TRIMBLE NAVIGATION LTD /CA/
Form 10-Q
August 07, 2007

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2007

OR

o 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: **0-18645**

TRIMBLE NAVIGATION LIMITED
(Exact name of registrant as specified in its charter)

California	**94-2802192**
(State or other jurisdiction of incorporation or organization)	(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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of August 1, 2007, there were 120,164,431 shares of Common Stock (no par value) outstanding.

TRIMBLE NAVIGATION LIMITED
FORM 10-Q for the Quarter Ended June 29, 2007
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PART I – FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	June 29, 2007	December 29, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73,760	$ 129,621
Accounts receivable, net	235,192	177,054
Other receivables	11,939	6,014
Inventories, net	137,664	112,552
Other current assets	55,265	38,931
Total current assets	513,820	464,172
Property and equipment, net of accumulated depreciation of $72,577 and $63,683 at June 29, 2007 and December 29, 2006, respectively	52,271	47,998
Goodwill	657,746	374,510
Other purchased intangible assets, net	202,693	67,172
Other non-current assets	47,844	29,625
Total assets	$ 1,474,374	$ 983,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 11,250	$ --
Accounts payable	63,795	49,194
Deferred revenue	41,440	28,060
Deferred income taxes	3,291	4,525
Income taxes payable	30,963	23,814
Other current liabilities	90,577	80,586
Total current liabilities	241,316	186,179
Non-current portion of long-term debt	111,739	481
Non-current deferred revenue	10,105	--
Deferred income tax	45,584	21,633
Other non-current liabilities	54,877	27,519
Total liabilities	463,621	235,812
Commitments and contingencies		
Shareholders' equity:		
Preferred stock no par value; 3,000 shares authorized; none outstanding	--	--
Common stock, no par value; 180,000 shares authorized; 119,989 and 111,718 shares issued and outstanding at June 29, 2007 and December 29, 2006, respectively	628,624	435,371
Retained earnings	334,892	271,183

Accumulated other comprehensive income	47,237	41,111
Total shareholders' equity	1,010,753	747,665
Total liabilities and shareholders' equity	$ 1,474,374	$ 983,477

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 29, 2007	Three Months Ended June 30, 2006	Six Months Ended June 29, 2007	Six Months Ended June 30, 2006
Revenue (1)	$ 327,732	$ 245,326	$ 613,464	$ 471,180
Cost of sales (1)	160,563	123,670	303,165	242,061
Gross margin	167,169	121,656	310,299	229,119
Operating expenses				
Research and development	33,867	27,607	65,030	52,053
Sales and marketing	47,546	35,747	89,693	68,453
General and administrative	24,278	16,205	45,920	31,966
Restructuring charges	333	-	3,025	-
Amortization of purchased intangible assets	5,195	2,408	9,301	3,893
In-process research and development	--	1,020	2,112	1,020
Total operating expenses	111,219	82,987	215,081	157,385
Operating income	55,950	38,669	95,218	71,734
Non-operating income, net				
Interest income	593	763	1,837	1,275
Interest expense	(2,459)	(165)	(3,860)	(243)
Income from joint ventures	2,080	1,575	4,502	3,191
Other income, net	57	352	649	1,109
Total non-operating income, net	271	2,525	3,128	5,332
Income before taxes	56,221	41,194	98,346	77,066
Income tax provision	21,195	12,691	34,637	22,735
Net income	$ 35,026	$ 28,503	$ 63,709	$ 54,331
Basic earnings per share	$ 0.29	$ 0.26	$ 0.54	$ 0.50
Shares used in calculating basic earnings per share	119,621	109,694	117,535	109,088
Diluted earnings per share	$ 0.28	$ 0.25	$ 0.52	$ 0.47
Shares used in calculating diluted earnings per share	124,584	116,256	122,539	115,522

(1) Sales to related parties were $6.3 million and $5.5 million for the three months ended June 29, 2007 and June 30, 2006, respectively, with associated cost of sales to those related parties of $4.2 million and $3.2 million, respectively. Sales to related parties were $11.4 million and $10.4 million for the six months ended June 29, 2007 and June 30, 2006, respectively, with associated cost of sales to those related parties of $7.7 million and $6.2 million, respectively. In addition, cost of sales associated with related party net inventory purchases was $7.5 million and $5.6 million for the three months ended June 29, 2007 and June 30, 2006, respectively, and $14.2 million and $11.1 million for the six months ended June 29, 2007 and June 30, 2006, respectively. See Note 5 regarding joint ventures for further information about related party transactions.

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(In thousands)	Six Months Ended June 29, 2007	Six Months Ended June 30, 2006
Cash flow from operating activities:		
Net income	$ 63,709	$ 54,331
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation expense	8,426	6,489
Amortization expense	18,394	6,145
Provision for doubtful accounts	358	95
Amortization of debt issuance cost	105	90
Deferred income taxes	(8,636)	(1,678)
Non-cash restructuring charges	1,725	-
Stock-based compensation	7,145	6,489
In-process research and development	2,112	1,020
Equity gain from joint venture	(4,503)	(3,191)
Excess tax benefit for stock-based compensation	(5,929)	(4,770)
Provision for excess and obsolete inventories	1,941	4,196
Other non-cash items	140	463
Add decrease (increase) in assets:		
Accounts receivable	(41,832)	(19,417)
Other receivables	2,968	341
Inventories	(11,760)	(6,933)
Other current and non-current assets	9,414	(2,097)
Add increase (decrease) in liabilities:		
Accounts payable	(6,298)	1,386
Accrued liabilities	3,216	(1,076)
Deferred revenue	12,132	9,862
Income taxes payable	33,630	7,624
Net cash provided by operating activities	86,457	59,369
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(277,743)	(38,137)
Acquisitions of property and equipment	(6,270)	(10,943)
Dividends received	581	-
Other	378	-
Net cash used in investing activities	(283,054)	(49,080)
Cash flow from financing activities:		
Issuances of common stock	15,761	17,162
Excess tax benefit for stock-based compensation	5,929	4,770
Proceeds from long-term debt and revolving credit lines	250,000	-
Payments on long-term debt and revolving credit lines	(127,517)	-

Other		-		(777)
Net cash provided by financing activities		144,173		21,155
Effect of exchange rate changes on cash and cash equivalents		(3,437)		2,429
Net increase (decrease) in cash and cash equivalents		(55,861)		33,873
Cash and cash equivalents, beginning of period		129,621		73,853
Cash and cash equivalents, end of period	$	73,760	$	107,726

See accompanying Notes to the Condensed Consolidated Financial Statements.

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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 product solutions to commercial and government users in a large number of markets. These markets include surveying, construction, agriculture, fleet and mobile worker, urban and resource management, military, transportation and telecommunications.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2006 was December 29. The second fiscal quarters of 2007 and 2006 ended on June 29, 2007 and June 30, 2006, respectively. Fiscal 2007 and 2006 are 52-week years. Unless otherwise stated, all dates refer to its fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated. The Condensed Consolidated Balance Sheet is derived from the December 29, 2006 audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2006. Certain amounts from prior periods have been reclassified to conform to the current period presentation.

The accompanying financial data as of June 29, 2007 and for the three and six months ended June 29, 2007 and June 30, 2006 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted pursuant to such rules and regulations. The following discussion should be read in conjunction with the Company's 2006 Annual Report on Form 10-K.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present a fair statement of financial position as of June 29, 2007, results of operations for the three and six months ended June 29, 2007 and June 30, 2006 and cash flows for the six months ended June 29, 2007 and June 30, 2006, as applicable, have been made. The results of operations for the three and six months ended June 29, 2007 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.

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. 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.

On January 17, 2007, the Company's Board of Directors approved a 2-for-1 split of all outstanding shares of the Company's Common Stock, payable February 22, 2007 to stockholders of record on February 8, 2007. All shares and per share information presented have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to the Company's significant accounting polices during the six months ended June 29, 2007 from those disclosed in the Company's 2006 Form 10-K. However, the Company is providing updated disclosures surrounding certain accounting policies, as provided below.

Revenue Recognition

The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery 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.

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 are not recognized until the product is delivered 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 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 the cost of goods sold.

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

Revenue from purchased extended warranty and support agreements is deferred and recognized ratably over the term of the warranty/support period.

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

The Company applies Statement of Position (SOP) No. 97-2, "Software Revenue Recognition," to products where the embedded software is more than incidental to the functionality of the hardware. This determination requires significant judgment including a consideration of factors such as marketing, research and development efforts and any post contract support (PCS) relating to the embedded software.

The Company's software arrangements generally consist of a perpetual license fee and PCS. The Company 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, which revenue is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the term of the PCS agreement.

The Company applies Emerging Issues Task Force (EITF) Issue 00-3, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware" for hosted arrangements which the customer 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. Subscription revenue related to the Company's hosted arrangements is recognized ratably over the contract period. Upfront fees for the Company's hosted solution primarily consist of amounts for the in-vehicle enabling hardware device and peripherals, if any. For upfront fees relating to propriety hardware where the firmware is more than incidental to the functionality of the hardware in accordance with SOP No. 97-2, the Company defers the upfront fees at installation and recognizes them ratably over the minimum service contract period, generally one to five years. Product costs are also deferred and amortized over such period.

In accordance with EITF Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," when a non-software sale involves multiple elements the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired balances. Factors influencing these adjustments include decline in demand, technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues. If actual factors are less favorable than those projected by us, additional inventory write-downs may be required.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received.

Identifiable intangible assets are comprised of distribution channels, patents, licenses, technology, acquired backlog and trademarks. Identifiable intangible assets are being amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to ten years. Goodwill is not subject to amortization, but is subject to at least an annual assessment for impairment, applying a fair-value based test.

Impairment of Goodwill, Intangible Assets and Other Long-Lived Assets

The Company evaluates goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The Company performs its annual goodwill impairment testing in the fourth fiscal quarter of each year. Goodwill is reviewed for impairment utilizing a two-step process. First, impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, a second step is performed to measure the amount of impairment loss, if any. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

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Depreciation and amortization of the Company's intangible assets and other long-lived assets is provided using the straight-line method over their estimated useful lives, reflecting the pattern of economic benefits associated with these assets. Changes in circumstances such as technological advances, changes to the Company's business model, or changes in the capital strategy could result in the actual useful lives differing from initial estimates. In those cases where the Company determines that the useful life of an asset should be revised, the Company will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. These assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. The assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) reached a consensus on EITF Issue 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." EITF 06-3 indicates that the income statement presentation on either a gross basis or a net basis of the taxes within the scope of the issue is an accounting policy decision that should be disclosed. On December 30, 2006, the Company adopted EITF 06-3 and the adoption had no effect on the Company's financial position, results of operations or cash flows.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 applies to all tax positions related to income taxes subject to Statement of Financial Accounting Standard (SFAS) 109, "Accounting for Income Taxes." Under FIN 48 a company would recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarifies how a company would measure the income tax benefits from the tax positions that are recognized, provides guidance as to the timing of the derecognition of previously recognized tax benefits and describes the methods for classifying and disclosing the liabilities within the financial statements for any unrecognized tax benefits. FIN 48 also addresses when a company should record interest and penalties related to tax positions and how the interest and penalties may be classified within the income statement and presented in the balance sheet. On December 30, 2006, the Company adopted FIN 48 and, as a result of the implementation, no change to liabilities for uncertain tax positions were recorded (compared to amounts under SFAS 5, "Accounting for Contingencies," represented in the financial statements for the 2006 year).

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. SFAS 157 is effective for the Company beginning in its first quarter of fiscal 2008, although earlier adoption is encouraged. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115." SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. Subsequent measurements for the financial assets and liabilities an entity elects to fair value will be recognized in earnings. SFAS 159 also establishes additional disclosure requirements. If the Company elected to adopt SFAS 159, it would be effective for the Company beginning in its first quarter of fiscal 2008, with early adoption permitted provided that the Company also adopted SFAS 157. The Company does not

expect the adoption of SFAS 159 to have a material impact on its financial position, results of operations or cash flows.

NOTE 3. ACQUISITIONS

@Road, Inc.

On December 10, 2006, the Company and @Road, Inc. (@Road) entered into a definitive merger agreement. The acquisition became effective on February 16, 2007. @Road is a global provider of solutions designed to automate the management of mobile resources and to optimize the service delivery process for customers across a variety of industries. The acquisition of @Road expands the Company's investment and reinforces the existing growth strategy for its Mobile Solutions (TMS) segment. @Road's results of operations since February 17, 2006 have been included in the Company's consolidated statements of income within the Mobile Solutions business segment.

Purchase Price

Under the terms of the agreement, the Company acquired all of the outstanding shares of @Road common stock for $7.50 per share. The Company elected to issue $2.50 per share of the consideration in the form of the Company's common stock (Common Stock) to be based upon the five-day average closing price of the Company's shares six trading days prior to the closing of the transaction and the remaining $5.00 per share consideration was paid in cash. Further, each share of Series A-1 and Series A-2 Redeemable Preferred Stock, par value $0.001 per share, of @Road was converted into the right to receive an amount in cash equal to $100.00 plus all declared or accumulated but unpaid dividends with respect to such shares as of immediately prior to the effective time of the merger and each share of Series B-1 Redeemable Preferred Stock, par value $0.001 per share, of @Road and each share of Series B-2 Redeemable Preferred Stock, par value $0.001 per share, of @Road was converted into the right to receive an amount in cash equal to $831.39 plus all declared or accumulated but unpaid dividends with respect to such shares as of immediately prior to the effective time of the merger. In addition, all @Road vested stock options were terminated and the holders of each such option were entitled to receive the excess, if any, of the aggregate consideration over the exercise price. At the effective time of the merger, all unvested @Road stock options with an exercise price in excess of $7.50 were terminated and all unvested stock options that had exercise prices of $7.50 or less were assumed by the Company.

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Concurrently with the merger, the Company amended and restated 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) and incurred a five-year term loan under the 2007 Credit Facility. See Note 9 to the Condensed Consolidated Financial Statements for additional information.

The Company paid approximately $327.3 million in cash from debt and existing cash, and issued approximately 5.9 million shares of the Company's common stock based on an exchange ratio of 0.0894 shares of the Company's common stock for each outstanding share of @Road common stock as of February 16, 2007. The common stock issued had a fair value of $161.9 million and was valued using the average closing price of the Company's common stock of $27.69 over a range of two trading days (February 14, 2007 through February 15, 2007) prior to, and including, the close date (February 16, 2007) of the transaction, which is also the date that the amount of the Company's shares to be issued in accordance with the merger agreement was settled. The total purchase price is estimated as follows (in thousands):

Cash consideration	$ 327,370
Common stock consideration	161,947
Merger costs *	5,646
Total Purchase price	$ 494,963

* Merger costs consist of legal, advisory, accounting and administrative fees.

Preliminary Purchase Price Allocation

In accordance with SFAS 141, "Business Combinations," the total purchase price was allocated to @Road net tangible assets, identifiable intangible assets and in-process research and development based upon their estimated fair values as of February 16, 2007. The excess purchase price over the net tangible, identifiable intangible assets and in-process research and development was recorded as goodwill. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on estimates and assumptions provided by management. The allocation of the total estimated purchase price is preliminary and may differ from the actual purchase price allocation upon realization of any accrued costs and final fair value determination of certain tangible assets, intangible assets and liabilities assumed.

The total preliminary purchase price has been allocated as follows (in thousands):

Value to be allocated to assets, based upon merger consideration	$ 494,963
Less: value of @Road's assets acquired:	
Net tangible assets acquired	140,102
Amortizable intangibles assets:	
Developed product technology	66,600
Customer relationships	75,300
Trademarks and tradenames	5,200
Subtotal	147,100
In-process research and development	2,100
Deferred tax liability	(56,855)
Goodwill	$ 262,516

Net Tangible Assets

As of

(in thousands)		February 16, 2007
Cash and cash equivalents	$	74,729
Accounts receivable, net		14,135
Other receivables		8,773
Inventory		15,272
Other current assets		11,953
Property and equipment, net		5,854
Deferred tax asset		42,471
Other non-current assets		8,111
Total assets acquired	$	181,298
Accounts payable		19,285
Deferred revenue		7,365
Other accrued liabilities		14,546
Total liabilities assumed	$	41,196
Total net assets acquired	$	140,102

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The Company reviewed and adjusted @Road's net tangible assets and liabilities to fair value, as necessary, as of February 16, 2007, including the following adjustments:

Fixed assets – the Company decreased @Road's historical value of fixed assets by $2.1 million to adjust fixed assets to an amount equivalent to fair market value.

Deferred revenue and cost of sales – the Company reduced @Road's historical value of deferred revenue by $39.6 million to adjust deferred revenue to the fair value of the direct cost associated with servicing the underlying obligation plus a reasonable margin. @Road’s deferred revenue balance consists of upfront payments of its hosted product, licensed product, extended warranty and maintenance. The Company reduced @Road's historical value of deferred product cost by $47.1 million to adjust deferred product cost to the asset's underlying fair value. The deferred product costs adjustment to fair value related to deferral of cost of sales of hardware that have shipped, resulting in no fair value relating to the associated deferred product costs.

Other current and non-current assets – Other current and non-current assets were increased by $15.4 million to adjust for the fair value of future cash collections from customer contracts assumed for products delivered prior to the acquisition date. As the products were delivered prior to the acquisition date, revenue is not recognizable in the Company’s statement of operations.

Intangible Assets

Developed product technology, which is comprised of products that have reached technological feasibility, includes products in @Road's current product offerings. @Road's technology includes hardware, software and services that serve the mobile resource management market internationally. The Company expects to amortize the developed and core technology over a weighted average estimated life of seven years.

Customer relationships represent the value placed on @Road’s distribution channels and end users. The Company expects to amortize the fair value of these assets over a weighted average estimated life of seven years.

Trademarks and tradenames represent the value placed on the @Road brand and recognition in the mobile resource management market. The Company expects to amortize the fair value of these assets over a weighted average estimated life of eight years.

In-process Research and Development

The Company recorded an expense of $2.1 million relating to in-process research and development projects in @Road’s license business. In-process research and development represents incomplete @Road research and development projects that had not reached technological feasibility and had no alternative future use as of the consummation of the merger.

Goodwill

The excess purchase price over the net tangible, identifiable intangible assets and in-process research and development was recorded as goodwill. The goodwill was attributed to the premium paid for the opportunity to expand and better serve the global mobile resource management market and achieve greater long-term growth opportunities than either company had operating alone. The Company believes these opportunities could include accelerating the rate at which products are brought to market and increasing the diversity and global reach of those products. In addition, the Company expects that the combined companies may be able to obtain greater operating leverage by reducing costs in areas of redundancy.

Restructuring

Liabilities related to restructuring @Road's operations that meet the requirements of EITF 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination,” have been recorded as adjustments to the purchase price and an increase in goodwill. Liabilities related to restructuring the Company's operations have been recorded as expenses in the Company's statement of operations in the period that the costs are incurred.

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The Company is in the process of finalizing the total restructuring liability related to the @Road acquisition and will be implementing the plan as soon as feasible. See Note 12 to the Condensed Consolidated Financial Statements for additional information.

Deferred tax assets/liabilities

The Company recognized $56.9 million in net deferred tax liabilities for the tax effects of differences between assigned values in the purchase price and the tax bases of assets acquired and liabilities assumed.

@Road stock options assumed

In accordance with the merger agreement, the Company assumed all @Road unvested stock options that had exercise prices of $7.50 or less. The Company issued approximately 795,000 stock options based on an exchange ratio of 0.268 shares of the Company's common stock for each unvested stock option with exercise prices of $7.50 or less as of February 16, 2007. The fair value of these assumed options was determined to be $10.1 million which will be expensed over the remaining vesting terms of the assumed options which is approximately three to four years. The assumed options were valued using the binomial model similar to previously granted Trimble stock options as discussed in the Company's fiscal 2006 Form 10-K.

Pro Forma Results

The following table presents pro forma results of operations of the Company and @Road, as if the companies had been combined as of the beginning of the earliest period presented. The unaudited pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisition taken place on December 30, 2005 or of future results. Included in the pro-forma results are fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of February 16, 2007 and adjustments for interest expense related to debt and stock options assumed as part of the merger consideration.

The Company excluded the effect of non-recurring items for all periods presented as the impact is short-term in nature. The pro forma information is as follows:

	Three Months Ended	Six Months Ended	
	June 30, 2006 (b)	June 29, 2007 (a)	June 30, 2006 (b)
(in thousands, except per share data)			
Pro forma revenue	$ 262,969	$ 622,938	$ 507,458
Pro forma net income	$ 19,679	$ 54,114	$ 36,968
Pro forma basic net income per share	$ 0.17	$ 0.45	$ 0.32
Pro forma diluted net income per share	$ 0.16	$ 0.44	$ 0.30

(a) The pro forma results of operations represent the Company's results for the three and six months ended June 29, 2007, including @Road beginning from February 17, 2007, and @Road historical results and pro forma adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of February 16, 2007 for the beginning of @Road's first quarter of fiscal 2007 to February 16, 2007. Pro-forma revenue includes a $4.8 million decrease due to deferred revenue write-downs and customer contracts where the product was delivered prior to the acquisition date. Pro-forma net income includes revenue write-downs, related deferred cost of sales write-downs of $0.7 million, amortization of intangible assets related to the acquisition of

$5.6 million, interest expense for debt used to purchase @Road of $2.8 million, and stock-based compensation for @Road options assumed of $1.3 million.

(b) The pro forma results of operations represent the Company's results for the three and six months ended June 30, 2006, including @Road's historical results and pro forma adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of February 16, 2007 for the three and six months ending June 30, 2006. Pro-forma revenue for the three and six months ended June 29, 2007 includes a $5.6 million and $11.7 million decrease, respectively, due to deferred revenue write-downs and customer contracts which the product was delivered prior to the acquisition date. Pro-forma net income for the three and six months ended June 30, 2006 includes revenue write-downs and related deferred cost of sales write-down of $0.7 million and $1.9 million, respectively, amortization of intangible assets related to the acquisition of $4.6 million and $9.1 million, respectively, interest expense for debt used to purchase @Road of $2.8 million and $5.6 million, respectively, and stock-based compensation for @Road options assumed of $0.07 million and $0.4 million, respectively.

INPHO GmbH

On February 13, 2007, the Company acquired privately-held INPHO GmbH of Stuttgart, Germany. INPHO provides photogrammetry and digital surface modeling for aerial surveying, mapping and remote sensing applications. INPHO's results of operations since February 13, 2007 have been included in the Company's consolidated statements of income within the Engineering and Contruction business segment.

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NOTE 4. STOCK-BASED COMPENSATION

The Company accounts for its employee stock options and rights to purchase shares under its stock participation plans at fair value, in accordance with SFAS 123(R), "Share-Based Payment." SFAS 123(R) 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.

The following table summarizes stock-based compensation expense, net of tax, related to employee stock-based compensation included in the Consolidated Condensed Statements of Income in accordance with SFAS 123(R) for the three and six months ended June 29, 2007 and June 30, 2006.

	Three Months Ended		Six Months Ended	
(in thousands)	June 29, 2007	June 30, 2006	June 29, 2007	June 30, 2006
Cost of sales	$ 429	$ 309	$ 771	$ 596
Research and development	1,022	667	1,751	1,306
Sales and marketing	974	711	1,741	1,452
General and administrative	1,367	1,572	2,882	3,135
Total operating expenses	3,363	2,950	6,374	5,893
Total stock-based compensation expense	3,792	3,259	7,145	6,489
Tax benefit (1)	(520)	(294)	(868)	(588)
Total stock-based compensation expense, net of tax	$ 3,272	$ 2,965	$ 6,277	$ 5,901

(1) Tax benefit related to U.S. non-qualified options only, as allowed by the applicable tax requirements using the statutory tax rate for the respective periods.

Options

Stock option expense recognized during the period is based on the value of the portion of the stock option that is expected to vest during the period. 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 for the three and six months ended June 29, 2007 and June 30, 2006, the following assumptions were used:

	Three Months Ended		Six Months Ended	
	June 29, 2007	June 30, 2006	June 29, 2007	June 30, 2006
Expected dividend yield	--	--	--	--
Expected stock price volatility	36.9%	42.0%	37.2%	42.0%
Risk free interest rate	4.5%	4.5%	4.5%	4.5%
Expected life of options after vesting	3.9 years	4.6 years	3.9 years	4.6 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 was 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.

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NOTE 5. 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 from joint ventures in the Non-operating income, net section of the Condensed Consolidated Statements of Income. During the three and six months ended June 29, 2007, the Company recorded $2.3 million and $4.5 million, respectively, as its proportionate share of CTCT net income. During the comparable periods of 2006 the Company recorded $1.4 million and $3.0 million, respectively, as its proportionate share of CTCT net income. The carrying amount of the investment in CTCT was $8.6 million at June 29, 2007 and $4.1 million at December 29, 2006, and is included in Other non-current assets on the Condensed Consolidated Balance Sheets.

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. Generally, the Company sells products through its after-market dealer channel, and Caterpillar sells products for factory and dealer installation. CTCT does not hold inventory in that the resale of products to Caterpillar and the Company occur simultaneously when the products are purchased from the Company. During the three and six months ended June 29, 2007, the Company recorded $2.7 million and $4.9 million of revenue, respectively, and $2.4 million and $4.4 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 six month periods of fiscal 2006, the Company recorded $2.3 million and $4.3 million of revenue, respectively, and $2.0 million and $3.7 million of cost of sales, respectively. In addition, during the three and six months ended June 29, 2007, the Company recorded $7.5 million and $14.2 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 six months ended June 30, 2006 were $5.6 million and $11.1 million, respectively.

In addition, the Company received reimbursement of employee-related costs from CTCT for the Company employees dedicated to CTCT or performing work for CTCT totaling $3.0 million and $6.3 million for the three and six months ended June 29, 2007, respectively, and totaling $3.5 million and $6.9 million for the three and six months ended June 30, 2006, respectively. The reimbursements were offset against operating expenses.

At June 29, 2007 and December 29, 2006, 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 June 29, 2007 and December 29, 2006, the receivable from CTCT was $6.7 million and $4.7 million, respectively, and is included within Accounts receivable, net, on the Condensed Consolidated Balance Sheets. As of the same dates, the payable due to CTCT was $6.9 million and $4.4 million, respectively, and is 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. Under the equity method, the Company's share of profits and losses are included in Income from joint ventures in the Non-operating income, net section of the Condensed Consolidated Statements of Income. During the three and six month periods ended June 29, 2007, the Company recorded a loss of $0.3 million and a profit of $4,000, respectively, and during the three and six month periods ended June 30, 2006, the Company recorded a profit of $0.2 million and a profit of $0.2 million, respectively, as its proportionate share of Nikon-Trimble net income (loss). During the six months ended June 29, 2007, dividends received from Nikon-Trimble, amounted to $0.6 million, and were recorded against Other non-current assets on the Condensed Consolidated Balance Sheets. There were no dividends received during the six months ended June 30, 2006. The carrying amount of the investment in Nikon-Trimble was $13.5 million at June 29, 2007 and $14.0 million at December 29, 2006, 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. Profits from these inter-company sales are eliminated.

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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 months ended June 29, 2007 and June 30, 2006, the Company recorded $3.6 million and $3.2 million of revenue and $1.8 million and $1.3 million of cost of sales for the manufacturing of products sold by the Company to Nikon-Trimble. During the six months ended June 29, 2007 and June 30, 2006, the Company recorded $6.5 million and $6.1 million of revenue and $3.3 million and $2.5 million of cost of sales for the manufacturing of products sold by the Company to Nikon-Trimble.

At June 29, 2007 and December 29, 2006, 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 Sheet. At June 29, 2007 and December 29, 2006, the amount due from Nikon-Trimble was $2.0 million and $1.5 million, respectively, and is included within Accounts receivable, net on the Condensed Consolidated Balance Sheets. During the comparable periods, the amount due to Nikon-Trimble was $3.2 million and $1.1 million, respectively, and is included within Accounts payable on the Condensed Consolidated Balance Sheets.

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

Intangible Assets

Intangible Assets consisted of the following:

	June 29, 2007		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$ 162,785	$ (49,207)	$ 113,578
Trade names and trademarks	17,230	(11,195)	6,035
Patents and other intellectual properties	104,545	(21,465)	83,080
	$ 284,560	$ (81,867)	$ 202,693

	December 29, 2006		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$ 92,430	$ (38,604)	$ 53,826
Trade names and trademarks	11,845	(10,687)	1,158
Patents and other intellectual properties	25,845	(13,657)	12,188
	$ 130,120	$ (62,948)	$ 67,172

The estimated future amortization expense of intangible assets as of June 29, 2007, is as follows (in thousands):

	Amortization Expense
2007 (Remaining)	$ 19,769

2008		39,298
2009		36,250
2010		34,052
2011		28,732
Thereafter		44,592
Total	$	202,693

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Goodwill

The changes in the carrying amount of goodwill for the six months ended June 29, 2007, are as follows (in thousands):

	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
Balance as of December 29, 2006	$ 296,597	$ 1,517	$ 63,430	$ 12,966	$ 374,510
Additions due to acquisitions	6,344	--	262,574	--	268,918
Purchase price adjustments	4,587	39	6,679	--	11,305
Foreign currency translation adjustments	938	--	1,052	1,023	3,013
Balance as of June 29, 2007	$ 308,466	$ 1,556	$ 333,735	$ 13,989	$ 657,746

The purchase price adjustments recorded during the six months ended June 29, 2007 are for earn-out payments related to previous business acquisitions.

NOTE 7. CERTAIN BALANCE SHEET COMPONENTS

Inventories, net consisted of the following:

As of *(in thousands)*	June 29, 2007	December 29, 2006
Raw materials	$ 64,174	$ 66,853
Work-in-process	14,150	6,181
Finished goods	59,340	39,518
Total inventory, net	$ 137,664	$ 112,552

Other non-current liabilities consisted of the following:

As of *(in thousands)*	June 29, 2007	December 29, 2006
Deferred compensation	$ 8,203	$ 5,887
Unrecognized tax benefits	23,015	--
Other non-current liabilities	23,659	21,632
Total other non-current liabilities	$ 54,877	$ 27,519

As of June 29, 2007, the Company has $23.0 million of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods and interest and/or penalties related to income tax matters. As of December 29, 2006 these balances are included in Income taxes payable on the Condensed Consolidated Balance Sheets. Pursuant to the requirements of FIN 48, as of June 29, 2007, these liabilities are classified in Other non-current liabilities in the Condensed Consolidated Balance Sheets.

NOTE 8. THE COMPANY AND SEGMENT INFORMATION

The Company is a designer and distributor of positioning products and applications 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 they include handheld devices and software that enable the collection of data on assets for a variety of governmental and private entities.

- 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 were aggregated on the basis that no single operation accounted 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.

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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.

The following table presents revenue, operating income, and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expenses, excluding general corporate expenses, amortization of purchase intangibles, in-process research and development expenses and restructuring charges. The identifiable assets that the Company's Chief Operating Decision Maker views by segment are accounts receivable and inventory.

	Reporting Segments				
(In thousands)	Engineering and Construction	Field Solutions	Mobile Solution	Advanced Devices	Total
Three Months Ended June 29, 2007					
Segment revenue	$ 198,853	$ 55,273	$ 40,927	$ 32,679	$ 327,732
Operating income	52,371	18,398	2,906	5,384	79,059
Three Months Ended June 30, 2006					
Segment revenue	$ 168,041	$ 36,320	$ 14,851	$ 26,114	$ 245,326
Operating income	38,803	11,299	374	2,243	52,719
Six Months Ended June 29, 2007					
Segment revenue	$ 374,457	$ 106,235	$ 70,784	$ 61,988	$ 613,464
Operating income	94,535	35,026	3,916	8,727	142,204
Six Months Ended June 30, 2006					
Segment revenue	$ 314,775	$ 79,363	$ 27,458	$ 49,584	$ 471,180
Operating income	65,180	25,207	597	4,566	95,550
As of June 29, 2007					
Accounts receivable (1)	$ 161,822	$ 28,928	$ 32,315	$ 21,164	$ 244,229
Inventories	87,366	13,521	19,087	17,690	137,664
As of December 29, 2006					
Accounts receivable (1)	$ 127,567	$ 21,016	$ 15,630	$ 16,474	$ 180,687
Inventories	82,827	10,946	1,666	17,113	112,552

(1) As presented, accounts receivable represents trade receivables, gross, which are specified between segments.

As of	June 29, 2007	December 29, 2006

(in thousands)		
Assets:		
Accounts receivable total for reporting segments	$ 244,229	$ 180,687
Unallocated (1)	(9,037)	(3,633)
Total	$ 235,192	$ 177,054

(1) Includes trade-related accruals, allowances, and cash received in advance that are not allocated by segment.

The distribution of the Company's consolidated revenue by segment is summarized in the table below. Total consolidated revenue presented in the Condensed Consolidated Statements of Income is reported net of eliminations of internal sales between segments, and equals revenue.

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	Three Months Ended		Six Months Ended	
(In thousands)	June 29, 2007	June 30, 2006	June 29, 2007	June 30, 2006
Engineering and Construction	$ 200,797	$ 169,102	$ 377,670	$ 316,560
Field Solutions	55,273	36,320	106,235	79,362
Mobile Solutions	40,927	14,851	70,784	27,458
Advanced Devices	32,679	26,114	61,988	49,586
Total segment revenue (including internal sales)	329,676	246,387	616,677	472,966
Eliminations	(1,944)	(1,061)	(3,213)	(1,786)
Total consolidated revenue	$ 327,732	$ 245,326	$ 613,464	$ 471,180

A reconciliation of our consolidated segment operating income to consolidated income before income taxes is as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	June 29 2007	June 30, 2006	June 29, 2007	June 30, 2006
Consolidated segment operating income	$ 79,059	$ 52,719	$ 142,204	$ 95,550
Unallocated corporate expense	(12,344)	(9,288)	(23,522)	(16,714)
Amortization of purchased intangible assets	(10,432)	(3,742)	(18,327)	(6,082)
In-process research and development expense	--	(1,020)	(2,112)	(1,020)
Restructuring charges	(333)	--	(3,025)	--
Non-operating income (expense), net	271	2,525	3,128	5,332
Consolidated income before income taxes	$ 56,221	$ 41,194	$ 98,346	$ 77,066

NOTE 9. LONG TERM DEBT, COMMITMENTS AND CONTINGENCIES

Long-term debt consisted of the following:

As of *(In thousands)*	June 29, 2007	December 29, 2006
Credit Facilities:		
Term loan	$ 97,500	$ -
Revolving credit facility	25,000	-
Promissory notes and other	489	481
Total debt	122,989	481
Less current portion of long-term debt	11,250	-
Non-current portion	$ 111,739	$ 481

Credit Facilities

On February 16, 2007, the Company amended and restated 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 for swing line loans. During the three months ended March 30, 2007, the Company drew down $150 million on the revolving credit line.

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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 will mature concurrently with the revolving credit line. The term loan will be repaid in quarterly installments, with principal being amortized at the following annual rates: year 1 at 10%, year 2 at 15%, year 3 at 15%, year 4 at 20%, year 5 at 20%, and the last quarterly payment to be made at maturity, together with a final payment of 20%. The maximum leverage ratio under the 2007 Credit Facility is 3.00:1. The funds available under the new 2007 Credit Facility may be used by the Company for acquisitions and general corporate purposes.

At June 29, 2007, the Company had $25.0 million drawn on the revolving credit line and $97.5 million of the term loan remained outstanding and the Company was in compliance with all financial debt covenants.

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, 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.

Leases

The estimated future minimum operating lease commitments as of June 29, 2007, is as follows (in thousands):

2007 (Remaining)	$	8,312
2008		13,463
2009		10,522
2010		8,508
2011		5,727
Thereafter		4,767
Total	$	51,299

Additionally, as of June 29, 2007, the Company had acquisition earn-outs of $10.6 million and holdbacks of $8.5 million recorded in “Other current liabilities” and “Other non-current liabilities.” The maximum remaining payments, including the $10.6 million and $8.5 million recorded, will not exceed $68.4 million. The remaining earn-outs and holdbacks are payable through 2009.

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 cost is primarily estimated based upon historical trends in the volume of product returns within the warranty period and the cost 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 three and six months ended June 29, 2007 and June 30, 2006 are as follows:

(In thousands)