. The Company also purchases product from Nikon-Trimble for future sales to third party customers. Purchases of inventory from Nikon-Trimble were \$7.7 million and \$16.0 million during the three and nine months ended October 1, 2010, respectively, and \$2.1 million and \$6.1 million during the three and nine months ended October 2, 2009, respectively.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

At October 1, 2010 and January 1, 2010, the Company had amounts due to and from Nikon-Trimble. Receivables and payables to Nikon-Trimble are settled individually with terms comparable to other non-related parties. The amounts due to and from Nikon-Trimble are presented on a gross basis in the Condensed Consolidated Balance Sheets. At October 1, 2010 and January 1, 2010, the amounts due from Nikon-Trimble were \$4.1 million and \$4.7 million, respectively, and are included within Accounts receivable, net on the Condensed Consolidated Balance Sheets. As of the same dates, the amounts due to Nikon-Trimble were \$6.2 million and \$4.5 million, respectively, and are included within Accounts payable on the Condensed Consolidated Balance Sheets.

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)****NOTE 5. GOODWILL AND INTANGIBLE ASSETS****Intangible Assets**

Intangible Assets consisted of the following:

	<b>October 1, 2010</b>		
<b>(Dollars in thousands)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Developed product technology	\$ 234,736	\$ (139,447)	\$ 95,289
Trade names and trademarks	21,634	(16,034)	5,600
Customer relationships	141,688	(62,754)	78,934
Distribution rights and other intellectual properties *	47,845	(24,438)	23,407
	<b>\$ 445,903</b>	<b>\$ (242,673)</b>	<b>\$ 203,230</b>

	<b>January 1, 2010</b>		
<b>(Dollars in thousands)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Developed product technology	\$ 213,696	\$ (114,870)	\$ 98,826
Trade names and trademarks	20,861	(14,891)	5,970
Customer relationships	120,990	(48,885)	72,105
Distribution rights and other intellectual properties *	46,702	(20,821)	25,881
	<b>\$ 402,249</b>	<b>\$ (199,467)</b>	<b>\$ 202,782</b>

(\*) Included within Distribution rights and other intellectual properties is a \$25.0 million distribution right that the Company purchased from Caterpillar, a related party for accounting purposes, during fiscal 2008. The fair value of the distribution right was estimated using a discounted cash flow analysis. The distribution right is being amortized over its estimated economic life of eight years. The estimated future amortization expense of intangible assets as of October 1, 2010, is as follows:

<b>(Dollars in thousands)</b>	
2010 (Remaining)	\$ 14,710
2011	55,267
2012	47,553
2013	42,173
2014	20,294
Thereafter	23,233
<b>Total</b>	<b>\$ 203,230</b>

**Goodwill**

The changes in the carrying amount of goodwill by operating segment for the nine months ended October 1, 2010, were as follows:

<b>(Dollars in thousands)</b>	<b>Engineering and Construction</b>	<b>Field Solutions</b>	<b>Mobile Solutions</b>	<b>Advanced Devices</b>	<b>Total</b>
Balance as of January 1, 2010	\$ 389,702	\$ 26,776	\$ 333,265	\$ 14,450	\$ 764,193
Additions due to acquisitions	35,244	1,668	11,248		48,160
Purchase price adjustments	469	(3,348)			(2,879)
Foreign currency translation adjustments	2,723	117	62	188	3,090
Balance as of October 1, 2010	\$ 428,138	\$ 25,213	\$ 344,575	\$ 14,638	\$ 812,564

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)****NOTE 6. CERTAIN BALANCE SHEET COMPONENTS**

Inventories, net consisted of the following:

<b>As of</b>	<b>October 1,</b>	<b>January 1,</b>
<b>(Dollars in thousands)</b>	<b>2010</b>	<b>2010</b>
Raw materials	\$ 69,987	\$ 51,489
Work-in-process	5,617	4,869
Finished goods	101,249	87,654
 Total inventories, net	 \$ 176,853	 \$ 144,012

Deferred costs of revenue are included within finished goods and were \$16.4 million at October 1, 2010 and \$16.8 million at January 1, 2010.

Other non-current liabilities consisted of the following:

<b>As of</b>	<b>October 1,</b>	<b>January 1,</b>
<b>(Dollars in thousands)</b>	<b>2010</b>	<b>2010</b>
Deferred compensation	\$ 9,020	\$ 8,264
Unrecognized tax benefits	16,963	36,968
Other non-current liabilities	15,330	14,751
 Total other non-current liabilities	 \$ 41,313	 \$ 59,983

As of October 1, 2010 and January 1, 2010, the Company has \$17.0 million and \$37.0 million, respectively, of unrecognized tax benefits included in Other non-current liabilities that, if recognized, would favorably affect the effective income tax rate and interest and/or penalties related to income tax matters in future periods.

**NOTE 7. SEGMENT INFORMATION**

The Company is a designer and distributor of positioning solutions enabled by GPS, optical, laser, and wireless communications technology. The Company provides products for diverse applications in its targeted markets.

To achieve distribution, marketing, production, and technology advantages, the Company manages its operations in the following four segments:

**Engineering and Construction** Consists of products currently used by survey and construction professionals in the field for positioning, data collection, field computing, data management, and machine guidance and control. The applications served include surveying, road, runway, construction, site preparation, and building construction.

**Field Solutions** Consists of products that provide solutions in a variety of agriculture and geographic information systems (GIS) applications. In agriculture, these include precise land leveling and machine guidance systems. In GIS, these include handheld devices and software that enable the collection of data on assets for a variety of governmental and private entities.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

**Mobile Solutions** Consists of products that enable end-users to monitor and manage their mobile assets by communicating location and activity-relevant information from the field to the office. The Company offers a range of products that address a number of sectors of this market including truck fleets, security, and public safety vehicles.

**Advanced Devices** The various operations that comprise this segment are aggregated on the basis that no single operation accounts for more than 10% of the Company's total revenue, operating income, and assets. This segment is comprised of the Component Technologies, Military and Advanced Systems, Applanix, and Trimble Outdoors businesses.

The Company evaluates each of its segment's performance and allocates resources based on segment operating income from operations before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies.



**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

The following table presents revenue, operating income, and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangibles, amortization of acquisition-related inventory step-up, non-recurring acquisition costs and restructuring charges. The identifiable assets that the Company's Chief Operating Decision Maker, its Chief Executive Officer, views by segment are accounts receivable, inventories, and goodwill.

	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
<b>(Dollars in thousands)</b>					
Three Months Ended October 1, 2010					
Segment revenue	\$ 189,598	\$ 67,240	\$ 37,692	\$ 23,680	\$ 318,210
Operating income (loss)	36,589	21,027	(83)	4,073	61,606
Three Months Ended October 2, 2009					
Segment revenue	\$ 149,384	\$ 55,654	\$ 39,572	\$ 25,103	\$ 269,713
Operating income	21,131	16,286	3,367	4,488	45,272
Nine Months Ended October 1, 2010					
Segment revenue	\$ 535,657	\$ 243,299	\$ 113,839	\$ 77,793	\$ 970,588
Operating income	89,317	89,320	2,140	14,879	195,656
Nine Months Ended October 2, 2009					
Segment revenue	\$ 424,275	\$ 234,598	\$ 116,925	\$ 72,932	\$ 848,730
Operating income	42,800	88,637	10,163	13,633	155,233
As of October 1, 2010					
Accounts receivable	\$ 140,024	\$ 49,534	\$ 25,584	\$ 14,604	\$ 229,746
Inventories	115,788	26,869	17,950	16,246	176,853
Goodwill	428,138	25,213	344,575	14,638	812,564
As of January 1, 2010					
Accounts receivable	\$ 118,033	\$ 37,178	\$ 29,572	\$ 17,510	\$ 202,293
Inventories	91,248	22,025	16,826	13,913	144,012
Goodwill	389,702	26,776	333,265	14,450	764,193

Unallocated corporate expense includes general corporate expense, amortization of acquisition-related inventory step-up and non-recurring acquisition costs. A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
<b>(Dollars in thousands)</b>				
Consolidated segment operating income	\$ 61,606	\$ 45,272	\$ 195,656	\$ 155,233
Unallocated corporate expense	(15,214)	(10,345)	(43,751)	(33,992)
Amortization of purchased intangible assets	(14,432)	(13,620)	(42,165)	(38,968)
Restructuring charges	(290)	(1,142)	(1,394)	(9,130)
Consolidated operating income	31,670	20,165	108,346	73,143
Non-operating income, net	6,659	1,396	10,480	1,795

Consolidated income before taxes	\$ 38,329	\$ 21,561	\$ 118,826	\$ 74,938
----------------------------------	-----------	-----------	------------	-----------

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)****NOTE 8. LONG-TERM DEBT, COMMITMENTS AND CONTINGENCIES**

Long-term debt consisted of the following:

As of	October 1, 2010	January 1, 2010
<b>(Dollars in thousands)</b>		
<b>Credit Facilities:</b>		
Revolving credit facility	\$ 151,000	\$ 151,000
Notes payable and other	2,093	483
<b>Total debt</b>	<b>153,093</b>	<b>151,483</b>
<b>Less current portion of long-term debt</b>	<b>1,913</b>	<b>445</b>
<b>Non-current portion</b>	<b>\$ 151,180</b>	<b>\$ 151,038</b>

***Credit Facilities***

On July 28, 2005, the Company entered into a \$200 million unsecured revolving credit agreement (the 2005 Credit Facility) with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. On February 16, 2007, the Company amended its existing \$200 million unsecured revolving credit agreement with a syndicate of 11 banks with The Bank of Nova Scotia as the administrative agent (the 2007 Credit Facility). Under the 2007 Credit Facility, the Company exercised the option in the existing credit agreement to increase the availability under the revolving credit line by \$100 million, for an aggregate availability of up to \$300 million, and extended the maturity date of the revolving credit line by 18 months, from July 2010 to February 2012. Up to \$25 million of the availability under the revolving credit line may be used to issue letters of credit, and up to \$20 million may be used to pay off other debts or loans. The maximum leverage ratio under the 2007 Credit Facility is 3.00:1.00. The funds available under the 2007 Credit Facility may be used by the Company for acquisitions, stock repurchases, and general corporate purposes. As of August 20, 2008, the Company amended its 2007 Credit Facility to allow it to redeem, retire or purchase common stock of the Company without limitation so long as no default or unmatured default then existed, and leverage ratio for the two most recently completed periods was less than 2.00:1.00. In addition, the definition of the fixed charge was amended to exclude the impact of redemptions, retirements, or purchases common stock of the Company from the fixed charges coverage ratio.

In addition, during the first quarter of fiscal 2007 the Company incurred a five-year term loan under the 2007 Credit Facility in an aggregate principal amount of \$100 million, which was repaid in full during fiscal 2008. As of October 1, 2010, the Company had an outstanding balance on the revolving credit line of \$151.0 million which was drawn down in fiscal 2008.

The Company may borrow funds under the 2007 Credit Facility in U.S. Dollars or in certain other currencies, and borrowings will bear interest, at the Company's option, at either: (i) a base rate, based on the administrative agent's prime rate, plus a margin of between 0% and 0.125%, depending on the Company's leverage ratio as of its most recently ended fiscal quarter, or (ii) a reserve-adjusted rate based on the London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR), Stockholm Interbank Offered Rate (STIBOR), or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.625% and 1.125%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter. The Company's obligations under the 2007 Credit Facility are guaranteed by certain of the Company's domestic subsidiaries.

The 2007 Credit Facility contains customary affirmative, negative, and financial covenants including, among other requirements, negative covenants that restrict the Company's ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions, make investments, enter into mergers and consolidations and make capital expenditures, within certain limitations, and financial covenants that require the maintenance of leverage and fixed charge coverage ratios. The 2007 Credit Facility contains events of default that

include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments, and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate the Company's obligations under the 2007 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default. As of October 1, 2010, the Company was in compliance with all financial debt covenants.

*Notes Payable*

As of October 1, 2010 and January 1, 2010 the Company had notes payable totaling approximately \$2.1 million and \$0.5 million, respectively. The outstanding notes payable as of October 1, 2010 consisted primarily of notes payable to noncontrolling interest holders of one of the Company's consolidated subsidiaries. The notes bear interest at 6% and have undefined payment terms, but are callable with a six month notification. The outstanding notes payable balance as of January 1, 2010 consisted primarily of government loans to foreign subsidiaries.

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)*****Leases and other commitments***

The estimated future minimum operating lease commitments as of October 1, 2010, are as follows (dollars in thousands):

2010 (Remaining)	\$ 5,228
2011	17,476
2012	12,406
2013	6,042
2014	4,243
Thereafter	4,791
<b>Total</b>	<b>\$ 50,186</b>

Additionally, as of October 1, 2010, the Company had acquisition-related earn-outs of \$4.2 million and holdbacks of \$12.9 million recorded in Other current liabilities and Other non-current liabilities. The maximum remaining payments, including the \$4.2 million and \$12.9 million recorded, will not exceed \$44.0 million. The remaining payments are based upon targets achieved or events occurring over time that would result in amounts paid that may be lower than the maximum remaining payments. The remaining earn-outs and holdbacks are payable through 2013.

At October 1, 2010, the Company had unconditional purchase obligations of approximately \$66.2 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors. Purchase obligations exclude agreements that are cancelable without penalty. These unconditional purchase obligations are related primarily to inventory and other items.

**NOTE 9. FAIR VALUE MEASUREMENTS**

The guidance on fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about assets and liabilities measured at fair value. Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market, and the instruments' complexity.

Assets and liabilities, recorded at fair value on a recurring basis in the Condensed Consolidated Balance Sheets, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by the guidance on fair value measurements are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

Level I Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

**Fair Value on a Recurring Basis**

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

(Dollars in thousands)	Fair Values as of October 1, 2010			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Money market funds (1)	\$ 99,640	\$		\$ 99,640
Deferred compensation plan assets (2)		8,967		8,967
Derivative assets (3)		250		250
<b>Total</b>	<b>\$ 99,640</b>	<b>\$ 9,217</b>	<b>\$</b>	<b>\$ 108,857</b>
<b>Liabilities</b>				
Deferred compensation plan liabilities (2)	\$	\$ 9,020	\$	\$ 9,020
Derivative liabilities (3)		1,136		1,136
Contingent consideration liability (4)			2,192	2,192
<b>Total</b>	<b>\$</b>	<b>\$ 10,156</b>	<b>\$ 2,192</b>	<b>\$ 12,348</b>

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

- (1) These investments are highly liquid investments such as money market funds and U.S. Treasury bills. The fair values are determined using observable quoted prices in active markets. Money market funds are included in Cash and cash equivalents on the Company's Condensed Consolidated Balance Sheets. In prior year filings, the table above incorrectly excluded certain Level I money market funds. These funds however, were correctly included in Cash and cash equivalents on the Company's Condensed Consolidated Balance Sheets.
- (2) The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The investment assets and liabilities included in Level II are valued using quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.
- (3) Derivative assets and liabilities included in Level II primarily represent forward currency exchange contracts. The Company enters into these contracts to minimize the short-term impact of foreign currency fluctuations on certain trade and inter-company receivables and payables. The derivatives are not designated as hedging instruments. The fair values are determined using inputs based on observable quoted prices. Derivative assets and liabilities are included in Other current assets and Other current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.
- (4) The Company has six contingent consideration arrangements that require it to pay the former owners of certain companies it acquired during fiscal 2009 and fiscal 2010. The undiscounted maximum payment under all six arrangements is \$8.5 million, based on future revenues or gross margins over a 3 year period. The Company estimated the fair value of these liabilities using the expected cash flow approach with inputs being probability-weighted revenue or gross margin projections, as the case may be, and discount rates ranging from 0.16% to 0.42%. Of the total contingent consideration liability, \$0.3 million and \$1.9 million were included in Other current liabilities and Other non-current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.

The table below sets forth a summary of changes in the fair value of the Level III contingent consideration liability for the three month ended October 1, 2010.

As of	Level III liabilities October 1, 2010
<b>(Dollars in thousands)</b>	
Balance as of January 1, 2010	\$ 2,200
Acquisitions	2,337
Realized gains	(2,345)
Balance as of October 1, 2010	\$ 2,192

**Additional Fair Value Information**

The following table provides additional fair value information relating to the Company's financial instruments outstanding:

As of	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	October 1, 2010		January 1, 2010	
<b>(Dollars in thousands)</b>				
<i>Assets:</i>				
Cash and cash equivalents	\$ 211,056	\$ 211,056	\$ 273,848	\$ 273,848
Forward foreign currency exchange contracts	250	250	594	594
<i>Liabilities:</i>				
Credit facility	\$ 151,000	\$ 148,152	\$ 151,000	\$ 147,144

Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Forward foreign currency exchange contracts	1,136	1,136	52	52
Notes payable and other	2,093	2,073	483	479

The fair value of the bank borrowings and notes payable has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that Trimble would currently have to pay to extinguish any of this debt.



**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)****NOTE 10. PRODUCT WARRANTIES**

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. The products sold are generally covered by a warranty for periods ranging from 90 days to three years, and in some instances up to 5.5 years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the nine months ended October 1, 2010 are as follows:

<b>(Dollars in thousands)</b>	
Balance as of January 1, 2010	\$ 14,744
Accruals for warranties issued	13,064
Changes in estimates	(1,430)
Warranty settlements (in cash or in kind)	(12,576)
<b>Balance as of October 1, 2010</b>	<b>\$ 13,802</b>

**NOTE 11. EARNINGS PER SHARE**

The following data was used in computing earnings per share and the effect on the weighted-average number of shares of potentially dilutive common stock.

<b>(Dollars in thousands, except per share amounts)</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 1, 2010</b>	<b>October 2, 2009</b>	<b>October 1, 2010</b>	<b>October 2, 2009</b>
<b>Numerator:</b>				
Net income attributable to Trimble Navigation Ltd.	\$ 32,845	\$ 15,577	\$ 67,096	\$ 53,899
<b>Denominator:</b>				
Weighted average number of common shares used in basic earnings per share	119,474	120,047	120,296	119,620
Effect of dilutive securities (using treasury stock method):				
Common stock options and restricted stock units	3,395	2,807	3,303	2,273
<b>Weighted average number of common shares and dilutive potential common shares used in diluted earnings per</b>	<b>122,869</b>	<b>122,854</b>	<b>123,599</b>	<b>121,893</b>
Basic earnings per share	\$ 0.27	\$ 0.13	\$ 0.56	\$ 0.45
Diluted earnings per share	\$ 0.27	\$ 0.13	\$ 0.54	\$ 0.44

For the three months ended October 1, 2010 and October 2, 2009, the Company excluded 2.3 million shares and 4.9 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share. For the nine months ended October 1, 2010 and October 2, 2009, the Company excluded 2.2 million and 4.9 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share. These shares were excluded from the three and nine month periods because the exercise prices of these stock options were greater than or equal to the average market value of the common shares during the respective periods. Inclusion of these shares would be antidilutive. These options could be included in the calculation in the future if the average market value of the common shares increases and is greater than the exercise price of these options.

**NOTE 12: RESTRUCTURING CHARGES:**

Restructuring expense for the three and nine months ended October 1, 2010 and October 2, 2009 was as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
(Dollars in thousands)				
Severance and benefits	\$290	\$1,142	\$1,394	\$9,130

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

During the three and nine months ended October 1, 2010, restructuring expense of \$0.3 million and \$1.4 million, respectively, was related to decisions to streamline processes and reduce the cost structure of the Company, with approximately 90 positions eliminated year to date. During the three and nine months ended October 1, 2010, of the total restructuring expense, \$0.2 million and \$1.2 million, respectively, was shown as a separate line within Operating expense, and \$0.1 million and \$0.2 million, respectively, was included within Cost of sales on the Company's Condensed Consolidated Statements of Income.

During the three and nine months ended October 2, 2009, restructuring expense of \$1.1 million and \$9.1 million, respectively, was related to decisions to streamline processes and reduce the cost structure of the Company, with approximately 300 positions eliminated. During the three and nine months ended October 2, 2009, of the total restructuring expense, \$0.9 million and \$5.8 million, respectively, was shown as a separate line within Operating expense, and \$0.2 million and \$3.3 million, respectively, was included within Cost of sales on the Company's Condensed Consolidated Statements of Income.

*Restructuring liability:*

The following table summarizes the restructuring activity for the nine months ended October 1, 2010:

<b>(Dollars in thousands)</b>	
Balance as of January 1, 2010	\$ 2,628
Charges	1,394
Payments	(2,625)
Adjustments	(69)
<b>Balance as of October 1, 2010</b>	<b>\$ 1,328</b>

The \$1.3 million restructuring accrual consists of severance and benefits. The \$1.3 million restructuring accrual is included in Other current liabilities and is expected to be settled in the third quarter of fiscal 2011.

**NOTE 13: INCOME TAXES**

The Company's effective income tax rate for the three and nine months ended October 1, 2010 was 14.3% and 43.0%, respectively, as compared to 26.5% and 27.0%, respectively, for the three and nine months ended October 2, 2009. The effective income tax rate for the three months ended October 1, 2010 was lower than the statutory federal income tax rate of 35% primarily due to geographical mix of the Company's pre-tax income. The effective income tax rate for the nine months ended October 1, 2010 was higher than the statutory federal income tax rate primarily due to the net impact of the U.S. Internal Revenue Service (IRS) audit settlement in the second quarter of 2010, partially offset by geographical mix of the Company's pre-tax income. The effective income tax rate for the three and nine months ended October 2, 2009 was lower than the statutory federal income tax rate primarily due to the geographical mix of the Company's pre-tax income.

In May 2010, the IRS closed its examination of the Company's income tax returns for the years 2005 through 2007. As part of the audit, the IRS examined and adjusted the valuation and payment arrangement for the 2006 non-exclusive license of specified Trimble intellectual property rights to a foreign-based Trimble subsidiary. The consideration for this license was to be paid over time and was established based on the Company's estimate of the ongoing royalties that would have been received in a similar license arrangement to an unrelated third-party licensee. Pursuant to the audit settlement, Trimble agreed to revise the valuation and to accelerate the payments under the existing royalty arrangement resulting in a net impact of \$27.5 million in the second quarter of 2010, net of a release of liabilities for unrecognized tax benefits. The resolution of the 2005 through 2007 audit resulted in a tax assessment to the Company of \$42.5 million and interest of \$7.2 million for a total of \$49.7 million that the Company paid on July 15, 2010. Additionally, as a result of the settlement, the Company incurred state income taxes and interest of approximately \$2.5 million.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

The Company and its U.S. subsidiaries are subject to U.S. federal and state income tax. The Company has concluded all U.S. federal income tax matters for the years through 2007 and state income tax matters for years through 1992. Generally, non-U.S. income tax matters have been concluded for years through 2000. The Company is currently in various stages of multiple year examinations by Federal, State, and foreign taxing authorities. It is reasonably possible that the total amount of unrecognized tax benefits will change in the next twelve months. The amount of change cannot be reasonably estimated at this time. Such changes could occur based on the normal expiration of various statutes of limitations or the possible conclusion of ongoing tax audits in various jurisdictions around the world.

The amount of liabilities for unrecognized tax benefits (net of the federal benefit on state issues) that, if recognized, would favorably affect the effective income tax rate in any future period are \$23.3 million and \$43.3 million at October 1, 2010 and January 1, 2010, respectively. The primary component of the net change is a \$21.6 million realization of unrecognized tax benefits due to the effective settlement of the IRS 2005 through 2007 income tax audit. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (Continued)**

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties at October 1, 2010 and January 1, 2010, of \$3.3 million and \$5.0 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

On September 30, 2008, the State of California enacted Assembly Bill 1452 into law which among other provisions, suspends net operating loss deductions for 2008 and 2009 and extends the carryforward period of any net operating losses not utilized due to such suspension, adopts the federal 20-year net operating loss carryforward period, phases-in the federal two-year net operating loss carryback periods beginning in 2011, and limits the utilization of tax credits to the extent of 50 percent of a taxpayer's tax liability before tax credits. On October 19, 2010, the State of California chaptered into law Senate Bill 858, which further suspends net operating loss deductions for 2010 and 2011 and suspends the commencement of the two year carryback phase-in to 2013.

**NOTE 14: COMPREHENSIVE INCOME:**

The components of comprehensive income, net of related tax, were as follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Net income	\$ 32,842	\$ 15,847	\$ 67,765	\$ 54,694
Foreign currency translation adjustments	30,091	14,387	2,438	23,562
Net unrealized gain on investments/actuarial gain (loss)	(72)	133	(46)	243
Comprehensive income	62,861	30,367	70,157	78,499
Less: Net income (loss) attributable to the noncontrolling interests	(3)	270	669	795
Comprehensive income attributable to Trimble Navigation Ltd.	\$ 62,864	\$ 30,097	\$ 69,488	\$ 77,704

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the safe harbor created by those sections. Actual results could differ materially from those indicated in the forward-looking statements due to a number of factors including, but not limited to, the risk factors discussed in Risk Factors below and elsewhere in this report as well as in the Company's Annual Report on Form 10-K for fiscal year 2009 and other reports and documents that the Company files from time to time with the Securities and Exchange Commission. The Company has attempted to identify forward-looking statements in this report by placing an asterisk (\*) before paragraphs. Discussions containing such forward-looking statements may be found in Management's Discussion and Analysis of Financial Condition and Results of Operations below. In some cases, forward-looking statements can be identified by terminology such as may, will, should, could, predicts, potential, continue, expects, anticipates, future, intends, plans, believes, estimates, and similar expressions. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q, and the Company disclaims any obligation to update these statements or to explain the reasons why actual results may differ.*

---

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, doubtful accounts, inventories, investments, intangible assets, income taxes, warranty obligations, restructuring costs, contingencies, and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the amount and timing of revenue and expense and the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

There have been no material changes to our significant accounting policies during the nine months ended October 1, 2010 from those disclosed in our 2009 Form 10-K, with the exception of our accounting policy for revenue recognition as described in Note 2 of the Notes to the Condensed Consolidated Financial Statements.

***Recent Accounting Pronouncements***

Updates to recent accounting standards as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 1, 2010 are as follows:

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. This guidance, which is now codified under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, requires new disclosures on the transfers of assets and liabilities between Level I (quoted prices in active market for identical assets or liabilities) and Level II (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuances, and settlements of the assets and liabilities measured using significant unobservable inputs (Level III fair value measurements). The guidance became effective for us with the reporting period beginning January 2, 2010, except for the disclosure on the roll forward activities for Level III fair value measurements, which will become effective for us at the beginning of fiscal 2011. Other than requiring additional disclosures, adoption of this new guidance did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued accounting guidance which changes the consolidation guidance applicable to a variable interest entity (VIE). The guidance, now codified under the Consolidation Topic of the FASB Accounting Standards Codification, also amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This guidance also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, GAAP required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. The Company adopted this guidance in the first quarter of fiscal 2010. The adoption of the guidance did not have a material impact on our financial position, results of operations or cash flows.

In October 2009, the FASB issued an amendment which eliminates the residual method of allocation for multiple-deliverable revenue arrangements and requires that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. In addition, the guidance updated whether multiple deliverables exist and how the deliverables in an arrangement should be separated. The amendment also establishes a selling price hierarchy for determining the selling price of a deliverable, which includes: (1) vendor specific objective evidence (VSOE) if available; (2) third-party evidence (TPE) if VSOE evidence is not available; and (3) estimated selling (ESP) price if neither VSOE nor TPE is available. In addition, the FASB modified the accounting for revenue arrangements that include

## **Table of Contents**

both tangible products and software elements, such that tangible products containing both software and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of software revenue guidance. Both amendments are effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We early adopted this guidance in the first quarter of fiscal 2010 on a prospective basis. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for a more detailed discussion.

### **EXECUTIVE LEVEL OVERVIEW**

Trimble's focus is on combining positioning technology with wireless communication and application capabilities to create system-level solutions that enhance productivity and accuracy for our customers. The majority of our markets are end-user markets, including engineering and construction firms, governmental organizations, public safety workers, farmers, and companies who must manage fleets of mobile workers and assets. In our Advanced Devices segment, we also provide components to original equipment manufacturers to incorporate into their products. In the end-user markets, we provide a system that includes a hardware platform that may contain software and customer support. Some examples of our solutions include products that automate and simplify the process of surveying land, products that automate the utilization of equipment such as tractors and bulldozers, products that enable a company to manage its mobile workforce and assets, and products that allow municipalities to manage their fixed assets. In addition, we also provide software applications on a stand-alone basis. For example, we provide software for project management on construction sites.

Solutions targeted at the end-user make up a significant majority of our revenue. To create compelling products, we must attain an understanding of the end-user's needs and work flow, and how location-based technology can enable that end-user to work faster, more efficiently, and more accurately. We use this knowledge to create highly innovative products that change the way work is done by the end-user. With the exception of our Mobile Solutions and Advanced Devices segments, our products are generally sold through a dealer channel, and it is crucial that we maintain a proficient, global, third-party distribution channel.

We continued to execute our strategy with a series of actions that can be summarized in three categories.

#### ***Reinforcing our position in existing markets***

\* We believe these markets provide us with additional, substantial potential for substituting our technology for traditional methods. We are continuing to develop new products and to strengthen our distribution channels in order to expand our market.

In our Engineering and Construction segment, we expanded our network of SITECH Technology Dealers by adding SITECH dealerships in geographic locations such as Florida, Georgia, Alabama, Brazil, Australia, Mexico and Central Russia. These dealers represent Trimble and Caterpillar machine control systems for the contractor's entire fleet of heavy equipment, regardless of machine brand. We also introduced new Trimble 4D Control software solutions for monitoring systems, which include support for geotechnical sensors and a user-friendly Web Module. We also rolled out the Trimble MX8 Mobile Spatial Imaging System, which is an advanced mobile data capture system that combines imaging and laser scanning capabilities to measure objects in 3D to produce 3D, 4D and 5D data sets for spatial imaging projects.

In our Field Solutions segment, we introduced the CFX-750 display, which features the latest in-cab touch screen, full-color display that allows farmers to choose the specific guidance, steering and precision agriculture capabilities that best fit their farm's particular needs. We also rolled out new and enhanced variable rate and boom control options to the Field-IQ crop input control system which help farmers manage pest and nutrient applications by avoiding spray overlap. We enhanced the Juno SD Handheld to provide complete and compact solutions for Field Workforce Asset Management with voice and data capability. We introduced the Trimble Trident Analyst 2010 for spatial imaging, roadway signs, and GIS. This new software provides advanced information extraction capabilities, which provide users with increased capability and productivity.

In our Mobile Solutions segment, we launched a global safety initiative to help fleets become safer, more efficient and greener, including the introduction of the Trimble DriverSafety solution. This solution is designed to provide real-time feedback of unsafe maneuvers to drivers and a comprehensive picture for safety managers and fleet operation teams to accurately measure and mitigate fleet safety risks.

In our Advanced Devices segment, we introduced the Trimble AP10 receiver, which was the latest addition to the Trimble AP line of embedded GNSS-Inertial OEM board products that combine high-performance precision Global Navigation Satellite System (GNSS) and Applanix IN-Fusion GNSS-Inertial integration technology, running on a powerful, dedicated Inertial Engine (IE) board. The AP Series is ideal for a variety of commercial mobile positioning applications, including airborne, terrestrial and marine mapping and guidance for unmanned vehicles.

#### ***Extending our position in new and existing markets through new product categories***

\* We announced the formation of joint venture with Hilti, which will integrate Trimble's positioning and asset management technologies with Hilti's tools capabilities to create smarter tools and a smarter construction site. With the acquisition of Accubid, we established project management capabilities in the electrical BIM software space.



## **Table of Contents**

### ***Bringing existing technology to new markets***

\* We continue to reinforce our position in existing markets and position ourselves in newer markets that will serve as important sources of future growth. Our efforts are focused in emerging markets in Africa, China, India, the Middle-East and Russia. SITECH Central Russia has been established offering a comprehensive portfolio of construction technology systems to heavy and highway contractors in Central Russia.

### **RECENT BUSINESS DEVELOPMENTS**

The following companies and joint ventures were acquired or formed during twelve months ended October 1, 2010 and are combined in our results of operations since the date of acquisition or formation:

#### ***Intelligent Construction Tools, LLC.***

On September 29, 2010, we and the Hilti Group formed a joint venture, Intelligent Construction Tools, LLC. The joint venture, 50 percent owned by us and 50 percent owned by Hilti, will focus on leveraging technologies from both companies to develop measuring solutions for the building construction trades.

#### ***Cengea***

On September 10, 2010, we acquired privately-held Cengea Solutions Inc., based in British Columbia. Cengea is a leading provider of spatially-enabled business operations and supply chain management software for the forestry, agriculture and natural resource industries. Cengea's performance is reported under our Mobile Solutions business segment.

#### ***Accubid Systems***

On August 12, 2010, we acquired the assets of privately-held Accubid Systems, based in Concord, Ontario, Canada. Accubid is a leading provider of estimating, project management and service management software and services for electrical and mechanical contractors. Accubid's performance is reported under our Engineering and Construction business segment.

#### ***Punch Telematix NV***

On July 7, 2010, we acquired control of Punch Telematix NV. Punch was a public company based in Belgium and engaged in the development and marketing of transport management solutions. Punch's performance is reported under our Mobile Solutions business segment.

#### ***Zhongtie Trimble Digital Engineering and Construction Limited Company***

On June 28, 2010, we and the China Railway Eryuan Engineering Group Co. Ltd. (CREEC) formed a joint venture, Zhongtie Trimble Digital Engineering and Construction Limited Company (ZTD). We and CREEC both maintain a 50 percent ownership of ZTD. ZTD will leverage Trimble's commercial positioning, communications and software technologies, as well as CREEC's expertise in rail design and construction, to develop and provide digital railway solutions that address the design, construction and maintenance for the Chinese railway industry.

#### ***Definiens***

On June 10, 2010, we acquired Definiens' Earth Sciences business assets and licenses of its software technology platform. Definiens is a Germany-based company specializing in image analysis solutions. Definiens' performance is reported under our Engineering and Construction business segment.

#### ***Rusnavgeoset Limited Liability Company***

On May 14, 2010, we and Russian Space Systems formed a joint venture, Rusnavgeoset Limited Liability Company (Rusnavgeoset). We and Russian Space Systems both maintain a 50 percent ownership of Rusnavgeoset. Rusnavgeoset will be responsible for selling commercial Global Navigation Satellite System (GNSS) geodetic network infrastructure systems localized for Russia and the Commonwealth of Independent States.

***LET Systems***

On March 4, 2010, we acquired privately-held LET Systems based in Cork, Ireland. LET Systems is an internationally recognized leader in incident and outage management system solutions for utilities. LET Systems performance is reported under our Field Solutions business segment.

***Pondera Engineers***

On January 27, 2010, we acquired the assets of privately-held Pondera Engineers LLC based in Post Falls, Idaho. Pondera is an engineering and development company offering services and software tools for siting, designing, optimizing, and maintaining high-voltage power transmission and distribution lines. Pondera's performance is reported under our Field Solutions business segment.

**Table of Contents***Seasonality of Business*

\* Our individual segment revenue may be affected by seasonal buying patterns. Typically, the second fiscal quarter has been the strongest quarter for the Company driven by the construction buying season. However during the recent past, this pattern has been disrupted by the global economic downturn.

**RESULTS OF OPERATIONS***Overview*

The following table is a summary of revenue, gross margin, and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below.

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Total consolidated revenue	\$ 318,210	\$ 269,713	\$ 970,588	\$ 848,730
Gross margin	\$ 159,748	\$ 132,458	\$ 482,171	\$ 419,216
Gross margin %	50.2%	49.1%	49.7%	49.4%
Total consolidated operating income	\$ 31,670	\$ 20,165	\$ 108,346	\$ 73,143
Operating income %	10.0%	7.5%	11.2%	8.6%

*Revenue*

In the three months ended October 1, 2010, total revenue increased by \$48.5 million or 18%, as compared to the same corresponding period in fiscal 2009. Of the increase, Engineering and Construction revenue increased \$40.2 million, Field Solutions increased \$11.6 million, slightly offset by a decrease in Mobile Solutions of \$1.9 million and a decrease in Advanced Devices of \$1.4 million. The revenue increase was primarily due to a return to growth in the U.S. and rest of the world markets in Engineering and Construction and higher sales in Field Solutions due to increased farmer demand for agricultural products.

In the nine months ended October 1, 2010, total revenue increased by \$121.9 million or 14%, as compared to the same corresponding period in fiscal 2009. Of the increase, Engineering and Construction revenue increased \$111.4 million, Field Solutions increased \$8.7 million, and Advanced Devices increased \$4.9 million, slightly offset by a decrease in Mobile Solutions of \$3.1 million. The revenue increase was primarily due to the economic recovery in the U.S. and rest of the world markets in Engineering and Construction.

*Gross Margin*

Gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes, and foreign currency translations.

Gross margin increased by \$27.3 million and \$63.0 million for the three and nine months ended October 1, 2010, respectively, as compared to the corresponding periods in the prior year, primarily due to increased sales in Engineering and Construction. Gross margin as a percentage of total revenue for the three months ended October 1, 2010 was 50.2%, as compared to 49.1% for the three months ended October 2, 2009. Gross margin as a percentage of total revenue for the nine months ended October 1, 2010 was 49.7%, as compared to 49.4% for the nine months ended October 2, 2009. The increase in gross margin percentage for the three and nine month periods ended October 1, 2010 was primarily due to product mix.

*Operating Income*

Operating income increased by \$11.5 million and \$35.2 million for the three and nine months ended October 1, 2010, respectively, as compared to the corresponding periods in the prior year, primarily due to higher revenue. Operating income as a percentage of total revenue was 10.0% for the three months ended October 1, 2010, as compared to 7.5% for the three months ended October 2, 2009. Operating income as a percentage of

total revenue was 11.2% for the nine months ended October 1, 2010, as compared to 8.6% for the nine months ended October 2, 2009. The increase in operating income percentage for both the three and nine month periods was primarily due to higher revenue and increased operating leverage.

***Results by Segment***

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following

**Table of Contents**

four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income equals net revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangibles, amortization of inventory step-up, non-recurring acquisition costs, and restructuring charges.

The following table is a summary of revenue and operating income by segment:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
<b>Engineering and Construction</b>				
Revenue	\$ 189,598	\$ 149,384	\$ 535,657	\$ 424,275
Segment revenue as a percent of total revenue	60%	55%	55%	49%
Operating income	\$ 36,589	\$ 21,131	\$ 89,317	\$ 42,800
Operating income as a percent of segment revenue	19%	14%	17%	10%
<b>Field Solutions</b>				
Revenue	\$ 67,240	\$ 55,654	\$ 243,299	\$ 234,598
Segment revenue as a percent of total revenue	21%	21%	25%	28%
Operating income	\$ 21,027	\$ 16,286	\$ 89,320	\$ 88,637
Operating income as a percent of segment revenue	31%	29%	37%	38%
<b>Mobile Solutions</b>				
Revenue	\$ 37,692	\$ 39,572	\$ 113,839	\$ 116,925
Segment revenue as a percent of total revenue	12%	15%	12%	14%
Operating income (loss)	(\$83)	\$ 3,367	\$ 2,140	\$ 10,163
Operating income (loss) as a percent of segment revenue	(0.2)%	9%	2%	9%
<b>Advanced Devices</b>				
Revenue	\$ 23,680	\$ 25,103	\$ 77,793	\$ 72,932
Segment revenue as a percent of total revenue	7%	9%	8%	9%
Operating income	\$ 4,073	\$ 4,488	\$ 14,879	\$ 13,633
Operating income as a percent of segment revenue	17%	18%	19%	19%

Unallocated corporate expense includes general corporate expense, amortization of inventory step-up, and non-recurring acquisition costs. A reconciliation of our consolidated segment operating income to consolidated income before income taxes follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Consolidated segment operating income	\$ 61,606	\$ 45,272	\$ 195,656	\$ 155,233
Unallocated corporate expense	(15,214)	(10,345)	(43,751)	(33,992)
Amortization of purchased intangible assets	(14,432)	(13,620)	(42,165)	(38,968)
Restructuring charges	(290)	(1,142)	(1,394)	(9,130)
Consolidated operating income	31,670	20,165	108,346	73,143
Non-operating income, net	6,659	1,396	10,480	1,795
Consolidated income before taxes	\$ 38,329	\$ 21,561	\$ 118,826	\$ 74,938

**Engineering and Construction**

Engineering and Construction revenue increased by \$40.2 million or 27% and \$111.4 million or 26% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009. Segment operating income increased \$15.5 million or 73% and \$46.5 million or 109% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009.

The revenue growth for both the three months and nine month periods was primarily driven by a return to growth in the U.S. and rest of the world markets. Segment operating income for both the three and nine month periods increased primarily due to higher revenue and increased operating leverage.

***Field Solutions***

Field Solutions revenue increased by \$11.6 million or 21% and \$8.7 million or 4% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009. Segment operating income increased by \$4.7 million or 29% and \$0.7 million or 1% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009.

**Table of Contents**

The revenue growth for both the three month and nine month periods was primarily driven by new products and increased farmer demand for agricultural products. Operating income for the three and nine month periods increased primarily due to higher revenue in our agricultural business.

**Mobile Solutions**

Mobile Solutions revenue decreased by \$1.9 million or 5% and \$3.1 million or 3% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding period in fiscal 2009. Segment operating income decreased by \$3.5 million or 102% and \$8.0 million or 79% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009.

The revenue decline for the three month period was primarily due to the impact of lower subscription service revenue due to the loss of a large customer contract, partially offset by earlier recognition of hardware revenue in accordance with the new revenue accounting guidance adopted on January 2, 2010 and the impact of acquisition revenue. The revenue decline for the nine month period was primarily due to the impact of lower subscription service revenue due to the customer contract loss, partially offset by the earlier recognition of hardware revenue and the impact of acquisition revenue. The operating income decline for the three and nine month periods was primarily due to a reduction in higher margin subscription service revenue, slightly offset by an increase in lower margin hardware revenue.

**Advanced Devices**

Advanced Devices revenue decreased by \$1.4 million or 6% and increased by \$4.9 million or 7% for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009. Segment operating income decreased by \$0.4 million or 9% and increased by \$1.2 million or 9% for three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009.

The decrease in revenue for the three month period was primarily due to lower sales in our military advanced systems business. The revenue increase for the nine month period was driven by a return to growth in both our component and GNSS position and orientation systems. Operating income was slightly down for the three month periods due to lower revenue in our military advanced systems business. Operating income increased in the nine month period primarily due to the increase in revenue, partially offset by increased sales expense.

**Research and Development, Sales and Marketing, and General and Administrative Expense**

Research and development (R&D), sales and marketing (S&M), and general and administrative (G&A) expense are summarized in the following table:

	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
<b>(Dollars in thousands)</b>				
Research and development	\$ 36,897	\$ 33,250	\$ 109,339	\$ 100,844
Percentage of revenue	12%	12%	11%	12%
Sales and marketing	53,228	47,022	153,518	141,120
Percentage of revenue	17%	17%	16%	16%
General and administrative	29,637	23,237	85,474	75,901
Percentage of revenue	9%	9%	9%	9%
<b>Total</b>	<b>\$ 119,762</b>	<b>\$ 103,509</b>	<b>\$ 348,331</b>	<b>\$ 317,865</b>
Percentage of revenue	38%	38%	36%	37%

Overall, R&D, S&M, and G&A expense increased by approximately \$16.3 million and \$30.5 million for the three and nine months ended October 1, 2010, respectively, as compared to the corresponding periods in fiscal 2009.

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Research and development expense increased by \$3.6 million and \$8.5 million for the three and nine month periods ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009, primarily due to increased outside engineering service and prototype expense, increased compensation expense, the inclusion of expense from acquisitions not included in the prior year, and foreign currency exchange rates. All of our R&D costs have been expensed as incurred. Costs of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred. Spending overall was at approximately 12% and 11% of revenue in the three and nine months ended October 1, 2010, as compared to 12% in the corresponding periods in fiscal 2009.

\* We believe that the development and introduction of new products are critical to our future success and we expect to continue active development of new products.



**Table of Contents**

Sales and marketing expense increased by \$6.2 million and \$12.4 million for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009. The increase was primarily due to increased compensation expense, the inclusion of expense from acquisitions not applicable in the prior year, and travel and trade show expense. Spending overall was at approximately 17% and 16% of revenue in the three and nine months ended October 1, 2010, as compared to 17% and 16% in the same corresponding periods in fiscal 2009.

\* Our future growth will depend in part on the timely development and continued viability of the markets in which we currently compete, as well as our ability to continue to identify and develop new markets for our products.

General and administrative expense increased by \$6.4 million and \$9.6 million for the three and nine months ended October 1, 2010, respectively, as compared to the same corresponding periods in fiscal 2009 primarily due to increased compensation expense and the inclusion of expense from acquisitions not applicable in the prior year. Spending overall was at approximately 9% of revenue in the three and nine months ended October 1, 2010, as compared to 9% in the same corresponding period in fiscal 2009.

***Amortization of Purchased Intangible Assets***

\* Amortization of purchased intangible assets was \$14.4 million in the third quarter of fiscal 2010, as compared to \$13.6 million in the third quarter of fiscal 2009. Of the total \$14.4 million in the third quarter of fiscal 2010, \$8.1 million is presented as a separate line within Operating expense and \$6.3 million is included within Cost of sales on our Condensed Consolidated Statements of Income. The increase was due primarily to business acquisitions and asset purchases not included in the corresponding period of fiscal 2009. As of October 1, 2010, future amortization of intangible assets is expected to be \$14.7 million during the remaining one quarter of fiscal 2010, \$55.3 million during 2011, \$47.5 million during 2012, \$42.2 million during 2013, \$20.3 million during 2014, and \$23.2 million thereafter.

***Restructuring Charges***

Restructuring expense for the three and nine months ended October 1, 2010 and October 2, 2009 was as follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Severance and benefits	\$ 290	\$ 1,142	\$ 1,394	\$ 9,130

During the three and nine months ended October 1, 2010, restructuring expense of \$0.3 million and \$1.4 million, respectively, was related to decisions to streamline processes and reduce the cost structure of the Company, with approximately 90 positions eliminated year to date. During the three and nine months ended October 1, 2010, of the total restructuring expense, \$0.2 million and \$1.2 million, respectively, was shown as a separate line within Operating expense, and \$0.1 million and \$0.2 million, respectively, was included within Cost of sales on our Condensed Consolidated Statements of Income.

During the three and nine months ended October 2, 2009, restructuring expense of \$1.1 million and \$9.1 million, respectively, was related to decisions to streamline processes and reduce the cost structure of the Company, with approximately 300 positions eliminated. During the three and nine months ended October 2, 2009, of the total restructuring expense, \$0.9 million and \$5.8 million, respectively, was shown as a separate line within Operating expense, and \$0.2 million and \$3.3 million, respectively, was included within Cost of sales on our Condensed Consolidated Statements of Income.

***Restructuring liability:***

The following table summarizes the restructuring activity for the nine months ended October 1, 2010:

## Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

(Dollars in thousands)

Balance as of January 1, 2010	\$ 2,628
Charges	1,394
Payments	(2,625)
Adjustments	(69)
Balance as of October 1, 2010	\$ 1,328

The \$1.3 million restructuring accrual consists of severance and benefits. The \$1.3 million restructuring accrual is included in Other current liabilities and is expected to be settled in the third quarter of fiscal 2011.

**Table of Contents****Non-operating Income, Net**

The components of non-operating income, net, were as follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Interest income	\$ 221	\$ 124	\$ 864	\$ 546
Interest expense	(576)	(450)	(1,385)	(1,408)
Foreign currency transaction gain (loss)	77	792	(1,046)	760
Income (loss) from equity method investments, net	3,404	(58)	9,025	421
Other income, net	3,533	988	3,022	1,476
Total non-operating income, net	\$ 6,659	\$ 1,396	\$ 10,480	\$ 1,795

Non-operating income, net increased \$5.3 million and \$8.7 million for the three and nine months of fiscal 2010, respectively, as compared to the corresponding periods in fiscal 2009. The increase in the three months and nine month periods was primarily due to higher income from joint ventures and changes in deferred compensation plan asset gains (losses) included in Other income, net, partially offset by a change in foreign currency gains (losses).

**Income Tax Provision**

The Company's effective income tax rate for the three and nine months ended October 1, 2010 was 14.3% and 43.0%, respectively, as compared to 26.5% and 27.0%, respectively, for the three and nine months ended October 2, 2009. The effective income tax rate for the three months ended October 1, 2010 was lower than the statutory federal income tax rate of 35%, primarily due to the geographical mix of the Company's per-tax income. The effective income tax rate for the nine months ended October 1, 2010 was higher than the statutory federal income tax rate primarily due to the net impact of the U.S. Internal Revenue Service (IRS) audit settlement in the second quarter of 2010, partially offset by geographical mix of the Company's pre-tax income. The effective income tax rate for the three and nine months ended October 2, 2009 was lower than the statutory federal income tax rate primarily due to the geographical mix of the Company's pre-tax income.

**OFF-BALANCE SHEET FINANCINGS AND LIABILITIES**

Other than lease commitments incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the condensed consolidated financial statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

In the normal course of business to facilitate sales of its products, we indemnify other parties, including customers, lessors, and parties to other transactions with us, with respect to certain matters. We have agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of October 1, 2010 and January 2, 2009.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

<b>As of</b>	<b>October 1,</b>	<b>January 1,</b>
<b>(Dollars in thousands)</b>	<b>2010</b>	<b>2010</b>
Cash and cash equivalents	\$ 211,056	\$ 273,848
Total debt	153,093	151,483
 <b>Nine Months Ended</b>		
<b>(Dollars in thousands)</b>	<b>October 1,</b>	<b>October 2,</b>
<b>(Dollars in thousands)</b>	<b>2010</b>	<b>2009</b>
Cash provided by operating activities	\$ 87,032	\$ 139,121
Cash used in investing activities	(109,137)	(86,687)
Cash provided by (used in) financing activities	(40,464)	14,809
Effect of exchange rate changes on cash and cash equivalents	(223)	5,325
 Net increase (decrease) in cash and cash equivalents	 \$ (62,792)	 \$ 72,568

***Cash and Cash Equivalents***

As of October 1, 2010, cash and cash equivalents totaled \$211.1 million as compared to \$273.8 million at January 1, 2010. Debt was \$153.1 million as of October 1, 2010, as compared to \$151.5 million at January 1, 2010.

\* Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns, and our ability to manage other areas of working capital.

\* We believe that our cash and cash equivalents, together with our revolving credit facilities will be sufficient to meet our anticipated operating cash needs and stock purchases under the stock repurchase program for at least the next twelve months.

\* We anticipate that planned capital expenditures primarily for computer equipment, software, manufacturing tools and test equipment, and leasehold improvements associated with business expansion, will constitute a partial use of our cash resources. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

***Operating Activities***

Cash provided by operating activities was \$87.0 million for the nine months ended October 1, 2010, as compared to \$139.1 million for the nine months ended October 2, 2009. This decrease of \$52.1 million was primarily driven by an increase in accounts receivable due to higher revenue, an increase in inventory spending, and the IRS tax settlement, offset by an increase in accounts payable and accrued compensation and benefits.

***Investing Activities***

Cash used in investing activities was \$109.1 million for the nine months ended October 1, 2010, as compared to \$86.7 million for the nine months ended October 2, 2009. The increase of \$22.5 million was due to higher cash requirements for business and for intangible asset acquisitions.

***Financing Activities***

Cash used by financing activities was \$40.5 million for the nine months ended October 1, 2010, as compared to cash provided of \$14.8 million for the nine months ended October 2, 2009. The decrease of \$55.3 million was primarily due to the stock repurchases in the first nine months of fiscal 2010.

*Accounts Receivable and Inventory Metrics*

<b>As of</b>	<b>October 1, 2010</b>	<b>January 1, 2010</b>
Accounts receivable days sales outstanding	66	66
Inventory turns per year	3.9	3.4

**Table of Contents**

Accounts receivable days sales outstanding were both 66 days as of October 1, 2010 and January 2, 2009. Our accounts receivable days sales outstanding is calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were 3.9 As of October 1, 2010, as compared to 3.4 as of January 1, 2010. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

***Debt***

As of October 1, 2010, our total debt was comprised primarily of our revolving credit line in the amount of \$151.0 million, which was drawn down in the third and the fourth quarters of fiscal 2008. As of October 1, 2010 and January 1, 2010 we had notes payable totaling approximately \$2.1 million and \$0.5 million, respectively. Our outstanding notes payable as of October 1, 2010 consisted primarily of notes payable to noncontrolling interest holders of one of our consolidated subsidiaries. The notes bear interest at 6% and have undefined payment terms, but are callable with a six month notification. Our outstanding notes payable balance as of January 1, 2010 consisted primarily of government loans to foreign subsidiaries.

On July 28, 2005, we entered into a \$200 million unsecured revolving credit agreement (the 2005 Credit Facility) with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. On February 16, 2007, we amended our existing \$200 million unsecured revolving credit agreement with a syndicate of 11 banks with The Bank of Nova Scotia as the administrative agent (the 2007 Credit Facility). Under the 2007 Credit Facility, we exercised the option in the existing credit agreement to increase the availability under the revolving credit line by \$100 million, for an aggregate availability of up to \$300 million, and extended the maturity date of the revolving credit line by 18 months, from July 2010 to February 2012. Up to \$25 million of the availability under the revolving credit line may be used to issue letters of credit, and up to \$20 million may be used for paying off other debts or loans. The maximum leverage ratio under the 2007 Credit Facility is 3.00:1.00. The funds available under the new 2007 Credit Facility may be used by us for acquisitions, stock repurchases, and general corporate purposes. As of August 20, 2008, we amended the 2007 Credit Facility to allow us to redeem, retire or purchase Trimble common stock without limitation so long as no default or unmatured default then existed, and leverage ratio for the two most recently completed periods was less than 2.00:1.00. In addition, the definition of the fixed charge was amended to exclude the impact of redemptions, retirements, or purchases of Trimble common stock from the fixed charges coverage ratio. For additional discussion of our debt, see Note 8 of Notes to the Condensed Consolidated Financial Statements.

In addition, during the first quarter of fiscal 2007 we incurred a five-year term loan under the 2007 Credit Facility in an aggregate principal amount of \$100 million, which was repaid in full during fiscal 2008.

We may borrow funds under the 2007 Credit Facility in U.S. Dollars or in certain other currencies, and borrowings will bear interest, at our option, at either: (i) a base rate, based on the administrative agent's prime rate, plus a margin of between 0% and 0.125%, depending on our leverage ratio as of our most recently ended fiscal quarter, or (ii) a reserve-adjusted rate based on the London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR), Stockholm Interbank Offered Rate (STIBOR), or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.625% and 1.125%, depending on our leverage ratio as of the most recently ended fiscal quarter. Our obligations under the 2007 Credit Facility are guaranteed by certain of our domestic subsidiaries.

The 2007 Credit Facility contains customary affirmative, negative and financial covenants including, among other requirements, negative covenants that restrict our ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions, make investments, enter into mergers and consolidations, and make capital expenditures, within certain limitations, and financial covenants that require the maintenance of leverage and fixed charge coverage ratios. The 2007 Credit Facility contains events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments, and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate our obligations under the 2007 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default. As of October 1, 2010 we were in compliance with all financial debt covenants.

**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

The following presentation includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures. The non-GAAP financial measures included in the below tables are non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP non-operating income, net, non-GAAP net income, non-GAAP

diluted net income per share and operating leverage, and non-GAAP segment operating income before corporate allocations. These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of its investors track our core operating performance as a means of evaluating our performance in the ordinary, ongoing, and customary course of our operations. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period to period comparisons. Accordingly, management excludes from non-GAAP those items relating to restructuring, amortization of purchased intangibles, stock based compensation, amortization of acquisition-related inventory step-up, non-recurring acquisition costs, and a \$27.5 million charge associated with the IRS settlement, which we believe are not indicative of our core operating performance. For a detailed explanations of the adjustments made to comparable GAAP measures, see items (A) – (G) below.

**Table of Contents**

	Three Months Ended				Nine Months Ended			
	Oct-1, 2010		Oct-2, 2009		Oct-1, 2010		Oct-02, 2009	
	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
<b>GROSS MARGIN:</b>								
GAAP gross margin:	\$ 159,748	50.2%	\$ 132,458	49.1%	\$ 482,171	49.7%	\$ 419,216	49.4%
Restructuring (A)	52	0.0%	270	0.1%	150	0.0%	3,333	0.4%
Amortization of purchased intangibles (B)	6,356	2.0%	5,661	2.1%	17,915	1.8%	16,421	1.9%
Stock-based compensation (C)	485	0.2%	453	0.2%	1,472	0.2%	1,368	0.2%
Amortization of acquisition-related inventory step-up (D)	69	0.0%		0.0%	140	0.0%	470	0.0%
Non-GAAP gross margin:	\$ 166,710	52.4%	\$ 138,842	51.5%	\$ 501,848	51.7%	\$ 440,808	51.9%
<b>OPERATING EXPENSES:</b>								
GAAP operating expenses:	\$ 128,078	40.3%	\$ 112,293	41.6%	\$ 373,825	38.5%	\$ 346,073	40.8%
Restructuring (A)	(238)	-0.1%	(872)	-0.3%	(1,244)	-0.1%	(5,797)	-0.7%
Amortization of purchased intangibles (B)	(8,078)	-2.5%	(7,912)	-3.0%	(24,250)	-2.5%	(22,411)	-2.7%
Stock-based compensation (C)	(5,055)	-1.6%	(4,088)	-1.5%	(14,693)	-1.5%	(11,953)	-1.4%
Stock-based compensation (E)	(569)	-0.2%	(577)	-0.2%	(3,071)	-0.3%	(3,382)	-0.4%
Non-GAAP operating expenses:	\$ 114,138	35.9%	\$ 98,844	36.6%	\$ 330,567	34.1%	\$ 302,530	35.6%
<b>OPERATING INCOME:</b>								
GAAP operating income:	\$ 31,670	10.0%	\$ 20,165	7.5%	\$ 108,346	11.2%	\$ 73,143	8.6%
Restructuring (A)	290	0.1%	1,142	0.4%	1,394	0.1%	9,130	1.1%
Amortization of purchased intangibles (B)	14,434	4.5%	13,573	5.0%	42,165	4.3%	38,832	4.6%
Stock-based compensation (C)	5,540	1.7%	4,541	1.7%	16,165	1.7%	13,321	1.6%
Amortization of acquisition-related inventory step-up (D)	69	0.0%		0.0%	140	0.0%	470	0.0%
Stock-based compensation (E)	569	0.2%	577	0.2%	3,071	0.3%	3,382	0.4%
Non-GAAP operating income:	\$ 52,572	16.5%	\$ 39,998	14.8%	\$ 171,281	17.6%	\$ 138,278	16.3%
<b>NON-OPERATING INCOME, NET:</b>								
GAAP non-operating income, net:	\$ 6,659		\$ 1,396		\$ 10,480		\$ 1,795	
Non-recurring acquisition (gains) costs (E)	(3,022)				(3,212)		(386)	
Non-GAAP non-operating income, net:	\$ 3,637		\$ 1,396		\$ 7,268		\$ 1,409	
<b>NET INCOME:</b>								
GAAP net income attributable to Trimble Navigation Ltd.	\$ 32,845		\$ 15,577		\$ 67,096		\$ 53,899	
Restructuring (A)	290		1,142		1,394		9,130	
Amortization of purchased intangibles (B)	14,434		13,573		42,165		38,832	
Stock-based compensation (C)	5,540		4,541		16,165		13,321	
Amortization of acquisition-related inventory step-up (D)	69				140		470	
Non-recurring acquisition (gains) costs (E)	(2,453)		577		(141)		2,996	
Income tax effect on non-GAAP adjustments (F)	(2,560)		(5,256)		15,591		(17,411)	
Non-GAAP net income attributable to Trimble Navigation Ltd.	\$ 48,165		\$ 30,154		\$ 142,410		\$ 101,237	
<b>DILUTED NET INCOME PER SHARE:</b>								



Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

GAAP diluted net income per share attributable to Trimble Navigation Ltd.		\$ 0.27	\$ 0.13	\$ 0.54	\$ 0.44
Restructuring	(A)		0.01	0.01	0.07
Amortization of purchased intangibles	(B)	0.12	0.11	0.34	0.32
Stock-based compensation	(C)	0.04	0.04	0.13	0.11
Amortization of acquisition-related inventory step-up	(D)				
Non-recurring acquisition (gains) costs	(E)	(0.02)			0.03
Income tax effect on non-GAAP adjustments	(F)	(0.02)	(0.04)	0.13	(0.14)

Non-GAAP diluted net income per share attributable to Trimble Navigation Ltd.	\$ 0.39	\$ 0.25	\$ 1.15	\$ 0.83
---	---------	---------	---------	---------

**OPERATING LEVERAGE:**

Increase in non-GAAP operating income	\$ 12,574	\$ 33,003
Increase in revenue	\$ 48,497	\$ 121,858
Operating leverage (increase in non-GAAP operating income as a % of increase in revenue)	25.9%	27.1%

		<b>% of Segment Revenue</b>		<b>% of Segment Revenue</b>		<b>% of Segment Revenue</b>		<b>% of Segment Revenue</b>
--	--	-----------------------------	--	-----------------------------	--	-----------------------------	--	-----------------------------

**SEGMENT OPERATING INCOME:**

Engineering and Construction								
GAAP operating income before corporate allocations:	\$ 36,589	19.3%	\$ 21,131	14.1%	\$ 89,317	16.7%	\$ 42,800	10.1%
Stock-based compensation	(G) 1,891	1.0%	1,563	1.1%	5,494	1.0%	4,302	1.0%

Non-GAAP operating income before corporate allocations:	\$ 38,480	20.3%	\$ 22,694	15.2%	\$ 94,811	17.7%	\$ 47,102	11.1%
---	-----------	-------	-----------	-------	-----------	-------	-----------	-------

Field Solutions

GAAP operating income before corporate allocations:	\$ 21,027	31.3%	\$ 16,286	29.3%	\$ 89,320	36.7%	\$ 88,637	37.8%
Stock-based compensation	(G) 464	0.7%	293	0.5%	1,397	0.6%	775	0.3%

Non-GAAP operating income before corporate allocations:	\$ 21,491	32.0%	\$ 16,579	29.8%	\$ 90,717	37.3%	\$ 89,412	38.1%
---	-----------	-------	-----------	-------	-----------	-------	-----------	-------

Mobile Solutions

GAAP operating income (loss) before corporate allocations:	\$ (83)	-0.2%	\$ 3,367	8.5%	\$ 2,140	1.9%	\$ 10,163	8.7%
Stock-based compensation	(G) 827	2.2%	958	2.4%	2,246	2.0%	3,205	2.7%

Non-GAAP operating income before corporate allocations:	\$ 744	2.0%	\$ 4,325	10.9%	\$ 4,386	3.9%	\$ 13,368	11.4%
---	--------	------	----------	-------	----------	------	-----------	-------

Advanced Devices

GAAP operating income before corporate allocations:	\$ 4,073	17.2%	\$ 4,488	17.9%	\$ 14,879	19.1%	\$ 13,633	18.7%
Stock-based compensation	(G) 450	1.9%	397	1.6%	1,350	1.8%	1,068	1.5%

Non-GAAP operating income before corporate allocations:	\$ 4,523	19.1%	\$ 4,885	19.5%	\$ 16,229	20.9%	\$ 14,701	20.2%
---	----------	-------	----------	-------	-----------	-------	-----------	-------

A. *Restructuring.* Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring costs from our non-GAAP measures because we believe they are not indicative of our core operating performance.

B.

*Amortization of purchased intangibles.* Included in our GAAP presentation of cost of sales and operating expenses, amortization of purchased intangibles recorded arises from prior acquisitions and are non-cash in nature. We exclude these expenses from our non-GAAP measures because we believe they are not indicative of our core operating performance.

**Table of Contents**

- C. *Stock-based compensation.* Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the three months ended October 1, 2010 and October 2, 2009, stock-based compensation was allocated as follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	October 2, 2009	October 1, 2010	October 2, 2009
Cost of sales	\$ 485	\$ 453	\$ 1,472	\$ 1,368
Research and development	968	866	2,899	2,504
Sales and Marketing	1,283	1,134	4,013	3,200
General and administrative	2,804	2,088	7,781	6,249
	\$ 5,540	\$ 4,541	\$ 16,165	\$ 13,321

- D. *Amortization of acquisition-related inventory step-up.* The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation of cost of sales, the increase in inventory value is amortized to cost of sales over the period that the related product is sold. We exclude inventory step-up amortization from our non-GAAP measures because we do not believe it is indicative of our core operating performance.
- E. *Non-recurring acquisition (gains) costs.* Included in our GAAP presentation of operating expenses and non-operating income, net, non-recurring acquisition costs consist of external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence and integration costs. Also included are unusual acquisition related items such as adjustments to the fair value of earnout liabilities and payments made to settle earnout and holdback disputes. We exclude these items because they are non-recurring and unique to specific acquisitions and are not indicative of our core operating performance.
- F. *Income tax effect on non-GAAP adjustments.* This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP adjustments on non-GAAP net income. In addition, the nine months ended October 1, 2010 include the net impact of the \$27.5 million associated with the IRS audit settlement.
- G. *Stock-based Compensation.* The amounts consist of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. As referred to above we exclude stock-based compensation here because investors may view it as not reflective of our core operating performance. However, management does include stock-based compensation for budgeting and incentive plans as well as for reviewing internal financial reporting. We discuss our operating results by segment with and without stock-based compensation expense, as we believe it is useful to investors. Stock-based compensation not allocated to the reportable segments was approximately \$1.9 million and \$1.3 million for the three months ended October 1, 2010 and October 2, 2009, respectively and \$5.7 million and \$4.0 million for the nine months ended October 1, 2010 and October 2, 2009, respectively.

**Non-GAAP Operating Income**

Non-GAAP operating income increased by \$12.6 million for the three months ended October 1, 2010, as compared to the corresponding period in the prior year. Non-GAAP Operating income as a percentage of total revenue was 16.5% for the three months ended October 1, 2010, as compared to 14.8% for the three months ended October 2, 2009. Non-GAAP operating income increased by \$33.0 million for the nine months ended October 1, 2010, as compared to the corresponding period in the prior year. Non-GAAP Operating income as a percentage of total revenue was 17.6% for the nine months ended October 1, 2010, as compared to 16.3% for the nine months ended October 2, 2009. The increase in operating income for both the three and nine month periods was primarily driven by higher revenue in Engineering and Construction. The increase in operating income percentage for both the three and nine month periods was primarily due to increased operating leverage in Engineering and Construction.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. We do not use derivative financial instruments for speculative purposes. All financial instruments are used in accordance with policies approved by our Board of Directors.

***Market Interest Rate Risk***

There have been no significant changes to our market interest rate risk assessment. Refer to our 2009 Annual Report on Form 10-K.

***Foreign Currency Exchange Rate Risk***

There have been no significant changes to our foreign currency exchange rate risk assessment. Refer to our 2009 Annual Report on Form 10-K.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

***(a) Disclosure Controls and Procedures.***

The management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act )) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

***(b) Internal Control Over Financial Reporting.***

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are involved in litigation arising out of the ordinary course of our business. There are no material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our or their property is subject.

**ITEM 1A. RISK FACTORS**

A description of factors that could materially affect our business, financial condition, or operating results is included under Risk and Uncertainties in Item 1A of Part I of our 2009 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2009 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) None

(b) None

(c) The following table provides information relating to our purchases of equity securities for the third quarter of fiscal 2010.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
July 3, 2010 – August 6, 2010	216,378	28.40	216,378	50,259,023
August 7, 2010 – September 3, 2010				50,259,023
September 4, 2010 – October 1, 2010				50,259,023
Total	216,378	28.40	216,378	

- (1) In January 2008, the Company announced that its board of directors had authorized a stock repurchase program for up to \$250 million, effective February 1, 2008. The timing and actual number of shares repurchased will depend on a variety of factors including price, regulatory requirements, capital availability, and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without public notice.

**Table of Contents****ITEM 6. EXHIBITS**

- 3.1 Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
- 3.2 Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
- 3.3 Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
- 3.4 Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
- 3.5 Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
- 3.6 Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
- 3.7 Bylaws of the Company, amended and restated through February 24, 2010. (5)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (1)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 101.INS XBRL Instance Document. (8)
- 101.SCH XBRL Taxonomy Extension Schema Document. (8)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document. (8)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document. (8)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document. (8)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. (8)
- (1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
- (2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
- (5) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 2, 2010.
- (6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
- (7) Filed herewith.
- (8) Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.





**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TRIMBLE NAVIGATION LIMITED**  
*(Registrant)*

By:                    /s/ RAJAT BAHRI  
                          **Rajat Bahri**  
                          **Chief Financial Officer**  
                          **(Authorized Officer and Principal**

**Financial Officer)**

DATE: November 8, 2010

**Table of Contents**

**EXHIBIT INDEX**

- 3.1 Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
- 3.2 Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
- 3.3 Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
- 3.4 Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
- 3.5 Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
- 3.6 Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
- 3.7 Bylaws of the Company, amended and restated through February 24, 2010. (5)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (1)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2010. (7)
- 101.INS XBRL Instance Document. (8)
- 101.SCH XBRL Taxonomy Extension Schema Document. (8)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document. (8)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document. (8)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document. (8)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. (8)
- (1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
- (2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
- (5) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 2, 2010.
- (6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
- (7) Filed herewith.
- (8) Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not

filed and otherwise are not subject to liability.