

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

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2005

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: 0-18645

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 No.)

935 Stewart Drive, Sunnyvale, CA

(Address of principal executive offices)

94085

(Zip Code)

Registrant's telephone number, including area code: **(408) 481-8000**

Securities registered pursuant to Section 12(b) of the Act: NONE

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

Common Stock
Preferred Share Purchase Rights
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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 July 1, 2005, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$2.0 billion based on the closing price as reported on the NASDAQ National Market.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class Outstanding at March 6, 2006
Common stock, no par value 54,338,187 shares

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of Trimble Navigation Limited's Proxy Statement relating to the annual meeting of stockholders to be held on May 18, 2006 (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to the "safe harbor" created by those sections. The forward-looking statements regarding future events and the future results of Trimble Navigation Limited ("Trimble" or "The Company" or "We" or "Our" or "Us") are based on current expectations, estimates, forecasts, and projections about the industries in which Trimble operates and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements and events to differ materially from those implied by such forward-looking statements, but are not limited to those discussed in this Report under the section entitled "Other Risk Factors" and elsewhere, and in other reports Trimble files with the Securities and Exchange Commission ("SEC"), specifically the most recent reports on Form 8-K and Form 10-Q, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Annual Report on Form 10-K. We reserve the right to update these statements for any reason, including the occurrence of material events. The risks and uncertainties under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risks and Uncertainties" contained herein, among other things, should be considered in evaluating our prospects and future financial performance. We have attempted to identify forward-looking statements in this report by placing an asterisk (*) before paragraphs containing such material.

TRIMBLE NAVIGATION LIMITED

2005 FORM 10-K ANNUAL REPORT

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TRADEMARKS

Trimble, the globe and triangle logo, EZ-Guide, Telvisant, Lassen, SiteVision, GeoExplorer, AgGPS, Thunderbolt, FirstGPS, Spectra Precision, CrossCheck, Recon, and TrimTrac among others are trademarks of Trimble Navigation Limited and its subsidiaries registered in the United States and other countries. EZ-Steer, Force and Ranger are trademarks of Trimble Navigation Limited and its subsidiaries. All other trademarks are the property of their respective owners.

Item 1 Business Overview

Trimble Navigation Limited, a California corporation (“Trimble” or “the Company” or “we” or “our” or “us”), provides advanced positioning product solutions, most typically to commercial and government users. The principle applications served include surveying, agriculture, machine guidance, asset and fleet management, and telecommunications infrastructure. Our products typically provide benefits that can include lower operational costs, and higher productivity. Examples of products include systems that guide agricultural and construction equipment, surveying instruments, systems that track fleets of vehicles, and data collection systems that enable the management of large amounts of geo-referenced information. In addition, we also manufacture components for in vehicle navigation and telematics systems, and timing modules used in the synchronization of wireless networks.

Trimble products often combine knowledge of location or position together with a wireless link to provide a solution to a specific application. Position is provided through a number of alternative technologies including the Global Positioning System (GPS) and systems that use laser or optical technologies to establish position. Wireless communication techniques include both public networks, such as cellular, and private networks, such as business band radio. Our products are augmented by our software algorithms; this includes embedded firmware that enables the positioning solution and applications software that allows the customer to make use of the positioning information.

We design and market our own products. Our manufacturing strategy includes a combination of in house assembly as well as the use of third party subcontractors. Our global operations include major development, manufacturing or logistics operations in the United States, Sweden, Germany, New Zealand, France, Canada, and the Netherlands. Products are sold through dealers, representatives, joint ventures, and other channels throughout the world. These channels are supported by our sales offices located in more than 15 countries.

We began operations in 1978 and incorporated in California in 1981. Our common stock has been publicly traded on NASDAQ since 1990 under the symbol TRMB.

Technology Overview

A significant portion of our revenue is derived from applying Global Navigation Satellite Systems (GNSS) to terrestrial applications. GNSS systems include a system of 24 orbiting US based satellites and associated ground control that is funded and maintained by the U. S. Government and is available worldwide free of charge, a Russian satellite based system, and the future European Galileo system. GNSS positioning is based on a technique that precisely measures distances from four or more satellites. The satellites continuously transmit precisely timed radio signals using extremely accurate atomic clocks. A GNSS receiver measures distances from the satellites in view by determining the travel time of a signal from the satellite to the receiver, and then uses those distances to compute its position. Under normal circumstances, a stand-alone GNSS receiver is able to calculate its position at any point on earth, in the earth’s atmosphere, or in lower earth orbit, to approximately 10 meters, 24 hours a day. Much better accuracies are possible through a technique called “differential GNSS.” In addition to providing position, GNSS provides extremely accurate time measurement.

GNSS accuracy is dependent upon the locations of the receiver and the number of GNSS satellites that are above the horizon at any given time. Reception of GNSS signals requires line-of-sight visibility between the satellites and the receiver, which can be blocked by buildings, hills, and dense foliage. The receiver must have a line of sight to at least four satellites to determine its latitude, longitude, attitude (angular orientation), and time. The accuracy of GNSS may also be limited by distortion of GNSS signals from ionospheric and other atmospheric conditions.

Our GNSS products are based on proprietary receiver technology. Over time, the advances in positioning, wireless communication, and information technologies have enabled us to add more capability to our products and thereby deliver more value to our users. For example, the developments in wireless technology and deployments of next generation wireless networks have enabled less expensive wireless communications. These developments allow for the efficient transfer of position data to locations away from the positioning field device, allowing the data to be accessed by more users and thereby increasing productivity. This has allowed us to include a wireless link in many of our products and connect remote field operations to a central location.

Our laser and optical products either measure distances and angles to provide a position in three dimensional space or they provide highly accurate laser references from which position can be established. The key element of these products is typically a laser, which is generally a commercially available laser diode and a complex mechanical assembly. These elements are augmented by software algorithms.

Business Strategy

Our business strategy is developed around an analysis of several key elements:

- *Attractive markets* - We focus on markets that offer potential for revenue growth, profitability, and market leadership.
- *Innovative solutions that provide significant benefits to our customers* - We seek to apply our technology to applications in which position data is important and where we can create unique value. We look for opportunities in which the rate of technological change is high and which have a requirement for the integration of multiple technologies into a solution.
- *Distribution channels to best access our markets* - We select distribution channels that best serve the needs of individual markets. These channels can include independent dealers, direct sales, joint ventures, OEM sales, and distribution alliances with key partners. We view international expansion as an important element of our strategy and seek to develop international channels.

Business Segments and Markets

We are organized into five reporting segments encompassing our various applications and product lines: Engineering and Construction, Field Solutions, Component Technologies, Mobile Solutions, and Portfolio Technologies. Our segments are distinguished by the markets they serve. Each segment consists of businesses which are responsible for product development, marketing, sales, strategy, and financial performance.

Engineering and Construction

Products in the Engineering and Construction segment improve productivity and accuracy throughout the entire construction process including the initial survey, planning, design, site preparation, and building phases. Our products are intended to both improve the productivity of each phase, as well as facilitate the entire process by improving information flow from one step to the next.

The product solutions typically include multiple technologies. The elements of these solutions may incorporate GPS, optical, laser, radio or cellular communications.

An example of the customer benefits provided by our product is our GPS and robotic optical surveying instruments which enable the surveyor to perform operations in the field faster, more reliably than conventional surveying instruments and with a smaller crew. Similarly, our construction machine guidance products allow the operator to achieve the desired landform by eliminating stakeout and reducing rework. These steps in the construction process can be readily linked together with data collection modules to minimize the time and effort required to maintain data accuracy throughout the entire construction process.

We sell and distribute our products in this segment through a global network of independent dealers that are supported by Trimble personnel. This channel is supplemented by relationships that create additional channel breadth including our joint ventures with Caterpillar, Nikon, and private branding arrangements with other companies.

We also design and market handheld data collectors and data collection software for field use by surveyors, contractors, and other professionals. These products are sold directly, through dealers, and other survey manufacturers.

Competitors in this segment are typically companies that provide optical, laser, or GPS positioning products. Our principal competitors are Topcon Corporation and Leica Geosystems. Price points in this segment range from less than \$1,000 for certain laser systems to approximately \$125,000 for a high-precision, three-dimensional, machine control system.

Representative products sold in this segment include:

Spectra Precision® Laser System - The Spectra Precision Laser machine systems include a portfolio of laser-based machine display and control systems for grading and excavating applications. These machine systems can be used on a wide range of machines, including dozers, backhoes, scrapers, skid steers and excavators. Furthermore, the Spectra Laser grade control systems offers visual guidance to the operators while performing such tasks as cutting the edge of the blade or bucket.

Trimble® SPS700 Robotic Construction Total Station - The Trimble SPS700 Robotic Total Station is used with the Trimble LM80 Layout Manager to provide contractors with more control of their construction layout. The robotic operation allows contractors to perform layout tasks significantly more efficiently than with conventional mechanical systems leading to increased productivity.

Trimble® S6 Total Station - The Trimble S6 Total Station is a technologically advanced optical surveying system. Its advanced servo motors make the Trimble S6 fast, silent, and precise, allowing surveyors to measure points and collect data in the field efficiently and productively. The Trimble S6 offers unique new Trimble technologies that enable cable-free operation, longer battery life, and accuracy assurance, among many other features. Its detachable Trimble CU controller is utilized to effectively collect, display, and manage field data.

Trimble® R8 GNSS System - The Trimble R8 GNSS System combines a GNSS receiver, radio, and battery in one compact unit to produce a lightweight and versatile, cable-free GNSS surveying solution. Surveyors can use the Trimble R8 system to achieve centimeter-level accuracy in their measurements in real time. The Trimble R8 GNSS offers R-Track technology, which is a unique Trimble technology developed with GNSS capabilities to support new GPS signals for civilian use and the Russian Glonass system. These new signals such as the next-generation GPS L2C and L5 signals and GLONASS provide our customers increased reliability and productivity.

Trimble® Recon® Controller - The Trimble Recon Controller is a rugged handheld controller used by surveyors and engineers in the field. Running the Microsoft Pocket PC operating system, the Trimble Recon controller enables users to run the Trimble software of their choice, plus other applications to support their business needs. The Trimble Recon controller features a touch screen for quick and easy data entry and a color graphic display. It tackles multiple surveying applications, including topographic surveying, engineering, construction, and mapping.

GCS family of Grade Control Systems - Grade control systems meets construction contractors' needs with productivity-enhancing solutions for earthmoving, site prep and roadwork. The Trimble GCS family provides upgrade options that deliver earthmoving contractors with the flexibility to select a system that meets their daily needs today, and later add on to meet their changing needs. For example, a single control system such as the GCS300 can provide for low-cost point of entry into grade control, and over time can be upgraded to the GCS400 dual sensor system, or to the full 3D GCS900 Grade Control System.

Spectra Precision® Laser portable tools - Our Spectra Precision Laser portfolio includes a broad range of laser based tools for the interior, drywalls and ceilings, HVAC, and mechanical contractor. Designed to replace traditional methods of measurement and leveling for a wide range of interior construction applications, our laser tools are easy to learn and use. Our Spectra Precision Laser product portfolio includes rotating lasers for horizontal leveling and vertical alignment, as well as laser pointers and a laser based distance measuring device. They are available through independent and national construction supply houses both in the US and in Europe.

Field Solutions

Our Field Solutions segment addresses the agriculture and geographic information system (GIS) markets.

Our agriculture products consist of manual and automated navigation guidance for tractors and other farm equipment used in spraying, planting, cultivation, and harvesting applications. The benefits to the farmer include faster machine operation, higher yields, and lower consumption of chemicals than conventional equipment. We also provide positioning solutions for leveling agricultural fields in irrigation applications and aligning drainage systems to better manage water flow in fields.

We use multiple distribution channels to access the agricultural market, including independent dealers and partners such as CNH Global . Competitors in this market are either vertically integrated implement companies such as John Deere, or agricultural instrumentation suppliers such as Raven, CSI Wireless and Novariant.

Our GIS product line is centered on handheld data collectors that gather information in the field to be incorporated into GIS databases. Typically this information includes features, attributes, and positions of fixed infrastructure and natural resource assets. An example would be that of a utility company performing a survey of its transmission poles including the age and condition of each telephone pole. Our handheld unit enables this data to be collected and automatically stored while confirming the location of the asset. The data can then be downloaded into a GIS database. This stored data could later be used to navigate back to any individual asset or item for maintenance or data update. Our mobile GIS initiative goes one step further by allowing this information to be communicated from the field worker to the back-office GIS database through the combination of wireless technologies, as well as giving the field worker the ability to download information from the database. This capability provides significant advantages to users including improved productivity, accuracy and access to the information in the field.

Distribution for GIS products is primarily through a network of independent dealers and business partners, supported by Trimble personnel. Primary markets for our GIS products and solutions include both governmental and commercial users. Government users are most often municipal governments and natural resource agencies. Commercial users include utility companies. Competitors in this market are typically survey instrument companies utilizing GPS technology. Two examples are Leica Geosystems and Thales.

Approximate price points in this segment range from \$3,000 for a GIS handheld unit to \$35,000 for a fully automated, farm equipment control system.

Representative products sold within this segment include:

AgGPS® Autopilot™ System - A GPS-enabled, agricultural navigation system that connects to a tractor's steering system and automatically steers the tractor along a precise path to within three centimeters or less. This enables both higher machine productivity and more precise application of seed and chemicals, thereby reducing costs to the farmer.

AgGPS® EZ-Guide® Plus System - A GPS-enabled, manual guidance system that provides the tractor operator with steering visual corrections required to stay on course to within 20 centimeters or less. This system reduces the overlap or gap in spraying, fertilizing, and other field applications.

AgGPS® EZ-Steer™ System - A value added assisted steering system, that when combined with the EZ-Guide Plus system, automatically steers agricultural vehicles along a path within 20 centimeters or less. This system installs in less than thirty minutes and is designed to reduce gaps and overlaps in spraying, fertilizing, and other field applications as well as reduce operator fatigue.

GeoExplorer® 2005 Series - Combines a GPS receiver in a rugged handheld unit running industry standard Microsoft Windows Mobile version 5.0, making it easy to collect and maintain data about objects in the field. The GeoExplorer series features three models ranging in accuracy from subfoot to 1-3 meters —allowing the user to select the system most appropriate for their data collection and maintenance needs.

GPS Pathfinder® Series - A diverse collection of rugged GPS receivers with a variety of accuracy options from subfoot to submeter ideally suited for GIS data collection and maintenance applications. These receivers integrate seamlessly with industry-standard GIS systems, providing the user with timely and accurate data for decision-making.

Component Technologies

Our Component Technologies segment provides GPS-based components for applications that require embedded position or time. Our largest markets are in the telecommunications and automotive industries where we supply modules, boards, custom integrated circuits and software, or single application IP licenses to the customer according to the needs of the application. Sales are made directly to original equipment manufacturers (OEMs) and system integrators who incorporate our component into a sub-system or a complete system-level product.

In the telecommunications infrastructure market, we provide timing modules that keep wireless networks synchronized and on frequency. For example, CDMA cellular telephone networks require a high level of both short-term and long-term frequency stability for proper operation (synchronization of information/voice flow to avoid dropped calls). Our timing modules meet these needs at a much lower cost than the atomic standards or other

specially prepared components that would otherwise be required. Customers include wireless infrastructure companies such as Nortel, Samsung, and Andrew.

In the automotive and embedded market, we provide a GPS component that is embedded into in-vehicle navigation (IVN), fleet management, vehicle security, asset management and telematics applications. For the automotive market, in addition to core GPS technology, we provide a location engine for IVN that blends GPS with advanced dead reckoning (DR) technology to provide exceptional position density in the most challenging navigation environments. The primary selling attributes in this market are quality, technology, logistics and customer support. Trimble supplies several Tier-1 IVN system manufacturers in Europe and Asia.

Component Technologies has developed GPS software technologies which it is making available for license. This software can run on certain digital signal processors (DSP) or microprocessors removing the need for dedicated GPS baseband signal processor chips. Component Technologies has an agreement with u-Nav Microelectronics to license Trimble GPS software technology for u-Nav GPS chipsets.

The major competitor in the telecommunication infrastructure market is Symmetricom. Competitors in the automotive and embedded markets are typically component companies with GPS capability, including Japan Radio Corporation, Motorola, and SiRF.

Representative products sold by this segment include:

Thunderbolt® GPS Disciplined Clock - The Thunderbolt clock is used as a time source for the synchronization of wireless networks. By combining a GPS receiver with a high-quality quartz oscillator, the Thunderbolt clock achieves the performance of an atomic standard with higher reliability and lower price.

FirstGPS® Technology - We license our FirstGPS technology, which is a host-based, GPS system available as two integrated circuits and associated software. The software runs on a customer's existing microprocessor system complementing the work done by the integrated circuit to generate position, velocity, and time. This low-power technology is particularly suitable for small, mobile, battery-operated applications.

Lassen® iQ Module - The Lassen iQ module adds complete GPS functionality to a mobile product in a postage stamp-sized footprint with ultra-low power consumption, consuming less than 100mW at 3.3V. This module is designed for portable handheld, battery-powered applications such as cell phones, pagers, PDAs, digital cameras, and many others.

TrimTrac® Locator - Our TrimTrac product is a complete end user device that combines GPS functionality with tri-band global system for mobile communications (GSM) wireless communications. It is intended for high volume personal vehicle and commercial asset management applications that demand a low-cost locator device.

Mobile Solutions

Our Mobile Solutions segment addresses the market for fleet management services by providing a Trimble solution that includes both the hardware and subscription service needed to run the application. The subscription service is web based. Our solutions are typically provided to the user through Internet-enabled access to our hosted platform for a monthly service fee. This solution enables the fleet owner to dispatch, track, and monitor the conditions of vehicles in the fleet on a real-time basis. A vehicle-mounted unit consists of a single module including a GPS receiver, sensor interface, and a cellular modem. Our solution includes the communication service from the vehicle to our data center and access over the Internet to the application software, relieving the user of the need to maintain extensive computer operations.

One element of our market strategy targets opportunities in specific vertical markets where we believe we can provide a unique value to the end user by tailoring our hardware and subscription service solution for a particular industry. For example, one vertical we are addressing is ready mix concrete. Here, we combine a suite of sensors into a solution that can automatically determine the status of a vehicle without driver intervention. We plan on leveraging our technology and capabilities and customers into other verticals, such as direct store delivery, public safety and construction management.

We also have a horizontal market strategy that focuses on providing turnkey solutions to a broad range of service fleets and mobile workers that span a large number of market segments. Here, we leverage our capabilities without the same level of customization. These products are distributed through individual dealers as well as in the vertical applications.

Our enterprise strategy focuses on sales to large, enterprise accounts. Here, in addition to a Trimble-hosted solution, we can also integrate our service directly into the customer's IT infrastructure, giving them improved control of their information. In this market we sell directly to end users and sales cycles tend to be long due to field trials followed by an extensive decision-making process.

Approximate prices for the hardware fall in the range of \$400 to \$3,000, while the monthly subscription service fees range from approximately \$20 to approximately \$55, depending on the customer service level. Competition comes largely from service-oriented businesses such as @Road.

We have also entered new markets by acquisitions of MobileTech Solutions, Inc. and Advanced Public Safety, Inc. (APS) MobileTech provides field workforce automation solutions and has a leading position in the direct store delivery market. APS provides mobile and handheld software products used by law enforcement, fire rescue and other public safety agencies.

Representative products sold by this segment include:

TrimWeb™ Systems - Our fleet management service offerings are comprised of the TrimWeb system and TrimFleet system. The TrimWeb system provides different levels of service that run from snapshots of fleet activity to real-time fleet dispatch capability via access to the TrimWeb platform network through a secure internet connection. The TrimWeb system includes truck communication service and computer backbone support of the service. Variations of the TrimWeb system are tailored for specific industry applications.

CrossCheck® Module - This hardware, mounted on the vehicle, provides location and information through its built-in cellular interface. This module also includes GPS positioning, sensor interfaces for vehicle conditions, and built-in intelligence for distributed decision-making.

RoutePower™ CE Mobile - This software operates in the Microsoft CE/Pocket PC environment and addresses the pre-sales, delivery, routes sales and full service vending functions performed on the routes of Direct Store Delivery (DSD) companies. In addition, RoutePower software can communicate with digital phones, printers, GPS receivers, and other peripherals in a wireless non-tethered Bluetooth environment.

GateWay™ Middleware Software - This software handles all communications from/to the mobile computer as well as from/to the host and any other decision support systems. In addition, the GateWay software supports all functionality of the RoutePower™ mobile system regardless of host system capabilities.

PocketCitation™ System - This electronic ticketing system enables law enforcement officers to issue traffic citations utilizing a mobile handheld device. This system scans the traffic offender's driver's license and automatically populates the appropriate information into the citation.

QuickTicket™ System - This system works in conjunction with mobile software platforms to enable law enforcement officers to complete electronic traffic citations in under 30 seconds.

Portfolio Technologies

Our Portfolio Technologies segment includes various operations that aggregate to less than 10 percent of our total revenue. The operations in this segment are Applanix, Military and Advanced Systems (MAS), and Trimble Outdoors.

Applanix develops, manufactures, sells and supports high-value, precision products that combine GPS with inertial sensors for accurate measurement of the position and attitude of moving vehicles. Sales are made directly by our sales force to the end users or to systems integrators. Competitors include IGI in the airborne survey market, and iXsea and TSS in the marine survey market.

Our MAS business supplies GPS receivers and embedded modules that use the military's GPS advanced capabilities. The modules are principally used in aircraft navigation and timing application. Military products are sold directly to either the US Government or defense contractors. Sales are also made to authorized foreign end users. Competitors in this market include Rockwell Collins, L3, and Raytheon.

The Trimble Outdoors service utilizes GPS-enabled cell phones to provide information for outdoor recreational activities. Some of the recreational activities include hiking, biking, backpacking, boating, and water sports. Consumers purchase the Trimble Outdoors product through our wireless operator partners which include Sprint-Nextel, SouthernLINC Wireless and Boost Mobile. In 2005, Trimble entered into an agreement with Rodale Inc., owner of Backpacker Magazine, to bring high quality trip content to consumer GPS cell phones. The Trimble Outdoors service operates on more than 20 different GPS cell phones.

Representative products sold by this segment include:

Applanix POS/AV™ - An integrated GPS/inertial system for airborne surveying that measures aircraft position to an accuracy of a few centimeters and aircraft attitude (angular orientation) to an accuracy of 30 arc seconds or better. This system is typically interfaced to large format cameras and scanning lasers for producing geo-referenced topographic maps of the terrain.

Force™ 5 GS (GRAM-SAASM) Module - A dual frequency, embedded GPS module that is used in a variety of military airborne applications.

Trimble® Outdoors™ - Trip planning and navigation software that works with GPS-enabled cell phones and conventional GPS receivers. This software enables consumers to research specific trips online as part of trip pre-planning. In addition, users are able to share outdoor and off-road experiences online with their friends and family.

Acquisitions and Joint Ventures

Our growth strategy is centered on developing and marketing innovative and complete value-added solutions to our existing customers, while also marketing them to new customers and geographic regions. In some cases, this has led to partnering with or acquiring companies that bring technologies, products or distribution capabilities that will allow us to enter or penetrate a market more effectively than if we had done so solely through internal development. Over the past five years, this has led us to form two joint ventures and acquire multiple companies. No assurance can be given that our previous or future acquisitions will be successful or will not materially adversely affect our financial condition or operating results.

Advanced Public Safety, Inc. (APS)

* On December 30, 2005, we acquired APS of Deerfield Beach, Florida. APS provides mobile and handheld software products used by law enforcement, fire-rescue and other public safety agencies. With the APS acquisition, we plan to leverage our rugged mobile computing devices and our fleet management systems to provide complete mobile resource solutions for the public safety industry. APS will be reported within our Mobile Solutions business segment.

MobileTech Solutions Inc.

* On October 25, 2005, we acquired MobileTech Solutions, Inc. of Plano, Texas. MobileTech Solutions provides field workforce automation solutions and has a leading position in the direct store delivery (DSD) market. We expect the MobileTech Solutions acquisition to extend our portfolio of fleet management and field workforce applications. MobileTech Solutions' performance is reported under our Mobile Solutions business segment.

Apache Technologies, Inc.

On April 19, 2005, we acquired Apache Technologies Inc. of Dayton, Ohio. Apache is a leading developer of laser detection technology. With the acquisition, we extended our laser product portfolio for handheld laser detectors and entry-level machine displays and control systems, as well as our distribution network in the United States. Apache's performance is reported under our Engineering and Construction business segment.

Pacific Crest Corporation

On January 10, 2005 we acquired Pacific Crest Corporation of Santa Clara, California, a supplier of wireless data communication systems for positioning and environmental monitoring applications. The Pacific Crest acquisition has enhanced our wireless data communications capabilities in the Engineering and Construction business segment.

GeoNav

On July 5, 2004 we acquired GeoNav GmbH, a small provider of customized field data collection solutions for the cadastral survey market in Europe. This acquisition augments our capability for localization of our products in Europe. GeoNav's performance is reported under our Engineering and Construction segment.

TracerNET Corporation

On March 5, 2004 we acquired TracerNET Corporation of Virginia, a provider of wireless fleet management solutions. The TracerNET acquisition added more diverse and complete fleet management solutions. TracerNET's performance has been integrated into our Mobile Solutions segment.

MENSI S.A.

On December 9, 2003, we acquired MENSİ S.A., a French developer of terrestrial 3D laser scanning technology. The MENSİ acquisition enhanced our technology portfolio and expanded our product offerings. MENSİ's performance is reported under our Engineering and Construction segment.

Applanix Corporation

On July 7, 2003, we acquired Applanix Corporation, a Canadian developer of systems that integrate inertial navigation system and GPS technologies. The Applanix acquisition extended our technology portfolio and offers increased robustness and capabilities in positioning products. Applanix's performance is reported under our Portfolio Technologies segment.

Nikon-Trimble Co., Ltd.

On March 28, 2003, Trimble and Nikon Corporation agreed to form a joint venture in Japan, Nikon-Trimble Co., Ltd., which assumed the operations of Nikon Geotecs Co., Ltd., a Japanese subsidiary of Nikon Corporation and Trimble Japan KK, our Japanese subsidiary. Nikon-Trimble began operations in July of 2003.

Nikon-Trimble is 50% owned by us and 50% owned by Nikon, with equal voting rights. It is focusing on the design and manufacture of surveying instruments including mechanical total stations and related products. In Japan, this joint venture distributes Nikon's survey products as well as our survey, agriculture, construction and GIS products. Outside of Japan, we are the exclusive distributor of Nikon survey and construction products.

The joint venture has enhanced our market position in survey instruments through geographic expansion and market penetration. The Nikon products broadens our survey and construction product portfolio and enables us to better access emerging markets such as Russia, China, and India. It also provides us with the ability to sell our GPS and robotic technology to existing Nikon customers.

Caterpillar Trimble Control Technologies, LLC

On April 1, 2002, we established and began operations of a joint venture with Caterpillar called Caterpillar Trimble Control Technologies, LLC, in which each company has a 50% ownership stake and equal voting rights. This joint venture develops and manufactures machine control products for the construction and mining markets for installation in the factory or as a dealer option.

Patents, Licenses and Intellectual Property

We hold approximately 600 US patents and approximately 100 non-US patents, the majority of which cover GPS technology and other applications such as optical and laser technology.

We prefer to own the intellectual property used in our products, either directly or through subsidiaries. From time to time we license technology from third parties.

There are approximately 200 trademarks registered to Trimble and its subsidiaries including "Trimble," the globe and triangle logo, "AgGPS," "GeoExplorer," and "Telvisant," among others that are registered in the United States and other countries. Additional trademarks are pending registration.

Sales and Marketing

We tailor the distribution channel to the needs of our products and regional markets through a number of forms of sales channel solutions around the world. We sell our products worldwide primarily through dealers, distributors, and authorized representatives, occasionally granting exclusive rights to market certain products within specific countries. This channel is supported and supplemented (where third party distribution is not available) by our regional sales offices throughout the world. We also utilize distribution alliances, OEM relationships and joint ventures with other companies as a means to serve selected markets.

During the 2005 fiscal year, United States represented 54%, Europe represented 25%, Asia Pacific represented 11% and other regions represented 10% of our total revenues. During the 2004 fiscal year, United States represented 50%, Europe represented 28%, Asia Pacific represented 13% and other regions represented 9% of our total revenues.

Warranty

The warranty periods for our products are generally between one and three years. Selected military programs may require extended warranty periods up to 5.5 years and certain Nikon products have a five-year warranty period. We support our GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of our non-GPS products are available from company-owned or authorized facilities. We reimburse dealers and distributors for all authorized warranty repairs they perform.

While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, our 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.

Seasonality of Business

* Our individual segment revenues 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. The second quarter has averaged 27% of total revenue in the last two fiscal years.

Backlog

In most of our markets, the time between order placement and shipment is short. Therefore, we believe that backlog is not a reliable indicator of present or future business conditions.

Manufacturing

Manufacturing of substantially all our GPS subsystems is subcontracted to Solectron Corporation. During fiscal 2005 we continued to utilize Solectron's Suzhou facilities in China for all of our Component Technologies products. During 2004 we expanded our use of Solectron in Mexico for our Field Solutions products and handhelds. We continue to utilize Solectron California for our high-end GPS products and new product introduction services. Solectron is responsible for substantially all material procurement, assembly, and testing. We continue to manage product design through pilot production for the subcontracted products, and we are directly involved in qualifying suppliers and key components used in all our products. Our current contract with Solectron continues in effect until either party gives the other ninety days written notice.

We manufacture laser and optics-based products at our plants in Dayton, Ohio; Danderyd, Sweden; Jena and Kaiserslautern, Germany; Paris, France; and Toronto, Canada. Some of these products or portions of these products are also subcontracted to third parties for assembly.

Our manufacturing sites in Dayton, Ohio; Danderyd, Sweden; Jena and Kaiserslautern, Germany are registered to ISO9001:2000, covering the design, production, distribution, and servicing of all our products. The Component Technologies segment is registered to QS9000 for its automotive products. QS9000 is the automotive version of ISO9000 covering specific requirements for the market.

Research and Development

We believe that our competitive position is maintained through the development and introduction of new products that incorporate improved features, better performance, smaller size and weight, lower cost, or some combination of these factors. We invest substantially in the development of new products. We also make significant investment in the positioning, communication, and information technologies that underlie our products and will likely provide competitive advantages.

Our research and development expenditures, net of reimbursed amounts were \$84.3 million for fiscal 2005, \$77.6 million for fiscal 2004, and \$67.6 million for fiscal 2003.

* We expect to continue investing in research and development with the goal of maintaining or improving our competitive position, as well as the goal of entering new markets.

Employees

As of December 30, 2005, we employed 2,462 employees, including 32% in sales and marketing, 28% in manufacturing, 26% in engineering, and 14% in general and administrative positions. Approximately 40% of employees are in locations outside the United States.

Our employees are not represented by unions except for those in Sweden and some in Germany. We also employ temporary and contract personnel that are not included in the above headcount numbers. We have not experienced work stoppages or similar labor actions.

Available Information

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the Company's web site through www.trimble.com/investors.html, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Information contained on our web site is not part of this annual report on Form 10-K.

In addition, you may request a copy of these filings (excluding exhibits) at no cost by writing or telephoning us at our principal executive offices at the following address or telephone number:

Trimble Navigation Limited
935 Stewart Drive, Sunnyvale, CA 94085
Attention: Investor Relations Telephone: 408-481-8000

Executive Officers

The names, ages, and positions of the Company's executive officers as of March 1, 2006 are as follows:

Name	Age	Position
Steven W. Berglund	54	President and Chief Executive Officer
Rajat Bahri	41	Chief Financial Officer
Joseph F. Denniston, Jr.	45	Vice President, Operations
Bryn A. Fosburgh	43	Vice President and General Manager, Engineering and Construction
Mark A. Harrington	50	Vice President, Strategy and Business Development
Debi Hirshlag	40	Vice President, Human Resources
John E. Huey	56	Treasurer
Irwin L. Kwatek	66	Vice President and General Counsel
Michael W. Lesyna	45	Vice President, Business Transformation
Bruce E. Peetz	54	Vice President, Advanced Technology and Systems
Anup V. Singh	35	Vice President and Corporate Controller
Alan R. Townsend	57	Vice President and General Manager, Field Solutions
Dennis L. Workman	61	Vice President and General Manager, Component Technologies

Steven W. Berglund - Steven Berglund has served as president and chief executive officer of Trimble since March 1999. Prior to joining Trimble, Mr. Berglund was president of Spectra Precision, a group within Spectra Physics AB, and a pioneer in the development of laser systems. He spent 14 years at Spectra Physics in a variety of senior leadership positions. In the early 1980s, Mr. Berglund spent a number of years at Varian Associates in Palo Alto, where he held a variety of planning and manufacturing roles. Mr. Berglund began his career as a process engineer at Eastman Kodak in Rochester, New York. He attended the University of Oslo and the University of Minnesota where he received a B.S. in chemical engineering in 1974. He later received his M.B.A. from the University of Rochester in New York in 1977.

Rajat Bahri - Rajat Bahri joined Trimble as Chief Financial Officer in January 2005. Prior to joining Trimble, Mr. Bahri served for more than 15 years in various capacities within the financial organization of several subsidiaries of Kraft Foods, Inc. and General Foods Corporation. Most recently, he served as the chief financial officer for Kraft Canada, Inc. From June 2000 to June 2001 he served as chief financial officer of Kraft Pizza Company. From 1997 to 2000, Mr. Bahri was Operations Controller for Kraft Jacobs Suchard Europe. Mr. Bahri holds a Bachelor of Commerce from the University of Delhi in 1985 and an M.B.A. from Duke University in 1987. In 2005, he was elected on the board of Simple Technologies, Inc., a publicly traded company.

Joseph F. Denniston, Jr. - Joseph Denniston joined Trimble as vice president of operations in April 2001, responsible for worldwide manufacturing, distribution and logistics. Prior to Trimble, Mr. Denniston worked for 3Com Corporation. During his 14-year tenure, he served as vice president of supply chain management for the Americas and held several positions in test engineering, manufacturing engineering and operations. Previously at Sentry Schlumberger for seven years, he held several positions including production engineering, production management and test engineering over six years. Mr. Denniston received a B.S. in electrical engineering technology from the Missouri Institute of Technology in 1981 and an M.S. in computer science engineering from Santa Clara University in 1990.

Bryn A. Fosburgh - Bryn Fosburgh joined Trimble in 1994 as a technical service manager for surveying, mining, and construction. In 1997, Mr. Fosburgh was appointed director of development for the Company's land survey business unit where he oversaw the development of field and office software that enabled the interoperability of Trimble survey products. From October 1999 to July 2002, he served as division vice president of survey and infrastructure. From 2002 to 2005, Mr. Fosburgh served as vice president and general manager of Trimble's Geomatics and Engineering (G&E) business area, with responsibility for all the division-level activities associated with survey, construction, and infrastructure solutions. In January 2005, he was appointed vice president and general manager of the Engineering and Construction Division. Prior to Trimble, he was a civil engineer with the Wisconsin Department of Transportation responsible for coordinating the planning, data acquisition, and data analysis for statewide GPS surveying projects in support of transportation improvement projects. He has also held various engineering, research and operational positions for the U.S. Army Corps of Engineers and Defense Mapping Agency. Mr. Fosburgh received a B.S. in geology from the University of Wisconsin in Green Bay in 1985 and an M.S. in civil engineering from Purdue University in 1989.

Mark A. Harrington - Mark Harrington joined Trimble in January 2004 as vice president of strategy and business development. Prior to joining Trimble, Mr. Harrington served as vice president of finance at Finisar Corporation and chief financial officer for Cielo Communications, Inc., a photonics components manufacturer, from February 1998 to September 2002, and Vixel Corporation, a photonics manufacturer, from April 2003 to December 2003. His experience also includes 11 years at Spectra-Physics where he served in a variety of roles including vice president of finance for Spectra-Physics Lasers, Inc. and vice president of finance for Spectra-Physics Analytical, Inc. Mr. Harrington began his career at Varian Associates, Inc. where he held a variety of management and individual positions in finance, operations and IT. Mr. Harrington received his B.S. in Business Administration from the University of Nebraska-Lincoln.

Debi Hirshlag - Debi Hirshlag joined Trimble in July 2005 as vice president of human resources. Prior to joining Trimble, Ms. Hirshlag served as vice president of human resources at Ariba Inc., a purchasing technology company from January 2003 to July 2004, and vice president of corporate services at Latitude Communications, a conferencing software provider from January 2001 to December 2002. In addition, she has held human resources positions at Seagate Technology, Inc., Pepsi-Cola and Amoco Corporation. Ms. Hirshlag received her B.S. in industrial management from Carnegie Mellon University and an M.A. in labor and industrial relations from the University of Illinois.

John E. Huey - John Huey joined Trimble in 1993 as director corporate credit and collections, and was promoted to assistant treasurer in 1995 and treasurer in 1996. Past experience includes two years with ENTEX Information Services, five years with National Refractories and Minerals Corporation (formerly Kaiser Refractories), and thirteen years with Kaiser Aluminum and Chemical Sales, Inc. He has held positions in credit management, market research, inventory control, sales, and as an assistant controller. Mr. Huey received his B.A. degree in Business Administration in 1971 from Thiel College in Greenville, Pennsylvania and an MBA in 1972 from West Virginia University in Morgantown, West Virginia.

Irwin L. Kwatek - Irwin Kwatek has served as vice president and general counsel of Trimble since November 2000. Prior to joining Trimble, Mr. Kwatek was vice president and general counsel of Tickets.com, a ticketing service provider, from May 1999 to November 2000. Prior to Tickets.com, he was engaged in the private practice of law for more than six years. During his career, he has served as vice president and general counsel to several publicly held high-tech companies including Emulex Corporation, Western Digital Corporation and General Automation, Inc. Mr. Kwatek received his B.B.A. from Adelphi College in Garden City, New York and an M.B.A. from the University of Michigan in Ann Arbor. He received his J.D. from Fordham University in New York City in 1968.

Michael W. Lesyna - Michael Lesyna joined Trimble in September 1999 as vice president of strategic marketing. In September 2000, he was appointed vice president and general manager of the Mobile Solutions Division. In July 2004, Lesyna was appointed vice president of Business Transformation. In this cross-divisional role he focuses on driving operational improvements based on the marketing, sales and distribution channel strategies of Trimble's business segments. The scope of his work includes tailored business prioritization as well as lean manufacturing and lean overhead principles. Prior to Trimble, Mr. Lesyna spent six years at Booz Allen & Hamilton where he most recently served as a principal in the operations management group. Prior to Booz Allen & Hamilton, Mr. Lesyna held a variety of engineering positions at Allied Signal Aerospace. Mr. Lesyna received his M.B.A., as well as an M.S. and B.S. in mechanical engineering from Stanford University.

Bruce E. Peetz - Bruce Peetz has served as vice president of Advanced Technology and Systems since 1998 and has been with Trimble for 15 years. From 1996 to 1998, Mr. Peetz served as general manager of the Survey Business. Prior to joining Trimble, Mr. Peetz was a research and development manager at Hewlett-Packard for 10 years. Mr. Peetz received his B.S. in electrical engineering from Massachusetts Institute of Technology in Cambridge, Massachusetts in 1973.

Anup V. Singh - Anup Singh joined Trimble in December 2001 as corporate controller. In August 2004 he was appointed vice president and corporate controller. Prior to joining Trimble, Mr. Singh was with Excite@Home from July 1999 to December 2001. During his tenure at Excite@Home, he held the positions of senior director of Corporate Financial Planning and Analysis, and international controller. Before Excite@Home, Mr. Singh also worked for 3Com Corporation from December 1997 to July 1999, and Ernst & Young LLP in San Jose, California and London, England. Mr. Singh received his B.A. in 1991 and M.A. in 1995 in economics and management science from Cambridge University in England. He is also a chartered accountant and was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1994.

Alan R. Townsend - Alan Townsend has served as vice president and general manager of the Field Solutions business area since November 2001. From 1995 to 2001, Mr. Townsend was general manager of Mapping and GIS. Mr. Townsend joined Trimble in 1991 as the manager of Trimble Navigation New Zealand Ltd. Prior to Trimble, Mr. Townsend held a variety of technical and senior management roles within the Datacom Group of companies in New Zealand including managing director of Datacom Software Research Ltd. from 1986 to 1991. In addition, Mr. Townsend is a director of IT Capital Ltd., a venture capital company based in Auckland, New Zealand. He is also a fellow of the New Zealand Institute of Management and a past president of the New Zealand Software Exporters Association. Mr. Townsend received a B.S.c in economics from the University of Canterbury in 1970.

Dennis L. Workman - Dennis Workman has served as vice president and general manager of Trimble's Component Technologies segment since September 1999. From 1998 to 1999, Mr. Workman was senior director and chief technical officer of the newly formed Mobile and Timing Technologies (MTT) business group, also serving as general manager of Trimble's Automotive and Timing group. In 1997, he was director of engineering for Software & Component Technologies. Mr. Workman joined Trimble in 1995 as director of the newly created Timing vertical market. Prior to Trimble, Mr. Workman held various senior-level technical positions at Datum Inc. During his nine year tenure at Datum, he held the position of CTO. Mr. Workman received a B.S. in mathematics and physics from St. Mary's College in 1967 and an M.S. in electrical engineering from the Massachusetts Institute of Technology in 1969.

Item 1A Risk Factors

RISKS AND UNCERTAINTIES

You should carefully consider the following risk factors, in addition to the other information contained in this Form 10-K and in any other documents to which we refer you in this Form 10-K, before purchasing our securities. The risks and uncertainties described below are not the only ones we face.

Our Inability to Accurately Predict Orders and Shipments May Affect Our Revenue, Expenses and Earnings per Share.

We have not been able in the past to consistently predict when our customers will place orders and request shipments so that we cannot always accurately plan our manufacturing requirements. As a result, if orders and shipments differ from what we predict, we may incur additional expenses and build excess inventory, which may require additional reserves and allowances. Any significant change in our customers' purchasing patterns could have a material adverse effect on our operating results and reported earnings per share for a particular quarter.

Our Operating Results in Each Quarter May Be Affected by Special Conditions, Such As Seasonality, Late Quarter Purchases, Weather, and Other Potential Issues.

Due in part to the buying patterns of our customers, a significant portion of our quarterly revenues occurs from orders received and immediately shipped to customers in the last few weeks and days of each quarter, although our operating expenses tend to remain fairly predictable. Engineering and construction purchases tend to occur in early spring, and governmental agencies tend to utilize funds available at the end of the government's fiscal year for additional purchases at the end of our third fiscal quarter in September of each year. Concentrations of orders sometimes also occur at the end of our other two fiscal quarters. Additionally, a majority of our sales force earns commissions on a quarterly basis which may cause concentrations of orders at the end of any fiscal quarter. If for any reason expected sales are deferred, orders are not received, or shipments are delayed a few days at the end of a quarter, our operating results and reported earnings per share for that quarter could be significantly impacted.

We Are Dependent on a Specific Manufacturer and Assembler for Many of Our Products and on Specific Suppliers of Critical Parts for Our Products.

We are substantially dependent upon Solectron Corporation in California, China and Mexico as our preferred manufacturing partner for many of our GPS products previously manufactured out of our Sunnyvale facilities. Under the agreement with Solectron, we provide to Solectron a twelve-month product forecast and place purchase orders with Solectron at least thirty calendar days in advance of the scheduled delivery of products to our customers depending on production lead time. Although purchase orders placed with Solectron are cancelable, the terms of the agreement would require us to purchase from Solectron all inventory not returnable or usable by other Solectron customers. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate manufacturing capacity from Solectron to meet customers' delivery requirements or we may accumulate excess inventories, if such inventories are not usable by other Solectron customers.

Our current contract with Solectron continues in effect until either party gives the other ninety days written notice.

In addition, we rely on specific suppliers for a number of our critical components. We have experienced shortages of components in the past. Our current reliance on specific or a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and reduced control over pricing. Any inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply or to manufacture such components internally could significantly delay our ability to ship our products, which could damage relationships with current and prospective customers and could harm our reputation and brand, and could have a material adverse effect on our business.

Our Annual and Quarterly Performance May Fluctuate.

Our operating results have fluctuated and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Results in any period could be affected by:

- changes in market demand,
- competitive market conditions,
- market acceptance of existing or new products,
- fluctuations in foreign currency exchange rates,
- the cost and availability of components,
- our ability to manufacture and ship products,
- the mix of our customer base and sales channels,
- the mix of products sold,
- our ability to expand our sales and marketing organization effectively,
- our ability to attract and retain key technical and managerial employees,
- the timing of shipments of products under contracts and
- general global economic conditions.

In addition, demand for our products in any quarter or year may vary due to the seasonal buying patterns of our customers in the agricultural and engineering and construction industries. Due to the foregoing factors, our operating results in one or more future periods are expected to be subject to significant fluctuations. The price of our common stock could decline substantially in the event such fluctuations result in our financial performance being below the expectations of public market analysts and investors, which are based primarily on historical models that are not necessarily accurate representations of the future.

Our Gross Margin Is Subject to Fluctuation.

Our gross margin is affected by a number of factors, including product mix, product pricing, cost of components, foreign currency exchange rates and manufacturing costs. For example, sales of Nikon-branded products generally have lower gross margins as compared to our GPS survey products. Absent other factors, a shift in sales towards Nikon-branded products would lead to a reduction in our overall gross margins. A decline in gross margin could potentially negatively impact our earnings per share.

Failure to maintain effective internal controls in compliance with Section 404 of the Sarbanes-Oxley Act could have an adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act requires us to include an internal control report of management in our Annual Report on Form 10-K. For fiscal 2004 and 2005 we satisfied the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments.

A system of controls, however well designed and operated, cannot provide absolute assurance that the objectives of the system will be met. In addition, the design of a control system is based in part upon certain assumptions about the likelihood of future events. Because of the inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their stated goals under all potential future conditions.

We Are Dependent on New Products.

Our future revenue stream depends to a large degree on our ability to bring new products to market on a timely basis. We must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance of such products. We may incur problems in the future in innovating and introducing new products. Our development stage products may not be successfully completed or, if developed, may not achieve significant customer acceptance. If we were unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results of operations would be adversely affected. Development and manufacturing schedules for technology products are difficult to predict, and we might not achieve timely initial customer shipments of new products. The timely availability of these products in volume and their acceptance by customers are important to our future success. A delay in new product introductions could have a significant impact on our results of operations.

We Are Dependent on Proprietary Technology.

Our future success and competitive position is dependent upon our proprietary technology, and we rely on patent, trade secret, trademark and copyright law to protect our intellectual property. The patents owned or licensed by us may be invalidated, circumvented, and challenged. The rights granted under these patents may not provide competitive advantages to us. Any of our pending or future patent applications may not be issued within the scope of the claims sought by us, if at all.

Others may develop technologies that are similar or superior to our technology, duplicate our technology or design around the patents owned by us. In addition, effective copyright, patent and trade secret protection may be unavailable, limited or not applied for in certain countries. The steps taken by us to protect our technology might not prevent the misappropriation of such technology.

The value of our products relies substantially on our technical innovation in fields in which there are many current patent filings. We recognize that as new patents are issued or are brought to our attention by the holders of such patents, it may be necessary for us to withdraw products from the market, take a license from such patent holders, or redesign our products. We do not believe any of our products currently infringe patents or other proprietary rights of third parties, but we cannot be certain they do not do so. In addition, the legal costs and engineering time required to safeguard intellectual property or to defend against litigation could become a significant expense of operations. Such events could have a material adverse effect on our revenues or profitability.

Our products may contain errors or defects, which could result in damage to our reputation, lost revenues, diverted development resources and increased service costs, warranty claims and litigation.

Our devices are complex and must meet stringent requirements. We warrant that our products will be free of defect for various periods of time, depending on the product. In addition, certain of our contracts include epidemic failure clauses. If invoked, these clauses may entitle the customer to return or obtain credits for products and inventory, or to cancel outstanding purchase orders even if the products themselves are not defective.

We must develop our products quickly to keep pace with the rapidly changing market, and we have a history of frequently introducing new products. Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. In general, our products may not be free from errors or defects after commercial shipments have begun, which could result in damage to our reputation, lost revenues, diverted development resources, increased customer service and support costs and warranty claims and litigation which could harm our business, results of operations and financial condition.

We Are Dependent on the Availability of Allocated Bands within the Radio Frequency Spectrum.

Our GPS technology is dependent on the use of the Standard Positioning Service ("SPS") provided by the US Government's GPS. The GPS SPS operates in radio frequency bands that are globally allocated for radio navigation satellite services. International allocations of radio frequency are made by the International Telecommunications Union ("ITU"), a specialized technical agency of the United Nations. These allocations are further governed by radio regulations that have treaty status and which may be subject to modification every two to three years by the World Radio Communication Conference.

Any ITU reallocation of radio frequency bands, including frequency band segmentation or sharing of spectrum, may materially and adversely affect the utility and reliability of our products. Many of our products use other radio frequency bands, together with the GPS signal, to provide enhanced GPS capabilities, such as real-time kinematic precision. The continuing availability of these non-GPS radio frequencies is essential to provide enhanced GPS products to our precision survey and construction machine controls markets. Any regulatory changes in spectrum allocation or in allowable operating conditions may cause a material adverse effect on our operating results.

In addition, unwanted emissions from mobile satellite services and other equipment operating in adjacent frequency bands or in-band from licensed and unlicensed devices may materially and adversely affect the utility and reliability of our products. The FCC continually receives proposals for novel technologies and services, such as ultra-wideband technologies, which may seek to operate in, or across, the radio frequency bands currently used by the GPS SPS and other public safety services. Adverse decisions by the FCC that result in harmful interference to the delivery of the GPS SPS and other radio frequency spectrum also used in our products may result in a material adverse effect on our business and financial condition.

Many of Our Products Rely on the GPS Satellite System.

The GPS satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites currently in orbit were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of 29 satellites in place, some have already been in operation for 12 years. To repair damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites may impair the current utility of the GPS system and the growth of current and additional market opportunities.

In 2004, a Presidential policy affirmed a 1996 Presidential Decision Directive that marked the first time in the evolution of GPS that access for civilian use free of direct user fees. In addition, Presidential policy has been complemented by corresponding legislation, that was signed into law. However, there can be no assurance that the US Government will remain committed to the operation and maintenance of GPS satellites over a long period, or that the policies of the US Government for the use of GPS without charge will remain unchanged. Because of ever-increasing commercial applications of GPS, other US Government agencies may become involved in the administration or the regulation of the use of GPS signals. Any of the foregoing factors could affect the willingness of buyers of our products to select GPS-based systems instead of products based on competing technologies.

Many of our products also use signals from systems that augment GPS, such as the Wide Area Augmentation System (WAAS) and National Differential GPS System (NDGPS). Many of these augmentation systems are operated by the federal government and rely on continued funding and maintenance of these systems. In addition, some of our products also use satellite signals from the Russian Glonass System. Any curtailment of the operating capability of these systems could result in decreased user capability thereby impacting our markets.

The European governments have begun development of an independent satellite navigation system, known as Galileo. We believe we will have access to the signal design to develop compatible receivers. However, if access to the signal structure is delayed it may have a materially adverse effect on our business and operating results.

We may be Materially Affected by New Regulatory Requirements.

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including the handling and disposal of non-hazardous and hazardous wastes, and emissions and discharges into the environment. Failure to comply with such laws and regulations could result in costs for corrective action, penalties, or the imposition of other liabilities.

In particular, under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and upcoming requirements relating to the materials composition of many of our products. The European Union ("EU") has adopted new directives to facilitate the recycling of electrical and electronic equipment sold in the EU. One of these is the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") directive. The RoHS directive restricts the use of lead, mercury and certain other substances in electrical and electronic products placed on the market in the European Union after September 30, 2006.

Similar laws and regulations have been or may be enacted in other regions, including in the United States, China and Japan. Other environmental regulations may require us to reengineer our products to utilize components which are more environmentally compatible and such reengineering and component substitution may result in additional costs to us. Although we do not anticipate any material adverse effects based on the nature of our operations and the effect of such laws, there is no assurance that such existing laws or future laws will not have a material adverse effect on our business.

Our Business is Subject to Disruptions and Uncertainties Caused by War or Terrorism.

Acts of war or acts of terrorism could have a material adverse impact on our business, operating results, and financial condition. The threat of terrorism and war and heightened security and military response to this threat, or

any future acts of terrorism, may cause further disruption to our economy and create further uncertainties. To the extent that such disruptions or uncertainties result in delays or cancellations of orders, or the manufacture or shipment of our products, our business, operating results, and financial condition could be materially and adversely affected.

We Are Exposed to Fluctuations in Currency Exchange Rates.

A significant portion of our business is conducted outside the US, and as such, we face exposure to movements in non-US currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results and cash flows. Fluctuation in currency impacts our operating results.

Currently, we hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. The hedging activities undertaken by us are intended to offset the impact of currency fluctuations on certain non-functional currency assets and liabilities. Our attempts to hedge against these risks may not be successful resulting in an adverse impact on our net income.

We Face Risks in Investing in and Integrating New Acquisitions.

We have recently acquired several companies and may in the future acquire other companies. Acquisitions of companies, divisions of companies, or products entail numerous risks, including:

- potential inability to successfully integrate acquired operations and products or to realize cost savings or other anticipated benefits from integration;
- diversion of management's attention;
- loss of key employees of acquired operations;
- the difficulty of assimilating geographically dispersed operations and personnel of the acquired companies;
- the potential disruption of our ongoing business;
- unanticipated expenses related to such integration;
- the correct assessment of the relative percentages of in-process research and development expense that can be immediately written off as compared to the amount which must be amortized over the appropriate life of the asset;
- the impairment of relationships with employees and customers of either an acquired company or our own business;
- the potential unknown liabilities associated with acquired business; and
- inability to recover strategic investments in development stage entities.

As a result of such acquisitions, we have significant assets that include goodwill and other purchased intangibles. The testing of these intangibles under established accounting guidelines for impairment requires significant use of judgment and assumptions. Changes in business conditions could require adjustments to the valuation of these assets. In addition, losses incurred by a company in which we have an investment may have a direct impact on our financial statements or could result in our having to write-down the value of such investment. Any such problems in integration or adjustments to the value of the assets acquired could harm our growth strategy and have a material adverse effect on our business, financial condition and compliance with debt covenants.

We May Not Be Able to Enter Into or Maintain Important Alliances.

We believe that in certain business opportunities our success will depend on our ability to form and maintain alliances with industry participants, such as Caterpillar, Nikon, and CNH Global. Our failure to form and maintain such alliances, or the pre-emption of such alliances by actions of other competitors or us, will adversely affect our ability to penetrate emerging markets. No assurances can be given that we will not experience problems from current or future alliances or that we will realize value from any such strategic alliances.

We Face Competition in Our Markets.

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including the price, quality and performance of our products, the level of customer service, the development of new technology and our ability to participate in emerging markets. Within each of our markets, we encounter direct competition from other GPS, optical and laser suppliers and competition may intensify from various larger US and non-US competitors and new market entrants, some of which may be our current customers. The competition in the future may, in some cases, result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business, operating results and financial condition. We believe that our ability to compete successfully in the future against existing and additional competitors will depend largely on our ability to execute our strategy to provide systems and products with significantly differentiated features compared to currently available products. We may not be able to implement this strategy successfully, and our products may not be competitive with other technologies or products that may be developed by our competitors, many of whom have significantly greater financial, technical, manufacturing, marketing, sales and other resources than we do.

We Must Carefully Manage Our Future Growth.

Growth in our sales or continued expansion in the scope of our operations could strain our current management, financial, manufacturing and other resources, and may require us to implement and improve a variety of operating, financial and other systems, procedures, and controls. We have recently implemented a new enterprise resource planning software system and we may experience in our financial and order management processing as a result of new procedures. Problems associated with any improvement or expansion of these systems, procedures or controls may adversely affect our operations and these systems, procedures or controls may not be designed, implemented or improved in a cost-effective and timely manner. Any failure to implement, improve and expand such systems, procedures, and controls in a timely and efficient manner could harm our growth strategy and adversely affect our financial condition and ability to achieve our business objectives.

We Are Dependent on Retaining and Attracting Highly Skilled Development and Managerial Personnel.

Our ability to maintain our competitive technological position will depend, in a large part, on our ability to attract, motivate, and retain highly qualified development and managerial personnel. Competition for qualified employees in our industry and locations is intense, and there can be no assurance that we will be able to attract, motivate, and retain enough qualified employees necessary for the future continued development of our business and products.

We Are Subject to the Impact of Governmental and Other Similar Certifications.

We market certain products that are subject to governmental and similar certifications before they can be sold. For example, CE certification for radiated emissions is required for most GPS receiver and data communications products sold in the European Union. An inability to obtain such certifications in a timely manner could have an adverse effect on our operating results. Also, some of our products that use integrated radio communication technology require an end user to obtain licensing from the Federal Communications Commission (FCC) for frequency-band usage. These are secondary licenses that are subject to certain restrictions. An inability or delay in obtaining such certifications or changes to the rules by the FCC could adversely affect our ability to bring our products to market which could harm our customer relationships and have a material adverse effect on our business.

We Are Subject to the Adverse Impact of Radio Frequency Congestion.

We have certain products, such as GPS RTK systems, and surveying and mapping systems that use integrated radio communication technology requiring access to available radio frequencies allocated by the FCC (or the NTIA in the case of federal government users of this equipment) for which the end user is required to obtain a license in order to operate their equipment. In addition, access to these frequencies by state agencies is under management by state radio communications coordinators. Some bands are experiencing congestion that excludes their availability for access by state agencies in some states. To reduce congestion, the FCC announced that it will require migration of radio technology from wideband to narrowband operations in these bands. The rules require migration of users to narrowband channels by 2011. In the meantime congestion could cause FCC coordinators to restrict or refuse licenses. An inability to obtain access to these radio frequencies by end users could have an adverse effect on our operating results.

The Volatility of Our Stock Price Could Adversely Affect Your Investment in Our Common Stock.

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2005, our stock price ranged from \$44.55 to \$26.64. We believe that a variety of factors could cause the price of our common stock to fluctuate, perhaps substantially, including:

- announcements and rumors of developments related to our business or the industry in which we compete;
- quarterly fluctuations in our actual or anticipated operating results and order levels;
- general conditions in the worldwide economy, including fluctuations in interest rates;
- announcements of technological innovations;
- new products or product enhancements by us or our competitors;
- developments in patents or other intellectual property rights and litigation;
- developments in our relationships with our customers and suppliers; and
- any significant acts of terrorism against the United States.

In addition, in recent years the stock market in general and the markets for shares of "high-tech" companies in particular, have experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any such fluctuations in the future could adversely affect the market price of our common stock, and the market price of our common stock may decline.

Provisions in Our Charter Documents and Under California Law Could Prevent or Delay a Change of Control, which Could Reduce the Market Price of Our Common Stock.

Certain provisions of our articles of incorporation, as amended and restated, our bylaws, as amended and restated, and the California General Corporation Law may be deemed to have an anti-takeover effect and could discourage a third party from acquiring, or make it more difficult for a third party to acquire, control of us without approval of our board of directors. These provisions could also limit the price that certain investors might be willing to pay in the future for shares of our common stock. Certain provisions allow the board of directors to authorize the issuance of preferred stock with rights superior to those of the common stock.

We have adopted a Preferred Shares Rights Agreement, commonly known as a "poison pill." The provisions described above, our poison pill and provisions of the California General Corporation Law may discourage, delay or prevent a third party from acquiring us.

Item 1B Unresolved Staff Comments

None

Item 2 Properties

The following table sets forth the significant real property that we own or lease:

Location	Segment(s) served	Size in Sq. Feet	Commitment
Sunnyvale, California	All	160,000	Leased, expiring 2012 3 buildings
Huber Heights (Dayton), Ohio	Engineering & Construction	150,000	Owned, no encumbrances
	Field Solutions	57,200	Leased, expiring in 2011
	Distribution	35,600	Leased, month to month
Westminster, Colorado	Engineering & Construction, Field Solutions	73,000	Leased, expiring 2011 2 buildings
Corvallis, Oregon	Engineering & Construction	20,000	Owned, no encumbrances
		21,000	Leased, expiring 2006
Richmond Hill, Canada	Portfolio Technologies	50,200	Leased, expiring 2007
Danderyd, Sweden	Engineering & Construction	93,900	Leased, expiring 2010
Christchurch, New Zealand	Engineering & Construction, Mobile Solutions, Field Solutions	65,000	Leased, expiring 2010 2 buildings
New Carlisle, Ohio	Engineering & Construction	30,000	Leased, expiring 2013
Jena, Germany	Engineering & Construction	28,700	Leased, no expiration date 12 months notice
Kaiserslautern, Germany	Engineering & Construction	26,000	Leased, expiring 2010
Raunheim, Germany	Sales	28,700	Leased, expiring 2011

In addition, we lease a number of smaller offices around the world primarily for sales functions. For financial information regarding obligations under leases, see Note 10 of the Notes to the Consolidated Financial Statements.

* We believe that our facilities are adequate to support current and near-term operations.

Item 3 Legal Proceedings

* We are from time to time a party to disputes or litigation incidental to our business. We believe that our ultimate liability as a result of such disputes, if any, would not be material to our overall financial position, results of operations, or liquidity.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the NASDAQ National Market under the symbol "TRMB." The table below sets forth, during the periods indicated, the high and low per share sale prices for our common stock as reported on the NASDAQ National Market.

Quarter Ended	2005		2004	
	High	Low	High	Low
First quarter	\$38.24	\$30.04	\$28.78	\$20.15
Second quarter	41.11	30.07	29.50	22.43
Third quarter	44.55	31.15	32.16	21.55
Fourth quarter	37.96	26.64	34.45	24.56

As of December 30, 2005, there were approximately 1,044 holders of record of our common stock.

Dividend Policy

We have not declared or paid any cash dividends on our common stock during any period for which financial information is provided in this Annual Report on Form 10-K. At this time, we intend to retain future earnings, if any, to fund the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Under the existing terms of our credit facility, we are allowed to pay dividends and repurchase shares of our common stock in any twelve (12) month period, in an aggregate amount equal to fifty percent (50%) of net income (plus to the extent deducted in determining net income for such period, non-cash expenses in respect of stock options) for the previous twelve month period. Also, we are allowed to spend an additional \$50 million to pay dividends and repurchase shares if we are in compliance with our fixed charge coverage ratio.

Equity Compensation Plan Information

The following table sets forth, as of December 30, 2005, the total number of securities outstanding under our stock option plans, the weighted average exercise price of such options, and the number of options available for grant under such plans. See Note 15 of the Notes to the Consolidated Financial Statements for a summary of our plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Stock Option Plans	6,413,995	\$18.70	1,513,119
Total	6,413,995	\$18.70	1,513,119

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this annual report. Historical results are not necessarily indicative of future results. In particular, because the results of operations and financial condition related to our acquisitions are included in our Consolidated Statements of Income and Consolidated Balance Sheets data commencing on those respective acquisition dates, comparisons of our results of operations and financial condition for periods prior to and subsequent to those acquisitions are not indicative of future results.

As of And For the Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001
<i>(Dollar in thousands, except per share data)</i>					
Revenue	\$ 774,913	\$ 668,808	\$ 540,903	\$ 466,602	\$ 475,292
Gross margin	\$ 389,805	\$ 324,810	\$ 268,030	\$ 234,432	\$ 237,235
Gross margin percentage	50%	49%	50%	50%	50%
Income (loss) from continuing operations (1)	\$ 84,855	\$ 67,680	\$ 38,485	\$ 10,324	\$ (23,492)
Gain on disposal of discontinued operations (net of tax)	\$ -	\$ -	\$ -	\$ -	\$ 613
Net income (loss)	\$ 84,855	\$ 67,680	\$ 38,485	\$ 10,324	\$ (22,879)
Per common share:					
Income (loss) from continuing operations					
- Basic	\$ 1.59	\$ 1.32	\$ 0.81	\$ 0.24	\$ (0.63)
- Diluted	\$ 1.49	\$ 1.23	\$ 0.77	\$ 0.24	\$ (0.63)
Gain on disposal of discontinued operations (net of tax)					
- Basic	\$ -	\$ -	\$ -	\$ -	\$ 0.01
- Diluted	\$ -	\$ -	\$ -	\$ -	\$ 0.01
Net income (loss)					
- Basic	\$ 1.59	\$ 1.32	\$ 0.81	\$ 0.24	\$ (0.62)
- Diluted	\$ 1.49	\$ 1.23	\$ 0.77	\$ 0.24	\$ (0.62)
Shares used in calculating basic earnings per share	53,216	51,163	47,505	42,860	37,091
Shares used in calculating diluted earnings per share	56,819	54,948	50,012	43,578	37,091
Cash dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 743,088	\$ 653,978	\$ 552,602	\$ 447,704	\$ 425,475
Non-current portion of long term debt and other liabilities	\$ 19,474	\$ 38,226	\$ 85,880	\$ 114,051	\$ 131,759

(1) We have significant intangible assets on our Consolidated Balance Sheets that include goodwill and other purchased intangibles related to acquisitions. At the beginning of fiscal 2002, we adopted Statement of Financial Accounting Standards No. 141 ("SFAS 141"), Business Combinations, and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Application of the non-amortization provisions of SFAS 142 significantly reduced amortization expense of purchased intangibles and goodwill to approximately \$8.3 million for the fiscal year 2002 from \$29.4 million in fiscal year 2001.

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

The following discussion should be read in conjunction with the consolidated financial statements and the related notes. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and those listed under "Risks Factors."

EXECUTIVE LEVEL OVERVIEW

Trimble's foundation remains positioning technology. We have augmented this technology with wireless communication and application capabilities in order to enable us to participate in a wider number of markets and to play a more central role in those markets. Our efforts to market these technologies can generally be characterized as falling into the categories of either end user markets or component markets. The Engineering and Construction, Field Solutions, and Mobile Solutions segments can be broadly described as end user markets and the Component Technologies and Portfolio Technologies segments can be described as components markets. In the end user markets we provide a value added solution to the end user. Typically this requires a solution that includes a hardware platform and customer support. In the components businesses, we typically sell to another company that adds significant value and brings the solution to the end user.

The segments constituting the end user, solutions activities, make up over 80% of our revenue. The critical success factors in these businesses center around attaining a significant understanding of the end users' needs, applying that knowledge to create highly innovative products, integrating those products into an effective system, and establishing a proficient global, third-party distribution.

The components businesses require different characteristics to be successful. The customer is typically an OEM, system integrator, or other third party that integrates our components into a system. To satisfy this customer group, our focus is on price, product functionality, and quality. With recent product introductions we have begun to add higher functionality into our products in order to provide greater value and potentially capture higher average selling prices for our offerings. Worldwide applications for the product range from vehicle tracking to remote asset management, including by way of example monitoring and tracking of construction materials, truck trailers and off-road equipment.

During 2005 we continued to execute our strategy with a series of actions that can be summarized in four categories.

Reinforcing our position in existing markets

Generally, we believe that our markets provide us with additional, substantial potential for substituting our technology for traditional methods. In 2005 we continued to develop new products and to strengthen our distribution channels to realize these opportunities. The acquisitions of Pacific Crest and Apache provided us with additional hardware competencies and applications knowledge. A number of new products like Trimble S6 and machine control products strengthened our competitive position and created new value for the user.

Extend our position in existing markets through new product categories

We are utilizing the strength of the Trimble brand in our markets to expand our revenues by bringing new products to existing users. A 2005 example was the introduction of Ag GPS Steer System.

Bring existing technology to new markets

* We continue to reinforce our position in existing markets, and positioned ourselves in newer markets that will serve as important sources of future growth. Our efforts in China, India, Russia, Korea and Eastern Europe all reflected improving financial results, with the promise of more in the future.

Entered completely new markets

* In fiscal 2005 we acquired Advanced Public Safety, Inc. (APS), a software development company that provides mobile and handheld software products used by law enforcement, fire-rescue and other public safety agencies. With this acquisition, we plan to leverage our rugged mobile computing devices and fleet management systems to provide complete mobile resource solutions for the public safety industry. The APS acquisition opens up a new vertical

segment in which we can offer public safety agencies complete mobile computing and resource management solutions. In addition, we acquired MobileTech Solutions, Inc., a provider of field workforce automation solutions and that has a leading market position in the direct store delivery (DSD) market. We expect the MobileTech Solutions acquisition to extend our portfolio of fleet management and field workforce applications.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are more fully described in Note 2 of the Notes to the Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements. We consider the accounting policies described below to be our critical accounting policies. These critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

Revenue Recognition

We recognize revenue in accordance with US GAAP. The accounting rules related to revenue recognition are complex and are impacted by interpretations of the rules and an understanding of industry practices, both of which are subject to change.

We recognize 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. Revenue is reduced by a sales return reserve as described under "Allowance for Doubtful Accounts and Sales Returns."

Contracts and customer purchase orders are generally used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. We assess 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. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

Our shipment terms for US orders, and international orders fulfilled from our European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that we fulfill the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, we may choose within the place or range stipulated where the carrier will take the goods into carrier's charge.

Other international orders are shipped FOB destination, which means these international orders are not recognized as revenue until the product is delivered and title has transferred to the buyer or FCA shipping point. FOB destination means that we bear all costs and risks of loss or damage to the goods up to that point.

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.

In accordance with Emerging Issues Task Force (EITF) Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," when a 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.

Software revenue is recognized in accordance with Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" and Statement of Position (SOP) No. 98-9, "Modification of SOP 97-2." Our software arrangements generally consist of a perpetual license fee and post-contract customer support (PCS). We have established vendor-specific objective evidence (VSOE) of fair value for our PCS contracts based on the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, and 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.

Allowance for Doubtful Accounts and Sales Returns

Our accounts receivable balance, net of allowance for doubtful accounts, was \$145.1 million as of December 30, 2005, compared with \$123.9 million as of December 31, 2004. The allowance for doubtful accounts as of December 30, 2005 was \$5.2 million, compared with \$9.0 million as of December 31, 2004. We make ongoing assumptions relating to the collectibility of our accounts receivable in our calculation of the allowance for doubtful accounts. We evaluate the collectibility of our trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

A reserve for sales returns is established based on historical trends in product return rates experienced in the ordinary course of business. The reserve for sales returns as of December 30, 2005 and December 31, 2004 included \$1.5 million and \$2.2 million, respectively, for estimated future returns that were recorded as a reduction of our accounts receivable and revenue. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

Inventory Valuation

Our inventories, net balance was \$107.9 million as of December 30, 2005, compared with \$87.7 million as of December 31, 2004. Our inventory allowances as of December 30, 2005 were \$23.2 million, compared with \$26.2 million as of December 31, 2004. Our inventory is recorded at the lower of standard cost or market (net realizable value). We generally use a standard cost accounting system to value inventory and these standards are reviewed a minimum of once a year and multiple times a year in our most active manufacturing plants. We perform an in depth excess and obsolete analysis of our inventory based upon assumptions about future demand and current market conditions. We adjust the inventory value based on estimated excess and obsolete inventories determined primarily by future demand forecasts. If actual future demand or market conditions are less favorable than those projected by us, additional inventory write-downs may be required.

Income Taxes

Judgments and estimates occur in the calculation of income tax and deferred tax assets and liabilities.

Income taxes are accounted for under the liability method whereby deferred tax assets or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

The valuation allowance decreased by \$7.1 million in fiscal 2005, \$21.8 million in fiscal 2004 and \$13.1 million in fiscal 2003. Approximately, \$1.2 million, \$8.0 million and \$14.1 million of the valuation allowance at December 30, 2005, December 31, 2004 and January 2, 2004 respectively relate to the tax benefit of stock option deduction, which will be credited to equity if and when realized. In evaluating the need for a valuation allowance, we consider future taxable income, resolution of tax uncertainties and prudent and feasible tax planning strategies.

Goodwill Impairment

Goodwill as of December 30, 2005 was \$286.1 million, compared with \$259.5 million as of December 31, 2004. We performed goodwill impairment tests at the end of the fiscal third quarter of 2005 and 2004 for each reporting unit and found there was no impairment of our goodwill. We will continue to evaluate our goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

The process of evaluating the potential impairment of goodwill is subjective and requires significant assumptions. For goodwill, the annual impairment evaluation includes a comparison of the carrying value of the reporting unit

(including goodwill) to that reporting unit's fair value. If the reporting unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, or a material negative change in our relationships with significant customers.

Accounting for Long-Lived Assets Including Intangibles Subject to Amortization

Depreciation and amortization of our long-lived assets is provided using straight-line methods over their estimated useful lives. Changes in circumstances such as the passage of new laws or changes in regulations, technological advances, changes to our business model, or changes in the capital strategy could result in the actual useful lives differing from initial estimates. In those cases where we determine that the useful life of a long-lived asset should be revised, we will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments, or mandated regulatory requirements could result in shortened useful lives.

Long-lived assets and asset groups 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. Long-lived 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 in the period in which the determination is made.

Warranty Costs

The liability for product warranties was \$7.5 million as of December 30, 2005, compared with \$6.4 million as of December 31, 2004. (See Note 2 of the Notes to the Consolidated Financial Statements for further information regarding our warranty liability.) The warranty periods for our products are generally between one and three years. Selected military programs may require extended warranty periods up to 5.5 years and certain Nikon products have a five year warranty period. We accrue for warranty costs as part of our cost of sales based on associated material costs, technical support labor costs, and costs incurred by third parties performing warranty work on our behalf. Our 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.

While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our 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 our estimates, revisions to the estimated warranty accrual and related costs may be required.

Guarantees, Including Indirect Guarantees of Indebtedness of Others

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 the Company under these agreements were not material and no liabilities have been recorded for these obligations on the Consolidated Balance Sheets as of December 30, 2005 and December 31, 2004.

Stock Compensation

We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for our stock option plans and stock purchase plan. Accordingly, we do not recognize compensation cost for stock options granted at a price equal to fair market value.

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and "Statement of Financial Accounting Standards No. 148" ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure," we estimated the fair value of the options and purchases under the employee stock purchase plan, and determined the expense, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards. Stock-based compensation net of tax was \$8.7 million, \$8.6 million and \$9.8 million for fiscal 2005, fiscal 2004 and fiscal 2003.

For options granted prior to October 1, 2005, the fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model. For stock options granted on or after October 1, 2005, the fair value of each award is estimated on the date of grant using a binomial valuation model. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term. For these reasons, we believe that the binomial model provides a fair value that is more representative of actual experience and future expected experience than the value calculated using the Black-Scholes model. Below is a comparison of assumptions used in under each valuation model in fiscal 2005:

	Average Assumptions for Q1-Q3 FY05 using Black-Scholes	Assumptions for Q4 FY05 using Binomial
Expected dividend yield	-	-
Expected stock price volatility	52%	42%
Risk free interest rate	4.1%	4.5%
Expected life of options after vesting	1.7 years	1.6 years

Note 15 of the Notes to the Consolidated Financial Statements describes the plans we operate, and Note 2 of the Notes to the Consolidated Financial Statements contains a summary of the pro forma effects to reported net income and earnings per share for fiscal 2005, 2004, and 2003 as if we had elected to recognize compensation cost based on the fair value of the options granted at grant date.

Investment in Joint Ventures

We have adopted the equity method of accounting for our investments in the Caterpillar and Nikon joint ventures. This requires that we record our share of the joint ventures' profits or losses in a given fiscal period. See Note 5 of the Notes to the Consolidated Financial Statements for joint venture accounting.

RECENT BUSINESS DEVELOPMENTS

XYZ of GPS, Inc. (XYZ)

* On February 26, 2006, we acquired the assets of XYZ of Dickerson, Maryland. XYZ develops real-time GNSS reference station, integrity monitoring and dynamic positioning software for meter, decimeter and centimeter applications. The purchase of XYZ's intellectual property is expected to extend our product portfolio of infrastructure solutions by providing software that enhances differential GNSS correction systems used in marine aides to navigation, surveying, civil engineering, hydrography, mapping and Geographic Information System (GIS), and scientific applications.

Advanced Public Safety, Inc. (APS)

* On December 30, 2005, we acquired APS of Deerfield Beach, Florida. APS provides mobile and handheld software products used by law enforcement, fire-rescue and other public safety agencies. With the APS acquisition, we plan to leverage our rugged mobile computing devices and our fleet management systems to provide complete mobile resource solutions for the public safety industry. APS will be reported within our Mobile Solutions business segment.

MobileTech Solutions, Inc.

* On October 25, 2005, we acquired MobileTech Solutions, Inc. of Plano, Texas. MobileTech Solutions provides field workforce automation solutions and has a leading market position in the Direct Store Delivery (DSD) market. We expect the MobileTech Solutions acquisition to extend our portfolio of fleet management and field workforce applications. MobileTech Solutions' performance is reported under our Mobile Solutions business segment.

Apache Technologies, Inc.

On April 19, 2005, we acquired Apache Technologies Inc. of Dayton, Ohio. Apache is a leading developer of laser detection technology. With the acquisition, we extended our laser product portfolio for handheld laser detectors and entry-level machine displays and control systems, as well as our distribution network in the United States. Apache's performance is reported under our Engineering and Construction business segment.

Pacific Crest Corporation

On January 10, 2005 we acquired Pacific Crest Corporation of Santa Clara, California, a supplier of wireless data communication systems for positioning and environmental monitoring applications. The Pacific Crest acquisition has enhanced our wireless data communications capabilities in the Engineering and Construction business segment.

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.

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(Dollars in thousands)</i>			
Total consolidated revenue	\$774,913	\$668,808	\$540,903
Gross Margin	\$389,805	\$324,810	\$268,030
Gross Margin %	50.3%	48.6%	49.6%
Total consolidated operating income	\$124,944	\$85,625	\$53,935
Operating Income %	16.1%	12.8%	10.0%

Basis of Presentation

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2005 was December 30, 2005. Fiscal 2005 was a 53-week year and fiscal 2004 and fiscal 2003 were 52-week years. As a result of the extra week in fiscal 2005, year-over-year results are not exactly comparable. Thus, due to the inherent nature of adopting a 52-53 week fiscal year, the Company, analysts, shareholders, investors, and others will have to make appropriate adjustments to any analysis performed when comparing our activities and results in fiscal years that contain 53 weeks to those that contain the standard 52 weeks.

Revenue

In fiscal 2005, total revenue increased by \$106.1 million or 15.9% to \$774.9 million from \$668.8 million in fiscal 2004. The increase in fiscal 2005 was primarily due to stronger performances across all our operating segments with the exception of Component Technologies. The Engineering and Construction, Field Solutions and Mobile Solutions segments increased 19%, 21% and 34%, respectively, compared to fiscal 2004. Revenue growth within these segments was driven by new product introductions and increased penetration of existing markets. Both the Engineering and Construction and Mobile Solutions operating segments also benefited from the impact of the Pacific Crest, Apache and MobileTech acquisitions.

In fiscal 2004, total revenue increased by \$127.9 million or 23.6% to \$668.8 million from \$540.9 million in fiscal 2003. This increase was primarily due to stronger performances in most of our operating segments driven by new product offerings and increased penetration of the markets we serve (primarily Engineering and Construction and Field Solutions), expanded distribution and selective acquisitions (primarily Mobile Solutions and Portfolio Technologies), as well as the positive impact of the weaker US dollar on revenues generated in foreign currencies, primarily the Euro.

* During the 2005 fiscal year, sales to customers in the United States represented 54%, Europe represented 25%, Asia Pacific represented 11% and other regions represented 10% of our total revenues. During the 2004 fiscal year, sales to customers in the United States represented 50%, Europe represented 28%, Asia Pacific represented 13% and other regions represented 9% of our total revenues. We anticipate that sales to international customers will continue to account for a major portion of our revenues.

* No single customer accounted for 10% or more of our total revenues in fiscal 2005, 2004, and 2003. It is possible, however, that in future periods the failure of one or more large customers to purchase products in quantities anticipated by us may adversely affect the results of operations.

Gross Margin

Our gross margin varies due to a number of factors including product mix, pricing, distribution channel used, the effects of production volumes, new product start-up costs, and foreign currency translations. Gross margin as a percentage of total revenues was 50.3% in fiscal 2005 and 48.6% in fiscal 2004. The increase in gross margin percentage for fiscal 2005, compared with fiscal 2004, was due to the success of our market segmentation strategy, higher service revenues, cost reductions, and introduction of higher margin products.

Gross margin as a percentage of total revenues was 48.6 % in fiscal 2004 and 49.6% in fiscal 2003. The decrease in gross margin percentage for fiscal 2004, compared with fiscal 2003, was due to changes in the mix of products sold, principally related to increased sales of lower margin Nikon-branded survey and construction products, our agriculture products, pricing pressure in our Component Technologies business (which typically demonstrates increased unit volumes coupled with declining unit prices), the impact of the weaker US dollar on our non US manufacturing, and distribution costs.

* Because of potential product mix changes within and among the industry markets, market pressures on unit selling prices, fluctuations in unit manufacturing costs, including increases in component prices and other factors, current level gross margins cannot be assured.

Operating Income

Operating income as a percentage of total revenue was 16.1% in fiscal 2005 compared to 12.8% in fiscal 2004 and 10.0% in fiscal 2003. The increase is driven by improvement in revenues, in gross margins, and greater leverage of operating expenses. Operating expenses represented 34.2% of total revenue in fiscal 2005 as compared to 35.8% in fiscal 2004.

Results by Segment

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following five segments: Engineering and Construction, Field Solutions, Component Technologies, Mobile Solutions, and Portfolio Technologies. Segment operating income (loss) is net revenue less operating expenses, excluding general corporate expenses, amortization of purchased intangibles, restructuring charges, non-operating income (expense), and income taxes.

The following table is a breakdown of revenue and operating income by segment for the periods indicated and should be read in conjunction with the narrative descriptions below.

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(Dollars in thousands)</i>			
Engineering and Construction			
Revenue	\$524,461	\$440,478	\$367,058
Segment revenue as a percent of total revenue	68%	66%	68%
Operating income	117,993	79,505	60,664
Operating income as a percent of segment revenue	22%	18%	17%
Field Solutions			
Revenue	127,843	105,591	79,879
Segment revenue as a percent of total revenue	16%	16%	15%
Operating income	32,527	25,151	14,500
Operating income as a percent of segment revenue	25%	24%	18%
Component Technologies			
Revenue	53,902	65,522	64,193
Segment revenue as a percent of total revenue	7%	9%	12%
Operating income	8,034	13,880	16,560
Operating income as a percent of segment revenue	15%	21%	26%
Mobile Solutions			
Revenue	31,481	23,531	12,981
Revenue as a percent of total consolidated revenue	4%	4%	2%
Operating loss	(3,072)	(5,997)	(6,452)
Operating loss as a percent of segment revenue	(10%)	(25%)	(50%)
Portfolio Technologies			
Revenue	37,226	33,686	16,792
Segment revenue as a percent of total revenue	5%	5%	3%
Operating income (loss)	5,178	4,866	(1,686)
Operating income (loss) as a percent of segment revenue	14%	14%	(10%)

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

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(In thousands)</i>			
Consolidated segment operating income	\$160,660	\$117,405	\$83,586
Unallocated corporate expense	(27,483)	(22,901)	(20,320)
Restructuring charges	(278)	(552)	(2,019)
Amortization of purchased intangible assets	(6,855)	(8,327)	(7,312)
In-process research and development	(1,100)	-	-
Non-operating expense, net	(156)	(10,701)	(18,350)
Consolidated income before income taxes	\$124,788	\$74,924	\$35,585

Engineering and Construction

Engineering and Construction revenues increased by \$84.0 million or 19% while segment operating income increased by \$38.5 million or 48.4% for fiscal 2005 as compared to fiscal 2004. The revenue growth was driven by the introduction of products such as the Trimble S6 and machine control products, and growth of existing products such as the Trimble R8 GPS System. Revenue growth was also attributed to the acquisitions for fiscal 2005. Segment operating income increased as a result of higher revenues and increased sales of higher margin products.

Engineering and Construction revenues increased by \$73.4 million or 20% while segment operating income increased by \$18.8 million or 31.1% for fiscal 2004 as compared to fiscal 2003. The relatively strong environment of fiscal 2003 continued into fiscal 2004, resulting in continued robust demand for survey, machine control, and laser products. In addition, the full year effects for Nikon-branded products contributed to the year over year increase. Targeted new product introductions, such as the 5500 Servo Driven Total Station, provided improved market penetration. The weaker US dollar also contributed to increased revenues in this operating segment. Operating income increased at a higher rate than revenue growth due to greater operating leverage on expenses.

Field Solutions

Field Solutions revenues increased by approximately \$22.3 million or 21.1% while segment operating income increased by \$7.4 million or 29.3% for fiscal year 2005 as compared to fiscal 2004. Revenue increased primarily due to successful new products such as the AgGPS EZ-Guide System and AgGPS EZ-Steer System in our agriculture product line and as a result of higher demand for both automated and manual guidance products into the agricultural market in the first quarter of the fiscal year.

Field Solutions revenues increased by approximately \$25.7 million or 32.2% while segment operating income increased by \$10.7 million or 73.5% for fiscal year 2004 as compared to fiscal 2003. Revenues increased primarily as a result of higher demand for both automated and manual guidance products in the agricultural market. In particular, revenues were enhanced by the introduction of EZ-Guide Plus. We saw increases in our GIS product lines due to increases in our dealer and distributor business. Additionally, programs designed to expand our distribution channel by supplementing value-added, solutions focused business partners to our traditional dealer profile were successful. In addition, we saw improved results in Europe and increased opportunities in China. Increases in this segment's operating income were primarily due to higher revenues.

Component Technologies

Component Technologies revenues decreased by \$11.6 million or 17.7% and segment operating income decreased by \$5.8 million or 42.1% for the fiscal year 2005 as compared to fiscal 2004. Revenues decreased primarily due to the decline in demand for our in-vehicle navigation products as a result of changes in buying strategies among certain automotive manufacturers, and softness in the timing businesses. The decrease was partially offset by an increase in the OEM board business. Operating income decreased primarily due to lower revenue and unfavorable product mix.

Component Technologies revenues increased by \$1.3 million or 2.1%, while segment operating income decreased by \$2.7 million or 16.2% for the fiscal year 2004 as compared to fiscal 2003. Revenues increased primarily due to higher demand from vehicle navigation and tracking customers, partially offset by the decline in demand from wireless infrastructure customers. The segment operating income decrease was primarily due to pricing pressures from the embedded and in-vehicle navigation product lines, a less favorable product mix, and increased spending for development of new categories of products.

Mobile Solutions

Mobile Solutions revenues increased by \$8.0 million or 33.8% in fiscal 2005 over fiscal 2004 due to increased subscriber growth, an increase in sales into the ready-mix suppliers, and increased sales from our dealer channel as we continue to develop and extend this channel. Operating loss decreased in fiscal 2005 compared to fiscal 2004 primarily attributable to an increase in revenues and increase in gross margins due higher recurring service revenue.

Mobile Solutions revenues increased by \$10.6 million or 81.3% in fiscal 2004 over fiscal 2003 due primarily to increases sales into the construction materials market, higher dealer sales and a significant enterprise sale. During the first quarter of fiscal 2004, we completed the acquisition of TracerNET to strengthen our presence in this segment. The benefits of the integration were not fully reflected until the fourth quarter of fiscal 2004 and the full year impact of these activities were not realized until fiscal 2005. Segment operating loss decreased by \$0.5 million or 7.1% in fiscal 2004 over fiscal 2003 due to increased revenues which was largely offset by increased expenses related to the integration of the TracerNET acquisition.

Portfolio Technologies revenues increased by \$3.5 million or 10.5% while segment operating income increased by \$0.3 million or 6.4% for fiscal 2005 as compared to fiscal 2004. The increase in revenue and operating income was primarily due to stronger performance in our Applanix airborne business which was offset by an increase in marketing expenses related to our Trimble Outdoors initiative.

Portfolio Technologies revenues increased by \$16.9 million or 100.6% while segment operating income increased by \$6.6 million or 388.6% for fiscal 2004 as compared to fiscal 2003. The increases in revenues and operating income were primarily due to the inclusion of full year results of Applanix, acquired in July 2003, and higher sales of our military and advanced systems products.

Research and Development, Sales and Marketing, and General and Administrative Expenses

The following table shows research and development ("R&D"), sales and marketing, and general and administrative ("G&A") expenses in absolute dollars and as a percentage of total net revenues for the fiscal years ended 2005, 2004 and 2003 and should be read in conjunction with the narrative descriptions of those operating expenses below.

Fiscal Years Ended	December 30, 2005		December 31, 2004		January 2, 2004	
<i>(In thousands)</i>						
Research and development	\$ 84,276	11%	\$ 77,558	11%	\$ 67,641	13%
Sales and marketing	120,215	15%	108,054	16%	97,870	18%
General and administrative	52,137	7%	44,694	7%	39,253	7%
	<u>\$ 256,628</u>	<u>33%</u>	<u>\$ 230,306</u>	<u>34%</u>	<u>\$ 204,764</u>	<u>38%</u>

Overall, R&D, sales and marketing, and G&A increased by approximately \$26.3 million in fiscal 2005 compared to fiscal 2004.

Research and development expenses increased by \$6.7 million in fiscal 2005 compared to fiscal 2004 primarily due to the inclusion of expenses from acquisitions not applicable in the prior year in the amount of \$2.8 million and increase in compensation of \$2.8 million. All of our R&D costs have been expensed as incurred. Cost of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred.

Research and development expenses increased by \$9.9 million in fiscal 2004 compared to fiscal 2003 primarily due to sustaining engineering expenses and costs incurred related to new product development, continued investment in next generation technologies, and the effect of foreign currency fluctuations.

* Overall research and development spending remained relatively constant at approximately 11% of revenues. We expect to continue to devote resources to the development of new products and the enhancement of existing products. We believe that research and development is critical to our strategic product development objectives and that to leverage our leading technology and meet the changing requirements of our customers, we will need to fund investments in several development projects in parallel.

Sales and marketing expenses increased by \$12.2 million in fiscal 2005 compared to fiscal 2004, but decreased as a percent of total revenues. The increase was primarily due to advertising and promotion costs associated with the launch of new products of \$5.4 million, the inclusion of expenses from acquisitions not applicable in the prior year of \$1.5 million, increase in travel expenses of \$1.4 million, increase in compensation of \$1.7 million and an increase \$0.6 million foreign currency transaction loss.

Sales and marketing expenses increased by \$10.2 million in fiscal 2004 compared to fiscal 2003, but decreased as a percent of total revenues. The majority of the increase was due to the increase in revenue, promotional programs associated with new products, and the foreign exchange impact on expenses in our non US operations.

* We intend to continue to focus and expand our sales and marketing efforts across all the geographies and markets we serve in order to increase market awareness of our products and to better support our existing customers worldwide. 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 exploit new markets for our products.

General and administrative expenses increased by \$7.4 million in fiscal 2005 compared to fiscal 2004 primarily due to an increase in compensation expense of \$5.9 million, increase in rent expense of \$1.0 million as we were making duplicate payments during our move to our new headquarters, the inclusion of expenses from acquisitions not applicable in the prior year of \$1.8 million, and increase of \$0.8 million in patent expense. This was partially offset by a decrease in bad debt expense of \$1.7 million and an increase of \$0.4 million foreign currency transaction gain. Spending overall remained relatively constant at approximately 7% of revenues.

General and administrative expenses increased by \$5.4 million in fiscal 2004 compared to fiscal 2003 primarily due to the inclusion of G&A expenses from acquisitions, expenses related to compliance with the Sarbanes-Oxley Act, and bad debt expenses of \$1.2 million.

Other Operating Expenses

Restructuring Charges

Restructuring charges of \$0.3 million, \$0.6 million, and \$2.0 million were recorded in fiscal years 2005, 2004 and 2003, respectively. The charges in fiscal 2005 were primarily related to office closure costs due to integration efforts of the Mensi acquisition. The charges in fiscal 2004 were primarily related to severance costs due to the realignment of Trimble Mobile Solutions Inc. while charges in fiscal 2003 were primarily related to our Japanese office relocation due to the Nikon-Trimble joint venture formation. As a result of these actions, the headcount of the affected operations decreased by 36 and 77 in fiscal 2004, and 2003, respectively. As of December 30, 2005, the remaining accrual balance of \$0.3 million is related to the office closure expected to be paid over the next several years.

In-Process Research and Development

We recorded In-process research and development (IPR&D) expense of \$1.1 million related to acquisitions made in fiscal 2005. We did not record any IPR&D expense in fiscal 2004 and fiscal 2003. At the date of each acquisition, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. The value of the IPR&D was determined using a discounted cash flow model similar to the income approach, focusing on the income producing capabilities of the in-process technologies. Accordingly, the value assigned to these IPR&D amounts were charged to expense on the respective acquisition date of each of the acquired companies.

Amortization of Purchased and Other Intangible Assets

Fiscal Years Ended (in thousands)	December 30, 2005	December 31, 2004	January 2, 2004
Amortization of purchased intangibles	\$ 6,855	\$ 8,327	\$ 7,312
Amortization of other intangible assets	165	183	604
Amortization of purchased and other intangible assets	\$ 7,020	\$ 8,510	\$ 7,916

Amortization expense of purchased and other intangibles represented 0.9% of revenue in fiscal 2005, a decrease of \$1.5 million from fiscal 2004 when it represented 1.3% of revenue. Although we had acquisitions in the current fiscal year, amortization decreased due to the fact our Spectra Precision Group intangibles were fully amortized in the second quarter of fiscal 2005. Amortization expense of purchased and other intangibles represented 1.3% of revenue in fiscal 2004, an increase of \$0.6 million from fiscal 2003 when it represented 1.5% of revenue.

Non-operating Expense, Net

The following table shows non-operating expense, net for the periods indicated and should be read in conjunction with the narrative descriptions of those expenses below:

Fiscal Years Ended (in thousands)	December 30, 2005	December 31, 2004	January 2, 2004
Interest income	\$ 836	\$ 436	\$ 465
Interest expense	(2,331)	(3,888)	(11,938)
Foreign exchange gain (loss)	1,022	(859)	(592)
Expenses for affiliated operations, net	(291)	(7,590)	(6,403)
Other income (expense)	608	1,200	118
Total non-operating expense, net	\$ (156)	\$ (10,701)	\$ (18,350)

Non-operating expense, net decreased by \$10.5 million or 98.5% during fiscal 2005 as compared with fiscal 2004 primarily due to a decrease in net interest expense of \$2.0 million as a result of the repayment of debt and interest earned on higher cash balances offset by a \$0.9 million write-off of debt issuance costs relating to the 2003 Credit Facility, an increase of \$1.9 million in foreign currency transaction gain and a \$7.3 million decrease in expenses for affiliated operations as a result of increased profits from our joint ventures and recognition of the remaining deferred gain from the Caterpillar joint venture. This was partially offset by a decrease in other income primarily due to the absence of a non-recurring gain in investments of approximately \$1.0 million in fiscal year 2004.

* Expenses for affiliated operation decreased by \$7.3 million in fiscal 2005 compared to fiscal 2004 due to the recognition of the remaining \$9.2 million deferred gain related to the Caterpillar joint venture. Since the joint venture is now profitable on a sustainable basis, future operating losses are not anticipated and there are no future outstanding financial obligations by us to the joint venture, we recognized the gain. This amount was offset by an increased impact from the incremental transfer pricing effects due to growth in our construction product sales of \$2.6 million. (See Note 5 of the Notes to the Consolidated Financial Statements for financial information regarding joint ventures). Furthermore, we recorded our share of profits in the Caterpillar joint venture which increased by \$2.5 million. This was partially offset by a decrease in our share of profits in our Nikon-Trimble joint venture of \$1.1 million.

Non-operating expense, net decreased by \$7.6 million or 42% during fiscal 2004 as compared with fiscal 2003 primarily due to lower interest expense after the repayment of the principal balance of a subordinated note in June 2003, the write off of \$2.3 million of debt issuance costs as a result of our debt refinancing in June 2003 and \$1.3 million related to the write off of the remaining unamortized portion of the warrants issued to Spectra-Physics Holdings USA, Inc. The increases in expense for affiliated operations were primarily due to our higher construction machine control revenues which led to increased impact from the pricing effects of transactions between us and the Caterpillar joint venture. This was partially offset by an increase of \$1.1 million related to our share of profits in the Nikon-Trimble joint venture. The increase in other income (expense) was primarily due to a net gain related to the sale of an investment.

Income Tax Provision

Our effective income tax rates for fiscal years 2005, 2004 and 2003 were 32%, 10% and (8%), respectively. The 2004 and 2003 income tax rates are less than the US federal statutory rate of 35%, primarily due to the realization of benefits from net operating losses and other previously reserved deferred tax assets. Our 2005 income tax rate is less than US federal statutory rate, primarily due to the benefit from the US incentive repatriation of undistributed foreign subsidiary earnings provided by the American Jobs Creation Act of 2004.

Repatriation of foreign earnings. The American Jobs Creation Act of 2004 (the Act) provides for a special one-time elective dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer equal to 85% of the eligible distribution. During the fourth quarter of 2005, the Company repatriated \$39.5 million, of which \$24 million qualified for the special one-time elective dividends received deduction and \$15.5 million constituted earnings that do not qualify under the Act; previously taxed income and return of capital. The company recorded a \$6.4 million tax benefit from these foreign earnings.

* From time to time, we are involved in litigation arising out of the ordinary course of our business. There are no known claims or pending litigation that are expected to have a material effect on our overall financial position, results of operations, or liquidity.

OFF-BALANCE SHEET ARRANGEMENTS

Other than lease commitments incurred in the normal course of business (see Contractual Obligation table below), 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 consolidated financial statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

LIQUIDITY AND CAPITAL RESOURCES

As of and for the Fiscal Year Ended (dollars in thousands)	December 30, 2005	December 31, 2004	January 2, 2004
Cash and cash equivalents	\$ 73,853	\$ 71,872	\$ 45,416
As a percentage of total assets	9.9%	11.0%	8.3%
Accounts receivable days sales outstanding (DSO)	66	63	65
Inventory turns per year	4	4	4
Total debt	\$ 649	\$ 38,996	\$ 90,486
Cash provided by operating activities	\$ 92,880	\$ 74,576	\$ 29,565
Cash used in investing activities	\$ (74,918)	\$ (25,133)	\$ (22,653)
Cash provided (used) by financing activities	\$ (13,402)	\$ (24,159)	\$ 54
Net increase in cash and cash equivalents	\$ 1,981	\$ 26,456	\$ 16,737

Cash and Cash Equivalents

Our financial condition further strengthened at December 30, 2005. Cash and cash equivalents totaled \$73.9 million with essentially no debt compared to cash and cash equivalents of \$71.9 million and debt of \$39.0 million at December 31, 2004.

In fiscal 2005, cash provided by operating activities was \$92.9 million, as compared to \$74.6 million in fiscal 2004. The increase of \$18.3 million was primarily driven by the \$17.2 million increase in net income during fiscal 2005 compared to fiscal 2004. 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. Our accounts receivable days for sales outstanding increased from 63 days at the end of fiscal 2004 to 66 days at the end of fiscal 2005. The increase is due to acquisitions, delayed payments from some government contracts, and past due accounts from a couple of key customers. Our inventory turns was unchanged at four at the end of fiscal 2005 and 2004.

In fiscal 2004, cash provided by operating activities was \$74.6 million, as compared to \$29.6 million in fiscal 2003. The increase of \$45.0 million was primarily driven by the \$29.2 million increase in net income during fiscal 2004 compared to fiscal 2003 and better management of working capital. Our accounts receivable days for sales outstanding decreased from 65 days at the end of fiscal 2003 to 63 days at the end of fiscal 2004. Our inventory turns was unchanged at four at the end of fiscal 2005 and 2004.

Cash used in investing activities was \$74.9 million in fiscal 2005 as compared to \$25.1 million in fiscal 2004. The \$49.8 million increase was primarily due to an increase of \$40.0 million in cash acquisitions and an increase of \$10.6 million in investment in capital equipment of which \$6.6 million was related to the relocation of our Sunnyvale headquarters.

Cash used in investing activities was \$25.1 million in fiscal 2004 as compared to \$22.7 million in fiscal 2003. The increase was primarily due to cash acquisitions and investment in capital equipment. During fiscal 2004, we spent approximately \$12.8 million on capital expenditures.

Cash used in financing activities was \$13.4 million in fiscal 2005 as compared to \$24.2 million in fiscal 2004. The \$10.8 million decrease was primarily due to a \$12.9 million decrease in repayment of net debt as we repaid our entire debt balance in the second fiscal quarter of 2005. This was partially offset by a \$2.3M decrease in proceeds received from issuance of common stock and warrants.

Cash used in financing activities was \$24.2 million in fiscal 2004 as compared to \$54,000 in fiscal 2003. However, during fiscal 2004, we repaid approximately \$65.2 million of debt related to our previous 2003 Credit Facility. These debt payments were funded by cash provided by operating activities, and the issuance of common stock to employees pursuant to our stock option plan and employee stock purchase plan of approximately \$26.8 million.

* We believe that our cash and cash equivalents, together with our credit facilities (\$200 million as of December 30, 2005), will be sufficient to meet our anticipated operating cash needs for at least the next twelve months.

* We expect fiscal 2006 capital expenditures to be approximately \$15 million to \$20 million, primarily for computer equipment, software upgrades, manufacturing tools and test equipment, and leasehold improvements associated with business expansion. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

Debt

At the end of fiscal 2005, our total debt was comprised of government loans to foreign subsidiaries in amount of approximately \$649,000 as compared with approximately \$39.0 million at the end of fiscal 2004.

On July 28, 2005, we entered into a \$200 million unsecured revolving credit agreement ("2005 Credit Facility") with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. The 2005 Credit Facility replaces our \$175 million secured 2003 Credit Facility. The funds available under the new 2005 Credit Facility may be used for our general corporate purposes and up to \$25 million of the 2005 Credit Facility may be used for letters of credit. We incur a commitment fee if the 2005 Credit Facility is not used. The commitment fee is not material to our results during all periods presented. At December 30, 2005 and as of the date of this report, the Company has a zero balance outstanding and was in compliance with all financial debt covenants. For additional discussion of our debt, see Note 9 of Notes to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at December 30, 2005:

	Payments Due By Period				
	Total	Less than 1 year	2-3 Years	4-5 years	More than 5 years
<i>(in thousands)</i>					
Total debt including interest	\$ 649	\$ 216	\$ 104	\$ 329	\$ -
Operating leases	42,024	9,664	15,021	11,560	5,779
Other purchase obligations and commitments	3,100	3,100	-	-	-
Total	\$ 45,773	\$ 12,980	\$ 15,125	\$ 11,889	\$ 5,779

Total debt consists of government loans to foreign subsidiaries. (See Note 9 of the Notes to the Consolidated Financial Statements for further financial information regarding long-term debt)

Other purchase obligations and commitments represent open non-cancelable purchase orders for material purchases with our vendors and a forecasted commitment with a supplier for outsourced services as described in Note 10 of the Notes to the Consolidated Financial Statements. Our pension obligation which is not included in the table above, and is included in "Other non-current liabilities" on our Consolidated Balance Sheets, is disclosed at Note 16 of the Notes to the Consolidated Financial Statements.

NEW ACCOUNTING STANDARDS

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (FASB) No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal 2006. The Company is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In March 2005, the FASB issued FASB Interpretation Number (FIN) 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" ("FIN 47"). FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. The Company was not impacted by the adoption of FIN 47 in fiscal 2005.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Opinion No. 25, and allowed under the original provisions of SFAS No. 123. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal years beginning after June 15, 2005. SFAS No. 123R allows for either prospective recognition of compensation expense or retrospective recognition, which may be back to the original issuance of SFAS No. 123 or only to interim periods in the year of adoption. The Company will use the prospective method for future fiscal period after the SFAS No. 123R effective date of 12/31/05. As a result, financial statements for fiscal periods after our SFAS No. 123R effective date will include stock-based compensation expenses that are not comparable to financial statements of fiscal periods prior to the SFAS No. 123R effective date. Due to constant fluctuations to the expected volatility, expected term, risk free interest rate, and expected forfeiture assumptions used in valuating stock-based compensation, expected stock-based compensation expense in future fiscal periods is not predictable.

Item 7A. 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 or trading purposes. All financial instruments are used in accordance with policies approved by our board of directors.

Market Interest Rate Risk

We may be exposed to market risk in the event we borrow against our 2005 Credit Facility. Borrowings under the 2005 Credit Facility have interest payments based on a floating rate of LIBOR plus a number of basis points tied to a formula based on our Leverage Ratio. The 2005 Credit Facility had outstanding principal balances of zero as of December 30, 2005.

Foreign Currency Exchange Rate Risk

We enter into foreign exchange forward contracts to minimize the short-term impact of foreign currency fluctuations on certain trade and inter-company receivables and payables, primarily denominated in Australian, Canadian, New Zealand, and Swedish currencies, the Euro, and the British pound. These contracts reduce the exposure to fluctuations in exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked to market through earnings every period and generally range from one to three months in original maturity. We do not enter into foreign exchange forward contract for trading purposes.

Foreign exchange forward contracts outstanding as of December 30, 2005 and December 31, 2004 are summarized as follows (in thousands):

	December 30, 2005		December 31, 2004	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	\$ (14,426)	\$ 249	\$ (15,875)	\$ 431
Sold	\$ 27,726	\$ 328	\$ 22,750	\$ (970)

* We do not anticipate any material adverse effect on our consolidated financial position utilizing our current hedging strategy.

**TRIMBLE NAVIGATION LIMITED
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Item 8. Financial Statements and Supplementary Data
CONSOLIDATED BALANCE SHEETS

As at	December 30,	December 31,
<i>(in thousands)</i>	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,853	\$ 71,872
Accounts receivable, less allowance for doubtful accounts of \$5,230 and \$8,952, and sales return reserve of \$1,500 and \$2,210, respectively	145,100	123,938
Other receivables	6,489	4,182
Inventories, net	107,851	87,745
Deferred income taxes	18,504	21,852
Other current assets	8,580	7,878
Total current assets	360,377	317,467
Property and equipment, net	42,664	30,991
Goodwill	286,146	259,522
Other purchased intangible assets, net	27,310	13,835
Deferred income taxes	3,580	8,019
Other assets	23,011	24,144
Total non-current assets	382,711	336,511
Total assets	\$ 743,088	\$ 653,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 216	\$ 12,500
Accounts payable	45,206	43,551
Accrued compensation and benefits	36,083	31,202
Accrued liabilities	16,189	11,510
Deferred revenues	12,588	9,317
Accrued warranty expense	7,466	6,425
Deferred income taxes	4,087	2,521
Income taxes payable	24,922	11,951
Total current liabilities	146,757	128,977
Non-current portion of long-term debt	433	26,496
Deferred gain on joint venture	-	9,179
Deferred income tax	5,602	5,435
Other non-current liabilities	19,041	11,730
Total liabilities	171,833	181,817
Commitments and contingencies		
Shareholders' equity:		
Preferred stock no par value; 3,000 shares authorized; none outstanding	--	--
Common stock, no par value; 90,000 shares authorized; 53,910 and 52,213 shares issued and outstanding at December 30, 2005 and December 31, 2004, respectively	384,196	345,127
Retained earnings	167,525	82,670
Accumulated other comprehensive income	19,534	44,364
Total shareholders' equity	571,255	472,161
Total liabilities and shareholders' equity	\$ 743,088	\$ 653,978

See accompanying Note to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended	December 30,	December 31,	January 2,
<i>(in thousands, except per share amounts)</i>	2005	2004	2004
Revenue (1)	\$ 774,913	\$ 668,808	\$ 540,903
Cost of sales (1)	385,108	343,998	272,873
Gross margin	389,805	324,810	268,030
Operating expenses			
Research and development	84,276	77,558	67,641
Sales and marketing	120,215	108,054	97,870
General and administrative	52,137	44,694	39,253
Restructuring charges	278	552	2,019
Amortization of purchased intangible assets	6,855	8,327	7,312

In-process research and development	1,100	-	-
Total operating expenses	264,861	239,185	214,095
Operating income	124,944	85,625	53,935
Non-operating income (expense), net			
Interest income	836	436	465
Interest expense	(2,331)	(3,888)	(11,938)
Foreign currency transaction gain (loss), net	1,022	(859)	(592)
Expenses for affiliated operations, net	(291)	(7,590)	(6,403)
Other income	608	1,200	118
Total non-operating expense, net	(156)	(10,701)	(18,350)
Income before taxes	124,788	74,924	35,585
Income tax provision (benefit)	39,933	7,244	(2,900)
Net income	\$ 84,855	\$ 67,680	\$ 38,485
Basic earnings per share	\$ 1.59	\$ 1.32	\$ 0.81
Shares used in calculating basic earnings per share	53,216	51,163	47,505
Diluted earnings per share	\$ 1.49	\$ 1.23	\$ 0.77
Shares used in calculating diluted earnings per share	56,819	54,948	50,012

(1) Sales to related parties were \$9.1 million, \$7.6 million, and \$4.0 million in fiscal 2005, 2004 and 2003, respectively, while cost of sales to those related parties were \$4.0 million, \$3.8 million, and \$1.9 million in fiscal 2005, 2004 and 2003, respectively. See Note 5 to these Consolidated Financial Statements for a discussion of related parties.

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common stock		Accumulative		Total Shareholders' Equity
	Shares	Amount	Retained	Other	
			Earnings (Deficit)	Comprehensive Income/(Loss)	
<i>(in thousands)</i>					
Balance at January 3, 2003	43,965	\$ 225,872	\$ (23,495)	\$ (1,026)	\$ 201,351
Components of comprehensive income:					
Net income			38,485		38,485
Loss on interest rate swap				(7)	(7)
Unrealized gain on investments				74	74
Foreign currency translation adjustments				31,198	31,198
Total comprehensive income					69,750
Issuance of common stock in connection with acquisitions and joint venture, net	1,282	25,795			25,795
Issuance of common stock under employee plans and exercise of warrants	1,593	13,929			13,929
Issuance of warrants		836			836
Issuance of common stock in private placement	3,148	36,583			36,583
Balance at January 2, 2004	49,988	303,015	14,990	30,239	348,244
Components of comprehensive income:					
Net income			67,680		67,680
Loss on interest rate swap				106	106
Unrealized loss on investments				(6)	(6)
Foreign currency translation adjustments, net of tax				14,025	14,025
Total comprehensive income					81,805
Issuance of common stock in connection with acquisitions, net	294	899			899
Issuance of common stock under employee plans and exercise of warrants	1,930	26,805			26,805
Tax benefit from stock option exercises		14,408			14,408
Balance at December 31, 2004	52,213	345,127	82,670	44,364	472,161
Components of comprehensive income:					
Net income			84,855		84,855
Loss on interest rate swap				(106)	(106)
Unrealized loss on investments				(34)	(34)
Foreign currency translation adjustments, net of tax				(24,690)	(24,690)
Total comprehensive income					60,025
Issuance of common stock in connection with acquisitions, net	10				-
Issuance of common stock under employee plans and exercise of warrants	1,687	24,582			24,582
Tax benefit from stock option exercises		14,487			14,487
Balance at December 30, 2005	53,910	\$ 384,196	\$ 167,525	\$ 19,534	\$ 571,255

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended (In thousands)	December 30, 2005	December 31, 2004	January 2, 2004
Cash flows from operating activities:			
Net income	\$ 84,855	\$ 67,680	\$ 38,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10,671	8,874	8,864
Amortization	7,020	8,510	7,916
Provision for doubtful accounts	(502)	1,210	(32)
Deferred gain on joint venture	(9,180)	(665)	(947)
Amortization of debt issuance cost	1,270	487	3,515
Deferred income taxes	14,242	(1,482)	(6,532)
In-process research and development	1,100	-	-
Other	(466)	(21)	2,533
Decrease (increase) in assets and liabilities:			
Accounts receivable, net	(19,017)	(17,245)	(13,944)
Deferred revenues	2,406	1,619	1,650
Other receivables	(2,108)	2,231	(4,389)
Inventories, net	(17,888)	(15,529)	(4,862)
Other current and non-current assets	(2,294)	(69)	(792)
Accounts payable	1,078	14,668	(6,387)
Accrued compensation and benefits	3,408	4,847	6,723
Accrued liabilities	6,232	(1,757)	(6,437)
Income taxes payable	12,054	1,218	4,201
Net cash provided by operating activities	92,880	74,576	29,565
Cash flows from investing activities:			
Acquisition of property and equipment	(23,436)	(12,750)	(10,901)
Proceeds from sale of assets	-	546	334
Cost of acquisitions, net of cash acquired	(51,379)	(11,388)	(6,606)
Cost of joint venture and equity investments	-	(1,500)	(4,810)
Costs of capitalized patents	(103)	(41)	(670)
Net cash used in investing activities	(74,918)	(25,133)	(22,653)
Cash flows from financing activities:			
Issuance of common stock and warrants	24,463	26,805	50,514
Collection of notes receivable	385	271	1,326
Proceeds from long-term debt and revolving credit lines	6,000	14,000	138,288
Payments on long-term debt and revolving credit lines	(44,250)	(65,235)	(190,074)
Net cash provided by (used in) financing activities	(13,402)	(24,159)	54
Effect of exchange rate changes on cash and cash equivalents	(2,579)	1,172	9,771
Net increase in cash and cash equivalents	1,981	26,456	16,737
Cash and cash equivalents, beginning of fiscal year	71,872	45,416	28,679
Cash and cash equivalents, end of fiscal year	\$ 73,853	\$ 71,872	\$ 45,416

See accompanying Notes to the Consolidated Financial Statements.

NOTE 1: DESCRIPTION OF BUSINESS

Trimble Navigation Limited began operations in 1978 and incorporated in California in 1981. Trimble provides advanced positioning product solutions, most typically to commercial and government users. The principal applications served include surveying, construction, agriculture, machine guidance, asset and fleet management, and telecommunications infrastructure. The Company's products typically provide its customers benefits that can include lower costs, and higher productivity. Examples of products include systems that guide agricultural and construction equipment, surveying instruments, systems that track fleets of vehicles, and data collection systems that enable the management of large amounts of geo referenced information. In addition, the Company also manufactures components for in vehicle navigation and telematics systems, and timing modules used in the synchronization of wireless networks.

NOTE 2: ACCOUNTING POLICIES**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for revenue recognition, allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairments, and income taxes among others. The actual results experienced by the Company may differ materially from management's estimates.

Basis of Presentation

Trimble has a fiscal year that ends on the Friday nearest to December 31. Fiscal 2005, a 53-week year, ended on December 30, 2005 and fiscal 2004 and fiscal 2003, 52-week years, ended on December 31, 2004 and January 2, 2004, respectively.

These Consolidated Financial Statements include the results of Trimble and its subsidiaries. Inter-company accounts and transactions have been eliminated. Certain amounts from prior years have been reclassified to conform to the current year presentation.

In 2005 the Company revised its statements of cash flows for 2004 and 2003. The changes relate to the Company's classification of the foreign exchange impact on its cash and cash equivalents that was erroneously included in cash flows from operations. These corrections have been made retrospectively modifying the presentation for 2004 and 2003. The changes resulted in an increase to cash flows from operations of \$1.5 million and a decrease of \$6.9 million in 2004 and 2003, respectively. These revisions to the statements of cash flows had no impact on the Company's cash and cash equivalents, balance sheet, or income statement.

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in local currencies are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive income. Income and expense accounts are translated at average exchange rates during the year. Where the U.S. dollar is the functional currency, translation adjustments are recorded in foreign currency transaction adjustments, net of tax in accumulated other comprehensive income within the shareholders' equity section of the consolidated balance sheets.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with insignificant interest rate risk and maturities of three months or less at the date of purchase. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Fair Value of Financial Instruments

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, and other accrued liabilities approximate cost because of their short maturities. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

Concentration of Risk

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end user customers in diversified industries as well as various resellers. Trimble performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally does not require collateral.

With the selection of Solectron Corporation in August 1999 as an exclusive manufacturing partner for many of its GPS products, Trimble became substantially dependent upon a sole supplier for the manufacture of many of its products. In addition, the Company relies on sole suppliers for a number of its critical components.

Allowance for Doubtful Accounts

Trimble maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments.

Trimble evaluates the collectibility of its trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount Trimble believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

Inventories

Inventories are stated at the lower of standard cost or market (net realizable value). Standard costs approximate actual costs, which are generally on a first-in, first-out basis. The Company uses a standard cost accounting system to value inventory and these standards are reviewed at a minimum of once a year and multiple times a year in the most active manufacturing plants. The Company provides inventory allowances based on excess and obsolete inventories determined primarily by future demand forecasts. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Software Development Costs

The Company capitalizes material software development costs for internal use pursuant to Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Goodwill, Purchased Intangible Assets and Long-Lived Assets

Intangible assets include goodwill, distribution channels, patents, licenses, technology, acquired backlog and trademarks which are capitalized at cost. Intangible assets with definite lives are amortized on the straight-line basis. Useful lives generally range from three to seven years with weighted average useful life of 5.2 years.

If facts and circumstances indicate that intangible assets or property and equipment may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write-down to fair market value or discounted cash flow value is required. Trimble performed an annual impairment test of goodwill at the end of the third fiscal quarter of 2005, 2004 and 2003, respectively, and found there was no impairment of goodwill. Trimble will continue to evaluate its goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

Revenue Recognition

Trimble's revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, "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 customer purchase orders are typically 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 analysis, as well as the customer's payment history.

Trimble's shipment terms for US orders, and international orders fulfilled from its European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that Trimble fulfills the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, Trimble may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. Shipping and handling costs are included in the cost of goods sold.

Other international orders are shipped FOB destination, which means these international orders are not recognized as revenue until the product is delivered and title has transferred to the buyer or FCA shipping point. FOB destination means that Trimble bears all costs and risks of loss or damage to the goods up to that point.

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.

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

In accordance with Emerging Issues Task Force (EITF) Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," when a 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.

Software revenue is recognized in accordance with Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" and Statement of Position (SOP) No. 98-9, "Modification of SOP 97-2." Trimble's software arrangements generally consist of a perpetual license fee and post contract customer support (PCS). Trimble has established vendor-specific objective evidence (VSOE) of fair value for its 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.

A reserve for sales returns is established based on historical trends in product return rates experienced in the ordinary course of business. The reserve for estimated future returns is recorded as a reduction of our accounts receivable and revenue. If the actual returns were to deviate from the historical data on which the sales reserve had been established, the Company's revenue could be adversely affected.

Warranty

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 Trimble's behalf. 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 12 months ended December 30, 2005 and December 31, 2004, are as follows:

Fiscal Years Ended <i>(In thousands)</i>	December 30, 2005	December 31, 2004
Beginning balance	\$ 6,425	\$ 5,147
Warranties accrued	7,960	7,333
Warranty claims	(6,919)	(6,055)
Ending Balance	<u>\$ 7,466</u>	<u>\$ 6,425</u>

Guarantees, Including Indirect Guarantees of Indebtedness of Others

In the normal course of business to facilitate sales of its products, the Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has 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, the Company has entered into indemnification agreements with its officers and directors, and the Company's bylaws contain similar indemnification obligations to the Company's 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 the Company under these agreements were not material and no liabilities have been recorded for these obligations on the Consolidated Balance Sheets as of December 30, 2005 and December 31, 2004.

Advertising Costs

The Company expenses all advertising costs as incurred. Advertising expenses were approximately \$14.8 million, \$9.5 million, and \$9.2 million in fiscal 2005, 2004, and 2003, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred. Cost of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred. The Company received third party funding of approximately \$9.0 million, \$7.7 million, and \$4.9 million in fiscal 2005, 2004, and 2003 respectively. The Company offsets research and development expenses with any third party funding received. The Company retains the rights to any technology developed under such arrangements.

Stock-Based Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and "Statement of Financial Accounting Standards No. 148" ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure," Trimble applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock-based compensation. Accordingly, the Company does not recognize compensation cost for stock options granted at fair market value. Note 15 of the Consolidated Financial Statements describe the plans operated by Trimble.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, and the estimated fair value of purchases under the employee stock purchase plan is expensed in the year of purchase as well as the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards.

Pro forma information regarding net income and earnings per share is required by SFAS 123 and has been determined as if Trimble had accounted for its employee stock options and purchases under the employee stock purchase plan using the fair value method of SFAS 123.

Options

For options granted prior to October 1, 2005, the fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model. For stock options granted on or after October 1, 2005, the fair value of each award is estimated on the date of grant using a binomial valuation model. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term. For these reasons, Trimble believes that the binomial model provides a fair value that is more representative of actual experience and future expected experience than the value calculated using the Black-Scholes model.

Under the Black-Scholes and binomial models, the estimated values of employee stock options granted during fiscal years 2005, 2004, and 2003 were \$14.53, \$13.85, and \$10.03, respectively. The value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and binomial model with the following assumptions:

	December 30, 2005	December 31, 2004	January 2, 2004
Expected dividend yield	-	-	-
Expected stock price volatility	47%	56%	60%
Risk free interest rate	4.3%	3.5%	3.3%
Expected life of options after vesting	1.7 years	1.6 years	1.6 years

An analysis of historical information is used to determine the Company's assumptions, to the extent that historical information is relevant, based on the terms of the grants being issued in any given period. The expected life for options granted reflects options granted to existing employees that generally vest ratably over five years from the date of grant.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, rights to purchase shares are granted during the second and fourth quarter of each year. The fair value of rights granted under the Employee Stock Purchase Plan was estimated at the date of grant using the Black-Scholes option-pricing model. The estimated weighted average value of rights granted under the Employee Stock Purchase Plan during fiscal years 2005, 2004, and 2003 were \$9.88, \$7.31, and \$3.57 respectively. The fair value of rights granted during 2005, 2004, and 2003 was estimated at the date of grant using the following assumptions:

Fiscal years ended	December 30, 2005	December 31, 2004	January 2, 2004
Expected dividend yield	-	-	-
Expected stock price volatility	47%	46%	60%
Risk free interest rate	3.5%	1.7%	1.1%
Expected life of purchase	0.5 years	0.5 years	0.5 years

Trimble's pro forma information is as follows:

(in thousands, except per share amounts)	December 30, 2005	December 31, 2004	January 2, 2004
Net income, as reported	\$ 84,855	\$ 67,680	\$ 38,485
Compensation expense, net of tax	8,682	8,617	9,817
Pro-forma net income	\$ 76,173	\$ 59,063	\$ 28,668
Reported basic earnings per share	\$ 1.59	\$ 1.32	\$ 0.81
Pro-forma basic earnings per share	\$ 1.43	\$ 1.15	\$ 0.60
Reported diluted earnings per share	\$ 1.49	\$ 1.23	\$ 0.77
Pro-forma diluted earnings per share	\$ 1.34	\$ 1.07	\$ 0.57

SFAS 123 requires the use of option pricing models that were not developed for use in valuing employee stock options. The Black-Scholes option pricing model were developed for use in estimating the fair value of short-lived exchange-traded options that have no vesting restrictions and are fully transferable. In addition, the models require the input of highly subjective assumptions. Because the Company's stock-based compensation has characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of employee stock-based compensation.

Depreciation

Depreciation of property and equipment owned is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms. Useful lives include a range from two to six years for machinery and equipment, five years for furniture and fixtures, two to five years for computer equipment and software, and the life of the lease for leasehold improvements. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Depreciation expense was \$10.7 million in fiscal 2005, \$8.9 million in fiscal 2004, and \$8.9 million in fiscal 2003.

Income Taxes

Income taxes are accounted for under the liability method whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Computation of Earnings Per Share

Number of shares used in calculation of basic earnings per share represents the weighted average common shares outstanding during the period and excludes any dilutive effects of options, warrants, and convertible securities. The dilutive effects of options, warrants, and convertible securities are included in diluted earnings per share.

New Accounting Standards

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal 2006. The Company is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In March 2005, the FASB issued FIN 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" ("FIN 47"). FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. The Company was not impacted by the adoption of FIN 47 in fiscal 2005.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Opinion No. 25, and allowed under the original provisions of SFAS No. 123. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal years beginning after June 15, 2005. SFAS No. 123R allows for either prospective recognition of compensation expense or retrospective recognition, which may be back to the original issuance of SFAS No. 123 or only to interim periods in the year of adoption. The Company will use the prospective method for future fiscal periods after the SFAS No. 123R effective date of 12/31/05. As a result, financial statements for fiscal periods after our SFAS No. 123R effective date will include stock-based compensation expenses that are not comparable to financial statements of fiscal periods prior to the SFAS No. 123R effective date. Due to constant fluctuations to the expected volatility, expected term, risk free interest rate, and expected forfeiture assumptions used in valuating stock-based compensation, expected stock-based compensation expense in future fiscal periods is not predictable.

NOTE 3: EARNINGS PER SHARE

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

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(In thousands, except per share data)</i>			
Numerator:			
Income available to common shareholders:			
Used in basic and diluted earnings per share	\$ 84,855	\$ 67,680	\$ 38,485
Denominator:			
Weighted average number of common shares used in basic earnings per share	53,216	51,163	47,505
Effect of dilutive securities (using treasury stock method):			
Common stock options	2,950	2,947	2,058
Common stock warrants	653	838	449
Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share	56,819	54,948	50,012
Basic earnings per share	\$ 1.59	\$ 1.32	\$ 0.81
Diluted earnings per share	\$ 1.49	\$ 1.23	\$ 0.77

3-for-2 Stock Split

Trimble's Board of Directors approved a 3-for-2 split of all outstanding shares of the Company's Common Stock, payable March 4, 2004 to stockholders of record on February 17, 2004. Cash was paid in lieu of fractional shares. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

NOTE 4: BUSINESS COMBINATIONS**Acquisitions**

The following is a summary of acquisitions made by Trimble during fiscal 2005, 2004 and 2003 all of which were accounted for as purchases:

Acquisition	Primary Service or Product	Operating Segment	Acquisition Date
Advanced Public Safety	Mobile and handheld software for public safety	Mobile Solutions	December 30, 2005
MobileTech Solutions	Field workforce automation solutions	Mobile Solutions	October 25, 2005
Apache Technologies	Laser detection technology	Engineering & Construction	April 19, 2005
Pacific Crest Corporation	Wireless data communication systems	Engineering & Construction	January 10, 2005
GeoNav GmbH	Customized field data collection solutions	Engineering and Construction	July 5, 2004
TracerNET Corp.	Wireless fleet management solutions	Mobile Solutions	March 5, 2004
MENSI S.A.	3D laser scanning technology	Engineering & Construction	December 9, 2003
Applanix	Inertial navigation systems and GPS	Portfolio Technologies	July 7, 2003

The Consolidated Financial Statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of each of these acquisitions were not material to the Company's results.

The total purchase consideration for each of the above acquisitions was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. Acquisition costs directly related to the acquisitions are capitalized. Assets acquired and liabilities assumed for certain acquisitions in the fourth quarter of fiscal 2005 were allocated based on preliminary estimates. Trimble is in the process of finalizing these estimates pending the completion of fair value assessments and asset appraisals on identified intangible assets. Final changes to the value of estimated intangible assets will also adjust the amounts attributable from goodwill.

At the date of each acquisition, the projects associated with in-process research and development (IPR&D) efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. Accordingly, the value assigned to these IPR&D amounts were charged to expense on the respective acquisition date of each of the acquired companies. Trimble recorded IPR&D expense of \$1.1 million relating to acquisitions made in fiscal 2005. As mentioned above, Trimble is in the process of finalizing the acquisitions in the fourth quarter of fiscal 2005, pending the completion of fair value assessments. Final changes to the estimated value of the IPR&D will also adjust the amounts attributable to goodwill. We did not record any IPR&D expense in fiscal 2004 and fiscal 2003.

The following table summarizes the Company's business combinations completed during fiscal years 2005, 2004 and 2003 (in thousands):

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
Purchase price	\$ 63,830	\$ 12,246	\$ 22,352
Purchase price adjustments	1,595	1,167	4,010
Acquisition costs	466	279	810
Total purchase price	\$ 65,891	\$ 13,692	\$ 27,172
Purchase price allocation:			
Fair value of net assets acquired	\$ 1,237	\$ 2,649	\$ 4,020
Identified intangible assets	21,171	2,117	3,440
In-Process Research & Development	1,100	-	-
Goodwill	42,383	8,926	11,749
Total	\$ 65,891	\$ 13,692	\$ 19,229

Certain acquisitions include additional earn-out cash payments based on future revenue derived from existing products. These earn-out payments are considered additional purchase price consideration. Earn-out cash payments made for fiscal 2005, fiscal 2004 and fiscal 2003 were \$1.6 million, \$1.2 million and \$4.0 million respectively. Earn-outs and changes in purchase price allocation estimates were recorded as purchase price adjustments and goodwill adjustments. Acquisitions made by Trimble have additional potential earn-out cash payments not to exceed approximately \$44.7 million.

Intangible Assets

The following tables present details of the Company's total intangible assets:

As of	December 30, 2005	December 31, 2004
<i>(In thousands)</i>		
Intangible assets:		
Intangible assets with definite life:		
Existing technology	\$ 48,100	\$ 35,037
Trade names, trademarks, patents, backlog and other intellectual properties	26,808	22,111
Total intangible assets with definite life	<u>74,908</u>	<u>57,148</u>
Less accumulated amortization	<u>(47,598)</u>	<u>(43,313)</u>
Total net intangible assets	<u>\$ 27,310</u>	<u>\$ 13,835</u>

Total intangibles assets before accumulated amortization increased by \$17.8 million primarily due to \$20.7 million increase in intangible assets purchased in connection with acquisitions in fiscal 2005 offset by \$2.5 million in exchange rate impact on non-US currency denominated intangible assets. Accumulated amortization increased by \$4.3 million primarily due to a \$7.0 million increased in amortization expense partially offset by \$2.2 million in exchange rate impact on non-US currency denominated intangible assets. .

The following table presents details of the amortization expense of purchased and other intangible assets as reported in the Consolidated Statements of Income:

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(In thousands)</i>			
Reported as:			
Cost of sales	\$ 165	\$ 183	\$ 604
Operating expenses	<u>6,855</u>	<u>8,327</u>	<u>7,312</u>
Total	<u>\$ 7,020</u>	<u>\$ 8,510</u>	<u>\$ 7,916</u>

The decrease in amortization expense is due to certain intangibles becoming fully amortized in the second quarter of fiscal 2005.

The estimated future amortization expense of intangible assets as of December 30, 2005, is as follows (in thousands):

	Amortization Expense
2006	\$ 8,392
2007	6,603
2008	5,560
2009	3,976
2010	2,612
Thereafter	167
Total	<u>\$ 27,310</u>

Goodwill

Goodwill consisted of the following:

As of	December 30, 2005	December 31, 2004
<i>(In thousands)</i>		
Goodwill, Spectra Precision acquisition	\$ 196,676	\$ 212,915
Goodwill, other acquisitions	<u>89,470</u>	<u>46,607</u>
Goodwill	<u>\$ 286,146</u>	<u>\$ 259,522</u>

The net increase in goodwill of approximately \$26.6 million during fiscal 2005 was primarily due to a \$39.9 million increase in goodwill from acquisitions of Pacific Crest, Apache, MobileTech Solutions and APS and \$1.9 million in earn-out amounts recorded fiscal 2005 related to the Apache, Mensi and Levelite acquisitions. This amount was offset by the foreign exchange rate impact of approximately \$15.8 million on non-US currency denominated goodwill assets. See Note 7 of the Notes to the Consolidated Financial Statements for additional information regarding Trimble's goodwill by operating segment.

NOTE 5: JOINT VENTURE

Caterpillar Trimble Control Technologies Joint Venture

On April 1, 2002, Caterpillar Trimble Control Technologies LLC ("CTCT"), a joint venture formed by Trimble and Caterpillar began operations. The joint venture is 50% owned by Trimble 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, Trimble's share of profits and losses are included in expenses for affiliated operations, net in the non-operating income (expense), net section of the Consolidated Statements of Income. CTCT develops and markets advanced electronic guidance and control products for earth moving machines in the construction, mining and waste industries.

During fiscal 2002, Trimble received a special cash distribution of \$11.0 million from CTCT. The distribution was recorded as a deferred gain and amortized to the extent that losses were attributable from CTCT under the equity method of accounting. Since the joint venture is now profitable on a sustainable basis, future operating losses are not anticipated and there are no future outstanding financial obligations by Trimble to the joint venture, Trimble recognized the unamortized portion of the gain or \$9.2 million in fiscal 2005 as non operating income.

Trimble acts as a contract manufacturer for CTCT. Products are manufactured based on orders received from CTCT and are sold at cost plus a mark up to CTCT. CTCT resells products to both Caterpillar and Trimble for sales through their respective distribution channels. Generally, Trimble sells products to the 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 Trimble occur simultaneously when the products are purchased from the subcontract manufacturer in Trimble.

The net expenses for affiliated operations at CTCT also includes incremental costs as a result of purchasing products from CTCT at a higher price than Trimble's original manufacturing costs, partially offset by contract manufacturing fees charged to CTCT. In addition, Trimble received reimbursement of employee-related costs from CTCT for Trimble employees dedicated to CTCT totaling \$9.7 million for both fiscal 2005 and fiscal 2004 and \$7.9 million for fiscal 2003. The reimbursements were offset against operating expenses.

Fiscal Years Ended (In millions)	December 30, 2005	December 31, 2004	January 2, 2004
CTCT incremental pricing effects, net	\$11.4	\$ 8.8	\$ 5.9
Trimble's 50% share of CTCT's reported (gain) loss	(2.0)	0.5	0.9
Amortization of deferred gain	(9.2)	(0.7)	(0.9)
Total CTCT expense for affiliated operations, net	<u>\$ 0.2</u>	<u>\$ 8.6</u>	<u>\$ 5.9</u>

The net outstanding balance due from CTCT was \$0.2 million at December 30, 2005 and \$0.7 million at December 31, 2004 and is included in account receivables, net on the Consolidated Balance Sheets.

Nikon-Trimble Joint Venture

On March 28, 2003, Nikon-Trimble Co., Ltd ("Nikon-Trimble"), a joint venture was formed by Trimble and Nikon Corporation. The joint venture began operations in July 2003 and is 50% owned by Trimble 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.

Nikon-Trimble is the distributor in Japan for Nikon and Trimble products. Trimble is the exclusive distributor outside of Japan for Nikon branded survey products. For products sold from Trimble to the Nikon-Trimble, revenue is recognized by Trimble on a sell-through basis from Nikon-Trimble to the end customer. Profits from these inter-company sales are eliminated.

The terms and conditions of the sales of products from Trimble to Nikon-Trimble are comparable with those of the standard distribution agreements which Trimble maintains with its dealer channel and margins earned are similar to those from third party dealers. Similarly, the purchases of product by Trimble from the 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 Trimble.

Trimble uses the equity method of accounting for its investment in Nikon-Trimble, with 50% share of profit or loss from this joint venture reported by Trimble in the Consolidated Statements of Income under the heading of expenses for affiliated operations, net. Trimble reported a loss of approximately \$36,000 and a profit of \$1.1 million for fiscal 2005 and fiscal 2004, respectively, as its proportionate share of the net income. At December 30, 2005, the net payable by Trimble to Nikon-Trimble related to the purchase and sale of products from and to Nikon-Trimble is \$2.0 million and was included in accounts payable on the Consolidated Balance Sheets. In addition, Trimble received reimbursement of employee-related costs from Nikon-Trimble for one Trimble employee dedicated to Nikon-Trimble totaling \$0.4 million for fiscal 2005. The reimbursements were offset against operating expenses. The carrying amount of the investment was approximately \$12.9 million at December 30, 2005 and \$13.5 million at December 31, 2004.

NOTE 6: CERTAIN BALANCE SHEET COMPONENTS

The following tables provide details of selected balance sheet items (in thousands):

As of	December 30, 2005	December 31, 2004
Inventories:		
Raw materials	\$ 52,199	\$ 36,425
Work-in-process	7,249	3,989
Finished goods	48,403	47,331
Total	\$ 107,851	\$ 87,745
Property and equipment, net:		
Machinery and equipment	\$ 72,273	\$ 71,882
Furniture and fixtures	10,110	10,521
Leasehold improvements	8,695	5,861
Buildings	5,707	5,297
Land	1,231	1,231
	98,016	94,792
Less accumulated depreciation	(55,352)	(63,801)
Total	\$ 42,664	\$ 30,991
Other Non-Current Liabilities:		
Deferred compensation	\$ 3,234	\$ 1,761
Pension	5,529	6,247
Deferred Rent	3,364	426
Other long term liabilities	6,917	3,296
Total	\$ 19,041	\$ 11,730

During the year, accumulated depreciation decreased by \$8.4 million due to the write-off of fully depreciated assets and disposals in the amount of \$16.2 million and the foreign exchange rate impact of \$2.6 million offset by \$10.7 million in depreciation expense.

Other non-current liabilities include deferred rent as a result of the new Sunnyvale lease executed in fiscal 2005.

NOTE 7: REPORTING SEGMENT AND GEOGRAPHIC INFORMATION

To achieve distribution, marketing, production, and technology advantages in Trimble's targeted markets, the Company manages its operations in the following five 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 automated machine guidance and control. These products provide solutions for numerous construction applications including surveying, general construction, site preparation and excavation, road and runway construction, and underground construction. During fiscal 2005 the Company acquired Apache and Pacific Crest and their performances are reported in this business segment.
- **Field Solutions** — Consists of products that provide solutions in a variety of agriculture and fixed asset applications, primarily in the areas of precise land leveling, machine guidance, yield monitoring, variable-rate applications of fertilizers and chemicals, and fixed asset data collection for a variety of governmental and private entities. This segment is an aggregation of the mapping and geographic information systems (GIS) and agriculture businesses. Trimble has aggregated these business operations under a single general manager in order to continue to leverage its research and development activities due to the similarities of products across the segment.

- **Component Technologies** — Consists of products including proprietary chipsets, printed circuit boards, modules, and licenses of intellectual property. The applications into which end users currently incorporate the component products include timing applications for synchronizing wireless networks, in-vehicle navigation and telematics systems, fleet management, security systems, data collection networks, and wireless handheld consumer products.
- **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. Trimble offers a range of products that address a number of sectors of this market including truck fleets, security, telematics, and public safety vehicles. During fiscal 2005 the Company acquired MobileTech Solutions and Advanced Public Safety and their performances are reported in this business segment.
- **Portfolio Technologies** — The various operations that comprise this segment were aggregated on the basis that no single operation accounted for more than 10% of Trimble's total revenue. The operations in this segment are Applanix, Military and Advanced Systems (MAS) and Trimble Outdoors.

Trimble evaluates each of its segment's performance and allocates resources based on profit and loss from operations before income taxes, and some corporate allocations. Trimble and each of its segments employ the same accounting policies.

The following table presents revenues, operating income (loss), and identifiable assets for the five segments. Operating income (loss) is net revenue less operating expenses, excluding general corporate expenses, amortization, restructuring charges, non-operating income (expense), and income taxes. The identifiable assets that Trimble's chief operating decision maker views by segment are accounts receivable and inventory.

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(in thousands)</i>			
Engineering & Construction			
Revenue	\$ 524,461	\$ 440,478	\$ 367,058
Operating income before corporate allocations	117,993	79,505	60,664
Accounts receivable	105,980	90,743	84,897
Inventories	80,590	65,116	56,008
Goodwill	229,176	238,801	229,287
Field Solutions			
Revenue	127,843	105,591	79,879
Operating income before corporate allocations	32,527	25,151	14,500
Accounts receivable	21,823	19,141	16,589
Inventories	11,790	7,016	3,398
Goodwill	-	-	-
Component Technologies			
Revenue	53,902	65,522	64,193
Operating income before corporate allocations	8,034	13,880	16,560
Accounts receivable	6,283	9,377	10,003
Inventories	7,154	5,271	2,021
Goodwill	-	-	-
Mobile Solutions			
Revenue	31,481	23,531	12,981
Operating loss before corporate allocations	(3,072)	(5,997)	(6,452)
Accounts receivable	10,789	9,073	4,103
Inventories	1,983	5,735	3,038
Goodwill	44,118	7,660	-
Portfolio Technologies			
Revenue	37,226	33,686	16,792
Operating income (loss) before corporate allocations	5,178	4,866	(1,686)
Accounts receivable	7,750	8,283	7,321
Inventories	6,334	4,607	6,361
Goodwill	12,852	13,061	12,138
Total			
Revenue	\$ 774,913	\$ 668,808	\$ 540,903
Operating income before corporate allocations	160,660	117,405	83,586
Accounts receivable (1)	152,625	136,617	122,913
Inventories	107,851	87,745	70,826
Goodwill	286,146	259,522	241,425

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

The following are reconciliations corresponding to totals in the accompanying Consolidated Financial Statements:

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 4, 2004
<i>(in thousands)</i>			
Consolidated segment operating income	\$ 160,660	\$ 117,405	\$ 83,586
Unallocated corporate expense	(27,483)	(22,901)	(20,320)
Restructuring charges	(278)	(552)	(2,019)
Amortization of purchased intangible assets	(6,855)	(8,327)	(7,312)
In-process research and development	(1,100)	-	-
Non-operating expense, net	(156)	(10,701)	(18,350)
Consolidated income before income taxes	<u>\$ 124,788</u>	<u>\$ 74,924</u>	<u>\$ 35,585</u>

As of	December 30, 2005	December 31, 2004
<i>(in thousands)</i>		
Assets:		
Accounts receivable total for reportable segments	\$ 152,625	\$ 136,617
Unallocated (1)	(7,525)	(12,679)
Accounts receivable, net	<u>\$ 145,100</u>	<u>\$ 123,938</u>

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

The distribution of Trimble's gross consolidated revenue by segment is summarized in the table below. Gross consolidated revenue includes external and internal sales. Total external consolidated revenue is reported net of eliminations of internal sales between segments.

	December 30, 2005	December 31, 2004
<i>(In thousands)</i>		
Engineering and Construction	\$ 529,034	\$ 443,973
Field Solutions	127,843	105,591
Component Technologies	53,956	65,713
Mobile Solutions	31,481	23,531
Portfolio Technologies	37,226	33,686
Total Gross Consolidated Revenue	<u>779,540</u>	<u>672,494</u>
Eliminations	(4,627)	(3,686)
Total External Consolidated Revenue	<u>\$ 774,913</u>	<u>\$ 668,808</u>

The geographic distribution of Trimble's revenues and identifiable assets is summarized in the table below. Other foreign countries include Canada, and countries in South and Central America, the Middle East, Africa, and the Pacific Rim. Identifiable assets indicated in the table below exclude inter-company receivables, investments in subsidiaries, goodwill, and intangibles assets.

Fiscal Years Ended	Geographic Area					Eliminations	Total
	US	Europe	Asia Pacific	Other Non-US Countries			
<i>(In thousands)</i>							
December 30, 2005							
Sales to unaffiliated customers (1)	\$ 415,443	\$ 191,734	\$ 88,315	\$ 79,421		\$ -	\$ 774,913
Inter-geographic transfers	222,909	175,739	1,198	1,661		(401,507)	-
Total revenue	\$ 638,352	\$ 367,473	\$ 89,513	\$ 81,082		\$ (401,507)	\$ 774,913
Identifiable assets	\$ 295,196	\$ 120,582	\$ 4,602	\$ 9,251		\$ -	\$ 429,631
December 31, 2004							
Sales to unaffiliated customers (1)	\$ 331,607	\$ 186,197	\$ 86,117	\$ 64,886		\$ -	\$ 668,808
Inter-geographic transfers	149,499	138,159	3,479	2,640		(293,777)	-
Total revenue	\$ 481,106	\$ 324,356	\$ 89,596	\$ 67,527		\$ (293,777)	\$ 668,808
Identifiable assets	\$ 242,141	\$ 118,194	\$ 6,959	\$ 13,286		\$ -	\$ 380,580
January 2, 2004							
Sales to unaffiliated customers (1)	\$ 265,846	\$ 160,094	\$ 70,257	\$ 44,706		\$ -	\$ 540,903
Inter-geographic transfers	112,623	116,185	3,755	-		(232,563)	-
Total revenue	\$ 378,469	\$ 276,279	\$ 74,012	\$ 44,706		\$ (232,563)	\$ 540,903

(1) Sales attributed to countries based on the location of the customer.

Transfers between US and non-US geographic areas are made at prices based on total costs and contributions of the supplying geographic area. The Company's subsidiaries in Asia have derived revenue from commissions from US operations in each of the periods presented. These commission revenues and expenses are excluded from total revenue and operating income (loss) in the preceding table. Other than the United States, no other country comprised more than 10% of sales to unaffiliated customers for any periods presented, except as disclosed above.

Revenues by product groups are not practicable to obtain and therefore are not presented.

No single customer accounted for 10% or more of Trimble's total revenues in fiscal years 2005, 2004, and 2003.

NOTE 8: RESTRUCTURING CHARGES

Restructuring charges of \$0.3 million, \$0.6 million, and \$2.0 million were recorded in fiscal years 2005, 2004 and 2003, respectively. The charges in fiscal 2005 were primarily related to office closure costs due to integration efforts of the Mensi acquisition. The charges in fiscal 2004 were primarily related to severance costs due to the realignment of Trimble Mobile Solutions Inc. while charges in fiscal 2003 were primarily related to our Japanese office relocation due to the Nikon-Trimble joint venture formation. As a result of these actions, the headcount of the affected operations decreased by 36 and 77 in fiscal 2004, and 2003, respectively. As of December 30, 2005, the remaining accrual balance of \$0.3 million is related to facilities closure expected to be paid over the next several years. The restructuring accrual is included in the Condensed Consolidated Balance Sheets under the heading of "Accrued Liabilities".

NOTE 9: LONG-TERM DEBT

Long-term debt consisted of the following:

As of	December 30,		December 31,	
<i>(In thousands)</i>	2005		2004	
Credit Facilities:				
Term loan	\$	-	\$	31,250
Revolving credit facility		-		7,000
Promissory notes and other		649		746
		<u>649</u>		<u>38,996</u>
Less current portion of long-term debt		216		12,500
Non-current portion	\$	433	\$	<u>26,496</u>

The following summarizes the future cash payment obligations (excluding interest) as of December 30, 2005:

<i>(in thousands)</i>	Total	2006	2007	2008	2009	2010	2011 and Beyond
Promissory note and other	649	216	-	104	329	-	-
Total contractual cash obligations	<u>\$ 649</u>	<u>\$ 216</u>	<u>\$ -</u>	<u>\$ 104</u>	<u>\$ 329</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Facilities

On July 28, 2005, the Company entered into a \$200 million unsecured revolving credit agreement ("2005 Credit Facility") with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. The 2005 Credit Facility replaces the Company's \$175 million secured 2003 Credit Facility. The funds available under the new 2005 Credit Facility may be used by the Company for general corporate purposes and up to \$25 million of the 2005 Credit Facility may be used for letters of credit.

The Company may borrow funds under the 2005 Credit Facility in U.S. Dollars or in certain other currencies, and 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 LIBOR, EURIBOR, 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 2005 Credit Facility are guaranteed by certain of the Company's domestic subsidiaries.

The 2005 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 2005 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 2005 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default. Trimble incurs a commitment fee if the 2005 Credit Facility is not used. The commitment fee is not material to the Company's results during all periods presented.

At December 30, 2005, the Company has a zero balance outstanding and was in compliance with all financial debt covenants.

Promissory Note

As of December 30, 2005, the Company had other notes payable totaling approximately \$0.6 million consisting of government loans to foreign subsidiaries.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Operating Leases

On May 13, 2005, Trimble entered into a lease agreement for the lease of real property located in Sunnyvale, California. The lease agreement has a seven year term, commencing January 1, 2006 and ending December 31, 2012.

Trimble's principal facilities in the United States are leased under various cancelable and non-cancelable operating leases that expire at various dates through 2012. For tenant improvement allowances and rent holidays, Trimble records a deferred rent liability on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of income. The Company has options to renew certain of these leases for an additional five years.

Future minimum payments required under non-cancelable operating leases are as follows:

	Operating Lease Payments
<i>(In thousands)</i>	
2006	\$ 9,664
2007	8,094
2008	6,927
2009	6,073
2010	5,487
Thereafter	5,779
Total	<u>\$ 42,024</u>

Net rent expense under operating leases was \$12.6 million in fiscal 2005, \$10.9 million in fiscal 2004, and \$13.2 million in fiscal 2003. Sublease income was \$39,000, \$38,000, and \$1.7 million for fiscal 2005, 2004 and 2003, respectively.

Purchase Commitments with a Supplier

Trimble entered into a significant supply agreement in fiscal 2004 that sets forth minimum purchase commitments for outsourced services. The term of the supply agreement is the earlier of four years from the initial product ship date, or when Trimble has paid for a cumulative total of 200,000 billable hours (approximately \$10.4 million). Should Trimble not purchase and pay for 200,000 hours, then Trimble will compensate the supplier for 20% of the shortfall. Thereafter, the contract continues in effect until terminated by either party with 30 days prior written notice to the other party. As of December 30, 2005, based on current hours earned to date the future obligation is approximately \$3.1 million which is expected to be paid over the next year. Trimble does not expect a shortfall based on current hours earned to date.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments outstanding are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Values
	December 30, 2005		December 31, 2004	
<i>As of</i>				
<i>(In thousands)</i>				
Assets:				
Cash and cash equivalents	\$ 73,853	\$ 73,853	\$ 71,872	\$ 71,872
Forward foreign currency exchange contracts	516	577	-	-
Accounts and other receivable, net	145,100	145,100	123,938	123,938
Liabilities:				
Credit facilities	\$ -	\$ -	\$ 38,250	\$ 38,250
Forward foreign currency exchange contracts	-	-	639	539
Promissory note and other	649	562	746	737
Accounts payable	45,206	45,206	43,551	43,551

The fair value of the bank borrowings, and promissory notes have been estimated using an estimate of the interest rate Trimble 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.

The fair value of forward foreign exchange contracts is estimated based on the difference between the market price and the carrying amount of comparable contracts. These contracts are adjusted to fair value at the end of every month.

NOTE 12: INCOME TAXES

Trimble's income tax provision (benefit) consisted of the following:

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(In thousands)</i>			
US Federal:			
Current	\$ 36,493	\$ 18,196	513
Deferred	(1,534)	(17,995)	(7,000)
	34,959	201	(6,487)
US State:			
Current	3,500	2,895	250
Deferred	(2,348)	(897)	(600)
	1,152	1,998	(350)
Non-US:			
Current	3,102	3,137	1,594
Deferred	720	1,908	2,343
	3,822	5,045	3,937
Income tax provision (benefit)	\$ 39,933	\$ 7,244	(2,900)

The pre-tax US income was approximately \$99.5 million, \$70.0 million and \$39.5 million in fiscal years 2005, 2004 and 2003, respectively. The pre-tax non-US income (loss) was approximately \$25.3 million, \$4.9 million and (\$3.9) million in fiscal years 2005, 2004 and 2003, respectively.

The fiscal year 2005 and 2004 tax provisions reflected above were reduced by \$14.5 million and \$14.4 million of tax benefits, respectively attributable to stock option deductions which were credited to equity.

The income tax provision (benefit) differs from the amount computed by applying the statutory US federal income tax rate to income before taxes. The sources and tax effects of the differences are as follows:

Fiscal Years Ended	December 31, 2005	December 31, 2004	January 2, 2004
<i>(In thousands)</i>			
Expected tax from continuing operations at 35% in all years	\$ 43,677	\$ 26,223	\$ 12,455
Change in valuation allowance		(24,004)	(15,028)
US State income taxes	749	1,299	-
Export sales incentives	(2,316)	(1,176)	-
Non-US tax rate differential and unbenefitted losses	3,684	5,134	-
US Federal research and development credit	(895)	(508)	-
Benefit from repatriation legislation	(6,445)		
Other	1,479	276	(327)
Income tax provision (benefit)	\$ 39,933	\$ 7,244	\$ (2,900)
Effective tax rate	32%	10%	(8%)

The components of deferred taxes consist of the following:

As of	December 30, 2005	December 31, 2004	January 2, 2004
<i>(In thousands)</i>			
Deferred tax liabilities:			
Purchased intangibles	\$ 11,058	\$ 3,247	\$ 1,338
Depreciation and amortization	11,711	10,183	3,776
Other individually immaterial items	1,516	229	251
Total deferred tax liabilities	24,285	13,659	5,365
Deferred tax assets:			
Inventory valuation differences	8,983	8,782	9,001
Expenses not currently deductible	6,233	8,034	5,528
US Federal credit carryforwards		5,619	9,150
Deferred revenue	564	3,857	4,280
US State credit carryforwards	8,530	6,722	6,999
Warranty	2,361	2,216	2,374
		0	2,871
US Federal net operating loss carryforward	2,669	2,998	-
Net foreign tax credits on undistributed foreign earnings	5,743	2,682	-
Other individually immaterial items	7,452	7,655	3,106
Total deferred tax assets	42,535	48,565	43,309
Valuation allowance	(5,855)	(12,989)	(34,756)
Total deferred tax assets	36,680	35,576	8,553
Total net deferred tax assets	\$ 12,395	\$ 21,917	\$ 3,188

The Company has \$2.7 million of tax effected US federal net operating loss carryforwards from an acquisition, which is subject to certain limitations under IRC Section 382. The Company has state research and development credit carryforwards of approximately \$13.1 million, which do not expire.

The valuation allowance decreased by \$7.1 million in fiscal 2005, \$21.8 million in fiscal 2004 and \$13.1 million in fiscal 2003. Approximately, \$1.2 million, \$8.0 million and \$14.1 million of the valuation allowance at December 30, 2005, December 31, 2004 and January 2, 2004 respectively relate to the tax benefit of stock option deduction, which will be credited to equity if and when realized.

Repatriation of foreign earnings. The American Jobs Creation Act of 2004 (the Act) provides for a special one-time elective dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer equal to 85% of the eligible distribution. During the fourth quarter of 2005, the Company repatriated \$39.5 million, of which \$24 million qualified for the special one-time elective dividends received deduction and \$15.5 million constituted earnings that do not qualify under the Act; previously taxed income and return of capital. The company recorded a \$6.4 million tax benefit from these foreign earnings.

NOTE 13: COMPREHENSIVE INCOME

The components of comprehensive income and related tax effects were as follows:

Fiscal Years Ended (in thousands)	December 30, 2005	December 31, 2004	January 2, 2004
Net income	\$ 84,855	\$ 67,680	\$ 38,485
Foreign currency translation adjustments, net of tax of \$308 in 2005 and \$(912) in 2004	(24,690)	14,025	31,198
Net gain (loss) on hedging transactions	(106)	106	(7)
Net unrealized gain (loss) on investments	(34)	(6)	74
Total comprehensive income	<u>\$ 60,025</u>	<u>\$ 81,805</u>	<u>\$ 69,750</u>

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

Fiscal Years Ended (in thousands)	December 30, 2005	December 31, 2004
Accumulated foreign currency translation adjustments	\$ 19,504	\$ 44,191
Accumulated net gain on hedging transactions	-	106
Accumulated net unrealized gain on foreign currency	30	67
Total accumulated other comprehensive income	<u>\$ 19,534</u>	<u>\$ 44,364</u>

NOTE 14: EMPLOYEE STOCK BENEFIT PLANS

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan ("Purchase Plan") under which an aggregate of 5,325,000 shares of Common Stock have been reserved for sale to eligible employees as approved by the shareholders to date. The plan permits full-time employees to purchase Common Stock through payroll deductions at 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each six-month offering period. The Purchase Plan terminates on December 31, 2008. In fiscal 2005 and 2004, the shares issued under the Purchase Plan were 179,999 and 183,214 shares, respectively. At December 30, 2005, the number of shares reserved for future purchases by eligible employees was 367,836.

Restricted Stock Award

During the second quarter of fiscal 2005, the Company granted 20,000 shares of restricted common stock. The award vests 20% on June 30, 2005 and an additional 20% each June 30 thereafter. The Company recorded compensation expense of \$120,000 for fiscal 2005. Trimble did not grant any restricted stock in fiscal 2004 and fiscal 2003.

2002 Stock Plan

In 2002, Trimble's Board of Directors adopted the 2002 Stock Plan ("2002 Plan"). The 2002 Plan approved by the shareholders provides for the granting of incentive and non-statutory stock options for up to 4,500,000 shares plus any shares currently reserved but un-issued to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 2002 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of the grant. The exercise price of non-statutory stock options issued under the 2002 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of December 30, 2005, options to purchase 3,641,850 shares were outstanding and 1,509,230 were available for future grant under the 2002 Plan.

1993 Stock Option Plan

In 1992, Trimble's Board of Directors adopted the 1993 Stock Option Plan ("1993 Plan"). The 1993 Plan, as amended to date and approved by shareholders, provided for the granting of incentive and non-statutory stock options for up to 9,562,500 shares of Common Stock to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 1993 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of grant. The exercise price of non-statutory stock options issued under the 1993 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of December 30, 2005 options to purchase 2,364,495 shares were outstanding and no shares were available for future grant.

1992 Management Discount Stock Option Plan

In 1992, Trimble's Board of Directors approved the 1992 Management Discount Stock Option Plan ("Discount Plan"). As of December 30, 2005, options to purchase 187,500 shares were outstanding and no shares were available for future grant under the 1992 Management Discount Stock Option Plan.

1990 Director Stock Option Plan

In December 1990, Trimble adopted a Director Stock Option Plan under which an aggregate of 570,000 shares of Common Stock have been reserved for issuance to non-employee directors as approved by the shareholders to date. At December 30, 2005, options to purchase 220,000 shares were outstanding, and no shares were available for future grants under the Director Stock Option Plan.

SFAS 123 Disclosures

As stated in Note 2 of the Notes to the Consolidated Financial Statements, Trimble has elected to follow APB 25 and related interpretations in accounting for its employee stock options and stock purchase plans. The alternative fair value accounting provided for under SFAS 123 requires use of option pricing models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of Trimble's employee stock options equals the market price of the underlying stock on date of grant, no compensation expense is recognized.

Exercise prices for options outstanding as of December 30, 2005, ranged from \$5.33 to \$43.43. The weighted average remaining contractual life of those options is 6.46 years. In view of the wide range of exercise prices, Trimble considers it appropriate to provide the following additional information with respect to options outstanding at December 30, 2005:

Range	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (Years)	Number Exercisable	Weighted-Average Exercise Price per Share
\$ 5.33 - 7.13	693,327	\$ 5.80	3.33	678,527	\$ 5.78
7.67 - 10.23	1,006,555	9.36	5.61	708,522	9.14
10.25 - 11.65	805,720	11.25	5.12	687,278	11.23
11.67 - 16.04	472,282	13.22	4.05	455,292	13.16
17.00	858,000	17.00	7.54	369,181	17.00
17.55 - 27.42	832,755	25.15	5.86	650,221	26.10
27.56	3,300	27.56	8.06	525	27.56
29.06	722,456	29.06	8.81	168,173	29.06
30.57 - 33.99	893,350	33.37	9.69	30,167	32.49
34.46 - 43.43	126,250	37.75	8.46	34,498	35.67
Total	<u>6,413,995</u>	\$ 18.70	6.46	<u>3,782,384</u>	\$ 14.40

Activity during fiscal 2005, 2004, and 2003, under the combined plans was as follows:

Fiscal Years Ended <i>(In thousands, except for per share data)</i>	December 30, 2005		December 31, 2004		January 2, 2004	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	6,721	16.10	7,601	13.62	7,691	\$ 12.35
Granted	874	34.10	1,119	28.20	1,298	16.87
Exercised	(1,060)	14.74	(1,710)	12.92	(1,263)	8.90
Cancelled	(121)	20.39	(289)	16.55	(125)	15.51
Outstanding at end of year	<u>6,414</u>	18.70	<u>6,721</u>	16.10	<u>7,601</u>	\$ 13.62
Exercisable at end of year	3,782	14.40	3,721	13.40	4,136	\$ 12.76
Available for grant	1,513		2,275		1,605	
Weighted-average fair value of options granted during year		\$ 14.53		\$ 13.85		\$ 10.03

Non-statutory Options

On May 3, 1999, Trimble entered into an agreement to grant a non-statutory option to purchase up to 45,000 shares of common stock at an exercise price of \$6.50 per share, with an expiration date of March 29, 2004. These non-statutory options were exercised January 15, 2004.

Warrants

On April 12, 2002, the Company issued to Spectra-Physics Holdings USA, Inc., a warrant to purchase up to 564,350 shares of Trimble's Common Stock over a fixed period of time. Initially, Spectra-Physics' warrant entitled it to purchase 300,000 shares of Common Stock over a five-year period at an exercise price of \$10.07 per share. On a quarterly basis beginning July 14, 2002, Spectra-Physics' warrant became exercisable for an additional 375 shares of Common Stock for every \$1 million of principal and interest outstanding to Spectra-Physics until the obligation was paid off in full. These shares are purchasable at a price equal to the average of Trimble's closing price for the five days immediately preceding the last trading day of each quarter. On July 14, 2002 an additional 26,046 shares became exercisable at an exercise price of \$9.64 per share. On October 14, 2002 an additional 26,736 shares became exercisable at an exercise price of \$6.12. On January 14, 2003, an additional 27,426 shares became exercisable at an exercise price of \$9.03. On April 14, 2003, an additional 14,312 shares became exercisable at an exercise price of \$13.37. The additional shares are exercisable over a 5-year period. No additional shares will be issuable under the warrant as the underlying obligation has been paid off in full.

The approximate fair value of the warrants of \$2.4 million was determined using the Black-Scholes pricing model with the following assumptions: contractual life of 5-year period, risk-free interest rate of 4%; volatility of 65%; and no dividends during the contractual term. The value of the warrants was being amortized to interest expense over the term of the Subordinated Note and the unamortized balance was written off to interest expense on June 2003 upon repayment of the note.

On December 21, 2001 and January 15, 2002, in connection with the first and second closing of the private placement of the Company's Common Stock, Trimble granted five-year warrants to purchase an additional 919,008 shares of Common Stock, subject to certain adjustments, at an exercise price of \$12.97 per share.

NOTE 15: BENEFIT PLANS

401(k) Plan

Under Trimble's 401(k) Plan, US employee participants (including employees of certain subsidiaries) may direct the investment of contributions to their accounts among certain mutual funds and the Trimble Navigation Limited Common Stock Fund. The Trimble Fund sold net 42,945 shares of Common Stock for an aggregate of \$1.6 million in fiscal 2005. Trimble, at its discretion, matches individual employee 401(k) Plan contributions at a rate of fifty cents of every dollar that the employee contributes to the 401(k) Plan up to 5% of the employee's annual salary to an annual maximum of \$2,500. Trimble's matching contributions to the 401(k) Plan were \$2.2 million in fiscal 2005, \$1.9 million in fiscal 2004 and \$1.8 million in fiscal 2003.

Profit-Sharing Plan

In 1995, Trimble introduced an employee profit-sharing plan in which all employees, excluding executives and certain levels of management, participate. The plan distributes to employees approximately 5% of quarterly adjusted pre-tax income. Payments under the plan during fiscal 2005, 2004 and 2003 were \$5.9 million, \$4.4 million, and \$2.5 million, respectively.

Defined Contribution Pension Plans

Certain of the Company's European subsidiaries participate in state sponsored pension plans. Contributions are based on specified percentages of employee salaries. For these plans, Trimble contributed and charged to expense approximately \$0.6 million for fiscal 2005, \$0.6 million for fiscal 2004, and \$2.0 million for fiscal 2003.

Defined Benefit Pension Plan

Trimble provides defined benefit pension plans in certain countries outside the United States, including Sweden and Germany. The largest of these plans is provided by the Swedish subsidiary which has an unfunded defined benefit pension plan that covered substantially all of its full-time employees through 1993. Benefits are based on a percentage of eligible earnings. The employee must have had a projected period of pensionable service of at least 30 years as of 1993. If the period was shorter, the pension benefits were reduced accordingly. Active employees do not accrue any future benefits; therefore, there is no service cost and the liability will only increase for interest cost.

Net periodic benefit costs in fiscal 2005, 2004, and 2003 were not material.

The changes in the benefit obligations and plan assets of the significant non-US defined benefit pension plans for fiscal 2005 and 2004 were as follows:

Fiscal Years Ended (in thousands)	December 30, 2005	December 31, 2004
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,208	\$ 6,204
Service cost	90	74
Interest cost	270	388
Benefits paid	(312)	(196)
Foreign exchange impact	(1,145)	699
Actuarial (gains) losses	818	39
Benefit obligation at end of year	6,929	7,208
Change in plan assets:		
Fair value of plan assets at beginning of year	1,088	872
Actual return on plan assets	36	64
Employer contribution	339	238
Plan participants' contributions	-	-
Benefits paid	(312)	(196)
foreign exchange impact	(172)	110
Fair value of plan assets at end of year	980	1,088
Benefit obligation in excess of plan assets	5,949	6,120
Unrecognized prior service cost	-	-
Unrecognized net actuarial gain (loss)	(419)	127
Accrued pension costs (included in accrued liabilities)	\$ 5,529	\$ 6,247

Actuarial assumptions used to determine the net periodic pension costs for the year ended December 30, 2005 were as follows:

	Swedish Subsidiary	German Subsidiaries
Discount rate	4.8%	4.0%
Rate of compensation increase	2.5%	2.0%
Measurement Date	12/30/05	12/30/05

Trimble's accumulated benefits obligation was \$7.0 million and \$7.3 million for fiscal 2005 and fiscal 2004 respectively.

Trimble's plan assets are primarily located in our German subsidiaries. For fiscal 2005 and fiscal 2004, the asset allocation of our total plan assets was approximately as follows: 89% local government bonds, 7% real estate and 4% equity securities. Long-term asset allocation and expected return on assets assumptions are derived from detailed annual studies conducted by Trimble's asset management group and actuaries. Trimble's asset management group limits allocation to equity securities and real estate to a maximum of 10% and 25%, respectively, with the remaining assets to be allocated to local government bonds. While the asset allocation give appropriate consideration to recent performance and historical returns, the strategy is focused primarily on conservative and sustainable long-term returns. Based on historical returns, Trimble expects future return on assets to be approximately 4%.

Trimble expects to contribute approximately \$300,000 to plan assets in fiscal year ended 2006.

The following benefit payments, which reflect estimated future employee service, as appropriate, are expected to be paid:

<i>(In thousands)</i>	Expected Benefit Payments
2006	\$222
2007	\$265
2008	\$310
2009	\$368
2010	\$869
2011-2015	\$1,966
Total	<u>\$4,000</u>

NOTE 16: RELATED-PARTY TRANSACTIONS

Related-Party Lease

Trimble currently leases office space in Ohio from an association of three individuals, one of whom is an employee of the Company, under a non-cancelable operating lease arrangement expiring in 2011. The annual rent is subject to adjustment based on the terms of the lease. The Consolidated Statements of Income include expenses from this operating lease of \$350,000 for fiscal years 2005, 2004, and 2003.

As part of the Apache Technologies, Inc. acquisition in the second quarter of fiscal 2005, Trimble currently leases an office, manufacturing facility and equipment from a group of individuals, all of whom are now employees of the Company, under a non-cancelable operating lease expiring in January 2013. The Consolidated Statements of Income include expenses for this operating lease of approximately \$148,000 for fiscal year 2005.

These related-party leases were entered into at rates that were similar to comparable market rates.

Related-Party Notes Receivable

Trimble has notes receivable from employees of approximately \$0.1 million as of December 30, 2005 and \$0.4 million as of December 31, 2004. The notes bear interest from 4.52% to 6.62% and have an average remaining life of 0.3 years as of December 30, 2005.

See Note 5 to the Notes to the Consolidated Financial Statements for additional information regarding Trimble's related party transactions with joint venture partners.

NOTE 17: STATEMENT OF CASH FLOW DATA

Fiscal Years Ended	December 30, 2005	December 31, 2004	January 2, 2004
<i>(in thousands)</i>			
Supplemental disclosure of cash flow information:			
Interest paid	\$ 1,081	\$ 3,142	\$ 10,208
Income taxes paid	\$ 8,938	\$ 6,694	\$ 688
Significant non-cash investing activities:			
Issuance of shares related to investment in joint venture	\$ -	\$ -	\$ 5,922
Issuance of shares related to acquisition related earn-out payments	\$ -	\$ 899	\$ 1,349

NOTE 18: LITIGATION

From time to time, the Company is involved in litigation arising out of the ordinary course of its business. There are no known claims or pending litigation expected to have a material effect on the Company's overall financial position, results of operations, or liquidity.

NOTE 19: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(in thousands, except per share data)</i>				
Fiscal 2005				
Revenue	\$ 195,383	\$ 204,225	\$ 188,484	\$ 186,821
Gross margin	97,807	102,407	97,292	92,299
Net income	17,439	23,787	20,236	23,393
Basic net income per share	0.33	0.45	0.38	0.43
Diluted net income per share	0.31	0.42	0.35	0.41
Fiscal 2004				
Revenue	\$ 156,510	\$ 179,451	\$ 170,164	\$ 162,683
Gross margin	75,760	88,319	83,372	77,359
Net income	12,840	20,518	17,917	16,405
Basic net income per share	0.25	0.40	0.35	0.32
Diluted net income per share	0.24	0.38	0.33	0.29

Significant quarterly items for fiscal 2005 include the following: (i) in the first quarter of 2005 a \$0.2 million charge, or less than \$0.01 per diluted share relating to facilities closure; (ii) in the third quarter of 2005 a \$0.9 million charge, or \$0.02 per diluted share relating to a write-off of debt issuance costs; (iii) in the fourth quarter of 2005 a \$1.1 million charge, or \$0.02 per diluted share relating to in-process research and development and \$9.2 million or \$0.16 per diluted share related to deferred gain on joint venture.

Significant quarterly items for fiscal 2004 include the following: (i) in the second quarter of 2004 a \$1.2 million income, or \$0.03 per diluted share relating to valuation of investment; (ii) in the third quarter of 2004 a \$0.2 million income, or less than \$0.01 per diluted share relating to revaluation of investment; (iii) in the fourth quarter of 2004 a \$0.4 million charge, or less than \$0.01 per diluted share relating to revaluation of investment.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Trimble Navigation Limited

We have audited the accompanying consolidated balance sheets of Trimble Navigation Limited as of December 30, 2005 and December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 30, 2005. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trimble Navigation Limited at December 30, 2005 and December 31, 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Trimble Navigation Limited's internal control over financial reporting as of December 30, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2006, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
March 8, 2006

The Board of Directors and Shareholders of Trimble Navigation Limited

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting at Item 9A, that Trimble Navigation Limited maintained effective internal control over financial reporting as of December 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Trimble Navigation Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Trimble Navigation Limited maintained effective internal control over financial reporting as of December 30, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Trimble Navigation Limited maintained, in all material respects, effective internal control over financial reporting as of December 30, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Trimble Navigation Limited as of December 30, 2005 and December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 30, 2005, of Trimble Navigation Limited and our report dated March 8, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
March 8, 2006

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Trimble's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), after evaluating the effectiveness of the company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of December 30, 2005, have concluded that as of December 30, 2005, the company's disclosure controls and procedures were effective and designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries required to be included in the company's periodic filings under the Exchange Act would be made known to them by others within those entities.

Inherent Limitations on Effectiveness of Controls

The company's management, including the CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) Management's Report on Internal Control over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The company's management, including the CEO and CFO, conducted an evaluation of the effectiveness of its internal control over financial reporting based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, the company's management concluded that its internal control over financial reporting was effective as of December 30, 2005.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 30, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

(c) Changes in Internal Control over Financial Reporting

During the quarter ended December 30, 2005, there were no changes in the company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 10 Directors and Executive Officers of the Registrant

The information required by this item, insofar as it relates to Trimble's directors, will be contained under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference. The information required by this item relating to executive officers is set forth above in Item 1 Business Overview under the caption "Executive Officers."

Code of Ethics

The Company's Business Ethics and Conduct Policy applies to, among others, to the Company's Chief Executive Officer, Chief Financial Officer, Corporate Controller, and other finance organization employees. The Business Ethics and Conduct Policy is available on the Company's website at www.trimble.com under the heading "Corporate Governance and Policies" on the Investor Information page of our website. A copy will be provided, without charge, to any shareholder who requests one by written request addressed to General Counsel, Trimble Navigation Limited, 935 Stewart Drive, Sunnyvale, CA 94085.

If any substantive amendments to the Business Ethics and Conduct Policy are made or any waivers are granted, including any implicit waiver, from a provision of the Business Ethics and Conduct Policy, to its Chief Executive Officer, Chief Financial Officer or Corporate Controller, the Company will disclose the nature of such amendment or waiver on the Company's website at www.trimble.com or in a report on Form 8-K.

Item 11 Executive Compensation

The information required by this item will be contained in the Proxy Statement under the caption "Executive Compensation" and is incorporated herein by reference.

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

The information required by this item will be contained in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters" and is incorporated herein by reference.

Item 13 Certain Relationships and Related Transactions

The information required by this item will be contained in the Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14 Principal Accountant Fees and Services

The information required by this item will be contained in the Proxy Statement under the caption "Principal Accountant Fees and Services" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) (1) Financial Statements

The following consolidated financial statements required by this item are included in Part II Item 8 hereof under the caption "Financial Statements and Supplementary Data."

	Page in this Annual Report <u>on Form 10-K</u>
Consolidated Balance Sheets at December 30, 2005 and December 31, 2004	43
Consolidated Statements of Income for each of the three fiscal years in the period ended December 30, 2005	44
Consolidated Statement of Shareholders' Equity for each of the three fiscal years in the period ended December 30, 2005	45
Consolidated Statements of Cash Flows for each of the three fiscal years in the period ended December 30, 2005	46
Notes to Consolidated Financial Statements	47
Reports of Independent Registered Public Accounting Firm	72

(2) Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

	Page in this Annual Report on <u>Form 10-K</u> S-1
Schedule II - Valuation and Qualifying Accounts	

All other schedules have been omitted as they are either not required or not applicable, or the required information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits

Exhibit
Number

3.1	Restated Articles of Incorporation of the Company filed June 25, 1986. (5)
3.2	Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (6)
3.3	Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (7)
3.4	Certificate of Determination of the Company filed February 19, 1999. (8)
3.5	Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (17)
3.6	Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (21)
3.8	Bylaws of the Company (amended and restated through January 22, 2004). (20)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (1)
4.2	Preferred Shares Rights Agreement dated as of February 18, 1999. (4)
4.3	Agreement of Substitution and Amendment of Preferred Shares Rights Agreement dated September 10, 2004. (22)
4.4	First Amended and Restated Stock and Warrant Purchase Agreement between and among the Company and the investors thereto dated January 14, 2002. (13)
4.5	Form of Warrant to Purchase Shares of Common Stock dated January 14, 2002. (14)
4.6	Form of Warrant dated April 12, 2002. (15)
10.1+	Form of Indemnification Agreement between the Company and its officers and directors. (28)
10.2+	1990 Director Stock Option Plan, as amended, and form of Outside Director Non-statutory Stock Option Agreement. (3)
10.3+	1992 Management Discount Stock Option and form of Non-statutory Stock Option Agreement. (2)
10.4+	1993 Stock Option Plan, as amended October 24, 2003. (11)
10.5+	Trimble Navigation 1988 Employee Stock Purchase Plan, as amended May 19, 2004. (28)
10.6+	Employment Agreement between the Company and Steven W. Berglund dated March 17, 1999. (9)
10.7+	Trimble Navigation Limited Deferred Compensation Plan effective December 30, 2004, as amended May 19, 2005. (10)
10.8+	Australian Addendum to the Trimble Navigation 1988 Employee Stock Purchase Plan. (12)
10.9+	2002 Stock Plan (as amended and restated January 20, 2005), including forms of option agreements. (19)
10.10	Credit Agreement dated July 28, 2005 among Trimble Navigation Limited, The Bank of Nova Scotia (Administrative Agent, Issuing Bank and Swing Line Bank), The Bank of New York and Harris Nesbitt (Co-Syndication Agents), Bank of America, N.A. and Wells Fargo Bank N.A. (Co-Documentation Agents), The Bank of Nova Scotia and BNY Capital Markets, Inc. (Joint Lead Arrangers), and The Bank of Nova Scotia (Sole Book Runner). (16)
10.11+	Employment Agreement between the Company and Rajat Bahri dated December 6, 2004. (23)
10.12+	Board of Directors Compensation Policy effective January 1, 2004. (24)
10.13+	Form of Change in Control agreement between the Company and certain Company officers. (18)
10.14+	Letter of Assignment between the Company and Alan Townsend dated November 12, 2003. (25)
10.15+	Supplemental agreement to Letter of Assignment between the Company and Alan Townsend dated January 19, 2004. (26)
10.16+	Trimble Navigation Limited 2006 Management Incentive Plan Description. (27)
10.17	Lease dated May 11, 2005 between CarrAmerica Realty Operating Partnership, L.P. and the Company. (28)

- 21.1 Subsidiaries of the Company. (28)
- 23.1 Consent of Ernst & Young LLP, independent registered public accounting firm. (28)
- 24.1 Power of Attorney included on signature page herein.
- 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (28)
- 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (28)
- 32.1 Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (28)
- 32.2 Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (28)

- + Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) thereof.
- (1) Incorporated by reference to exhibit number 4.1 to the Company's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
- (2) Incorporated by reference exhibit number 10.46 to the Company's Registration Statement on Form S-1 (File No. 33-45990), which was filed February 25, 1992.
- (3) Incorporated by reference to exhibit number 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
- (4) Incorporated by reference to exhibit number 1 to the Company's Registration Statement on Form 8-A, which was filed on February 18, 1999.
- (5) Incorporated by reference to exhibit number 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (6) Incorporated by reference to exhibit number 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (7) Incorporated by reference to exhibit number 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (8) Incorporated by reference to exhibit number 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (9) Incorporated by reference to exhibit number 10.67 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (10) Incorporated by reference to exhibit number 10.1 to the Company's Current Report on Form 8-K filed on May 25, 2005.
- (11) Incorporated by reference to exhibit number 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2003.
- (12) Incorporated by reference to exhibit number 10.77 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2000.
- (13) Incorporated by reference to exhibit number 4.1 to the Company's Current Report on Form 8-K filed on January 16, 2002.
- (14) Incorporated by reference to exhibit number 4.2 to the Company's Current Report on Form 8-K filed on January 16, 2002.
- (15) Incorporated by reference to exhibit number 4.1 to the Company's Registration Statement on Form S-3 filed on April 19, 2002.
- (16) Incorporated by reference to exhibit number 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
- (17) Incorporated by reference to exhibit number 3.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (18) Incorporated by reference to exhibit number 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
- (19) Incorporated by reference to exhibit number 10.2 to the Company's Current Report on Form 8-K filed on May 24, 2005.
- (20) Incorporated by reference to exhibit number 3.8 to the Company's Annual Report on Form 10-K for the year ended January 2, 2004.
- (21) Incorporated by reference to exhibit number 3.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
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- (27) Incorporated by reference to exhibit number 10.1 to the Company's Current Report on Form 8-K filed on January 24, 2006.
- (28) Filed herewith.

EXHIBIT LIST

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- (27) Incorporated by reference to exhibit number 10.1 to the Company's Current Report on Form 8-K filed on January 24, 2006.
- (28) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIMBLE NAVIGATION LIMITED

By: /s/ Steven W. Berglund
Steven W. Berglund,
President and Chief Executive Officer

March 10, 2006

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Steven W. Berglund as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity in which Signed	
<u>/s/ Steven W. Berglund</u> Steven W. Berglund	President, Chief Executive Officer, Director	March 10, 2006
<u>/s/ Rajat Bahri</u> Rajat Bahri	Chief Financial Officer and Assistant Secretary (Principal Financial Officer)	March 10, 2006
<u>/s/ Anup V. Singh</u> Anup V. Singh	Corporate Controller (Principal Accounting Officer)	March 10, 2006
<u>/s/ Robert S. Cooper</u> Robert S. Cooper	Director	March 9, 2006
<u>/s/ John B. Goodrich</u> John B. Goodrich	Director	March 7, 2006
<u>/s/ William Hart</u> William Hart	Director	March 6, 2006
<u>/s/ Ulf J. Johansson</u> Ulf J. Johansson	Director	March 7, 2006
<u>/s/ Bradford W. Parkinson</u> Bradford W. Parkinson	Director	March 6, 2006
<u>/s/ Nickolas W. Vande Steeg</u> Nickolas W. Vande Steeg	Director	March 6, 2006

SCHEDULE II

**TRIMBLE NAVIGATION LIMITED
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS OF DOLLARS)**

	December 30, 2005	December 31, 2004	January 2, 2004
<u>Allowance for doubtful accounts:</u>			
Balance at beginning of period	\$ 8,952	\$ 9,953	\$ 9,900
Acquired allowance	237	116	752
Bad debt expense	502	1,210	(32)
Write-offs, net of recoveries	(3,459)	(2,327)	(667)
Balance at end of period	<u>\$ 5,230</u>	<u>\$ 8,952</u>	<u>\$ 9,953</u>
<u>Inventory allowance:</u>			
Balance at beginning of period	\$ 26,217	\$ 25,885	\$ 25,150
Acquired allowance	357	591	1,292
Additions to allowance	5,612	3,765	5,762
Write-offs, net of recoveries	(8,948)	(4,024)	(6,319)
Balance at end of period	<u>\$ 23,238</u>	<u>\$ 26,217</u>	<u>\$ 25,885</u>
<u>Sales return reserve:</u>			
Balance at beginning of period	\$ 2,210	\$ 3,252	\$ 2,650
Acquired allowance	21	0	126
Additions (Reductions) to allowance	(383)	(809)	2809
Write-offs, net of recoveries	(348)	(233)	(2,333)
Balance at end of period	<u>\$ 1,500</u>	<u>\$ 2,210</u>	<u>\$ 3,252</u>

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of this ____ day of, 20__ by and between Trimble Navigation Limited, a California corporation (the "Company"), and [Name] ("Indemnitee").

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining directors' and officers' liability insurance, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited;

WHEREAS, Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other officers and directors of the Company may not be willing to continue to serve as officers and directors without additional protection; and

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers and directors of the Company and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action or proceeding if Indemnitee acted in good faith and in a manner Indemnitee believed to be in the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that (i) Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in the best interests of the Company, or (ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) Proceedings By or in the Right of the Company. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement, in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or proceeding if Indemnitee acted in good faith and in a manner Indemnitee believed to be in the best interests of the Company and its shareholders.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. To the extent permitted under applicable law, the Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action or proceeding referenced in Section 1(a) or (b) hereof (but not amounts actually paid in settlement of any such action or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within twenty (20) days following delivery of a written request therefor by Indemnitee to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three business days after the date postmarked if sent by domestic certified or registered mail, properly addressed; otherwise notice shall be deemed received when such notice shall actually be received by the Company. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) Procedure. Any indemnification provided for in Section 1 shall be made no later than forty-five (45) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Articles of Incorporation or By-laws providing for indemnification, is not paid in full by the Company within forty-five (45) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 13 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Subsection 2(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 2(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated under Section 2(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Articles of Incorporation, the Company's By-laws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule which expands the right of a California corporation to indemnify a member of its board of directors, an officer or other corporate agent, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a California corporation to indemnify a member of its Board of Directors, an officer or other corporate agent, such changes, to the extent required by such law, statute or rule to be applied to this Agreement, shall have the effect on this Agreement and the parties' rights and obligations hereunder as is required by such law, statute or rule.

(b) **Nonexclusivity.** The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, its By-laws, any agreement, any vote of shareholders or disinterested directors, the California General Corporation Law, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action or other covered proceeding.

4. **Partial Indemnification.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

5. **Mutual Acknowledgment.** Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

6. **Directors' and Officers' Liability Insurance.** The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of directors' and officers' liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if Indemnitee is not an officer or director but is a key employee. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a subsidiary or parent of the Company.

7. **Severability.** Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 7. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

8. **Exceptions.** Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) **Excluded Acts.** To indemnify Indemnitee for any acts or omissions or transactions from which a director may not be relieved of liability under the California General Corporation Law.

(b) **Claims Initiated by Indemnitee.** To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 317 of the California General Corporation Law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors has approved the initiation or bringing of such suit; or

(c) **Lack of Good Faith.** To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) **Insured Claims.** To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of directors' and officers' liability insurance maintained by the Company; or

(e) **Claims Under Section 16(b).** To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. **Effectiveness of Agreement.** To the extent that the indemnification permitted under the terms of certain provisions of this Agreement exceeds the scope of the indemnification expressly permitted by Section 317 of the California General Corporation Law, such provisions shall not be effective unless and until the Company's Articles of Incorporation authorize such additional rights of indemnification. In all other respects, the balance of this Agreement shall be effective as of the date set forth on the first page and may apply to acts or omissions of Indemnitee which occurred prior to such date if Indemnitee was an officer, director, employee or other agent of the Company, or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, at the time such act or omission occurred.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall also include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns.

13. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, a court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

14. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of California for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of California.

16. Choice of Law. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of California as applied to contracts between California residents entered into and to be performed entirely within California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TRIMBLE NAVIGATION LIMITED

By:

Title:

Address: 935 Stewart Drive
Sunnyvale, CA 94085

AGREED TO AND ACCEPTED:

INDEMNITEE:

[Name]

(address)

TRIMBLE NAVIGATION

1988 EMPLOYEE STOCK PURCHASE PLAN
(as amended May 19, 2004)

The following constitute the provisions of the Employee Stock Purchase Plan of Trimble Navigation.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.
 - (a) "Board" shall mean the Board of Directors of the Company.

 - (b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

 - (c) "Common Stock" shall mean the Common Stock of the Company.

 - (d) "Company" shall mean Trimble Navigation.

 - (e) "Compensation" shall mean all regular straight time gross earnings, commissions, incentive bonuses, overtime, shift premium, lead pay and other similar compensation, but excluding automobile allowances, relocation and other non-cash compensation. Notwithstanding the foregoing, the Employee may elect to exclude bonuses from the calculation of compensation.

 - (f) "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

 - (g) "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

 - (h) "Employee" shall mean any person, including an officer, whose customary employment with the Company is at least twenty (20) hours per week by the Company or one of its Designated Subsidiaries and more than five (5) months in any calendar year.

 - (i) "Enrollment Date" shall mean the first day of each Offering Period.

 - (j) "Exercise Date" shall mean the last day of each Offering Period.

 - (k) "Offering Period" shall mean, except with respect to the first Offering Period as described herein, a period of six (6) months during which an option granted pursuant to the Plan may be exercised. The first Offering Period shall commence August 15, 1988, and end December 31, 1988.

 - (l) "Plan" shall mean this Employee Stock Purchase Plan.

(m) "Subsidiary," shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. Eligibility.

(a) Any Employee as defined in paragraph 2 who has been continuously employed by the Company for at least two (2) consecutive months and who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan. However, notwithstanding the foregoing, for purposes of the first Offering Period only, any Employee defined in paragraph 2 who was employed by the Company as of August 9, 1988 shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 425(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) which permits his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on or about January 1 and July 1 of each year; provided, however, that the first Offering Period shall commence on or about August 15, 1988. The Plan shall continue thereafter until terminated in accordance with paragraph 19 hereof. Subject to the shareholder approval requirements of paragraph 19, the Board of Directors of the Company shall have the power to change the duration of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office at least five (5) business days prior to the applicable Enrollment Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given Offering Period.

(b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in paragraph 10.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each payday during the Offering Period in an amount not exceeding ten percent (10%) of the Compensation which he receives on each payday during the Offering Period, and the aggregate of such payroll deductions during the Offering Period shall not exceed ten percent (10%) of the participant's aggregate Compensation during said Offering Period.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in paragraph 10, or may decrease, but not increase, the rate of his or her payroll deductions during the Offering Period (within the limitations of Section 6(a)) by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement. A participant's subscription agreement shall remain in effect for successive Offering Periods unless revised as provided herein or terminated as provided in paragraph 10.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and paragraph 3(b) herein, a participant's payroll deductions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year (the "Current Offering Period") that the aggregate of all payroll deductions which were previously used to purchase stock under the Plan in a prior Offering Period which ended during that calendar year plus all payroll deductions accumulated with respect to the Current Offering Period equal \$21,250. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in paragraph 10.

7. Grant of Option.

(a) On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Enrollment Date or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase during each Offering Period more than a number of shares determined by dividing \$12,500 by the fair market value of a share of the Company's Common Stock on the Enrollment Date, and provided further that such purchase shall be subject to the limitations set forth in Section 3(b) and 12 hereof. Exercise of the option shall occur as provided in Section 8, unless the participant has withdrawn pursuant to Section 10, and shall expire on the last day of the Offering Period. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 7(b) herein.

(b) The option price per share of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the fair market value of a share of the Common Stock of the Company on the Enrollment Date; or (ii) 85% of the fair market value of a share of the Common Stock of the Company on the Exercise Date. The fair market value of the Company's Common Stock on a given date shall be determined by the Board in its discretion; provided, however, that where there is a public market for the Common Stock, the fair market value per share shall be the closing price of the Common Stock for such date, as reported by the NASDAQ National Market System, or, in the event the Common Stock is listed on a stock exchange, the fair market value per share shall be the closing price on such exchange on such date, as reported in the Wall Street Journal.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in paragraph 10 below, his or her option for the purchase of shares will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable option price with the accumulated payroll deductions in his or her account. No

fractional shares will be purchased and any payroll deductions accumulated in a participant's account which are not used to purchase shares shall remain in the participant's account for the subsequent Offering Period, subject to an earlier withdrawal as provided in paragraph 10. During a participant's life-time, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. Unless a participant makes an election to delay the issuance of Certificate representing purchased shares, as promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option. A participant may make an election to delay the issuance of stock certificates representing shares purchased under the Plan by giving written notice to the Company the form of Exhibit D to this Plan. Any such election shall remain in effect until it is revoked by the participant or, if earlier, upon the termination of the participant's Continuous Status as an Employee. The Company may limit the time or times during which participants may revoke such elections, except that a participant shall automatically receive a certificate as soon as practicable following termination of his or her Continuous Status as an Employee and that participants shall be given the opportunity to revoke such elections at least once each calendar year.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his or her account will be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, payroll deductions will not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date for any reason, including retirement or death, the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option will be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under paragraph 14, and such participant's option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during an Offering Period in which the Employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the payroll deductions credited to his or her account will be returned to such participant and such participant's option terminated.

(d) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

12. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 5,325,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in paragraph 18. If on a given Exercise Date the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the

Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) The participant will have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

13. Administration. The Plan shall be administered by the Board of the Company or a committee of members of the Board appointed by the Board. The administration, interpretation or application of the Plan by the Board or its committee shall be final, conclusive and binding upon all participants. Members of the Board who are eligible Employees are permitted to participate in the Plan.

14. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in paragraph 14 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with paragraph 10.

16. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees semi-annually promptly following the Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which

has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, any Purchase Periods then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date") and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

19. Amendment or Termination. The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in paragraph 18, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Plan is in the best interests of the Company and its shareholders. Except as provided in paragraph 18, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law or regulation), the Company shall obtain shareholder approval in such a manner and to such a degree as so required.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and degree required under the applicable state and federal tax and securities laws.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company as described in para-graph 21. It shall continue in effect for a term of twenty (20) years unless sooner terminated under paragraph 19.

EXHIBIT A

TRIMBLE NAVIGATION

EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

Location _____

_____ Original Application Enrollment Date: _____

_____ Change in Payroll Deduction Rate

_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the Trimble Navigation Employee Stock Purchase Plan (the "Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday (not to exceed 10%) during the Offering Period in accordance with the Stock Purchase Plan.

_____ Include bonuses as part of Compensation subject to payroll deduction.

_____ Exclude bonuses from Compensation subject to payroll deduction.

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable purchase price determined in accordance with the Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete "Trimble Navigation Employee Stock Purchase Plan." I understand that my participation in the Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that the grant of the option by the Company under this Subscription Agreement is subject to obtaining shareholder approval of the Stock Purchase Plan.

5. Shares purchased for me under the Stock Purchase Plan should be issued in the name(s) of:

_____.

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares), I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were delivered to me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any such disposition. However, if I dispose of such shares at any time after the expiration of the 2-year holding period, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares under the option, or (2) the excess of the fair market value of the shares over the option price, measured as if the option had been exercised on the Enrollment Date. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Stock Purchase Plan:

NAME: (Please print)

(First)
(Last)

(Middle)

Relationship

(Address)

NAME: (Please print)

(First)

(Middle)

(Last)

Relationship

(Address)

Employee's Social Security Number

Employee's Address

9. Data Privacy Consent. As a condition of the grant of the option, the Optionee consents to the collection, use and transfer of personal data as described in this paragraph. The Optionee understands that the Corporation and its Subsidiaries hold certain personal information about the Optionee, including the Optionee's name, home address and telephone number, date of birth, date of hire, social security number or identification number, salary, nationality, job title, grade level, job code, ranking, any shares of Stock or directorships held in the Corporation, details of all options or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in the Optionee's favor, for the purpose of managing and administering the Plan ("Data"). The Optionee further understands that the Corporation and/or its Subsidiaries will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Optionee's participation in the Plan, and that the Corporation and/or any of its Subsidiaries may each further transfer Data to any third parties assisting Trimble Navigation Limited

in the implementation, administration and management of the Plan. The Optionee understands that these recipients may be located in the European Economic Area, or elsewhere, such as the United States or Canada. The Optionee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Optionee's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Optionee may elect to deposit any shares of Stock acquired upon exercise of the option such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Stock on his or her behalf. The Optionee understands that he or she may, at any time, view Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting his or her local Human Resources representative. Withdrawal of consent may, however, affect Optionee's ability to exercise or realize benefits from the option during the current offering period.

10. I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated:
Signature of Employee _____

EXHIBIT B

TRIMBLE NAVIGATION

EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Trimble Navigation Employee Stock Purchase Plan which began on _____, _____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as possible all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant

Signature

Date:

EXHIBIT C

TRIMBLE NAVIGATION

EMPLOYEE STOCK PURCHASE PLAN

NOTICE TO RESUME PAYROLL DEDUCTIONS

The undersigned participant in the Offering Period of the Trimble Navigation Employee Stock Purchase Plan which began on _____, _____ hereby notifies the Company to resume payroll deductions for his or her account at the beginning of the next Exercise Period within such Offering Period in accordance with the terms of the Subscription Agreement executed by the undersigned at the beginning of the Offering Period. The undersigned understands that he or she may change the payroll deduction rate or the benefi-ciaries named in such Subscription Agreement by submitting a revised Subscription Agreement.

Name and Address of Participant

Signature

Date:

EXHIBIT D

TRIMBLE NAVIGATION

EMPLOYEE STOCK PURCHASE PLAN

ELECTION/REVOCAION OF ELECTION
DELAY ISSUANCE OF CERTIFICATE

The undersigned participant in the 1988 Trimble Navigation Employee Stock Purchase Plan (the "Stock Purchase Plan"), hereby elects to allow Trimble Navigation (the "Company") or its agent to delay issuance of a certificate representing shares purchased under the Plan in accordance with the provisions of the Stock Purchase Plan. This election shall continue in effect until the termination of the undersigned's Continuous Status as an Employee or until revoked pursuant to such Stock Purchase Plan. This election shall not otherwise affect the participant's rights as a shareholder of the Company.

-OR-

_____ hereby revokes his or her prior election to allow the Company to delay issuance of a certificate pursuant to the terms of the Stock Purchase Plan. The Company shall deliver to participant as promptly as practicable a certificate representing all shares purchased thereby.

Name and Address of Participant

Signature

Date:

LEASE

OAKMEAD WEST

Between

Trimble Navigation Limited
(Tenant)

and

CarrAmerica Realty Operating Partnership, L.P.
(Landlord)

Page 1

[Table of Contents appears at the end of the Lease]

LEASE

THIS LEASE (the "Lease") is dated as of May 11, 2005 (for reference purposes only) between CarrAmerica Realty Operating Partnership, L.P., a Delaware limited partnership ("Landlord") and the Tenant as named in the Schedule below. The term "Project" means the seven (7) buildings, the land appurtenant thereto ("Land"), and other improvements located thereon commonly known as "Oakmead West", located in Sunnyvale, California. The "Premises" means that portion of the Project leased to Tenant and described in the Schedule and outlined on Exhibit A. The buildings in which the Premises are located shall be referred to herein as the "Buildings". The following schedule (the "Schedule") is an integral part of this Lease. Terms defined in this Schedule shall have the same meaning throughout the Lease.

SCHEDULE

1. **Tenant:** Trimble Navigation Limited, a California corporation
2. **Premises:** Building A, located at 510 DeGuigne Drive, Sunnyvale, California and Building B located at 935 Stewart Drive, Sunnyvale, California
3. **Intentionally Omitted**
4. **Rentable Square Footage of the Premises:**

Building A	75,093 rentable square feet
Building B	63,781 rentable square feet
Total	138,874 rentable square feet
5. **Tenant's Proportionate Share:** 100% of each Building, 32.60% of the Project (based upon 425,981 rsf in the Project)
6. **Lease Payments Upon Execution:** Prepaid Base Rent equal to One Hundred Forty-Five Thousand Eight Hundred Seventeen and 70/100 Dollars (\$145,817.70) and Prepaid Operating Cost/Tax Share Rent equal to Forty-Seven Thousand Two Hundred Seventeen and 16/100 Dollars (\$47,217.16).
7. **Permitted Use:** General office, warehouse, light assembly and manufacturing, research and development
8. **Tenant's Real Estate Broker for this Lease:** Liberty Greenfield, LLLP and Colliers International
9. **Landlord's Real Estate Broker for this Lease:** None
10. **Tenant Improvements:** See Tenant Improvement Agreement attached hereto as Exhibit C
11. **Target Delivery Date:** July 1, 2005

Commencement Date: Six (6) months following the date that Landlord delivers possession of the Premises to Tenant in the condition required hereunder (the "Premises Delivery Date"), but in no event shall the Commencement Date be before January 1, 2006.

Rent Commencement Date: One (1) month following the Commencement Date.
12. **Term/Termination Date:** The Term of this Lease shall be for seven (7) years commencing on the Commencement Date and expiring on the calendar day preceding the seventh (7th) anniversary of the Commencement Date (the "Termination Date"); provided, however, that if the Commencement Date shall occur on a date other than the first day of a calendar month, the Termination Date shall be the last day of the calendar month in which the seventh (7th) anniversary of the Commencement Date occurs.
13. **Parking Stalls:** Five hundred twenty-eight (528) parking spaces, of which eight (8) spaces shall be designated as "Trimble Navigation Visitor Parking", subject to applicable Governmental Requirements (as defined in Section 5.1(c)(iii) below), including any applicable transportation management program applicable to the Project. Such Reserved Spaces shall be designated by signs or other markings to be installed by Tenant, subject to Landlord's reasonable approval.
14. **Base Rent:**

Period	Monthly Base Rent	Annual Base Rent
1 st Lease Year	\$145,817.70	\$1,749,812.40
2 nd Lease Years	\$150,192.23	\$1,802,306.77
3 rd Lease Year	\$154,698.00	\$1,856,375.98
4 th Lease Year	\$159,338.94	\$1,912,067.25
5 th Lease Year	\$164,119.11	\$1,969,429.27
6 th Lease Year	\$169,042.68	\$2,028,512.15
7 th Lease Year	\$174,113.96	\$2,089,367.51
15. **Renewal Options:** Two (2) options to extend for a period of five years each

1. LEASE AGREEMENT. On the terms stated in this Lease, Landlord leases the Premises to Tenant, and Tenant leases the Premises from Landlord, for the Term beginning on the Commencement Date and ending on the Termination Date, unless extended or sooner terminated pursuant to this Lease.

1.1 Commencement Date.

(a) The Commencement Date of this Lease is the date set forth in the Schedule, and the parties agree that if the Premises Delivery Date does not occur on or before July 1, 2005 for any reason, then this Lease shall not be void or voidable by either party and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom.

(i) The parties acknowledge and agree that if the Premises Delivery Date does not occur on or before July 1, 2005, Tenant may be subject to the holdover provisions of its current lease, and that Tenant may be required to pay to its current landlord holdover rent as well as certain penalties and damages. Accordingly, notwithstanding Section 1.1(a) above, if the Premises Delivery Date does not occur on or before September 1, 2005 (the "Premises Delivery Deadline"), then, for each calendar month after the Premises Delivery Deadline in which the Premises Delivery Date does not occur, Tenant shall be entitled to a credit against Base Rent payable hereunder equal to twice the Monthly Base Rent payable hereunder for the first Lease Year (i.e., Two Hundred Ninety-One Thousand Six Hundred Thirty Five and 40/100 Dollars (\$291,635.40)); provided, however, that (A) if Landlord's delivery of a portion of the Premises would mitigate Tenant's obligation to pay holdover rent, penalties or damages to its current landlord and if Tenant determines, in its commercially reasonable discretion, to accept Landlord's delivery of a portion of the Premises, then, upon Tenant's taking possession of such portion of the Premises, the amount of the credit under this Section 1.1(a)(i) shall be proportionately reduced on the basis of the number of rentable square feet of the portion of the Premises delivered to Tenant in proportion to the total rentable square feet of the Premises; and (B) Tenant shall not be entitled to a credit under this Section 1.1(a)(i) if Tenant substantially completes the Tenant Improvement Work on or before January 1, 2006. Tenant shall exercise reasonable efforts to substantially complete the Tenant Improvement Work on or before January 1, 2006 using standard working methods without the payment of overtime; provided, however, that at Landlord's option, Landlord may require Tenant to pay for overtime, in which event Landlord shall reimburse Tenant for reasonable overtime expenses within thirty (30) days after Landlord's receipt of a reasonably detailed invoice therefor.

(ii) Notwithstanding the foregoing, if the Premises Delivery Date does not occur on or before April 1, 2006 (the "Outside Delivery Deadline"), Tenant shall have the right to cancel this Lease by giving written notice of such cancellation to Landlord at any time after the Outside Delivery Deadline and prior to the date Landlord delivers possession of the Premises to Tenant, in which case this Lease shall be cancelled effective thirty (30) days after Landlord's receipt of Tenant's cancellation notice, unless Landlord delivers possession of the Premises to Tenant within said thirty (30) day period.

(iii) The Premises Delivery Deadline and the Outside Delivery Deadline shall be extended by the number of days that the Premises Delivery Date is delayed due to any act, neglect, failure or omission of Tenant or any Tenant Parties (as defined in Section 8.2(a) below) or due to fire or other damage to or destruction of the Premises. Tenant's rent credit and cancellation right as herein described shall constitute Tenant's sole and

exclusive remedy for the failure of the Premises Delivery Date to occur by the Premises Delivery Deadline or the Outside Delivery Deadline, respectively. Any rent credit granted to Tenant pursuant to Section 1.1(a)(i) above shall be applied against the first monthly installments of Base Rent payable hereunder until the rent credit is exhausted.

(b) Following the Commencement Date, Landlord shall prepare and deliver to Tenant a Commencement Date Confirmation substantially in the form attached hereto as Exhibit D that sets forth the Commencement Date, the Rent Commencement Date and the Termination Date for this Lease. Tenant shall execute the Commencement Date Confirmation and deliver the executed original of the same to Landlord within five (5) business days after Tenant's receipt thereof. Tenant's failure to timely execute and return the Commencement Date Confirmation document to Landlord shall be conclusive evidence of Tenant's agreement with the information as set forth therein. This Lease shall be a binding contractual obligation of Landlord and Tenant effective upon the mutual execution and delivery hereof, notwithstanding the later commencement of the Lease Term.

1.2 Termination Date. The Termination Date of this Lease is set forth in the Schedule.

1.3 Early Occupancy. During the period commencing on the Premises Delivery Date and ending on the Commencement Date (the "Early Occupancy Period"), Tenant shall be permitted to occupy the Premises for the purpose of installing leasehold improvements, furniture, trade fixtures, equipment and cabling, subject to the terms and conditions set forth in the Tenant Improvement Agreement. Tenant's occupancy of the Premises during the Early Occupancy Period shall be subject to all of the terms, covenants and conditions of this Lease, except that Landlord agrees that Tenant's obligation to pay Base Rent, Operating Cost Share Rent and Tax Share Rent (as such terms are defined in Sections 2.1(a) through 2.1(c) below) during the Early Occupancy Period shall be waived. Tenant shall, however, pay the cost of all utilities and other services provided to the Premises during the Early Occupancy Period. Prior to Tenant's entry in the Premises, Tenant shall furnish to Landlord certificates of insurance satisfactory to Landlord evidencing Tenant's compliance with the requirements of Section 8.3 below.

1.4 Cancellation Right. The parties acknowledge that (a) concurrently herewith, Tenant and Landlord's affiliate, Square 24 Associates, dba Square 24 Associates, L.P., a District of Columbia limited partnership ("Square 24"), are entering into that certain lease agreement for certain premises in the building commonly known as 995 Stewart Drive, Sunnyvale, California, in the project commonly known as "Sunnyvale Technology Park" (the "Other Lease"), (b) the Premises are subject to an existing lease (the "Existing Lease") between Landlord and the existing tenant (the "Existing Tenant") of the Premises, and (c) Tenant's ability to receive timely delivery of the Premises is a material consideration of Tenant's decision to enter into this Lease and the Other Lease. Therefore, Landlord shall deliver to Tenant a written statement certified by Landlord that (i) Landlord and the Existing Tenant have entered into an agreement terminating the Existing Lease effective on or before June 30, 2005, and (ii) under the terms of such agreement, the Existing Tenant is required to vacate the Premises on or before June 30, 2005. If Landlord fails to deliver such statement to Tenant within ten (10) business days after the receipt by Landlord and Square 24 of this Lease and the Other Lease, respectively, both duly executed by Tenant, then Tenant shall have the right to cancel this Lease and the Other Lease upon written notice to Landlord and Square 24; provided, however, that Tenant shall provide such written notice within three (3) days after the expiration of said ten

(10) business day period. Tenant's cancellation under this Section 1.4 shall terminate this Lease and the Other Lease effective as of the date of Landlord's and Square 24's receipt of Tenant's written notice, and Landlord and Square 24 shall, on or before the effective date of such termination or as soon thereafter as reasonably practicable, refund to Tenant the Prepaid Base Rent and Prepaid Operating Cost/Tax Share Rent paid by Tenant pursuant to Section 2.1 of this Lease and Section 2.1 of the Other Lease, respectively, and the parties shall be released from all further obligations under this Lease and the Other Lease.

2. RENT.

2.1 Types of Rent.

(a) Base Rent. Beginning on the Rent Commencement Date, Tenant shall pay to Landlord base rent for the Premises ("Base Rent") in monthly installments, in advance, on or before the first day of each month of the Term in the amount set forth on the Schedule; provided, however, that, upon Tenant's execution and delivery of this Lease to Landlord, Tenant shall pay to Landlord the Prepaid Base Rent set forth in Item 6 of the Schedule, which shall be applied to the first monthly installment of Base Rent payable by Tenant beginning on the Rent Commencement Date; provided, however, that if the Rent Commencement Date is a day other than the first day of a calendar month, then (i) the Prepaid Base Rent shall be applied to the Base Rent for the partial month in which the Rent Commencement Date occurs and the next succeeding calendar month, and (ii) the Prorated First Base Rent Payment (as defined below) shall be payable by Tenant on or before the first full calendar month following the Rent Commencement Date. The "Prorated First Base Rent Payment" means the remaining amount of Base Rent payable by Tenant for the first full calendar month following the Rent Commencement Date, after the Prepaid Rent is applied as provided above. All such prorations shall be made on the basis of the actual number of days in the applicable month.

(b) Operating Cost Share Rent. Beginning on the Commencement Date, Tenant shall pay to Landlord the following (collectively, "Operating Cost Share Rent"), monthly in advance in an estimated amount: (i) Tenant's Proportionate Share (as set forth in the Schedule) of Operating Costs for the applicable Fiscal Year (as defined in Section 2.3(e) below), plus (ii) a management fee equal to three percent (3%) of the total Rent payable under this Lease for the applicable Fiscal Year. The definition of Operating Costs and the method for billing and payment of Operating Cost Share Rent are set forth in Sections 2.2, 2.3 and 2.4.

(c) Tax Share Rent. Beginning on the Commencement Date, Tenant shall pay to Landlord Tenant's Proportionate Share of Taxes for the applicable Fiscal Year ("Tax Share Rent"), monthly in advance in an estimated amount. A definition of Taxes and the method for billing and payment of Tax Share Rent are set forth in Sections 2.2, 2.3 and 2.4.

Notwithstanding the foregoing, upon Tenant's execution and delivery of this Lease to Landlord, Tenant shall pay to Landlord the Prepaid Operating Cost/Tax Share Rent set forth in Item 6 of the Schedule, which shall be applied to the first monthly installments of Operating Cost Share Rent and Tax Share Rent payable by Tenant beginning on the Commencement Date; provided, however, that if the Commencement Date is a day other than the first day of a calendar month, then (i) the Prepaid Operating Cost/Tax Share Rent shall be applied to the Operating Cost Share Rent and Tax Share Rent for the partial month in which the Commencement Date occurs and the next succeeding calendar month and (ii) the Prorated

First Additional Rent Payment (as defined below) shall be payable by Tenant on or before the first full calendar month following the Commencement Date. The "Prorated First Additional Rent Payment" means the remaining amount of Operating Cost Share Rent and Tax Share Rent payable by Tenant for the first full calendar month following the Commencement Date, after the Prepaid Operating Cost/Tax Share Rent is applied as provided above. All such prorations shall be made on the basis of the actual number of days in the applicable month.

(d) Definition of Rent. As used in this Lease, the term "Rent" means Base Rent, Operating Cost Share Rent, Tax Share Rent and all other costs, expenses, liabilities, and amounts which Tenant is required to pay under this Lease ("Additional Rent"), including any interest for late payment. Tenant's agreement to pay Rent is an independent covenant, with no right of setoff, deduction or counterclaim of any kind.

(e) Rent Payments. Tenant shall pay Rent under this Lease in the form of a check to Landlord at the following address:

CarrAmerica Realty Operating Partnership, L.P.
t/a Oakmead West
P.O. Box 642922
Pittsburgh, PA 15264-2922

or by wire transfer as follows:

Account Name:	CarrAmerica Realty Operating Partnership, L.P. t/a Oakmead West
Bank Name:	PNC Bank
Transit Number:	043-000-096
Account Number:	1004339188
Notification:	Lease Administration (CarrAmerica Realty Operating Partnership, L.P. re Trimble Navigation Limited)
Telephone:	(415) 397-2711

or in such other manner as Landlord may notify Tenant.

2.2 Payment of Operating Cost Share Rent and Tax Share Rent.

(a) Payment of Estimated Operating Cost Share Rent and Tax Share Rent.

(i) Before the Commencement Date and on or before April 1 of each succeeding Fiscal Year, or as soon as reasonably possible thereafter, Landlord shall give Tenant notice of Landlord's estimate of the payments to be made pursuant to Sections 2.1(b) and 2.1(c) above for such Fiscal Year. Landlord may revise these estimates by written notice to Tenant whenever it obtains more accurate information, such as the final real estate tax assessment or tax rate for the Project, in which event subsequent monthly payments by Tenant for such Fiscal Year shall be based upon such revised estimate.

(ii) Within ten (10) days after receiving Landlord's notice

regarding the original or revised estimate of the monthly payments to be made pursuant to Sections 2.1(b) and 2.1(c) above for a particular Fiscal Year, Tenant shall pay Landlord an amount equal to the product of such estimated monthly payments (as set forth in Landlord's notice), multiplied by the number of months that have elapsed in the applicable Fiscal Year to the date of such payment including the current month, minus any payments on account thereof previously made by Tenant for the months elapsed. On the first day of each month thereafter, Tenant shall pay Landlord the estimated monthly payments as set forth in Landlord's most recent notice, until a new estimate becomes applicable.

(b) Correction of Operating Cost Share Rent and Tax Share Rent. Within one hundred fifty (150) days after the close of each Fiscal Year or as soon after such 150-day period as practicable, Landlord shall deliver to Tenant a statement of (i) Operating Costs and Taxes for such Fiscal Year, and (ii) the payments made by Tenant under Section 2.2(a) above for such Fiscal Year (the "Annual Expense Statement"). If, on the basis of any Annual Expense Statement, Tenant owes an amount that is less than the estimated payments previously made by Tenant for the applicable Fiscal Year, Landlord, at its election, shall either promptly refund the amount of the overpayment to Tenant or, if this Lease is still in effect, credit such excess against Tenant's subsequent obligations to pay Operating Costs and Taxes. If, on the basis of any Annual Expense Statement, Tenant owes an amount that is more than the estimated payments previously made by Tenant for the applicable Fiscal Year, Tenant shall pay the deficiency to Landlord within twenty (20) days after Landlord's delivery of such Annual Expense Statement to Tenant. The obligations of Landlord and Tenant under this Section to promptly refund any overpayment or pay any deficiency, as appropriate, shall survive the expiration or earlier termination of this Lease.

2.3 Definitions.

(a) Included Operating Costs.

(i) "Operating Costs" means any reasonable expenses, costs and disbursements of any kind other than Taxes, paid or incurred by Landlord in connection with the management, maintenance, operation and repair of the Project or any part thereof, and of the personal property, trade fixtures, machinery, equipment, systems and apparatus used in connection therewith, including, without limitation, (1) all costs to operate, maintain, repair, replace, supervise, insure and administer the common areas of the Project, including, without limitation, all costs of resurfacing and restriping the parking areas of the Project; (2) all costs and expenses paid or incurred by Landlord in connection with the obtaining of insurance on the Buildings and/or the Project or any part thereof or interest therein, and any deductibles paid under policies of any such insurance; (3) except for costs and expenses which are the sole responsibility of Tenant pursuant to Section 3.3(b) below, all costs paid or incurred by Landlord to perform Landlord's Repair Obligations (as defined in pursuant to Section 3.3(b) below), (4) the cost of providing those services required to be furnished by Landlord under this Lease, and (5) the cost of all electricity, water, gas, sewers, oil and other utilities (collectively, "Utilities"), including any surcharges imposed, serving the Project or any part thereof (but excluding the cost of Utilities directly billed to Tenant or other tenants in the Project), and any amounts, taxes, charges, surcharges, assessments or impositions levied, assessed or imposed upon the Project or any part thereof, or upon Tenant's use and occupancy thereof, as a result of any rationing of Utilities services or restriction on the use of Utilities affecting the Project or any part thereof. Any Operating Costs that constitute capital expenditures (collectively, "Included Capital Items") shall be amortized by Landlord, with interest at a rate of ten percent (10%) per

annum, over the estimated useful life of such item, and such amortized costs shall be included in Operating Costs only for that portion of the useful life of the Included Capital Item which falls within the Term, unless the cost of the Included Capital Item is less than Ten Thousand Dollars (\$10,000) in which case it shall be expensed in the year in which it was incurred.

(ii) If the Project contains more than one building, then Operating Costs shall include (1) all Operating Costs fairly allocable to the Buildings, and (2) a proportionate share (based on the gross rentable area of the Buildings as a percentage of the gross rentable area of all of the buildings in the Project) of all Operating Costs which relate to the Project in general and are not fairly allocable to any one building in the Project.

(iii) Intentionally omitted.

(iv) Intentionally omitted.

(b) Excluded Operating Costs. Operating Costs shall not include:

- Project;
- (i) costs of installing leasehold improvements for tenants or occupants or prospective tenants or occupants of the Project;
 - (ii) interest and principal payments on mortgages or any other debt costs (except as provided in Section 2.3(a) above with regard to Included Capital Items), or rental payments on any ground lease of the Project;
 - (iii) real estate brokers' leasing commissions;
 - (iv) legal fees, space planner fees and advertising expenses incurred with regard to leasing the Project or portions thereof;
 - (v) legal expenses incurred in connection with disputes with tenants that pertain solely to the particular tenant or its premises (as opposed to disputes with other tenants that pertain to tenants generally or the Project, or disputes where the tenants of the Project would receive benefits if Landlord prevails);
 - (vi) the cost of damage and repairs necessitated by the gross negligence or willful misconduct of Landlord;
- Operating Cost Share Rent;
- (vii) any cost or expenditure for which Landlord is reimbursed, by insurance proceeds or otherwise, except by
 - (viii) the cost of any service furnished to any tenant of the Project which Landlord does not make available to Tenant;
 - (ix) depreciation (except on any Included Capital Items);
 - (x) legal and auditing fees incurred for the benefit of Landlord such as collecting delinquent rents, preparing tax returns and other financial statements,

and audits other than those incurred in connection with the preparation of reports required pursuant to Section 2.2 above;

- repair of the Project;
 - (xi) the wages of any employee for services not related directly to the management, maintenance, operation and
 - (xii) fines, penalties and interest incurred by Landlord for late payment by Landlord or violations of law;
 - (xiii) the cost of capital expenditures to correct violations of Governmental Requirements existing in the Project as of the date of this Lease, based on the current interpretation of Governmental Requirements by applicable governmental authority(ies) as of the date of this Lease;
 - (xiv) costs of any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or remediation of Hazardous Substances ("Remedial Work") pertaining to the Prior Contamination (as defined in Section 28.6 below), and costs arising from any use, storage, treatment, transportation, release or disposal of Hazardous Substances on or about the Project by Landlord, its agents, employees or contractors; and
 - (xv) without limiting the provisions of clause (xii) above, costs incurred to comply with Governmental Requirements with respect to any Hazardous Substance which was in existence in the Project prior to the Commencement Date, and which was of such a nature that a federal, state or municipal governmental or quasi-governmental authority, if it had then had knowledge of the presence of such Hazardous Substance, in the state, and under the conditions that it then existed in the Project, would have then required the removal, remediation or other similar action with respect to such Hazardous Substance; and costs incurred with respect to any Hazardous Substance that is brought into the Project after the date hereof by Landlord or any other tenant of the Project or by anyone other than Tenant or Tenant Parties and are of such a nature, at that time, that a federal, state or municipal governmental or quasi-governmental authority, if it had then had knowledge of the presence of such Hazardous Substance, in the state, and under the conditions, that it then exists in the Project, would have then required the removal, remediation or other action with respect to such Hazardous Substance.

(c) Taxes.

(i) "Taxes" means any and all taxes, assessments and charges of any kind, general or special, ordinary or extraordinary, levied against the Project, which Landlord shall pay or become obligated to pay in connection with the ownership, leasing, renting, management, use, occupancy, control or operation of the Project or of the personal property, fixtures, machinery, equipment, systems and apparatus used in connection therewith. Taxes shall include real estate taxes, personal property taxes, sewer rents, water rents, special or general assessments, transit taxes, ad valorem taxes, and any tax levied on the rents hereunder or the interest of Landlord under this Lease (the "Rent Tax"). Taxes shall also include all fees and other costs and expenses paid by Landlord in reviewing any Taxes and in seeking a refund or reduction of any Taxes, whether or not the Landlord is ultimately successful. Taxes shall also include any assessments or fees paid to any business park owners

association, or similar entity, which are imposed against the Project pursuant to any Covenants, Conditions and Restrictions ("CC&R's") recorded against the Project and any installments of principal and interest required to pay any existing or future general or special assessments for public improvements, services or benefits, and any increases resulting from reassessments imposed in connection with any change in ownership or new construction.

(ii) If the Project contains more than one building, then Taxes shall include (1) all Taxes fairly allocable to the Buildings, and (2) a proportionate share (based on the gross rentable area of the Buildings as a percentage of the gross rentable area of all of the buildings in the Project) of all Taxes which relate to the Project in general and are not fairly allocable to any one building in the Project.

(iii) For any year, the amount to be included in Taxes (1) from taxes or assessments payable in installments, shall be the amount of the installments (with any interest) due and payable during such year, and (2) from all other Taxes, shall at Landlord's election be the amount accrued, assessed, or otherwise imposed for such year or the amount due and payable in such year. If Taxes for any period during the Term are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, and such increase results in Tenant having underpaid Tax Share Rent hereunder, then Tenant shall pay to Landlord, within thirty (30) days after demand, the amount of such underpayment. Similarly, if Taxes for any period during the Term are decreased after payment thereof for any reason, and such decrease results in Tenant having overpaid Tax Share Rent hereunder, then Landlord shall return to Tenant the amount of such overpayment within thirty (30) days after Landlord's receipt of such overpayment. The obligations of Landlord and Tenant under this Section to promptly refund any overpayment or pay any deficiency, as appropriate, shall survive the expiration or earlier termination of this Lease. Taxes shall not include any net income (except Rent Tax), capital, stock, succession, transfer, franchise, gift, estate or inheritance tax, except to the extent that such tax shall be imposed in lieu of any portion of Taxes.

(iv) Notwithstanding anything to the contrary set forth in this Lease, Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes) whether or not now customary or within the contemplation of the parties hereto: (1) imposed upon, measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, trade fixtures and other personal property located in the Premises or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, other than Building-standard improvements made by Landlord, if any, regardless of whether title to such improvements shall be in Tenant or Landlord; (2) imposed upon or measured by the Base Rent payable hereunder, including, without limitation, any gross income tax or excise tax levied by the city or county in which the Project is located, the federal government or any other governmental body with respect to the receipt of such rental; (3) imposed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (4) imposed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

(d) Lease Year. "Lease Year" means each consecutive twelve month period beginning with the Commencement Date, except that if the Commencement Date is not the first day of a calendar month, then the first Lease Year shall be the period from the

Commencement Date through the final day of the calendar month during which the first anniversary of the Commencement Date occurs, and subsequent Lease Years shall be each succeeding twelve month period during the Term following the first Lease Year.

(e) Fiscal Year. "Fiscal Year" means each calendar year during which any portion of the Term occurs (e.g., the first Fiscal Year shall be the calendar year during which the Commencement Date occurs).

2.4 Computation of Base Rent and Rent Adjustments.

(a) Prorations. If (i) the Commencement Date is a date other than January 1, (ii) the Termination Date is a date other than December 31, (iii) this Lease terminates early, or (iv) the size of the Premises increases or decreases, then in each such event, the Base Rent, the Operating Cost Share Rent and Tax Share Rent shall be equitably adjusted to reflect such event on a basis determined by Landlord to be consistent with the principles underlying the provisions of this Section 2.

(b) Interest Rate. Any sum due from Tenant to Landlord not paid when due shall bear interest from the date due until paid at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law (the "Interest Rate").

(c) Intentionally omitted.

(d) Books and Records. Landlord shall maintain books and records reflecting the Operating Costs and Taxes in accordance with sound accounting and management practices. Tenant and a certified public accountant employed by a certified public accounting firm and working on a non-contingency fee basis shall have the right to inspect Landlord's records at Landlord's applicable local office or other location within the County of Santa Clara, California, designated by Landlord upon at least seventy-two (72) hours' prior notice during normal business hours during the ninety (90) days following Landlord's delivery of the Annual Expense Statement to Tenant. The results of any such inspection shall be kept strictly confidential by Tenant and its agents, and Tenant and its certified public accountant must agree, in their contract for such services, to such confidentiality restrictions and shall specifically agree that the results shall not be made available to any other tenant of the Project (and in connection with the foregoing, prior to exercising its rights hereunder, Tenant and its agents shall sign a confidentiality agreement reasonably acceptable to Landlord). Unless Tenant sends to Landlord any written exception to an Annual Expense Statement within said ninety (90) day period, such Annual Expense Statement shall be deemed final and accepted by Tenant and Tenant waives any other rights pursuant to applicable law to inspect Landlord's books and records and/or to contest the amount of Operating Costs and/or Taxes due hereunder. Tenant shall pay the amount shown on any Annual Expense Statement in the manner prescribed in this Lease, whether or not Tenant takes any such written exception, without any prejudice to such exception. If Tenant makes a timely exception, Landlord shall, within thirty (30) days after Landlord's receipt of Tenant's written exception or as soon after such thirty (30) day period as is reasonably practicable, cause an independent certified public accountant to issue a final and conclusive resolution of Tenant's exception. If, according to such accountant, Landlord's original determination of annual Operating Costs and Taxes overstated the amounts thereof, in the aggregate, by seven percent (7%) or less or understated the amounts thereof, then Tenant shall pay the cost of the certification, and, in the case of an understatement, shall pay to Landlord the deficiency in Tenant's payment of Operating Costs and Taxes within thirty (30)

days following Tenant's receipt of such certification. If, according to such certification, Landlord's original determination of annual Operating Costs and Taxes overstated the amounts thereof, in the aggregate, by more than seven percent (7%), then Landlord shall pay the cost of the certification. In the event of Landlord's overstatement, Landlord shall, at its election, either refund the amount of Tenant's overpayment of Operating Costs and Taxes within thirty (30) days after such certification or, if this Lease is still in effect, credit such overpayment against Tenant's subsequent obligations to pay Operating Costs and Taxes.

(e) Miscellaneous. So long as an Event of Default under Section 12.1(a) below exists under this Lease, Tenant shall not be entitled to any refund of any amount from Landlord until Tenant cures such Event of Default. If this Lease is terminated for any reason prior to the annual determination of Operating Cost Share Rent or Tax Share Rent, either party shall pay the full amount due to the other within fifteen (15) days after Landlord's notice to Tenant of the amount when it is determined. Landlord may commingle any payments made with respect to Operating Cost Share Rent and Tax Share Rent, without payment of interest.

2.5 Additional Rent Upon Default by Tenant. Landlord and Tenant acknowledge that to induce Tenant to enter into this Lease, and in consideration of Tenant's agreement to perform all of the terms, covenants and conditions to be performed by Tenant under this Lease, as and when performance is due during the Term, Landlord has incurred (or will incur) significant costs, including, without limitation, the following: (a) payment of the Construction Allowance (as described in the Tenant Improvement Agreement), (b) commissions to Tenant's real estate broker, and (c) attorneys' fees and related costs incurred and/or paid by Landlord in connection with the negotiation and preparation of this Lease (collectively, the "Inducements"). Landlord and Tenant further acknowledge that Landlord would not have granted the Inducements to Tenant but for Tenant's agreement to perform all of the terms, covenants, conditions and agreements to be performed by it under this Lease for the entire Term, and that Landlord's agreement to incur such expenditures and grant such concessions is, and shall remain, conditioned upon Tenant's faithful performance of all of the terms, covenants, conditions and agreements to be performed by Tenant under this Lease for the entire Term. Accordingly, if an Event of Default by Tenant shall occur hereunder, Landlord shall be relieved of any unfulfilled obligation to grant Inducements hereunder, or to incur further expenses in connection therewith, and Tenant shall pay, as liquidated damages for Landlord's granting the Inducements and not as a penalty, within ten (10) days after the occurrence of the Event of Default, as Additional Rent, the unamortized amount of those Inducements incurred or granted prior to the date of the Event of Default (the "Pre-Default Inducements"). Landlord may or, at Tenant's request, shall, after the occurrence of an Event of Default, forward a statement to Tenant setting forth the amount of the Pre-Default Inducements, but the failure to deliver such a statement shall not be or be deemed to be a waiver of the right to collect the unamortized amount of the Pre-Default Inducements or to extend the date upon which such amount shall be due and payable. For purposes of this Section 2.5, the unamortized amount of the Pre-Default Inducements shall equal the remaining principal component, measured on the date of the Event of Default, of a level-payment amortization over the initial Term of this Lease of a principal amount equal to the Pre-Default Inducements, including interest at the rate of twelve percent (12%) per annum. Notwithstanding the foregoing, Landlord agrees that it will seek to enforce its right to recover Pre-Default Inducements only in connection with a bankruptcy of Tenant where

this Lease is rejected or deemed rejected under Section 362 of the Bankruptcy Code.

3. PREPARATION AND CONDITION OF PREMISES; TENANT'S POSSESSION; REPAIRS AND MAINTENANCE.

3.1 Condition of Premises. Except as specified in this Section 3.1 below, Landlord is leasing the Premises to Tenant "as is", without any obligation to alter, remodel, improve, repair or decorate any part of the Premises and without any express or implied representations or warranties of any kind, including, without limitation, any representation or warranty regarding the condition of the Buildings or the Project or the suitability of any of the foregoing for the conduct of Tenant's business; provided, however, that, as of the Premises Delivery Date, the Premises shall comply in all material respects with all applicable Governmental Requirements (as interpreted by applicable governmental or quasi-governmental authorities as of the Premises Delivery Date), without regard to any specific manner of use of the Premises by Tenant (e.g., as a "place of public accommodation" under the Americans with Disabilities Act (the "ADA")). If Landlord or Tenant receives written notice from any governmental or quasi-governmental authority that any portion of the Premises violated Governmental Requirements as of the Premises Delivery Date, Landlord shall not be liable to Tenant for any damages, but Landlord, at no cost to Tenant, shall, as Tenant's sole remedy, perform such work or take such other action as may be necessary to cure such violation, but only to the extent that such violation materially and adversely affects Tenant's use or occupancy of the Premises.

3.2 Tenant's Possession. Tenant shall be entitled to possession of the Premises upon commencement of the Term, together with the nonexclusive right to use, in common with Landlord, other tenants, and occupants of the Project, the common areas of the Project, as such common areas may be changed from time to time, subject to the applicable provisions of this Lease (including, without limitation, Section 27 below). Tenant's taking possession of any portion of the Premises shall be conclusive evidence that the Premises were in good order, repair and condition.

3.3 Repairs and Maintenance.

(a) Tenant's Obligations.

(i) Except to the extent expressly Landlord's obligation under Section 3.3(b) below, Tenant shall, throughout the Term at its sole cost and expense, (1) keep and maintain the Premises in good order and condition, and repair and replace every part thereof ("Tenant's Repair Obligations"), including, without limitation, the following: (A) glass, windows, window frames, window casements (including the repairing, resealing, cleaning and replacing of both interior and exterior windows) and skylights; (B) interior and exterior doors, door frames and door closers; (C) interior lighting (including, without limitation, light bulbs and ballasts); (D) the Building Systems (as defined in Section 3.3(b) below), or portions of the Building Systems, that exclusively serve the Premises, including, without limitation, any specialty or supplemental Building Systems installed by or for Tenant and all heating, ventilating and air conditioning ("HVAC") systems and equipment and all electrical facilities and equipment, including lighting fixtures, lamps, fans and any exhaust equipment and systems, electrical motors and all other appliances and equipment of every kind and nature located in, upon or about the Premises; (E) all communications systems serving the Premises; (F) all of Tenant's security systems in or about or serving the Premises; (G) Tenant's signage; and (H) interior

demising walls and partitions (including painting and wallcoverings), equipment, floors, and any roll-up doors, ramps and dock equipment, (2) furnish all expendables, including light bulbs, paper goods and soaps, used in the Premises, and (3) to the extent that Landlord notifies Tenant in writing of its intention to no longer arrange for such monitoring, cause the fire alarm systems serving the Premises to be monitored by a monitoring or protective services firm approved by Landlord in writing.

(ii) Tenant shall also be responsible for all pest control within the Premises, and for all trash removal and disposal from the Premises. With respect to any HVAC systems and equipment exclusively serving the Premises, Tenant shall obtain HVAC systems preventive maintenance contracts with bimonthly or monthly service in accordance with manufacturer recommendations, which shall be subject to the reasonable prior written approval of Landlord and paid for by Tenant, and which shall provide for and include replacement of filters, oiling and lubricating of machinery, parts replacement, adjustment of drive belts, oil changes and other preventive maintenance, including annual maintenance of duct work, interior unit drains and caulking of sheet metal, and recaulking of jacks and vents on an annual basis. Tenant shall have the benefit of all warranties available to Landlord regarding the HVAC systems and equipment.

(iii) Tenant's repair, maintenance and replacement obligations shall be performed under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord; provided, however, that (1) with respect to the Building Systems that exclusively serve the Premises, Landlord may elect to perform all or some of the foregoing maintenance, repairs and replacement itself, at Tenant's expense, and (2) if Tenant fails to perform Tenant's Repair Obligations, Landlord may immediately perform any such work at Tenant's expense. Tenant shall pay to Landlord all costs and expenses incurred by Landlord and required to be paid by Tenant under this Section 3.3(a) within ten (10) days after receipt of an invoice therefor.

(b) Landlord's Obligations.

(i) Subject to the provisions of Sections 3.1(a), 9 and 10 hereof, Landlord shall maintain, repair and replace the following items ("Landlord's Repair Obligations"): (1) the non-structural portions of the roof of the Buildings, including the roof coverings (provided that Tenant installs no additional air conditioning or other equipment on the roof that damages the roof coverings, in which event Tenant shall pay all costs resulting from the presence of such additional equipment); (2) the HVAC, plumbing, sewer, drainage, electrical, fire protection, elevator, escalator, life safety and security systems and equipment and other mechanical, electrical and communications systems and equipment (collectively, the "Building Systems") serving the Buildings and/or the Project, excluding any specialty or supplemental Building Systems installed by or for Tenant and also excluding the Building Systems (or portions of the Building Systems) that exclusively serve the Premises; and (3) the parking areas of the Project, pavement, landscaping, sprinkler systems, sidewalks, driveways, curbs, and lighting systems in the common areas of the Project. Landlord's Repair Obligations also includes the routine repair and maintenance of the load bearing and exterior walls of the Buildings, including, without limitation, any painting, sealing, patching and waterproofing of such walls.

(ii) Subject to the provisions of Sections 3.1(a), 9 and 10 hereof, Landlord, at its own cost and expense, agrees to repair and maintain the structural

portions of the roof (specifically excluding the roof coverings), the foundation, the footings, the floor slab, and the load bearing walls and exterior walls of the Buildings (excluding any glass and any routine maintenance, including, without limitation, any painting, sealing, patching and waterproofing of such walls); provided, however, that subject to the provisions of Section 8.6 below, any damage arising from the acts of Tenant or any Tenant Parties (as defined in Section 8.2(a) below) shall be repaired by Landlord at Tenant's sole expense, and Tenant shall pay to Landlord all costs and expenses of any such repair within ten (10) days after receipt of an invoice therefor. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Buildings or to any equipment located in the Buildings as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. The cost of any repairs made by Landlord on account of Tenant's default, or on account of the misuse or neglect by Tenant or any Tenant Parties anywhere in the Project, shall constitute Additional Rent payable by Tenant within ten (10) days after receipt of an invoice therefor. As a condition precedent to all of Landlord's repair and maintenance obligations under this Lease, Tenant must have notified Landlord of the need of such repairs or maintenance.

(iii) Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code and any similar or successor law, statute or ordinance now or hereafter in effect regarding Tenant's right to make repairs and deduct the cost of such repairs from the Rent due under this Lease..

4. **SERVICES AND UTILITIES.** Beginning on the Premises Delivery Date, Tenant shall promptly pay, as the same become due, all charges for water, gas, electricity, telephone, sewer service, waste pick-up and any other utilities, materials and services furnished directly to or used by Tenant on or about the Premises during the Term, including, without limitation, (a) meter, use and/or connection fees, hook-up fees, or standby fees, and (b) penalties for discontinued interrupted service. If any utility service is not separately metered to the Premises, then Tenant shall pay its pro rata share of the cost of such utility service with all others served by the service not separately metered. However, if Landlord reasonably determines that Tenant is using a disproportionate amount of any utility service (whether or not separately metered), then Landlord, at its election, may (i) periodically charge Tenant, as Additional Rent, a sum equal to Landlord's reasonable estimate of the cost of Tenant's excess use of such utility service, and/or (ii) install, at Tenant's expense, a separate meter to measure the utility service supplied to the Premises. Any interruption or cessation of utilities resulting from any causes, including any entry for repairs pursuant to this Lease, and any renovation, redecoration or rehabilitation of any area of the Project, shall not render Landlord liable for damages to either person or property or for interruption or loss to Tenant's business, nor be construed as an eviction of Tenant, nor work an abatement of any portion of Rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof; provided, however, that if (1) an interruption of the Project services occurs, (2) such interruption prevents Tenant from occupying, and Tenant does not occupy, all or a material portion of the Premises for the Permitted Use for a period of at least seven (7) consecutive days, and (3) such interruption was caused solely by the negligence or willful misconduct of Landlord, its agents or employees, then monthly Rent shall thereafter be abated until the earlier of (i) the date on which such interruption ceases or (ii) the date on which Tenant resumes occupying all or a material portion of the Premises. Such abatement shall be in proportion to the ratio that the amount of rentable square feet of the Premises that Tenant is prevented from occupying and does not occupy for the Permitted Use bears to the total rentable square feet of the Premises; provided, however, that if the portion of the Premises that Tenant is

prevented from occupying and does not occupy for the Permitted Use is so significant as to prevent Tenant from conducting business in the Premises, then the full amount of monthly Rent shall be abated during the abatement period described in the preceding sentence. Tenant acknowledges and agrees that the abatement set forth in this Section shall be its sole remedy in the event of a cessation or interruption in the provision of Project services, and Tenant shall not have any right to offset or deduct any costs or expenses incurred by Tenant in connection therewith against Rent.

5. ALTERATIONS AND REPAIRS.

5.1 Landlord's Consent and Conditions.

(a) Tenant shall not make any improvements or alterations to the Premises (the "Alterations") without in each instance submitting plans and specifications for the Alterations to Landlord and obtaining Landlord's prior written consent. Tenant shall pay Landlord's standard charge (or, if Landlord does not have a standard charge, then Landlord's actual costs incurred) for review of all of the plans and all other items submitted by Tenant. Landlord will be deemed to be acting reasonably in withholding its consent for any Alterations which (i) impacts the base structural components or the Building Systems, (ii) impacts any other tenant's premises, (iii) is visible from outside the Premises, or (iv) would utilize building materials or equipment which are inconsistent with Landlord's standard building materials and equipment for the Project.

(b) Tenant shall pay for the cost of all Alterations, including the cost of any and all approvals, permits, fees and other charges which may be required as a condition of performing such Alterations.

(c) The following requirements shall apply to all Alterations:

(i) At least seven (7) days before beginning any Alterations, Tenant shall furnish to Landlord (1) written notice of the expected commencement date of the Alterations to permit Landlord to post and record a notice of nonresponsibility, (2) building permits, and (3) certificates of insurance satisfactory to Landlord.

(ii) Tenant shall not take any action which would violate Landlord's labor contracts or which would cause a work stoppage, picketing, labor disruption or dispute, or interfere with Landlord's or any other tenant's or occupant's business or with the rights and privileges of any person lawfully in the Project ("Labor Disturbance"). Tenant shall take the actions necessary to resolve any Labor Disturbance, and shall have pickets removed and, at the request of Landlord, immediately terminate any work in the Premises that gave rise to the Labor Disturbance, until Landlord gives its written consent for the work to resume. Tenant shall have no claim for damages against Landlord or any of the Landlord Parties as a result of the above actions.

(iii) The Alterations shall be performed in a good and workmanlike manner, meeting the standard for construction and quality of materials in the Project, and shall comply with all insurance requirements and all applicable laws, ordinances, regulations or requirements of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project, including, without limitation, any such laws,

ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect (collectively, "Governmental Requirements").

(iv) Tenant shall perform all Alterations so as to minimize or prevent disruption to other tenants, and Tenant shall comply with all reasonable requests of Landlord in response to complaints from other tenants.

(v) Tenant shall perform all Alterations in compliance with any reasonable "Policies, Rules and Procedures for Construction Projects" which may be in effect at the time the Alterations is performed.

(vi) All Alterations shall be performed only by contractors or mechanics approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that (1) Landlord may, in its sole discretion, specify engineers, general contractors, subcontractors, and architects to perform work affecting the Building Systems; and (2) if Landlord consents to any Alterations that requires work to be performed outside the Premises, Landlord may elect to perform such work at Tenant's expense.

(vii) Tenant shall permit Landlord to supervise all Alterations, including, without limitation, the right (but not an obligation) to inspect the construction work during the progress thereof, and to require corrections of faulty construction or any material deviation from the plans for such Alterations as approved by Landlord; provided, however, that no such inspection shall be deemed to create any liability on the part of Landlord, or constitute a representation by Landlord or any person hired to perform such inspection that the work so inspected conforms with such plans or complies with any Governmental Requirements, and no such inspection shall give rise to a waiver of, or estoppel with respect to, Landlord's continuing right at any time or from time to time to require the correction of any faulty work or any material deviation from such plans.

(viii) Tenant shall reimburse Landlord for actual and reasonable costs incurred by Landlord in connection with its management and supervision of the progress of the Alterations; provided, however, that Tenant shall have no obligation to pay Landlord under this Section 5.1(c)(viii) in the case of Alterations costing less than Twenty-Five Thousand Dollars (\$25,000.00).

(ix) Upon completion, Tenant shall furnish Landlord with contractor's affidavits and full and final statutory waivers of liens, as-built plans and specifications, and receipted bills covering all labor and materials, and all other close-out documentation related to the Alterations, including any other information required under any "Policies, Rules and Procedures for Construction Projects" which may be in effect at the time.

5.2 No Liens. Tenant has no authority to cause or permit any lien or encumbrance of any kind to affect Landlord's interest in the Project; any such lien or encumbrance shall attach to Tenant's interest only. If any mechanic's lien shall be filed or claim of lien made for work or materials furnished to Tenant, then Tenant shall at its expense within ten (10) days thereafter either discharge or contest the lien or claim. If Tenant contests the lien or claim, then Tenant shall (a) within such ten (10) day period, provide Landlord adequate security for the lien or claim, (b) contest the lien or claim in good faith by appropriate proceedings that operate to stay its enforcement, and (c) pay promptly any final adverse

judgment entered in any such proceeding. If Tenant does not comply with these requirements, Landlord may discharge the lien or claim, and the amount paid, as well as attorney's fees and other expenses incurred by Landlord, shall constitute Additional Rent payable by Tenant on demand.

5.3 Ownership of Improvements. All Alterations as defined in this Section 5, partitions, related hardware, and all other improvements and all fixtures, except trade fixtures, furniture and other personal property (which shall remain Tenant's property), constructed in the Premises by either Landlord or Tenant, (a) shall, subject to Tenant's right to use and depreciate (to the extent paid for by Tenant) the same during the Term, become Landlord's property upon installation without compensation to Tenant, unless Landlord consents otherwise in writing, and (b) shall, at Landlord's option, either (i) be surrendered to Landlord with the Premises at the termination of this Lease or of Tenant's right to possession, or (ii) be removed in accordance with Section 14 below; provided, however, that if Tenant's request for Landlord's approval of any proposed Alterations contains a request, in all capital letters, that Landlord identify any portion of such Alterations that Landlord will require Tenant to remove as provided above, then Landlord will, at the time it approves such Alterations, identify such portion of the Alterations, if any, that Landlord will require Tenant to so remove.

6. USE OF PREMISES.

6.1 Limitation on Use. Tenant shall use the Premises only for the Permitted Use stated in the Schedule and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion. Tenant shall not allow any use of the Premises which will negatively affect the cost of coverage of Landlord's insurance on the Project. Tenant shall not allow any inflammable or explosive liquids or materials to be kept on the Premises. Tenant shall not allow any use of the Premises which would cause the value or utility of any part of the Premises to diminish or would interfere with any other tenant or with the operation of the Project by Landlord. Tenant shall not permit any nuisance or waste to occur in, on, or about the Project, or allow any offensive noise or odor in or around the Project. At the end of each business day, or more frequently if necessary, Tenant shall deposit all garbage and other trash (excluding any inflammable, explosive and/or hazardous materials) in trash bins or containers approved by Landlord in locations designated by Landlord from time to time. If any governmental authority shall deem the Premises to be a "place of public accommodation" under the Americans with Disabilities Act ("ADA") or any other comparable law as a result of Tenant's use, Tenant shall either modify its use to cause such authority to rescind its designation or be responsible for any alterations, structural or otherwise, required to be made to the Premises under such laws.

6.2 Signs. Tenant shall not place on any portion of the Premises any sign, placard, lettering, banner, displays, graphic, decor or other advertising or communicative material which is visible from the exterior of the Premises without Landlord's prior written approval. Any approved signs shall strictly conform to all Governmental Requirements, any CC&R's recorded against the Project, and Landlord's signage standards in effect at the time, and shall be installed and removed at Tenant's expense. Tenant, at its sole expense, shall maintain such signs in good condition and repair during the Term. Prior to the expiration or earlier termination of this Lease, Tenant at its sole cost shall remove all of its exterior signage and repair any and all damage caused to the Buildings and/or Project (including and fading or discoloration) by such signs and/or the removal of such signs from the Building and/or Project.

6.3 Parking. Tenant shall have the non-exclusive right to park in the Project's parking facilities in common with other tenants of the Project upon terms and conditions, as may from time to time be established by Landlord. Tenant agrees not to overburden the parking facilities (i.e., use more than the number of unassigned parking stalls indicated on the Schedule) and agrees to cooperate with Landlord and other tenants in the Project in the use of the parking facilities. Landlord reserves the right in its reasonable discretion to determine whether the parking facilities are becoming crowded and to allocate and assign parking passes among Tenant and the other tenants in the Project. Tenant's use of the parking facilities shall be at no charge, provided that Landlord shall have the right to charge Tenant the portion that Landlord deems allocable to Tenant of any charges (e.g., fees or taxes) imposed by the Regional Air Quality Control Board or other governmental or quasi-governmental agency in connection with the parking facilities (e.g., in connection with operation or use of the parking facilities). Landlord shall not be liable to Tenant, nor shall this Lease be affected, if any parking is impaired by (or if any parking charges are imposed as a result of) any moratorium, initiative, referendum, law, ordinance, regulation or order passed, issued or made by any governmental or quasi-governmental body. Tenant's continued right to use the parking spaces is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located, including any sticker or other identification system established by Landlord, Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations and Tenant not being in default under this Lease. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord. The parking passes rented by Tenant pursuant to this Section 6.3 are provided to Tenant solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval.

6.4 Prohibition Against Use of Roof and Structure of Buildings.

(a) Except as otherwise provided in this Lease, Tenant shall be prohibited from using all or any portion of the roof of the Buildings or any portion of the structure of the Buildings during the Term of this Lease (or any extensions thereof) for any purposes (including without limitation for the installation, maintenance and repair of a satellite dish and/or other telecommunications equipment), without Landlord's prior written consent, which Landlord may withhold in its sole and absolute discretion. Notwithstanding the foregoing, (a) Landlord shall grant Tenant with reasonable access to the roof of the Buildings as may be reasonably necessary to allow Tenant to perform its HVAC and other maintenance obligations hereunder, provided that such access shall be subject to any reasonable rules and restrictions that Landlord may impose from time to time; and (b) Tenant may, subject to Landlord's reasonable installation, use and removal requirements, use the roof for the installation and maintenance of surveying and GPS equipment and monitors (including, without limitation, cable and antenna connections) to service Tenant's business in the Premises. Landlord has made no representations or promise as to the suitability or effectiveness of any part of the roof for Tenant's proposed use, or as to any Governmental Requirements applicable to Tenant's proposed use.

(b) Tenant shall submit to Landlord Tenant's plans and specifications for the rooftop equipment, which must include, without limitation, the design, size and features of the rooftop equipment and mounting structure, floor and power load requirements, cabling installations, the means of affixing or mounting the rooftop equipment, and the means of connecting the rooftop equipment to the Building's electrical system and to the Premises. Tenant acknowledges and agrees that Tenant's use of any portion of the roof of the Building shall be subject to Landlord's reasonable approval of location, plans and installation pursuant to Section 5 of this Lease and such rules and regulations as Landlord may prescribe, including, without limitation, with regard to (a) the location, size, type and methods of installation of the proposed rooftop equipment, (b) requirements to prevent electrical, electromagnetic, radio frequency or other interference with other telecommunication equipment on or about the Project, (c) restrictions on penetration of the roof surface, (d) rooftop access rights, and (e) removal requirements upon the expiration or earlier termination of this Lease.

(c) Nothing herein shall limit or restrict Landlord's rights under Section 11.13, or require Landlord to obtain Tenant's consent prior to exercising such rights.

(d) For the avoidance of doubt, Landlord acknowledges that, subject to the foregoing and other applicable provisions of this Lease, Tenant may install and maintain a GPS system and related equipment upon the roof of each Building to the extent necessary to the operation of Tenant's business in the Premises.

7. GOVERNMENTAL REQUIREMENTS AND BUILDING RULES.

7.1 Compliance in Premises. Tenant shall, at its sole cost and expense, (1) comply with all Governmental Requirements; with any occupancy certificate issued for the Premises; and with the provisions of all recorded documents affecting the Premises, insofar as any thereof relates to or affects the condition, use or occupancy of the Premises; and (2) take all proper and necessary action to cause the Premises, including any repairs, replacements, alterations and improvements thereto, to be maintained, constructed, used and occupied in compliance with applicable Governmental Requirements, including any applicable code and ADA requirements, whether or not such requirements are based on Tenant's use of the Premises, and further to assume all responsibility to ensure that the Premises continues to comply with all Governmental Requirements, including applicable code and ADA requirements, throughout the Term. Tenant shall be responsible, at its sole cost and expense, to make all alterations to the Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this Section 7.1. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant.

7.2 Compliance in Common Areas. Subject to reimbursement as an Operating Cost as provided in Section 2 above, Landlord shall perform any work required under any applicable Governmental Requirements, including the ADA, to be performed in the common areas of the Project, except that Tenant shall be solely responsible for all such compliance work which is required as a result of Tenant's use or activities or which relate to the initial Tenant

Improvements or Tenant's proposed alterations or repairs. With respect to any code compliance work required outside the Premises for which Tenant is responsible hereunder, Landlord shall have the right to perform such work, or require that Tenant perform such work with contractors, subcontractors, engineers and architects approved by Landlord; and if Landlord elects to perform such work outside the Premises, Tenant shall reimburse Landlord for the cost of such work within ten (10) days following receipt of invoices therefor. Except as expressly provided in this Lease, Landlord makes no representations or warranties regarding whether the Project or the Premises complies with applicable Governmental Requirements as of the date of this Lease.

7.3 Rules and Regulations. Tenant shall also comply with all reasonable rules for the Project which may be established and amended from time to time by Landlord. The present rules and regulations are contained in Exhibit B. Failure by another tenant to comply with the rules or failure by Landlord to enforce them shall not relieve Tenant of its obligation to comply with the rules or make Landlord responsible to Tenant in any way. Landlord shall use reasonable efforts to apply the rules and regulations uniformly with respect to Tenant and any other tenants in the Project under leases containing rules and regulations similar to this Lease. If Tenant performs alterations or repairs, Tenant shall comply with the provisions of Section 5 of this Lease.

8. WAIVER OF CLAIMS; INDEMNIFICATION; INSURANCE.

8.1 Waiver of Claims. Neither Landlord nor the other Landlord Parties (as defined below) shall be liable to Tenant or to any Tenant Parties (as defined below), and Tenant waives all claims against Landlord and such other Landlord Parties, for any injury to or death of any person or for loss of use of or damage to or destruction of property in or about the Premises or Project by or from any cause whatsoever, including without limitation, earthquake or earth movement, gas, fire, oil, electricity or leakage from the roof, walls, basement or other portion of the Premises or Project, except only, with respect to any Landlord Party, to the extent such injury, death or damage is caused by the gross negligence or willful misconduct of such Landlord Party and not covered by the insurance required to be carried by Tenant hereunder or except to the extent such limitation on liability is prohibited by law. The provisions of this Section 8.1 shall survive the expiration or earlier termination of this Lease until all claims within the scope of this Section 8.1 are fully, finally, and absolutely barred by the applicable statutes of limitations.

8.2 Indemnification.

(a) Tenant shall indemnify, protect, defend (by counsel reasonably satisfactory to Landlord) and hold harmless Landlord and its officers, directors, employees and agents (each, a "Landlord Party" and collectively, the "Landlord Parties"), and each of them, against any and all obligations, losses, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, suits, orders or judgments), causes of action, liabilities, penalties, damages (including consequential and punitive damages), costs and expenses (including reasonable attorneys' and consultants' fees and expenses) (collectively, "Claims") arising from any of the following, including, but not limited to, Claims brought by or on behalf of employees of Tenant, with respect to which Tenant waives, for the benefit of the Landlord Parties, any immunity to which Tenant may be entitled under any worker's compensation laws: (i) any cause in, on or about the Premises, (ii) any act or omission or negligence of Tenant or any person or entity claiming by or through Tenant (including any assignee or subtenant), or any of their respective members, partners, employees, contractors,

agents, customers, visitors, licensees or other persons in or about the Project by reason of Tenant's occupancy of the Premises (each a "Tenant Party" and, collectively, "Tenant Parties"), or (iii) Tenant's breach of its obligations under this Lease, either prior to, during, or after the expiration of the Lease Term (including, without limitation, Tenant's failure to surrender the Premises in accordance with Section 14 below); provided, however, that, with respect to any Landlord Party, Tenant's obligations under this Section shall be inapplicable to the extent such Claims arise from the gross negligence or willful misconduct of such Landlord Party and are not covered by the insurance required to be carried by Tenant hereunder, or to the extent such obligations are prohibited by applicable law.

(b) Tenant's duty to defend Landlord and the other Landlord Parties under this Section 8.2 is separate and independent of Tenant's duty to indemnify the Landlord Parties. The duty to defend includes claims for which the Landlord Parties may be liable without fault or strictly liable. The duty to defend applies regardless of whether the issues of negligence, liability, fault, default, or other obligation on the part of Tenant Parties have been determined. The duty to defend applies immediately, regardless of whether any Landlord Parties have paid any sums or incurred any detriment arising out of or relating (directly or indirectly) to any Claims. The parties expressly intend that Landlord Parties shall be entitled to obtain summary adjudication or summary judgment regarding Tenant's duty to defend the Landlord Parties at any stage of any claim or suit within the scope of this Section.

(c) Tenant's obligations under this Section shall survive the expiration or earlier termination of this Lease until all Claims within the scope of this Section 8.2 are fully, finally, and absolutely barred by the applicable statutes of limitations.

8.3 Tenant's Insurance. Tenant shall maintain insurance as follows, with such other terms, coverages and insurers, as Landlord shall reasonably require from time to time:

(a) Commercial General Liability Insurance, with (i) Contractual Liability including the indemnification provisions contained in this Lease, (ii) a severability of interest endorsement, and (iii) limits of not less than Five Million Dollars (\$5,000,000) combined single limit per occurrence, not less than Five Million Dollars (\$5,000,000) in the aggregate for bodily injury, sickness or death, and property damage, and umbrella coverage of not less than Five Million Dollars (\$5,000,000).

(b) Special Causes of Loss (ISO form CP 10 30 10/00 or its substantive equivalent) Insurance covering the replacement cost of all leasehold improvements, trade fixtures and personal property in or on the Premises, with a deductible not greater than Twenty-Five Thousand Dollars (\$25,000.00).

(c) Business Income insurance and extra expense coverage with coverage amounts that shall reimburse Tenant for all rental, expense and other payment obligations of Tenant under this Lease for a period of not less than one (1) year.

(d) Workers' compensation or similar insurance in form and amounts required by law, and Employer's Liability with not less than the following limits:

Each Accident:	\$500,000
Disease--Policy Limit:	\$500,000
Disease--Each Employee:	\$500,000

Tenant's insurance shall be primary and not contributory to that carried by Landlord, its agents, or mortgagee. Landlord, Landlord's building manager, if any, and, if Landlord requests, any Security Holder (as defined in Section 16.1 below), shall be named as additional insureds under the insurance required of the Tenant in Section 8.3(a). The company or companies writing any insurance which Tenant is required to maintain under this Lease, as well as the form of such insurance, shall at all times be subject to Landlord's approval, and any such company shall be licensed to do business in the State of California. Such insurance companies shall have a A.M. Best rating of A VI or better.

(e) Tenant shall cause any contractor of Tenant performing work on the Premises to maintain insurance as follows, with such other terms, coverages and insurers, as Landlord shall reasonably require from time to time:

(i) Commercial General Liability Insurance, including contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement, and contractor's protective liability coverage, to afford protection with limits, for each occurrence, of not less than One Million Dollars (\$1,000,000) with respect to personal injury, death or property damage.

(ii) Workers' compensation or similar insurance in form and amounts required by law, and Employer's Liability with not less than the following limits:

Each Accident:	\$500,000
Disease--Policy Limit:	\$500,000
Disease--Each Employee:	\$500,000

Such insurance shall contain a waiver of subrogation provision in favor of Landlord and its agents. Tenant's contractor's insurance shall be primary and not contributory to that carried by Tenant, Landlord, their agents or mortgagees. Tenant and Landlord, Landlord's building manager, if any, and, if Landlord requests, any Security Holder shall be named as additional insured on Tenant's contractor's insurance policies.

8.4 Insurance Certificates. Tenant shall deliver to Landlord certificates evidencing all required insurance no later than five (5) days prior to the Commencement Date and each renewal date. Each certificate will provide for thirty (30) days prior written notice of cancellation to Landlord and Tenant.

8.5 Landlord's Insurance. Subject to reimbursement as an Operating Cost in accordance with the provisions of Section 2 hereof, Landlord shall procure and maintain in effect throughout the Term of this Lease commercial general liability insurance, property insurance and/or such other types of insurance as Landlord reasonably deems necessary or

advisable to carry. Such coverages shall be in such amounts, from such companies and on such other terms and conditions as Landlord may from time to time reasonably determine, and Landlord shall have the right, but not the obligation, to change, cancel, decrease or increase any insurance coverages in respect of the Buildings, add additional forms of insurance as Landlord shall deem reasonably necessary, and/or obtain umbrella or other policies covering both the Buildings and other assets owned by or associated with Landlord or its affiliates, in which event the cost thereof shall be equitably allocated.

8.6 Waiver of Subrogation. Landlord and Tenant hereby waive and release any and all rights of recovery against the other party, including officers, employees, agents and authorized representatives (whether in contract or tort) of such other party, that arise or result from any and all loss of or damage to any property of the waiving party located within or constituting part of the Buildings, to the extent of amounts payable under a standard ISO Commercial Property insurance policy, or such additional property coverage as the waiving party may carry (with a commercially reasonable deductible), whether or not the party suffering the loss or damage actually carries any insurance, recovers under any insurance or self-insures the loss or damage. Each party shall have their property insurance policies issued in such form as to waive any right of subrogation as might otherwise exist. This mutual waiver is in addition to any other waiver or release contained in this Lease.

9. FIRE AND OTHER CASUALTY.

9.1 Termination. If a fire or other casualty causes damage to the Premises, and sufficient insurance proceeds will be available to Landlord to cover the cost of restoration, Landlord shall engage a registered architect to estimate, within one (1) month of the casualty, to both Landlord and Tenant the amount of time needed to restore the Premises to tenantability, using standard working methods without the payment of overtime and other premiums. If the time needed exceeds nine (9) months from the date of the casualty, or two (2) months therefrom if the casualty occurred during the last twelve (12) months of the Lease, then either Landlord or Tenant may terminate this Lease, by notice to the other party within ten (10) days after the notifying party's receipt of the architect's estimate. If sufficient insurance proceeds will not be available to Landlord to cover the cost of restoration to the Premises, Landlord may terminate this Lease by written notice to Tenant. Any termination pursuant to this Section 9.1 shall be effective thirty (30) days from the date of such termination notice and Rent shall be paid by Tenant to that date, with an abatement for any portion of the Premises which has been rendered untenable as a result of the casualty (except to the extent that (a) the casualty was caused by the gross negligence or intentional misconduct of Tenant, its agents, employees, contractors, subtenants or assignees, or (b) provided the same does not result from Landlord's breach of its obligations under Section 8.5 above, Landlord does not receive insurance proceeds sufficient to cover the rent interruption during such period).

9.2 Restoration. If a casualty causes damage to the Premises but this Lease is not terminated for any reason, then subject to the rights of any mortgagees or ground lessors, Landlord shall obtain the applicable insurance proceeds and diligently restore the Premises to substantially their prior condition, except for modifications required by then applicable Governmental Requirements; provided, however, that, within ten (10) days following notice to Tenant from Landlord (whether or not this Lease is terminated pursuant to Section 9.1 above), Tenant shall irrevocably and unconditionally assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 8.3(b) above which pertain to the repair and restoration of the leasehold improvements

in the Premises, including any leasehold improvements performed by or on behalf of Tenant pursuant to Section 5 above; and provided further, that if the cost of repair and restoration by Landlord of the leasehold improvements in the Premises exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, the cost of such repair and restoration shall be promptly paid by Tenant to Landlord, but in any event prior to Landlord's commencement of repair of the damage. Notwithstanding the foregoing, Landlord shall have no obligation with respect to, and if Landlord elects or is required to perform any restoration hereunder, Tenant shall be responsible for and shall, repair and replace at its sole cost all of Tenant's equipment, furniture, trade fixtures and other personal property in the Premises, including, without limitation, any telecommunications wires, cables and related devices located in or serving the Premises. Rent shall be abated on a per diem basis during the restoration for any portion of the Premises which is untenable, except to the extent that (a) the casualty was caused by the gross negligence or intentional misconduct of Tenant, its agents, employees, contractors, subtenants or assignees, (b) Landlord is delayed in completing the repair or restoration as a result of any act, omission, neglect or failure of Tenant or any of Tenant's agents, employees, contractors or subcontractors or (c) provided the same does not result from Landlord's breach of its obligations under Section 8.5 above, Landlord does not receive insurance proceeds sufficient to cover the rent interruption during such period. Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the Premises, damage to Tenant's personal property and trade fixtures or any inconvenience occasioned by such damage, repair or restoration. Tenant hereby waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and the provisions of any similar law hereinafter enacted.

10. EMINENT DOMAIN. If a part of the Project is taken by eminent domain or deed in lieu thereof that is so substantial that the Premises cannot reasonably be used by Tenant for the operation of its business, then Tenant may terminate this Lease effective as of the date of the taking. If any substantial portion of the Project is taken without affecting the Premises, then Landlord may terminate this Lease as of the date of such taking. Rent shall abate from the date of the taking in proportion to any part of the Premises taken. The entire award for a taking of any kind shall be paid to Landlord, and Tenant shall have no right to share in the award; provided, however, that (a) the foregoing shall not be deemed to prohibit Tenant from filing a separate claim at its sole cost and expense for an award or portion thereof separately designated for (i) relocation costs, and (ii) moving expenses, and (b) Tenant shall be entitled to the unamortized portion of the value of all Alterations performed in the Premises by Tenant during the Term (such amortization to be calculated on a straight-line basis over the Term of this Lease, without regard to any future extension terms as of the date of the Taking). All obligations accrued to the date of the taking shall be performed by the party liable to perform said obligations, as set forth herein. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

11. RIGHTS RESERVED TO LANDLORD.

Landlord may exercise at any time any of the following rights respecting the operation of the Project without liability to Tenant of any kind:

11.1 Name. To change the name of the Project.

11.2 Signs. To install, modify and/or maintain any signs on the exterior and in the interior of the Buildings or on the Project, and to approve at its sole discretion, prior to

installation, any of Tenant's signs in the Premises visible from the common areas or the exterior of the Premises.

11.3 Window Treatments. To approve, at its discretion, prior to installation, any shades, blinds, ventilators or window treatments of any kind, as well as any lighting within the Premises that may be visible from the exterior of the Premises or any interior common area.

11.4 Keys. To retain and use at any time passkeys to enter the Premises or any door within the Premises, subject to Section 11.5 below. Tenant shall not alter or add any lock or bolt without Landlord's prior written consent.

11.5 Access. To have access to the Premises with twenty-four hours' prior notice (except in the case of an emergency, in which case Landlord shall have the right to immediate access) to inspect the Premises, to post notices of non-responsibility in connection with any Alterations, to make repairs, alterations, additions or improvements to the Premises, and to perform any other obligations of Landlord hereunder, all without abatement of Rent. Landlord shall, subject to Tenant's compliance with its obligations pursuant to this Section 11.5, follow Tenant's commercially reasonable security requirements in connection with any entry by Landlord into the Premises. If Tenant requires that all persons entering the Premises shall be attended by a representative of Tenant, Tenant shall make a representative available upon 24 hours' prior telephone notice by Landlord. In the event of an emergency, however, Landlord shall use good-faith efforts to follow Tenant's security requirements, but Landlord will be required to give only such notice that it in good faith believes is feasible under the circumstances and need not wait to be accompanied by Tenant or its employees or representatives (although these parties may still accompany Landlord if they are available and wish to do so).

11.6 Preparation for Reoccupancy. To decorate, remodel, repair, alter or otherwise prepare the Premises for reoccupancy at any time after Tenant abandons the Premises, without relieving Tenant of any obligation to pay Rent.

11.7 Heavy Articles. To approve the weight, size, placement and time and manner of movement within the Premises of any safe, central filing system or other heavy article of Tenant's property. Tenant shall move its property entirely at its own risk. Landlord's approval under this Section 11.7 shall not be unreasonably withheld, conditioned or delayed. In determining whether to grant such approval, Landlord may (i) elect to retain a structural consultant to review the impact, if any, of any such heavy articles on the Project, and Tenant shall reimburse Landlord for all costs associated with such structural review, or (ii) require Tenant to provide Landlord with documentation reasonably satisfactory to Landlord and prepared by a structural consultant that the heavy article will not result in any damage to the Project. Without limiting the grounds upon which Landlord may reasonably withhold its approval under this Section, it shall be reasonable for Landlord to withhold its approval if, in Landlord's reasonable opinion, the heavy article will damage any portion of the Project.

11.8 Show Premises. To show the Premises to prospective purchasers, tenants, brokers, lenders, mortgagees, investors, rating agencies or others at any reasonable time, provided that Landlord gives no less than twenty-four (24) hours' prior notice to Tenant and such showing does not materially interfere with Tenant's use of the Premises.

11.9 Intentionally Omitted

11.10 Use of Lockbox. To designate a lockbox collection agent for collections of amounts due Landlord. In that case, the date of payment of Rent or other sums shall be the date of the agent's receipt of such payment or the date of actual collection if payment is made in the form of a negotiable instrument thereafter dishonored upon presentment. However, Landlord may reject any payment for all purposes as of the date of receipt or actual collection by mailing to Tenant within a reasonable time after such receipt or collection a check equal to the amount sent by Tenant.

11.11 Repairs and Alterations. To make repairs or alterations to the Project, to close entrances, doors, corridors, elevators and other facilities in the Project or to temporarily suspend services or use of common areas in the Project. Landlord may perform any such repairs or alterations during ordinary business hours. Landlord may do or permit any work on any nearby building, land, street, alley or way. Notwithstanding any provision in the foregoing to the contrary, Landlord shall make commercially reasonable efforts to give Tenant at least twenty-four (24) hours' prior notice (which may be written or verbal) of any scheduled repair or alteration to be made by Landlord to the Project that may materially interfere with Tenant's access to, or operation of business in, the Premises; provided, however, that in the event of an emergency, Landlord shall provide such notice as is reasonable under the circumstances.

11.12 Intentionally Omitted

11.13 Use of Roof. To install, operate, maintain and repair any satellite dish, antennae, equipment, or other facility on the roof of each Building or to use the roof of the Buildings in any other manner, or to allow any entity selected by Landlord to undertake the foregoing, provided that such installation, operation, maintenance, repair or use does not unreasonably interfere with Tenant's use of the Premises or Tenant's installation and maintenance of a GPS system and related equipment pursuant to Section 6.4 above.

11.14 Other Actions. To take any other action which Landlord deems reasonable in connection with the operation, maintenance or preservation of the Buildings and the Project.

12. EVENTS OF DEFAULT.

12.1 Tenant's Default. The occurrence of any one or more of the following events (each, an "Event of Default") shall constitute a breach of this Lease by Tenant:

- (a) Tenant fails to pay any Rent when due and such failure continues for five (5) days or more following Landlord's notice of such failure.
- (b) Tenant fails to perform its obligations under Section 16 (Subordination), Section 17 (Assignment and Sublease), Section 19 (Estoppel Certificate) or Section 28 (Hazardous Substances).
- (c) Tenant (i) abandons the Premises, or (ii) vacates the Premises without providing a commercially reasonable level of security, or without providing reasonable

assurances to minimize potential vandalism.

(d) Tenant fails to perform any obligation to Landlord under this Lease other than those described in Sections 12.1(a), 12.1(b) or 12.1(c) above, and such failure continues for ten (10) days after written notice from Landlord or Landlord's agent, except that if Tenant begins to cure its failure within the ten (10) day period but cannot reasonably complete its cure within such period, then, so long as Tenant continues to diligently attempt to cure its failure, the ten (10) day period shall be extended to sixty (60) days, or such lesser period as is reasonably necessary to complete the cure.

(e) One of the following credit defaults occurs:

(i) Tenant (or any guarantor of Tenant's obligations hereunder) commences any proceeding under any law relating to bankruptcy, insolvency, reorganization or relief of debts, or seeks appointment of a receiver, trustee, custodian or other similar official for the Tenant (or the guarantor) or for any substantial part of its property, or any such proceeding is commenced against Tenant (or the guarantor) and either remains undismissed for a period of thirty (30) days or results in the entry of an order for relief against Tenant (or the guarantor) which is not fully stayed within seven (7) days after entry;

(ii) Tenant (or any guarantor of Tenant's obligations hereunder) becomes insolvent or bankrupt, does not generally pay its debts as they become due, or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors;

(iii) Any third party obtains a levy or attachment under process of law against Tenant's leasehold interest.

(f) Tenant fails to cure any default under the Other Lease (as defined in Section 1.4 above), within any applicable times permitted under the Other Lease (and any Event of Default under this Lease shall, at Landlord's election, constitute a default under the Other Lease).

Tenant acknowledges and agrees that, notwithstanding the foregoing provisions of this Section 12, Tenant shall be in default for purposes of Section 1161 of the California Code of Civil Procedure immediately following Tenant's failure to perform or comply with any covenants, agreements, terms or conditions of this Lease to be performed or observed by Tenant, including, without limitation, Tenant's failure to pay Rent when due, and that any notices required to be given by Landlord under this Section 12 shall, in each case, be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure, and shall be deemed to satisfy the requirement, if any, that notice be given pursuant to such section.

12.2 Landlord Defaults. Landlord shall be in default hereunder if Landlord has not begun and pursued with reasonable diligence the cure of any failure of Landlord to meet its obligations hereunder within thirty (30) days after the receipt by Landlord of written notice from Tenant of the alleged failure to perform. Except as expressly provided in this Lease or except in the case of constructive eviction (as evidenced by a final, unappealable judgment by a court of competent jurisdiction), in no event shall Tenant have the right to terminate or rescind this Lease as a result of Landlord's default as to any covenant or agreement contained in this

Lease. Tenant hereby waives such remedies of termination and rescission and hereby agrees that Tenant's remedies for default hereunder and for breach of any promise or inducement shall be limited to a suit for damages and/or injunction. In addition, Tenant hereby covenants that, prior to the exercise of any such remedies, Tenant will give notice and a reasonable time to cure any default by Landlord to any holder of a mortgage or deed of trust encumbering Landlord's interest in the Project of which Tenant has been given notice. Notwithstanding anything contained herein to the contrary, Landlord shall not be in default under this Lease to the extent Landlord is unable to perform any of its obligations on account of any prevention, delay, stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuels, energy or reasonable substitutes therefor, governmental restrictions, regulations, controls, actions or inaction, civil commotion, fire or other acts of god, national emergency, acts of war or terrorism or any other cause of any kind beyond the reasonable control of Landlord (except financial inability).

13. LANDLORD REMEDIES. UPON ANY EVENT OF DEFAULT BY TENANT (WITHIN THE MEANING OF SECTION 12.1 ABOVE), LANDLORD SHALL HAVE THE FOLLOWING REMEDIES, IN ADDITION TO ALL OTHER RIGHTS AND REMEDIES PROVIDED BY LAW OR OTHERWISE PROVIDED IN THIS LEASE, TO WHICH LANDLORD MAY RESORT CUMULATIVELY OR IN THE ALTERNATIVE:

13.1 Termination of Lease. Landlord may elect by notice to Tenant to terminate this Lease, in which event, Tenant shall immediately vacate the Premises and deliver possession to Landlord.

13.2 Civil Code Section 1951.4 Remedy. Even though Tenant has breached this Lease, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord shall have all of its rights and remedies, including the right, pursuant to California Civil Code Section 1951.4, to recover all rent as it becomes due under this Lease, if Tenant has the right to sublet or assign, subject only to reasonable limitations. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession unless written notice of termination is given by Landlord to Tenant.

13.3 Lease Termination Damages. If Landlord elects to terminate this Lease, then this Lease shall terminate on the date for termination set forth in such notice. Tenant shall immediately vacate the Premises and deliver possession to Landlord, and Landlord may repossess the Premises and may, at Tenant's sole cost, remove any of Tenant's signs and any of its other property, without relinquishing its right to receive Rent or any other right against Tenant. On termination, Landlord has the right to recover from Tenant as damages:

(a) The worth at the time of award of unpaid Rent and other sums due and payable which had been earned at the time of termination;
plus

(b) The worth at the time of award of the amount by which the unpaid Rent and other sums due and payable which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid Rent and other sums due and payable for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant proves could be reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which, in the ordinary course of things, would be likely to result therefrom, including, without limitation, any costs or expenses incurred by Landlord: (i) in retaking possession of the Premises; (ii) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering or rehabilitating the Premises or any portion thereof, including such acts for reletting to a new tenant or tenants; (iii) for leasing commissions; or (iv) for any other costs necessary or appropriate to relet the Premises; plus

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the State of California.

The "worth at the time of award" of the amounts referred to in Sections 13.3(a) and 13.3(b) is computed by allowing interest at the Interest Rate on the unpaid rent and other sums due and payable from the termination date through the date of award. The "worth at the time of award" of the amount referred to in Section 13.3(c) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Tenant waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, if Tenant is evicted or Landlord takes possession of the Premises by reason of any Event of Default by Tenant hereunder.

13.4 Landlord's Remedies Cumulative. All of Landlord's remedies under this Lease shall be in addition to all other remedies Landlord may have at law or in equity, including, without limitation, the remedy described in California Civil Code Section 1951.4 (pursuant to which Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has the right to sublet or assign the Lease, subject to reasonable limitations). Waiver by Landlord of any breach of any obligation by Tenant shall be effective only if it is in writing, and shall not be deemed a waiver of any other breach, or any subsequent breach of the same obligation. The possession of Tenant's funds, negotiation of Tenant's negotiable instruments, or acceptance of Tenant's payment by Landlord or its agents shall not constitute a waiver of any breach by Tenant, and if such possession, negotiation or acceptance occurs after Landlord's notice to Tenant, or termination of this Lease or of Tenant's right to possession, such possession, negotiation or acceptance shall not affect such notice or termination. Acceptance of payment by Landlord after commencement of a legal proceeding or final judgment shall not affect such proceeding or judgment. Landlord may advance such monies and take such other actions for Tenant's account as reasonably may be required to cure or mitigate any default by Tenant. Tenant shall immediately reimburse Landlord for any such advance, and such sums shall bear interest at the Interest Rate until paid.

13.5 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY WAIVES TRIAL BY JURY IF ANY LEGAL PROCEEDING IS BROUGHT BY THE OTHER IN CONNECTION WITH THIS LEASE. EACH PARTY SHALL BRING ANY ACTION AGAINST THE OTHER IN CONNECTION WITH THIS LEASE IN A

FEDERAL OR STATE COURT LOCATED IN CALIFORNIA, CONSENTS TO THE JURISDICTION OF SUCH COURTS, AND WAIVES ANY RIGHT TO HAVE ANY PROCEEDING TRANSFERRED FROM SUCH COURTS ON THE GROUND OF IMPROPER VENUE OR INCONVENIENT FORUM. THE PROVISIONS OF THIS SECTION 13.5 SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.

14. **SURRENDER.** Upon the expiration or earlier termination of this Lease for any reason, Tenant shall surrender the Premises to Landlord in its condition existing as of the date Landlord delivers possession of the Premises to Tenant, normal wear and tear and damage by fire or other casualty excepted, with all interior walls repaired and repainted if marked or damaged, all carpets shampooed and cleaned, all broken, marred or nonconforming acoustical ceiling tiles replaced, all windows washed, the plumbing and electrical systems and lighting in good order and repair, including replacement of any burned out or broken light bulbs or ballasts, the HVAC equipment serviced and repaired by a reputable and licensed service firm acceptable to Landlord, and all floors cleaned and waxed, all to the reasonable satisfaction of Landlord. Tenant shall remove from the Premises and the Project all of Tenant's trade fixtures, furniture, moveable equipment and other personal property, and any Alterations which Landlord elects to be removed pursuant to Section 5.3, and shall restore the Premises to its condition prior to their installation, including, without limitation, repairing all damage caused by the installation or removal of any of the foregoing items. If Tenant does not timely remove such property, then Tenant shall be conclusively presumed to have, at Landlord's election: (a) conveyed such property to Landlord without compensation or (b) abandoned such property, and Landlord may dispose of or store any part thereof in any manner at Tenant's sole cost, without waiving Landlord's right to claim from Tenant all expenses arising out of Tenant's failure to remove the property, and without liability to Tenant or any other person. Landlord shall have no duty to be a bailee of any such personal property. If Landlord elects to consider such property abandoned, Tenant shall be liable to Landlord for the costs of: (i) removal of any such Alterations or personal property, (ii) storage, transportation, and disposition of the same, and (iii) repair and restoration of the Premises, together with interest thereon at the Interest Rate from the date of expenditure by Landlord.

15. **HOLDOVER.** Tenant shall have no right to holdover possession of the Premises after the expiration or termination of this Lease without Landlord's prior written consent which Landlord may withhold in its sole and absolute discretion. If, however, Tenant retains possession of any part of the Premises after the Term, Tenant shall become a tenant at sufferance only, for the entire Premises upon all of the terms of this Lease as might be applicable to such tenancy, except that, if Landlord, at Landlord's sole option, permits Tenant to remain in the Premises as a month-to-month tenant, such tenancy shall be upon all of the terms of this Lease, including without limitation, with respect to the payment of Additional Rent, except that Tenant shall pay (a) for the first ninety (90) days of such holding over, Base Rent equal to one hundred twenty-five percent (125%) of the Market Rate (as defined in Section 31.3 below) for the Premises (as reasonably determined by Landlord); and (b) thereafter, Base Rent equal to one hundred fifty percent (150%) of the of the Market Rate (as defined in Section 31.3 below), computed on a monthly basis for each full or partial month Tenant remains in possession. Tenant shall also protect, defend, indemnify and hold Landlord harmless from and against all Claims resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom. No acceptance of Rent or other payments by Landlord under these holdover provisions shall operate as a waiver of Landlord's right to regain possession or any other of Landlord's remedies.

16. SUBORDINATION TO GROUND LEASES AND MORTGAGES.

16.1 Subordination. Subject to the provisions of Section 16.5 below, this Lease shall be subordinate to any present or future ground lease or mortgage (each a "Superior Interest") respecting the Project, and any amendments to such ground lease or mortgage, at the election of the ground lessor or mortgagee (a "Security Holder"), as the case may be, effected by notice to Tenant in the manner provided in this Lease. The subordination shall be effective upon such notice, but at the request of Landlord or such Security Holder, Tenant shall within ten (10) days after the request, execute and deliver to the requesting party any reasonable documents provided to evidence the subordination. Any mortgagee has the right, at its sole option, to subordinate its mortgage to the terms of this Lease, without notice to, nor the consent of, Tenant.

16.2 Termination of Ground Lease or Foreclosure of Mortgage. If any ground lease is terminated or mortgage foreclosed or deed in lieu of foreclosure given and the Security Holder or purchaser at a foreclosure sale shall thereby become the owner of the Project, Tenant shall attorn to such Security Holder or purchaser without any deduction or setoff by Tenant, and this Lease shall continue in effect as a direct lease between Tenant and such Security Holder or purchaser. The Security Holder or purchaser shall be liable as Landlord only during the time such Security Holder or purchaser is the owner of the Project. At the request of Landlord or any Security Holder, Tenant shall execute and deliver within ten (10) days after the request any document furnished by the requesting party to evidence Tenant's agreement to attorn.

16.3 Security Deposit. Any Security Holder shall be responsible for the return of any security deposit by Tenant only to the extent the security deposit, if any, is received by such Security Holder.

16.4 Notice and Right to Cure. Tenant agrees to send by registered or certified mail to any Security Holder identified in a notice from Landlord to Tenant, a copy of any notice of default sent by Tenant to Landlord. If Landlord fails to cure such default within the required time period under this Lease, but any Security Holder begins to cure within ten (10) days after such period and proceeds diligently to complete such cure, then such Security Holder shall have such additional time as is necessary to complete such cure, including any time necessary to obtain possession if possession is necessary to cure, and Tenant shall not begin to enforce its remedies so long as the cure is being diligently pursued.

16.5 Non-Disturbance Agreement. With respect to any Superior Interest to which this Lease is now or shall hereafter become subordinate, Landlord shall obtain from the Security Holder, for the benefit of Tenant, a non-disturbance agreement, in the customary form of such Security Holder, providing generally that as long as Tenant is not in default under this Lease, this Lease will not be terminated if such Security Holder acquires title to the Buildings or Project by reason of foreclosure proceedings, acceptance of a deed in lieu of foreclosure, or termination of the leasehold interest of Landlord, provided that Tenant attorns to such Security Holder in accordance with its requirements.

16.6 Definitions. As used in this Section 16, "mortgage" shall include "trust deed" and "deed of trust"; "mortgagee" shall include "trustee", "beneficiary" and the mortgagee of any ground lessee; and "ground lessor", "mortgagee", and "purchaser at a foreclosure sale" shall include, in each case, all of its successors and assigns, however remote.

17. ASSIGNMENT AND SUBLEASE.

17.1 In General. Subject to the provisions of Section 17.5 below, Tenant shall not, without Landlord's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), in each case: (a) make or allow any assignment or transfer, by operation of law or otherwise, of any part of Tenant's interest in this Lease, (b) sublet any part of the Premises, or (c) permit anyone other than Tenant and its employees to occupy any part of the Premises (all of the foregoing are hereinafter sometimes referred to individually as a "Transfer", and collectively as "Transfers", any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferee", and any person by whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferor"). Tenant shall remain primarily liable for all of its obligations under this Lease, notwithstanding any Transfer. No consent granted by Landlord shall be deemed to be a consent to any subsequent Transfer. Tenant shall pay all of Landlord's actual attorneys' fees and other expenses incurred in connection with any consent requested by Tenant or in considering any proposed Transfer, up to a maximum amount of Two Thousand Five Hundred Dollars (\$2,500.00) per proposed Transfer (unless there is a dispute in connection with the proposed Transfer, in which event the provisions of Section 25.26 below shall apply). Subject to the provisions of Section 17.5 below, any Transfer without Landlord's prior written consent shall be void. If Tenant shall assign this Lease or sublet or otherwise Transfer the entire Premises to any party other than a Permitted Transferee (as defined below), any rights of Tenant to renew this Lease, to extend the Term or to lease additional space in the Project shall be extinguished thereby and will not be transferred to the Transferee, all such rights being personal to the Tenant named herein. In addition, Tenant shall not, without Landlord's prior written consent, which Landlord may withhold in its sole discretion, mortgage, pledge or encumber this Lease, the term or estate hereby granted or any interest hereunder.

17.2 Landlord's Consent. Landlord will not unreasonably withhold its consent to any proposed Transfer. It shall be reasonable for Landlord to withhold its consent to any Transfer if (a) an Event of Default exists under this Lease, (b) the proposed Transferee is a tenant in the Project, an affiliate of such a tenant, or is negotiating with Landlord or has negotiated with Landlord during the six (6) month period immediately preceding Tenant's request for consent to lease space in the Project or in another project owned by Landlord in the vicinity of the Project, (c) the financial responsibility, nature of business, and character of the proposed Transferee are not all reasonably satisfactory to Landlord, (d) in the reasonable judgment of Landlord the purpose for which the Transferee intends to use the Premises (or a portion thereof) is not in keeping with Landlord's standards for the Project or are in violation of the terms of this Lease or any other leases in the Project, (e) the proposed Transferee is a government entity, or (f) the proposed effective rent under the sublease or other Transfer is less than eighty percent (80%) of the effective rent then being quoted by Landlord for comparable space in the Project for a comparable term, calculated using a present value analysis; provided, however, that if no comparable space in the Project is available for lease for a comparable term at the time of the proposed Transfer, then the foregoing restriction on the proposed effective rent under the sublease or other Transfer shall be inapplicable. The foregoing shall not exclude any other reasonable basis for Landlord to withhold its consent.

17.3 Procedure.

(a) Tenant shall notify Landlord of any proposed Transfer at least thirty (30) days prior to its proposed effective date. The notice (the "Transfer Notice") shall include the name and address of the proposed Transferee, its corporate affiliates in the case of a corporation and its partners in the case of a partnership, a description of the portion of the Premises that is subject to the Transfer (the "Transfer Premises"), a calculation of the Transfer Premium (as defined in Section 17.5 below) payable in connection with the Transfer, an executed copy of the proposed Transfer agreement, and sufficient information to permit Landlord to determine the financial responsibility and character of the proposed Transferee (including, without limitation, the most recent financial statements for the proposed Transferee). Landlord shall approve or disapprove of the proposed Transfer within fifteen (15) days (the "Review Period") after Landlord's receipt of the applicable Transfer Notice. If Landlord fails to notify Tenant in writing of such approval or disapproval within such Review Period, Landlord shall be deemed to have disapproved such Transfer; provided, however, that if, within five (5) business days after the Review Period, Tenant furnishes Landlord with a second Transfer Notice (the "Second Transfer Notice"), which specifies that "Landlord's failure to respond to this Transfer Notice shall constitute Landlord's approval of the proposed Transfer", then Landlord's failure to approve or disapprove the proposed Transfer within ten (10) days after receipt of the Second Transfer Notice shall constitute Landlord's approval of the Transfer.

(b) As a condition to the effectiveness of any assignment of this Lease, the assignee shall execute and deliver to Landlord, at least fifteen (15) days prior to the effective date of the assignment, Landlord's standard form of Consent to Assignment, providing for, among other things, an assumption of all of the obligations of Tenant under this Lease. As a condition to the effectiveness of any other Transfer, Transferee shall execute and deliver to Landlord, at least fifteen (15) days prior to the effective date of such Transfer, Landlord's standard consent form, providing, among other things, (i) the Transferee's obligation to indemnify Landlord and the other Landlord Parties consistent with Tenant's indemnification obligations in Section 8.2 above, and (ii) the Transferee's agreement that any such Transfer shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any such Transfer, Landlord shall have the right to: (1) treat such Transfer as cancelled and repossess the Transfer Premises by any lawful means, or (2) require that the Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall default and fail to cure within the time permitted for cure under Section 12 above, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such default is cured.

17.4 Change of Management or Ownership. Any transfer of the direct or indirect power to affect the management or policies of Tenant or direct or indirect change in 50% or more of the ownership interest in Tenant shall constitute an assignment of this Lease.

17.5 Permitted Transfers. Notwithstanding the provisions of Section 17.1 above, if Tenant is not then in default of this Lease, Tenant may assign this Lease or sublet any portion of the Premises (hereinafter collectively referred to as a "Permitted Transfer") to (a) a parent or subsidiary of Tenant, or an entity under common control with Tenant, (b) any

successor entity to Tenant by way of merger, consolidation or other non-bankruptcy corporate reorganization, or (c) an entity which acquires all or substantially all of Tenant's assets (collectively, "Permitted Transferees", and, individually, a "Permitted Transferee"); provided that (i) at least ten (10) business days prior to the Transfer, Tenant notifies Landlord of such Transfer, and supplies Landlord with any documents or information reasonably requested by Landlord regarding such Transfer or Permitted Transferee, including, but not limited to, copies of the sublease or instrument of assignment and copies of documents establishing to the reasonable satisfaction of Landlord that the transaction in question is one permitted under this Section 17.5, (ii) at least ten (10) business days prior to the Transfer, Tenant furnishes Landlord with a written document executed by the proposed Permitted Transferee in which, in the case of an assignment, such entity assumes all of Tenant's obligations under this Lease with respect to the Transfer Premises, and, in the case of a sublease, such entity agrees to sublease the Transfer Premises subject to this Lease, (iii) in the case of a Transfer pursuant to clause (b) above, the successor entity must have a net worth (computed in accordance with generally accepted accounting principles, except that intangible assets such as goodwill, patents, copyrights, and trademarks shall be excluded in the calculation ("Net Worth")) at the time of the Transfer that is at least equal to the Net Worth of Tenant immediately prior to such Transfer, and (iv) any such proposed Transfer is made for a good faith operating business purpose and not, whether in a single transaction or in a series of transactions, be entered into as a subterfuge to evade the obligations and restrictions relating to Transfers set forth in this Section 17.

17.6 Transfer Premium.

(a) If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Landlord shall be entitled to receive, as Additional Rent hereunder, seventy-five percent (75%) of any Transfer Premium derived from such Transfer. As used herein, the term "Transfer Premium" means (i)(A) in the case of an assignment, any consideration (including, without limitation, payment for leasehold improvements) paid by the assignee on account of such assignment, and (B) in the case of any other Transfer, all rent, additional rent or other consideration paid by the Transferee to the Transferor pursuant to such Transfer in excess of the base rent and additional rent payable by such Transferor during the term of the Transfer on a per rentable square foot basis, minus (ii) (AA) any brokerage commissions (not to exceed commissions typically paid in the market at the time of such subletting or assignment) and reasonable attorneys' fees paid by Transferor in connection with the Transfer and (BB) the reasonable cost of Alterations made to the Transfer Premises at Tenant's cost to effect the Transfer (not to exceed Five Dollars (\$5.00) per rentable square foot of the Transfer Premises) (collectively, "Recoverable Expenses"), unless the deduction of such Recoverable Expenses is waived by Transferor pursuant to Section 17.5(b) below. For purposes of calculating the Transfer Premium in connection with a sublease, the Recoverable Expenses shall be deducted, on an amortized basis, without interest, over the term of the sublease. Payment of the portion of the Transfer Premium due Landlord hereunder shall be a joint and several obligation of Tenant and the Transferee, and shall be made to Landlord as follows: (1) in the case of an assignment, the Transferor shall pay the portion of the Transfer Premium due to Landlord within ten (10) days after the Transferor receives the consideration described in clause (i)(A) above; and (2) in the case of any other Transfer, on the first day of each month during the term of the Transfer, the Transferee shall pay directly to Landlord seventy-five percent (75%) of the amount by which the rent, additional rent or other consideration due from the Transferee for such month exceeds (x) the base rent and additional

rent payable by the applicable Transferor for said month which is allocable to the Transfer Premises, plus (y) the amortized amount of Recoverable Expenses allocated to such month, unless such Recoverable Expenses are waived by Transferor pursuant to Section 17.5(b).

(b) Within sixty (60) days after the effective date of any Transfer, Transferor shall provide Landlord a written statement, together with reasonably detailed invoices therefor, certifying the total amount of Recoverable Expenses in connection with any Transfer and Tenant's calculation of the Transfer Premium. If Transferor fails to provide such statement and invoices to Landlord within the sixty (60) day period, Transferor shall be deemed to have waived the deduction of Recoverable Expenses in determining the Transfer Premium. Landlord or its authorized representatives shall have the right, upon at least seventy-two (72) hours' prior notice, during normal business hours, to audit the books, records and papers of Tenant, and any other Transferor, relating to a Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found to be understated, Tenant shall, within ten (10) days after demand, pay the deficiency; and, if understated by more than seven percent (7%), Tenant shall pay Landlord's costs of such audit.

17.7 Recapture. In the case of a proposed assignment of this Lease or the sublease or other Transfer of one hundred percent (100%) of either Building A or Building B to any party other than a Permitted Transferee, Landlord may terminate this Lease as to the Transfer Premises by giving Tenant written notice (the "Recapture Notice") within thirty (30) days after Landlord's receipt of the proposed fully executed Transfer agreement submitted by Tenant for Landlord's consent. Such termination shall be effective as of the termination date set forth in Landlord's Recapture Notice, and all obligations of Landlord and Tenant under this Lease as to such terminated space shall expire as of such termination date, except those that expressly survive any termination of this Lease. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same.

17.8 Tenant Remedies. Notwithstanding anything to the contrary in this Lease, if Tenant claims that Landlord has unreasonably withheld or delayed its consent under this Section 17 or otherwise has breached or acted unreasonably under this Section 17, Tenant's sole remedies shall be declaratory judgment and an injunction for the relief sought or monetary damages, and Tenant hereby waives all other remedies, including, without limitation, any right provided under California Civil Code Section 1995.310 or other applicable laws to terminate this Lease; provided, however, nothing contained in this Section 17.8 is intended to limit Tenant's rights and remedies in the event Landlord is adjudged by a court of competent jurisdiction to have acted in bad faith in withholding or delaying its consent to a proposed Transfer.

18. CONVEYANCE BY LANDLORD. If Landlord shall at any time transfer its interest in the Project or this Lease, Landlord shall be released from any obligations occurring after such transfer, except the obligation to return to Tenant any security deposit not delivered to its transferee, and Tenant shall look solely to Landlord's successors for performance of such obligations. This Lease shall not be affected by any such transfer.

19. ESTOPPEL CERTIFICATE. Each party shall, within ten (10) days after receiving a request from the other party, execute, acknowledge in recordable form, and deliver to the other party or its designee a certificate stating, subject to a specific statement of any applicable exceptions, that this Lease as amended to date is in full force and effect, that Tenant is paying Rent and other charges on a current basis, and that to the best of the knowledge of the certifying party, the other party has committed no uncured defaults and has no offsets or claims. The certifying party may also be required to state the date of commencement of payment of Rent, the Commencement Date, the Termination Date, the Base Rent, the current Operating Cost Share Rent and Tax Share Rent estimates, the status of any improvements required to be completed by Landlord, the amount of any security deposit, and such other matters as may be reasonably requested. A party's failure to deliver a certificate within the ten (10) day period set forth above shall not constitute a breach under this Lease unless such party fails to deliver such certificate within an additional ten (10) days after the delivery of a notice to such party by the other party. Tenant's failure to execute or deliver an estoppel certificate within the second ten (10) day period shall constitute an acknowledgment by Tenant that the statements included in the estoppel certificate are true and correct, without exception. Either party's failure to execute or deliver an estoppel certificate or other document or instrument required under this Section 19 within the second ten (10) day period shall be a material breach of this Lease.

20. INTENTIONALLY OMITTED.

21. INTENTIONALLY OMITTED.

22. NOTICES. All notices, consents, approvals and similar communications to be given by one party to the other under this Lease, shall be given in writing, mailed or personally delivered as follows:

22.1 Landlord. To Landlord as follows:

CarrAmerica Realty Operating Partnership, L.P.
1810 Gateway Drive, Suite 150
San Mateo, CA 94404
Attn: Market Officer

with a copy to:

CarrAmerica Realty Operating Partnership, L.P.
1850 K Street, N.W., Suite 500
Washington, D.C. 20006
Attn: Lease Administration

or to such other person at such other address as Landlord may designate by notice to Tenant.

22.2 Tenant. To Tenant as follows:

Prior to the Commencement Date:

Trimble Navigation Limited
759 N Mary Avenue
Sunnyvale, CA 94085
Attn: Real Estate Department

With a copy to:

Trimble Navigation Limited
759 N Mary Avenue
Sunnyvale, CA 94085
Attn: General Counsel

After the Commencement Date:

Trimble Navigation Limited
935 Stewart Drive
Sunnyvale, CA 94085
Attn: Real Estate Department

With a copy to:

Trimble Navigation Limited
935 Stewart Drive
Sunnyvale, CA 94085
Attn: General Counsel

or to such other person at such other address as Tenant may designate by notice to Landlord.

Mailed notices shall be sent by United States certified or registered mail, or by a reputable national overnight courier service, postage prepaid. Mailed notices shall be deemed to have been given on the earlier of actual delivery or three (3) business days after posting in the United States mail in the case of registered or certified mail, and one (1) business day in the case of overnight courier. Tenant hereby appoints as its agent to receive the service of process in any action, or any notice required by law to be given prior to the commencement of any action, for recovery of possession of the Premises or any part thereof, and to receive service of all notices hereunder (including dispossessory or distraint proceedings and notices thereunder), the person in charge of or occupying the Premises at the time, and, if no person shall be in charge of or occupying the same, then such service may be made by attaching the same on the main entrance of the Premises.

23. QUIET POSSESSION. So long as Tenant shall perform all of its obligations under this Lease, Tenant shall enjoy peaceful and quiet possession of the Premises against any party claiming through the Landlord, subject to all of the terms of this Lease.

24. REAL ESTATE BROKERS. Tenant represents to Landlord that Tenant has not dealt with any real estate broker with respect to this Lease except for any broker(s) listed in the Schedule, and no other broker is in any way entitled to any broker's fee or other payment in connection with this Lease. Tenant shall indemnify and defend Landlord against any Claims by any other broker or third party for any payment of any kind in connection with this Lease.

25. MISCELLANEOUS.

25.1 Successors and Assigns. Subject to the limits on Tenant's assignment contained in Section 17, the provisions of this Lease shall be binding upon and inure to the benefit of all successors and assigns of Landlord and Tenant.

25.2 Date Payments Are Due. Except for payments to be made by Tenant under this Lease which are due upon demand or are due in advance (such as Base Rent), and except as otherwise expressly provided in this Lease, Tenant shall pay to Landlord any amount for which Landlord renders a statement of account within ten (10) days after Tenant's receipt of Landlord's statement.

25.3 Meaning of "Landlord", "Re-Entry", "including" and "Affiliate". The term "Landlord" means only the owner of the Project and the lessor's interest in this Lease from time to time. The words "re-entry" and "re-enter" are not restricted to their technical legal meaning. The words "including" and similar words shall mean "without limitation." The word "affiliate" shall mean a person or entity controlling, controlled by or under common control with the applicable entity. "Control" shall mean the power directly or indirectly, by contract or otherwise, to direct the management and policies of the applicable entity.

25.4 Time of the Essence. Time is of the essence of each provision of this Lease.

25.5 No Option. The submission of this Lease to Tenant for review or execution does not create an option or constitute an offer to Tenant to lease the Premises on the terms and conditions contained herein or a reservation of the Premises in favor of Tenant, and this Lease shall not become effective unless and until it has been executed and delivered by both Landlord and Tenant.

25.6 Severability. If any provision of this Lease is determined to be invalid, illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

25.7 Governing Law. This Lease shall be governed in all respects by the laws of the state in which the Project is located, without regard to the principles of conflicts of laws.

- 25.8 Lease Modification. Tenant agrees to modify this Lease in any way requested by a mortgagee which does not cause increased expense to Tenant or otherwise materially adversely affect Tenant's interests under this Lease.
- 25.9 No Oral Modification. No modification of this Lease shall be effective unless it is a written modification signed by both parties.
- 25.10 Landlord's Right to Cure. If Tenant fails to perform any obligations under this Lease, Landlord may cure any such failure on Tenant's behalf and any expenses incurred shall constitute Additional Rent due from Tenant on demand by Landlord. Landlord's right to cure under this Section shall apply after applicable notice and cure periods, if any; provided, however, that Landlord may cure Tenant's failure immediately in the case of an emergency.
- 25.11 Captions. The captions used in this Lease shall have no effect on the construction of this Lease.
- 25.12 Authority. Landlord and Tenant each represents to the other that it has full power and authority to execute and perform this Lease.
- 25.13 Landlord's Enforcement of Remedies. Landlord may enforce any of its remedies under this Lease either in its own name or through an agent.
- 25.14 Entire Agreement. This Lease, together with all Exhibits, constitutes the entire agreement between the parties. No representations or agreements of any kind have been made by either party which are not contained in this Lease.
- 25.15 Landlord's Title. Landlord's title shall always be paramount to the interest of Tenant, and nothing in this Lease shall empower Tenant to do anything which might in any way impair Landlord's title.
- 25.16 Light and Air Rights. Landlord does not grant in this Lease any rights to light and air in connection with Project. Landlord reserves to itself, the Project, the Building below the improved floor of each floor of the Premises, the Building above the ceiling of each floor of the Premises, the exterior of the Premises and the areas on the same floor outside the Premises, along with the areas within the Premises required for the installation and repair of utility lines and other items required to serve other tenants of the Project.
- 25.17 Singular and Plural; Joint and Several Liability. Wherever appropriate in this Lease, a singular term shall be construed to mean the plural where necessary, and a plural term the singular. For example, if at any time two parties shall constitute Landlord or Tenant, then the relevant term shall refer to both parties together. If more than one individual or entity comprises Tenant, the obligations imposed on each individual or entity that comprises Tenant under this Lease shall be joint and several.
- 25.18 No Recording by Tenant. Tenant shall not record in any public records any memorandum or any portion of this Lease.

25.19 Exclusivity. Landlord does not grant to Tenant in this Lease any exclusive right except the right to occupy the Premises.

25.20 No Construction Against Drafting Party. The rule of construction that ambiguities are resolved against the drafting party shall not apply to this Lease.

25.21 Survival. The waivers of claims or rights, the releases and the obligations of Tenant under this Lease to indemnify, protect, defend and hold harmless Landlord and other Landlord Parties shall survive the expiration or earlier termination of this Lease, and so shall all other obligations or agreements of Landlord or Tenant hereunder which by their terms survive the expiration or earlier termination of this Lease.

25.22 Rent Not Based on Income. No Rent or other payment in respect of the Premises shall be based in any way upon net income or profits from the Premises. Tenant may not enter into or permit any sublease or license or other agreement in connection with the Premises which provides for a rental or other payment based on net income or profit.

25.23 Project Manager and Service Providers. Landlord may perform any of its obligations under this Lease through its employees or third parties hired by the Landlord.

25.24 Late Charge and Interest on Late Payments. Without limiting the provisions of Section 12.1, if Tenant fails to pay any installment of Rent or other charge to be paid by Tenant pursuant to this Lease within ten (10) days after the same becomes due and payable, then Tenant shall pay a late charge equal to the greater of five percent (5%) of the amount of such payment or \$250. In addition, interest shall be paid by Tenant to Landlord on any late payments of Rent from the date due until paid at the rate provided in Section 2.4(b). Such late charge and interest shall constitute Additional Rent due and payable by Tenant to Landlord upon the date of payment of the delinquent payment referenced above. Notwithstanding the provisions of this Section 25.24 to the contrary, no late charge shall be assessed the first time during any Lease Year that Rent is not paid on the date on which it is due and payable, so long as Tenant shall pay any such delinquent amount within three (3) days after notice of such delinquency from Landlord.

25.25 Tenant's Financial Statements. Within ten (10) days after Landlord's written request therefor, Tenant shall deliver to Landlord the current audited annual and quarterly financial statements of Tenant, and annual audited financial statements of the two (2) years prior to the current year's financial statements, each with an opinion of a certified public accountant, including a balance sheet and profit and loss statement for the most recent prior year, all prepared in accordance with generally accepted accounting principles consistently applied. Notwithstanding the foregoing, as long as Tenant's financial statements are readily available over the Internet or otherwise publicly available, Tenant shall not be obligated to deliver them to Landlord hereunder.

25.26 Attorneys' Fees. In any arbitration, quasi-judicial or administrative proceedings or any action in any court of competent jurisdiction, brought by either party to enforce any covenant or any of such party's rights or remedies under this Lease, including any action for declaratory relief, or any action to collect any payments required under this Lease or

to quiet title against the other party, the prevailing party shall be entitled to reasonable attorneys' fees and all costs, expenses and disbursements in connection with such action, including the costs of reasonable investigation, preparation and professional or expert consultation, which sums may be included in any judgment or decree entered in such action in favor of the prevailing party. In addition, Tenant shall pay the attorneys' fees and other costs Landlord incurs in enforcing this Lease where an action or proceeding is not brought.

25.27 Other Improvements. If portions of the Project or property adjacent to the Project (collectively, the "Other Improvements") are owned by an entity other than Landlord, then, so long as Tenant's rights under this Lease (including, without limitation, Tenant's use and occupancy of, and access to, the Premises, parking areas, and/or Project) are not materially impaired, impeded, or otherwise materially and adversely affected, or Tenant's costs or expenses payable under this Lease materially increased, Landlord may, at its option, enter into an agreement with the owner or owners of any of the Other Improvements to provide (a) for reciprocal rights of access, use and/or enjoyment of the Project and the Other Improvements, (b) for the common management, operation, maintenance, improvement and/or repair of all or any portion of the Project and all or any portion of the Other Improvements, (c) for the allocation of a portion of Operating Costs and Taxes to the Other Improvements and the allocation of a portion of the operating expenses and taxes for the Other Improvements to the Project, (d) for the use or improvement of the Other Improvements and/or the Project in connection with the improvement, construction, and/or excavation of the Other Improvements and/or the Project, and (e) for any other matter which Landlord deems appropriate or necessary. Nothing contained herein shall be deemed or construed to limit or otherwise affect Landlord's right to sell all or any portion of the Project or any other of Landlord's rights described in this Lease.

25.28 Security. Landlord shall be the sole determinant of the type and amount of security services to be provided to the Project, if any. In all events, Landlord shall not be liable to Tenant, and Tenant hereby waives any claim against Landlord, for (a) any unauthorized or criminal entry of third parties into the Premises or the Project, (b) any damage to persons, or (c) any loss of property in and about the Premises or the Project, by or from any unauthorized or criminal acts of third parties, regardless of any action, inaction, failure, breakdown, malfunction and/or insufficiency of the security services provided by Landlord.

26. UNRELATED BUSINESS INCOME. If Landlord is advised by its counsel at any time that any part of the payments by Tenant to Landlord under this Lease may be characterized as unrelated business income under the United States Internal Revenue Code and its regulations, then Tenant shall enter into any amendment proposed by Landlord to avoid such income, so long as the amendment does not require Tenant to make more payments or accept fewer services from Landlord, than this Lease provides.

27. PROJECT RENOVATIONS. It is specifically understood and agreed that Landlord has made no representation or warranty to Tenant and has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises or any part thereof and that no representations respecting the condition of the Premises have been made by Landlord to Tenant except as specifically set forth herein. However, Tenant hereby acknowledges that Landlord may during the Lease Term renovate, improve, alter, or modify (collectively, the "Renovations") the Project, including without limitation the parking and common areas, and related systems and equipment, which Renovations may include, without limitation, modifying the common areas to comply with Governmental Requirements, including regulations relating to the physically disabled, seismic conditions, and building safety and security; and in

connection with any Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Project, limit or eliminate access to portions of the Project, including portions of the common areas, or perform work in the Project, which work may create noise, dust or leave debris in the Project. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions. Notwithstanding any provisions to the contrary contained herein, Landlord shall use commercially reasonable efforts in the performance of any Renovations to minimize interference with the conduct of Tenant's business in the Premises and Tenant's parking rights hereunder; and, with respect to any Renovations which could interfere with the conduct of Tenant's business in the Premises or Tenant's parking rights hereunder, Landlord shall, except in the event of an emergency, provide Tenant with at least twenty-four (24) hours' prior notice (which may be verbal and/or be sent by e-mail to Tenant's facilities manager).

28. HAZARDOUS SUBSTANCES.

28.1 Prohibition Against Hazardous Substances.

(a) Except for de minimis quantities of general office supplies customarily used by office tenants in the ordinary course of their business, such as copier toner, liquid paper, glue, ink and cleaning solvents (which supplies Tenant agrees to use in compliance with all applicable Governmental Requirements), Tenant shall not cause or permit any Hazardous Substances to be brought upon, produced, stored, used, discharged or disposed of in or near the Project without Landlord's prior written consent, which Landlord may give or withhold in its sole discretion. Any handling, transportation, storage, treatment, disposal or use of any Hazardous Substances in or about the Project by Tenant, its agents, employees, contractors or invitees shall strictly comply with all applicable Governmental Requirements. Tenant shall be solely responsible for obtaining and complying with all permits necessary for the maintenance and operation of its business, including, without limitation, all permits governing the use, handling, storage, treatment, transport, discharge and disposal of Hazardous Substances. Tenant shall indemnify, defend and hold Landlord harmless from and against any Claims (including, without limitation, diminution in value of the Premises or the Project, damages for the loss or restriction on use of leasable space or of any amenity of the Premises or the Project, damages arising from any adverse impact on marketing of space in the Project, Remedial Work, and sums paid in settlement of claims) which result from or arise out of the use, storage, treatment, transportation, release, or disposal of any Hazardous Substances on or about the Project by Tenant or any Tenant Parties.

(b) Landlord shall have the right, at any time, but not more than once per calendar year (unless Landlord has reasonable cause to believe that Tenant has failed to fully comply with the provisions of this Section 28, or unless required by any lender or governmental agency), to inspect the Premises and conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this Section 28. The reasonable costs of all such inspections, tests and investigations shall be borne solely by

Tenant. The foregoing rights granted to Landlord shall not, however, create (i) a duty on Landlord's part to inspect, test, investigate, monitor or otherwise observe the Premises or the activities of Tenant or any Tenant Party with respect to Hazardous Substances, including, but not limited to, Tenant's operation, use or remediation thereof, or (ii) liability on the part of Landlord or any Landlord Party for Tenant's use, storage, treatment, transportation, release, or disposal of any Hazardous Substances, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

28.2 Landlord Notification. Tenant shall promptly provide Landlord with complete copies of all documents, correspondence and other written materials directed to or from, or relating to, Tenant concerning environmental issues at the Premises or the Project, including, without limitation, documents relating to the release, potential release, investigation, compliance, cleanup and abatement of Hazardous Substances, and any claims, causes of action or other legal documents related to same. Within twenty-four (24) hours of any unauthorized release, spill or discharge of Hazardous Substances, in, on, or about the Premises or Project, Tenant shall provide written notice to Landlord fully describing the event. Tenant shall also provide Landlord with a copy of any document or correspondence submitted by or on behalf of Tenant to any regulatory agency as a result of or in connection with the unauthorized release, spill or discharge. Within twenty-four (24) hours of receipt by Tenant of any warning, notice of violation, permit suspension or similar disciplinary measure relating to Tenant's actual or alleged failure to comply with any environmental law, rule, regulation, ordinance or permit, Tenant shall provide written notice to Landlord.

28.3 Remedial Work. If any Remedial Work is required under any Governmental Requirements as a result of the use, storage, treatment, transportation, release, or disposal of any Hazardous Substances on or about the Project by Tenant or any Tenant Parties, then Tenant shall perform or cause to be performed the Remedial Work in compliance with Governmental Requirements or, at Landlord's option, Landlord may cause such Remedial Work to be performed and Tenant shall reimburse Landlord for the reasonable costs thereof within thirty (30) days after demand therefor. All Remedial Work performed by Tenant shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance in writing by Landlord, and under the supervision of a consulting engineer selected by Tenant and reasonably approved in advance in writing by Landlord. All costs and expenses of such Remedial Work shall be paid by Tenant, including, without limitation, the charges of such contractor(s), the consulting engineer and Landlord's reasonable attorneys' and experts' fees and costs incurred in connection with monitoring or review of such Remedial Work.

28.4 Environmental Questionnaire. Prior to execution of this Lease, Tenant shall complete, execute and deliver to Landlord an Environmental Questionnaire and Disclosure Statement. The completed Environmental Questionnaire shall be deemed incorporated into this Lease for all purposes, and Landlord shall be entitled to rely fully on the information contained therein. Tenant shall immediately update and resubmit to Landlord the Environmental Questionnaire if changes occur in the nature, content, handling, storage, use, treatment, transport, discharge, or disposal of the Hazardous Substances described therein. Attached hereto as Exhibit E is a form of Environmental Questionnaire to be executed in accordance with the foregoing provision.

28.5 Survival. Tenant's obligations under this Section 28 shall survive the expiration or earlier termination of this Lease until all Claims within the scope of this Section 28 are fully, finally, and absolutely barred by the applicable statutes of limitations. If it is

determined by Landlord that the condition of all or any portion of the Premises or the Project is not in compliance with the provisions of this Section 28, including, but not limited to all applicable Governmental Requirements relating to Hazardous Substances, at the expiration or earlier termination of this Lease, then Landlord, in its sole discretion, may require Tenant to hold over possession of the Premises until Tenant can surrender the Premises to Landlord in the condition required under Section 14 above and in full compliance with the provisions of this Section 28. The burden of proof under this Section 28.5 shall be upon Tenant. For purposes of Section 14, the term "normal wear and tear" shall not include any deterioration in the condition or diminution of the value of any portion of the Premises or the Project in any manner whatsoever related directly or indirectly to Hazardous Substances. Any such holdover by Tenant shall be with Landlord's consent, will not be terminable by Tenant in any event or circumstance and will otherwise be subject to Section 15 above.

28.6 Prior Contamination. Tenant hereby acknowledges that Landlord has informed Tenant that certain chlorinated volatile organic compounds may be present in the groundwater under the Project as of the date of this Lease (the "Prior Contamination"). Tenant hereby covenants for the benefit of Landlord that it will not use or store any chlorinated volatile organic compounds on the Premises or within the Project. Tenant agrees and acknowledges that: (a) except as expressly provided in this Lease, neither Landlord nor any of Landlord's representatives have made any representations or warranties about the environmental condition of the Project or the accuracy or completeness of any environmental reports made available to Tenant regarding the Land; (ii) Tenant is sophisticated, knowledgeable and experienced in the analysis of environmental matters and that Tenant has entered into this Lease with the intention of making and relying upon its own (or its experts') investigation of the environmental condition of the Project; and (iii) Tenant is not relying upon any representations or warranties purportedly made by Landlord or anyone acting or claiming to act on Landlord's behalf concerning the Project.

28.7 Landlord's Remedial Work.

(a) In the event that any Remedial Work is required by Governmental Requirements to be performed in the Project as a result of Hazardous Substances that are regulated by any local government authority, the State of California or the United States government as of the Commencement Date and that are located in the Project as of the Commencement Date ("Pre-Existing Hazardous Substances"), then, except to the extent such Remedial Work is required solely by reason of any negligent or intentional misconduct by Tenant or any Tenant Parties, Landlord shall perform or cause to be performed, at no cost to Tenant, the Remedial Work in compliance with all Governmental Requirements. Landlord's performance of any Remedial Work shall not render Landlord liable for damages to either person or property or for interruption or loss to Tenant's business, nor be construed as an eviction of Tenant, nor work an abatement of any portion of Rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof; provided, however, that if (i) Tenant is prevented from using all or part of the Premises as a result of Landlord's Remedial Work (an "Environmental Interruption"), (ii) such Environmental Interruption continues for five (5) consecutive business days after Landlord's receipt of notice thereof from Tenant, and (iii) the Remedial Work is not required by reason of the use, storage, treatment, transportation, release, or disposal of any Hazardous Substances on or about the Project by Tenant or any Tenant Parties, then Rent payable under this Lease shall be equitably abated or reduced for such time that Tenant continues to be prevented from using all or part of the Premises in the proportion that the rentable square feet affected by the Environmental Interruption bears to the total

rentable square feet of the Premises. For the avoidance of doubt, Tenant shall not be liable or responsible for Remedial Work with respect to Pre-Existing Hazardous Substances, unless and except to the extent exacerbated by the use, storage, treatment, transportation, release or disposal of any Hazardous Substances on or about the Project by Tenant or any Tenant Parties.

(b) Landlord shall indemnify and hold Tenant harmless from any Claims to the extent any such Claim results from or arises out of the negligent use, storage, treatment, transportation, release, or disposal of any Hazardous Substances on or about the Project by Landlord, its agents, employees, or contractors. Landlord's liability under the foregoing indemnity (i) is personal to Tenant and may not be assigned to or relied upon by any third party other than a Permitted Transferee without Landlord's prior written consent, which may be withheld in Landlord's sole and absolute discretion, (ii) is limited to Tenant's actual, out of pocket costs incurred in connection with complying with any order of any applicable state or federal agencies relating to the remediation, removal, disposal or monitoring ("Compliance Order") of Hazardous Substances on or about the Project as a result of the negligent use, storage, treatment, transportation, release, or disposal by Landlord, its agents, employees or contractors, and to reasonable consultants fees and costs and reasonable attorneys' fees and costs incurred in defending against a proposed Compliance Order, so long as Landlord may select the attorney to defend Tenant and have sole authority to make all settlement and other decisions in regard to the proceedings, including the decision whether to challenge the Compliance Order (and any related order or action) by appeal or court challenge, and (iii) specifically excludes any claims, costs, damages or losses for personal injury, property damage, punitive damages, damage to business, lost profits, or consequential damages incurred by Tenant or any third party.

28.8 Definition of "Hazardous Substances". "Hazardous Substances" means any hazardous or toxic substances, materials or waste which are or become regulated by any local government authority, the state in which the Project is located or the United States government, including those substances described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., any other applicable federal, state or local law, and the regulations adopted under these laws.

29. EXCULPATION. Landlord shall have no personal liability under this Lease; its liability shall be limited solely and exclusively to an amount which is equal to the lesser of (a) the interest of Landlord in the Project or (b) the equity interest Landlord would have in the Project if the Project were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Project (as such value is determined by an arms' length licensed appraiser reasonably acceptable to Landlord and Tenant). In no event shall Landlord's liability extend to any other property or assets of Landlord, nor shall any officer, director, employee, agent, shareholder, partner, member or beneficiary of Landlord be personally liable for any of Landlord's obligations hereunder. Further, in no event shall Landlord be liable under any circumstances for any consequential damages or for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill, or loss of use, however occurring.

30. COMMUNICATIONS AND COMPUTER LINES. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables (collectively, the "Lines") at the Project in or serving the Premises, provided that (a) Tenant shall obtain

Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of this Lease, (b) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (c) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, and shall be surrounded by a protective conduit reasonably acceptable to Landlord, (d) any new or existing Lines servicing the Premises shall comply with all Governmental Requirements, and (e) Tenant shall pay all costs in connection with the foregoing. Landlord reserves the right to require that Tenant remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time in violation of any Governmental Requirements or represent a dangerous or potentially dangerous condition. Tenant shall remove any or all Lines installed by or for Tenant within or serving the Premises upon expiration or sooner termination of this Lease. If Tenant fails to remove such Lines as required by Landlord, or violates any other provision of this Section, Landlord may, after ten (10) days' written notice to Tenant, remove such Lines or remedy such other violation, at Tenant's expense (without limiting Landlord's other remedies available under this Lease or Governmental Requirements).

31. OPTION TO EXTEND.

31.1 Renewal Option. Subject to the terms and conditions set forth below, Landlord hereby grants to Tenant two (2) successive options to extend the Term of this Lease (each, a "Renewal Option") for additional periods of five (5) years each (each, a "Renewal Term"). The second Renewal Option may be exercised only if the first Renewal Option has been duly exercised. Each Renewal Term shall be upon the same terms, covenants and conditions of this Lease, including provisions regarding payment of Additional Rent, which shall remain payable on the terms herein set forth, except that (a) the Base Rent payable by Tenant during the Renewal Terms shall be as determined in accordance with Sections 31.3 and 31.4 below, (b) Tenant shall continue to possess and occupy the Premises in their existing condition, "as is" as of the commencement of each Renewal Term, and Landlord shall have no obligation to repair, remodel, improve or alter the Premises, to perform any other construction or other work of improvement upon the Premises, or to provide Tenant with any construction or refurbishing allowance whatsoever, and (c) Tenant shall have no further rights to extend the Term of this Lease after the expiration of the second Renewal Term.

31.2 Conditions of Exercise. To exercise each Renewal Option, Tenant must deliver an unconditional binding notice to Landlord via certified mail or hand delivery not sooner than three hundred sixty-five (365) days nor later than two hundred forty (240) days prior to the then current Termination Date. If Tenant fails to timely give its notice of exercise, Tenant will be deemed to have waived the applicable (and any subsequent) Renewal Option.

31.3 Market Rate Calculation. The Base Rent payable by Tenant for the Premises during each Renewal Term shall be the Market Rate (as defined below) for the Premises, valued as of the commencement of such Renewal Term, determined in the manner hereinafter provided. As used herein, the term "Market Rate" shall mean the annual amount of Base Rent that a willing tenant would pay, and that a willing landlord would accept, at arm's length, for space comparable to the Premises within the Project or other comparable first class office/R&D projects in the vicinity of the Project (the "Comparison Projects"), based upon binding lease transactions for tenants in the Comparison Projects that, where possible, commence or are to commence within six (6) months prior to or within six (6) months after the

commencement of the Renewal Term ("Comparison Leases"). Comparison Leases shall include renewal and new non-renewal tenancies, but shall exclude subleases and leases of space subject to another tenant's expansion rights. Rental rates payable under Comparison Leases shall be adjusted to account for variations between this Lease and the Comparison Leases with respect to: (a) the length of the Renewal Term compared to the lease term of the Comparison Leases; (b) rental structure, including, without limitation, rental rates per rentable square foot (including type, gross or net, and if gross, adjusting for base year or expense stop), additional rental, escalation provisions, all other payments and escalations; (c) the size of the Premises compared to the size of the premises of the Comparison Leases; (d) location, floor levels and efficiencies of the floor(s) for which the determination is being made; (e) free rent, moving expenses and other cash payments, allowances or other monetary concessions affecting the rental rate; (f) the age and quality of construction of the Buildings (including compliance with applicable codes on the applicable floors); and (g) leasehold improvements and/or allowances, including the amounts thereof in renewal leases, and taking into account, in the case of renewal leases (including this Lease), the value of existing leasehold improvements to the renewal tenant.

31.4 Base Rent Determination. The Base Rent payable by Tenant for the Premises during each Renewal Term shall be determined as follows:

(a) Not sooner than three hundred sixty-five (365) days nor later than two hundred seventy (270) days prior to the then current Termination Date, Tenant may notify Landlord of Tenant's interest in exercising a Renewal Option. If Tenant gives Landlord such notice, Landlord and Tenant shall negotiate in good faith to determine the Market Rate for the Premises for the applicable Renewal Term. If Landlord and Tenant are able to agree on such Market Rate prior to the date that is two hundred forty (240) days prior to the then current Termination Date (the "Exercise Deadline"), then such agreement shall constitute a determination of the Market Rate for purposes of this Section, and the parties shall immediately execute an amendment to this Lease stating the Base Rent for the applicable Renewal Term. If Landlord and Tenant are unable to agree on the Market Rate for the applicable Renewal Term prior to the Exercise Deadline, Tenant may (i) exercise the applicable Renewal Option in accordance with the provisions of Section 31.2 above, in which case the determination of Market Rate shall be made in accordance with Subsections 31.4(c), (d), and (e) below, or (ii) elect not to exercise the Renewal Option.

(b) If Tenant does not notify Landlord of its interest in exercising the applicable Renewal Option pursuant to Section 31.4(a) above, but provides Landlord with its unconditional binding notice of exercise pursuant to Section 31.2 above, then, prior to the commencement of the applicable Renewal Term, Landlord shall deliver to Tenant a good faith written proposal of the Market Rate. Within twenty-one (21) days after receipt of Landlord's proposal, Tenant shall notify Landlord in writing (1) that Tenant accepts Landlord's proposal or (2) that Tenant elects to submit the determination of Market Rate to arbitration in accordance with Subsections 31.4(c) through 31.4(d) below. If Tenant does not give Landlord a timely notice in response to Landlord's proposal, Landlord's proposal of Market Rate shall be binding upon Tenant. If Tenant timely elects to submit the determination of Market Rate to arbitration, Landlord and Tenant shall first negotiate in good faith in an attempt to determine the Market Rate. If Landlord and Tenant are able to agree within thirty (30) days following the delivery of Tenant's notice to Landlord electing arbitration (the "Negotiation Period") (or if Tenant accepts Landlord's initial proposal), then such agreement shall constitute a determination of Market Rate for purposes of this Section, and the parties shall immediately execute an amendment to this Lease stating the Base Rent for the applicable Renewal Term.

(c) If Tenant exercises the Renewal Option as described in Section 31.4(a) above, or if Landlord and Tenant are unable to agree on the Market Rate within the Negotiating Period as described in Section 31.4(b) above, then within fifteen (15) days after Tenant's exercise or the expiration of the Negotiating Period, as the case may be, the parties shall meet and concurrently deliver to each other in envelopes their respective good faith estimates of the Market Rate (set forth on a net effective rentable square foot per annum basis). Each party's estimate may be more or less than such party's proposals of Market Rate, if any, made under Section 31.4(a) above. If the higher of the parties' estimates is not more than one hundred five percent (105%) of the lower, then the Market Rate shall be the average of the two. Otherwise, the dispute shall be resolved by arbitration in accordance with Subsections 31.4(d) and 31.4(e) below.

(d) Within seven (7) days after the exchange of estimates, the parties shall select as an arbitrator an independent real estate broker with at least five (5) years of experience in leasing commercial office space in the metropolitan area in which the Project is located (a "Qualified Appraiser"). If the parties cannot agree on a Qualified Appraiser, then within a second period of seven (7) days, each shall select a Qualified Appraiser and within ten (10) days thereafter the two appointed Qualified Appraisers shall select an independent Qualified Appraiser and the independent Qualified Appraiser shall be the sole arbitrator. If one party shall fail to select a Qualified Appraiser within the second seven (7) day period, then the Qualified Appraiser chosen by the other party shall be the sole arbitrator.

(e) Within twenty-one (21) days after submission of the matter to the arbitrator, the arbitrator shall determine the Market Rate by choosing whichever of the estimates submitted by Landlord and Tenant the arbitrator judges to be more accurate. The arbitrator shall notify Landlord and Tenant of its decision, which shall be final and binding. If the arbitrator believes that expert advice would materially assist him, the arbitrator may retain one or more qualified persons to provide expert advice. The fees of the arbitrator and the expenses of the arbitration proceeding, including the fees of any expert witnesses retained by the arbitrator, shall be paid by the party whose estimate is not selected. Each party shall pay the fees of its respective counsel and the fees of any witness called by that party.

(f) Until the matter is resolved by agreement between the parties or a decision is rendered in any arbitration commenced pursuant to this Section 31, Tenant's monthly payments of Base Rent shall be in an amount equal to Landlord's determination of the Market Rate. Within ten (10) business days following the resolution of such dispute by the parties or the decision of the arbitrator, as applicable, Tenant shall pay to Landlord, or Landlord shall pay to Tenant, the amount of any deficiency or excess, as the case may be, in the Base Rent theretofore paid.

31.5 General Requirements. Tenant's right to exercise the Renewal Options is personal to, and may be exercised only by, the original named Tenant under this Lease and any Permitted Transferee, and only if the original named Tenant or any Permitted Transferee continues to occupy the entire Premises at the time of such exercise. If Tenant shall assign this Lease or sublet one hundred percent (100%) of either Building A or Building B under a sublease which is effective at any time during the final twelve (12) months of the initial Term, then, unless such assignment or sublease was to a Permitted Transferee, Tenant's right to exercise the

Renewal Options shall, immediately upon such assignment or subletting, simultaneously terminate and be of no further force or effect. No assignee or subtenant other than a Permitted Transferee shall have any right to exercise the Renewal Options granted herein. In addition, if an Event of Default is continuing uncured under this Lease at the time it exercises any Renewal Option or at any time thereafter until the commencement of the applicable Renewal Term or if an Event of Default has occurred at any time prior to its exercise of a Renewal Option, Landlord shall have, in addition to all of its other rights and remedies under this Lease, the right (but not the obligation) to terminate the remaining Renewal Options and to unilaterally revoke Tenant's exercise of any Renewal Option, in which case this Lease shall expire on the then current Termination Date, unless earlier terminated pursuant to the terms hereof, and Tenant shall have no further rights under this Lease to renew or extend the Term.

32. RIGHT OF FIRST OFFER.

32.1 First Offer Space; Exercise. Subject to the conditions set forth in this Section 34, Tenant shall have a right of first offer to lease the building in the Project located at 945 Stewart Drive (the "First Offer Space"), in the event that the First Offer Space becomes available for lease to third parties during the Term. Prior to leasing any of the First Offer Space to a third party, Landlord will give notice to Tenant (an "Offering Notice") specifying Landlord's good faith estimate of (1) the Base Rent which Landlord proposes to charge for such First Offer Space, (2) the approximate date upon which such First Offer Space is anticipated to be available for delivery, and (3) any other material conditions or provisions relating to the leasing of such First Offer Space which vary from the provisions of this Lease. If Tenant wishes to lease the First Offer Space on the terms specified by Landlord in the Offering Notice, Tenant shall so notify Landlord within ten (10) days after receipt thereof, which notice shall be unconditional and irrevocable. Tenant may exercise its right of first offer only with respect to all of the First Offer Space identified in the Offering Notice, and only if Tenant intends to occupy such First Offer Space in connection with its own reasonably foreseeable needs.

32.2 Terms and Conditions. If Tenant timely exercises its right to lease the First Offer Space, then except as specified in this Section 34 or in the Offering Notice (which shall govern to the extent of any conflict with this Lease), the First Offer Space leased by Tenant shall become part of the Premises on all of the terms and conditions of this Lease for the remainder of the Term, provided that (i) the Base Rent for such First Offer Space shall be determined as specified above, (ii) Tenant's Proportionate Share shall be adjusted to reflect the addition of such First Offer Space, and (iii) the First Offer Space shall be delivered in its then existing "as is" condition, without obligation on the part of Landlord to make any repairs or construct any improvements thereto in connection with Tenant's contemplated use, or to demolish existing improvements therein, except as set forth in the Offering Notice, and Tenant shall be responsible for the construction and installation in accordance with the provisions of Section 5 above of any tenant improvements it desires to install within such First Offer Space, at Tenant's sole cost and expense. Except as may be provided to the contrary in the Offering Notice, Tenant shall commence paying Base Rent and all Additional Rent with respect to the First Offer Space leased by Tenant hereunder on the date of delivery of such First Offer Space to Tenant in the condition required hereunder. Promptly following Tenant's timely exercise of its right to lease any of the First Offer Space, Landlord shall prepare, and Landlord and Tenant shall execute, an amendment to this Lease reflecting the addition of such First Offer Space. Tenant's right of first offer under this Section 32 shall be a one-time right as to any particular First Offer Space. If Tenant fails to timely notify Landlord that it wishes to lease any portion of the First Offer Space identified in an Offering Notice, or if Tenant fails to execute and deliver

said lease amendment to Landlord within ten (10) business days following receipt thereof by Tenant, Landlord may thereafter lease such portion of the First Offer Space to any person on terms and conditions it may deem appropriate in Landlord's sole discretion and Tenant shall have no further rights with respect to such portion of the First Offer Space; provided, however, if Landlord does not lease such First Offer Space within one hundred eighty (180) days after the expiration of said five (5) business day period, any further transaction shall be deemed a new determination by Landlord to lease such First Offer Space and the provisions of this paragraph shall again be applicable.

32.3 Conditions to Exercise. Notwithstanding anything to the contrary set forth herein, if Tenant is in material default under this Lease (after any applicable notice and cure period) at the time an Offering Notice would otherwise be required to be sent under this Section 32, or any other time following Tenant's exercise of its right to lease the First Offer Space and prior to the date upon which possession of the First Offer Space is to be delivered to Tenant, Landlord shall have, in addition to all of its other rights and remedies under this Lease, the right (but not the obligation) to terminate Tenant's rights under this Section 32, and in such event Landlord shall not be required to deliver the Offering Notice or to deliver possession of the First Offer Space to Tenant. Nothing contained in this Section 32 shall be deemed to impose any obligation on Landlord to refrain from negotiating with the existing occupant of the First Offer Space, to withhold the First Offer Space from the market, or to take any other action or omit to take any other action in order to make the First Offer Space available to Tenant. The rights of Tenant pursuant to this Section 32 shall automatically terminate upon the Termination Date, as extended.

32.4 Rights Personal to Tenant. Tenant's right to lease the First Offer Space is personal to, and may be exercised only by, the original named Tenant under this Lease or a Permitted Transferee. If Tenant shall assign this Lease or sublet one hundred percent (100%) of either Building A or Building B under a sublease which is effective at any time during the final twelve (12) months of the initial Term, then immediately upon such assignment or subletting, Tenant's right to lease the First Offer Space shall simultaneously terminate and be of no further force or effect. No assignee or subtenant other than the Permitted Transferees shall have any right to lease the First Offer Space hereunder.

33. USE OF TRACTORS. Tenant shall have the right to use, operate and maintain tractors in the Project to the extent necessary for the operation of Tenant's business in the Premises, subject to the provisions of this Section 33.

33.1 Landlord has made no representations or promise as to the suitability or effectiveness of any part of the Project for, or as to any Governmental Requirements applicable to, Tenant's proposed use, operation and maintenance of such tractors.

33.2 Tenant shall designate parking spaces for such tractors in the parking area, provided that such parking spaces shall be subject to the reasonable approval of Landlord. Landlord's approval of such parking spaces shall in no event increase the number of parking spaces to which Tenant is entitled as set forth in the Schedule. Landlord reserves the right to require that parking spaces for the tractors be relocated to another location as Landlord shall reasonably designate.

33.3 Tenant, at its expense, shall at all times keep the tractors in good order, condition and repair. With respect to all operations relating to the tractors, Tenant shall conduct

its business and control its agents, employees and invitees in such manner as not to create any nuisance, or interfere with, annoy or disturb any other licensee or tenant of the Project or Landlord in its operation of the Project.

33.4 Any damage to the parking areas or any other portion of the Project from Tenant's operation, use, or maintenance of tractors, shall be repaired at Tenant's sole cost and expense. Tenant shall reimburse Landlord for any costs and expenses so incurred by Landlord within thirty (30) days after Landlord's written request therefor.

33.5 Tenant, at its expense, shall comply with all Governmental Requirements applicable to the maintenance, operation, and use of the tractors.

33.6 Tenant, at its expense, shall remove or relocate the tractors on a temporary basis upon notice from Landlord at any time Landlord determines such removal or relocation is reasonably necessary or appropriate for the expeditious repair, replacement, alteration, improvement or additions to or of the Project, or to access any area for Project needs.

33.7 Tenant assumes full responsibility for protecting from theft or damage the tractors and any other tools or equipment that Tenant may use in connection with the operation, use, or maintenance thereof, assumes all risk of theft, loss or damage, and waives any Claim with respect thereto against Landlord and the other Landlord Parties. Tenant shall cause the insurance policies required to be maintained pursuant to Section 8 to cover the tractors and any Claims arising in connection with the presence, use, operation, repair, maintenance, or removal thereof. Tenant hereby agrees to protect, defend, indemnify and hold Landlord and the other Landlord Parties, and each of them, harmless from and against any and all Claims arising from or connected in any way with the tractors or the operations of Tenant or any Tenant Parties in connection therewith (except, with respect to any Landlord Party, to the extent caused by the gross negligence or willful misconduct of such Landlord Party or otherwise prohibited by Governmental Requirements), including, without limitation, (i) all foreseeable and unforeseeable consequential damages, (ii) any violation of Governmental Requirements, and (iii) any personal injuries or property damage. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

Signatures follow on next page.

IN WITNESS WHEREOF, the parties hereto have executed this Lease.

LANDLORD:

CarrAmerica Realty Operating Partnership, L.P.,
a Delaware limited partnership

By: CarrAmerica Realty Corporation,
a Maryland corporation, its general partner
By: /s/ Christopher Peatross
Christopher Peatross
Managing Director
Date of Execution:

TENANT:

Trimble Navigation Limited,
a California corporation

Date of Execution: _____
By: /s/ Steven W. Berglund
Steven W. Berglund
President and Chief Executive Officer
By: /s/ Rajat Bahri
Raj Bahri
Chief Financial Officer

EXHIBIT A

DESCRIPTION OF PREMISES

[See Attached]

EXHIBIT B

RULES AND REGULATIONS

1. Tenant shall not place anything, or allow anything to be placed near the glass of any window, door, partition or wall which may, in Landlord's judgment, appear unsightly from outside of the Project.
2. The sidewalks, exits and entrances located in the common areas of the Project shall not be obstructed by Tenant or used by Tenant for any purposes other than for ingress to and egress from the Premises. Tenant shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition and shall move all supplies, furniture and equipment as soon as received directly to the Premises and move all such items and waste being taken from the Premises (other than waste customarily removed by employees of the Buildings) directly to the shipping platform at or about the time arranged for removal therefrom.
3. Tenant shall not bring upon, use or keep in the Premises or the Project any kerosene, gasoline or inflammable or combustibile fluid or material, or any other articles deemed hazardous to persons or property.
4. Landlord shall have sole power to direct electricians as to where and how telephone and other wires are to be introduced. No boring or cutting for wires is to be allowed without Landlord's prior written consent. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to Landlord's prior approval.
5. Upon termination of the Lease, Tenant shall deliver to Landlord all keys and passes for offices, rooms, parking lot and toilet rooms which shall have been furnished Tenant. If the keys so furnished are lost, Tenant shall pay Landlord therefor.
6. Tenant shall not install linoleum, tile, carpet or other floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord.
7. No furniture, packages, supplies, equipment or merchandise will be received in the Project, except between the hours of 7:00 a.m. and 6:00 p.m.
8. Without Landlord's prior written consent, which consent shall not be unreasonably withheld, Tenant shall not use the name of the Project or any picture of the Project in connection with, or in promoting or advertising the business of, Tenant, except Tenant may use the address of the Project as the address of its business.
9. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage, which may arise from a cause other than Landlord's negligence, which includes keeping doors locked and other means of entry to the Premises closed and secured.

10. Peddlers, solicitors and beggars shall be reported to the office of the Project or as Landlord otherwise requests.

11. Tenant shall not advertise the business, profession or activities of Tenant conducted in the Project in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining to such business, profession or activities.

12. Tenant shall not make or permit any noise, vibration or odor to emanate from the Premises, or do anything therein tending to create, or maintain, a nuisance.

13. Tenant acknowledges that security problems may occur which may require the employment of extreme security measures in the day-to-day operation of the Project.

Accordingly:

(a) Landlord may, at any time, or from time to time, or for regularly scheduled time periods, as deemed advisable by Landlord and/or its agents, in their sole discretion, require that persons entering or leaving the Project identify themselves to watchmen or other employees designated by Landlord, by registration, identification or otherwise.

(b) Tenant agrees that it and its employees will cooperate fully with Project employees in the implementation of any and all security procedures.

(c) Such security measures shall be the sole responsibility of Landlord, and Tenant shall have no liability for any action taken by Landlord in connection therewith, it being understood that Landlord is not required to provide any security procedures and shall have no liability for such security procedures or the lack thereof.

14. Tenant shall not disturb the quiet enjoyment of any other tenant.

15. Landlord may retain a pass key to the Premises and, subject to the applicable provisions of the Lease, be allowed admittance thereto at all times to enable its representatives to examine the Premises from time to time and to exhibit the same and Landlord may place and keep on the windows and doors of the Premises at any time signs advertising the Premises for Rent.

16. No equipment, mechanical ventilators, awnings, special shades or other forms of window covering shall be permitted either inside or outside the windows of the Premises without Landlord's prior written consent, and then only at the expense and risk of Tenant, and they shall be of such shape, color, material, quality, design and make as may be approved by Landlord.

17. Tenant shall not during the term of this Lease canvas or solicit other tenants of the Project for any purpose.

18. Subject to Section 6.4 of the Lease, pursuant to which Tenant may install and maintain certain GPS equipment on the roof of each Building, Tenant shall not install or operate any phonograph, musical or sound-producing instrument or device, radio receiver or transmitter, TV receiver or transmitter, or similar device in the Buildings, nor install or operate any antenna, aerial, wires or other equipment inside or outside the Buildings, nor operate any electrical device from which may emanate electrical waves, which may interfere with or impair radio or television broadcasting or reception from or in the Project or elsewhere, without in each instance Landlord's prior written approval. The use thereof, if permitted, shall be subject to control by Landlord to the end that others shall not be disturbed.

19. Tenant shall promptly remove all rubbish and waste from the Premises.

20. Tenant shall not exhibit, sell or offer for sale, rent or exchange in the Premises or at the Project any article, thing or service, except those ordinarily embraced within the use of the Premises specified in Section 6 of this Lease, without Landlord's prior written consent.

21. Tenant shall not overload any floors in the Premises or any public corridors or elevators in the Buildings.

22. Except as permitted under the Lease, Tenant shall not do any painting in the Premises, or mark, paint, cut or drill into, drive nails or screws into, or in any way deface any part of the Premises, outside or inside, without Landlord's prior written consent.

23. Whenever Landlord's consent, approval or satisfaction is required under these Rules, then unless otherwise stated, any such consent, approval or satisfaction must be obtained in advance, such consent or approval may be granted or withheld in Landlord's sole discretion, and Landlord's satisfaction shall be determined in its sole judgment.

24. Tenant and its employees shall cooperate in all fire drills conducted by Landlord in the Buildings or Project.

EXHIBIT C

TENANT IMPROVEMENT AGREEMENT

This Tenant Improvement Agreement is attached to and forms a part of the Lease dated as of May 11, 2005 (the "Lease"), by and between CarrAmerica Realty Operating Partnership, L.P., a Delaware limited partnership ("Landlord") and Trimble Navigation Limited, a California corporation ("Tenant"), pertaining to certain premises located at 510 DeGuigne Drive and 935 Stewart Drive, Sunnyvale, California (collectively, the "Premises"). Except where clearly inconsistent or inapplicable, the provisions of the Lease are incorporated into this Tenant Improvement Agreement, and capitalized terms used without being defined in this Tenant Improvement Agreement shall have the meanings given them in the Lease.

The purpose of this Tenant Improvement Agreement is to set forth the respective responsibilities of Landlord and Tenant with respect to the design and construction of all alterations, additions and improvements which Tenant may deem necessary or appropriate to prepare the Premises for occupancy by Tenant under the Lease. Such alterations, additions and improvements to the Premises are referred to in this Tenant Improvement Agreement as the "Tenant Improvements," and the work of constructing the Tenant Improvements is referred to as the "Tenant Improvement Work".

Landlord and Tenant agree as follows:

1. General.

1.1 Tenant is solely responsible for designing the Tenant Improvements and performing the Tenant Improvement Work (subject to Landlord's rights of review and approval set forth in this Tenant Improvement Agreement).

1.2 Landlord's sole interest in reviewing and approving the Construction Drawings (as hereinafter defined) is to protect the Premises and Landlord's interests, and no such review or approval by Landlord shall be deemed to create any liability of any kind on the part of Landlord, or constitute a representation on the part of Landlord or any person consulted by Landlord in connection with such review and approval that the Space Plans or Final Working Drawings are correct or accurate, or are in compliance with any Governmental Requirements.

1.3 Landlord shall contribute (subject to the terms and conditions set forth in this Tenant Improvement Agreement) the amount specified in Section 4.1 below as the "Construction Allowance," towards the costs of designing the Tenant Improvements and performing the Tenant Improvement Work.

1.4 Tenant shall be responsible for all costs of designing the Tenant Improvements and performing the Tenant Improvement Work to the extent such costs exceed the Construction Allowance.

1.5 On reasonable prior notice, Landlord will permit Tenant and Tenant's Agents (as defined below) to enter the Premises from time to time prior to the Commencement Date as may be reasonably necessary or appropriate. Tenant shall indemnify, protect, defend and hold Landlord and the other Landlord Parties harmless from and against any and all Claims suffered or incurred by Landlord or the other Landlord Parties arising from such entry.

2. Design and Approval of the Tenant Improvements.

2.1 Selection of Tenant's Architect; Construction Drawings.

(a) Tenant shall retain an architect/space planner ("Tenant's Architect") to prepare the Construction Drawings, and shall retain engineering consultants (the "Engineers") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life-safety and sprinkler work, if any, in the Premises in connection with the Tenant Improvements. Tenant's Architect and Engineers shall be subject to the written approval of Landlord, which approval will not be unreasonably withheld or delayed; provided, however, that Landlord hereby approves AP+I Design, Inc. and its subcontractors as Tenant's Architect and Engineers. The plans and drawings to be prepared by Tenant's Architect and the Engineers hereunder shall be known, collectively, as the "Construction Drawings".

(b) All Construction Drawings shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed. Landlord shall, if available, supply Tenant with a set of drawings of the Buildings which Tenant may use in connection with the preparation of the Construction Drawings, but Tenant agrees that Landlord shall have no liability for the completeness or accuracy thereof, and Tenant's Architect shall be responsible for performing all necessary field measurements and confirming the completeness and accuracy of such drawings.

2.2 Space Plans. Prior to drafting any Construction Drawings, Tenant shall furnish Landlord with Tenant's final space plans for the Premises ("Space Plans"). The Space Plans shall show locations of all proposed improvements, including partitions, cabinetry, equipment and fixtures, shall identify materials and finishes by location, and shall specify the location of any proposed structural floor penetrations, the location and extent of floor loading in excess of Building capacity, if any, any special HVAC requirements, the location and description of any special plumbing requirements, and any special electrical requirements. In addition, the Space Plans shall show telephone and telecommunications facilities, and computer and electronic data facilities. Landlord shall approve or disapprove the Space Plans by written notice given to Tenant within ten (10) business days after receipt of the Space Plans. Landlord shall not unreasonably withhold its approval of the Space Plans, provided that, without limiting the generality of the foregoing, Landlord shall be entitled to withhold its consent to the Space Plans if, in Landlord's good faith judgment, any one or more of the following situations exist: (a) the proposed Tenant Improvements will adversely affect the exterior appearance of the Buildings; or (b) the proposed Tenant Improvements may impair the structural strength of the Buildings, adversely affect any Building Systems or materially adversely affect the value of the Buildings; or (c) the specifications for the proposed Tenant Improvements are not consistent with, or would detract from, the character or image of the Project. If Landlord disapproves the Space Plans, Landlord shall return the Space Plans to Tenant with a statement of Landlord's reasons for disapproval, or specifying any required corrections and/or revisions. Landlord shall approve or

disapprove of any revisions to the Space Plans by written notice given to Tenant within five (5) business days after receipt of such revisions. This procedure shall be repeated until Landlord approves the Space Plans.

2.3 Final Working Drawings. Following Landlord's approval of the Space Plans, Tenant shall cause Tenant's Architect and the Engineers to prepare and submit for Landlord's approval complete and detailed construction plans and specifications, including a fully coordinated set of architectural, structural, mechanical, fire protection, electrical and plumbing working drawings for the Tenant Improvement Work, in a form which is sufficiently complete to permit subcontractors to bid on the work, obtain all required Permits (as hereinafter defined) and commence construction (the "Final Working Drawings"). Tenant shall furnish Landlord with four (4) copies signed by Tenant of such Final Working Drawings. Landlord shall approve or disapprove of the Final Working Drawings by giving written notice to Tenant within ten (10) business days after receipt thereof. Landlord shall not unreasonably withhold or delay its approval of the Final Working Drawings, provided that, without limiting the generality of the foregoing, Landlord shall be entitled to withhold its consent to the Final Working Drawings for any of the reasons specified in Section 2.2 above, or if in Landlord's good faith judgment, the Final Working Drawings are inconsistent with, or do not conform to, the Space Plans. If Landlord disapproves the Final Working Drawings, Landlord shall return the Final Working Drawings to Tenant with a statement of Landlord's reasons for disapproval and/or specifying any required corrections or revisions. Landlord shall approve or disapprove of any such revisions to the Final Working Drawings within five (5) business days after receipt of such revisions. This procedure shall be repeated until Landlord approves the Final Working Drawings (as so approved, the "Approved Working Drawings").

3. Construction of Tenant Improvements.

3.1 Contracts with Tenant's Contractor and Subcontractors.

(a) Tenant shall retain a licensed general contractor as the contractor for the construction of the Tenant Improvements ("Tenant's Contractor"). Tenant's Contractor must be experienced in the performance of work comparable to the work of the Tenant Improvements in buildings comparable to the Buildings, and shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld or delayed; provided, however, that Landlord hereby approves McLarney Construction as Tenant's Contractor. All subcontractors, laborers, materialmen and suppliers used by Tenant (such subcontractors, laborers, materialmen and suppliers, together with Tenant's Contractor, are collectively referred to herein as "Tenant's Agents") must be approved in writing by Landlord, which approval shall not be unreasonably withheld; provided, however, that Landlord reserves the right to require that any work to be performed on the life-safety, electrical, plumbing, heating, ventilation, air-conditioning, fire-protection, telecommunications or other Building Systems serving the Premises (whether such systems are located within or outside the Premises) be performed by subcontractors specified by Landlord.

(b) Tenant shall furnish Landlord with true and correct copies of all construction contracts between or among Tenant, Tenant's Contractor and all subcontractors relating to the Tenant Improvement Work, provided that Landlord's review of such contracts shall not relieve Tenant from its obligations under this Tenant Improvement Agreement nor shall such review be deemed to constitute Landlord's representation that such contracts comply with the requirements of this Tenant Improvement Agreement. All such contracts shall expressly

provide that (i) the work to be performed thereunder shall be subject to the terms and conditions of this Tenant Improvement Agreement, including, without limitation, that such work shall comply with the Tenant Construction Rules and Regulations attached hereto as Schedule 1, and (ii) the Tenant Improvement Work (or in the case of a subcontractor, the portion thereof performed by such subcontractor) shall be warranted in writing to Tenant and Landlord to be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion of the Tenant Improvement Work. Tenant agrees to give to Landlord any assignment or other assurances which may be necessary to permit Landlord to directly enforce such warranties (such warranties shall include, without additional charge, the repair of any portion of the Buildings or common areas of the Project which may be damaged as a result of the removal or replacement of the defective Tenant Improvements). Tenant shall cause Tenant's Agents to engage only labor that is harmonious and compatible with other labor working in the Project. In the event of any labor disturbance caused by persons employed by Tenant or Tenant's Contractor, Tenant shall immediately take all actions necessary to eliminate such disturbance. If at any time any of Tenant's Agents interferes with any other occupant of the Project, or hinders or delays any other work of improvement in the Project, or performs any work which may or does impair the quality, integrity or performance of any portion of the Project, including any Building Systems, Tenant shall cause such subcontractor, laborer, materialman or supplier to leave the Premises and remove all tools, equipment and materials immediately upon written notice delivered to Tenant, and, without limiting Tenant's indemnity obligations set forth in Section 8 of the Lease, Tenant shall reimburse Landlord for all costs, expenses, losses or damages incurred or suffered by Landlord resulting from the acts or omissions of Tenant's Agents in or about the Buildings.

3.2 Permits. Following approval of the Final Working Drawings, Tenant shall obtain all building permits and other permits, authorizations and approvals which may be required in connection with, or to satisfy all Governmental Requirements applicable to, the construction of the Tenant Improvements in accordance with the Approved Working Drawings (the "Permits"). Tenant shall provide Landlord with copies of any documents or applications filed by Tenant to obtain Permits concurrently with any such filing, but in no event shall Tenant file any such documents or applications until the Final Working Drawings have been approved. Tenant agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any Permits or the certificate of occupancy for the Premises, and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord will cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such Permits or certificate of occupancy. Any amendments or revisions to the Approved Working Drawings that may be necessary to obtain any such Permits, or which may be required by city officials or inspectors to comply with code rulings or interpretations, shall be prepared by Tenant's Architect, at Tenant's expense (provided that to the extent funds are available, such expense may be reimbursed from the Construction Allowance), and submitted to Landlord for Landlord's review and approval as a Change Order under Section 5 below. If Landlord disapproves of such amendments or revisions, Landlord shall return the same to Tenant with a statement of Landlord's reasons for disapproval, or specifying any required corrections. This procedure shall be repeated until Landlord approves the amendments or revisions and all Permits have been obtained for the Approved Working Drawings, as so amended.

3.3 Commencement of Work. At least ten (10) days prior to the commencement of construction of the Tenant Improvements, or the delivery of any construction materials for the Tenant Improvement Work to the Premises, whichever is earlier, Tenant shall

submit to Landlord a notice specifying the date Tenant will commence construction of the Tenant Improvements, the estimated date of completion of the Tenant Improvements and the construction schedule provided by Tenant's Contractor. In addition, prior to the commencement of construction of the Tenant Improvements, or the delivery of any construction materials for the Tenant Improvement Work to the Premises, whichever is earlier, Tenant shall submit to Landlord the following: (a) all Permits required to commence construction of the Tenant Improvements; (b) a copy of the executed construction contract with Tenant's Contractor, in the form previously approved by Landlord, together with a detailed breakdown, by trade, of the final costs to be incurred, or which have theretofore been incurred, in connection with the design and construction of the Tenant Improvements, which costs of construction form a basis for the amount of the construction contract; and (c) true and correct copies of all policies of insurance, or original certificates thereof executed by an authorized agent of the insurer or insurers, together with any endorsements referred to in Section 3.5 below, confirming to Landlord's reasonable satisfaction compliance with the insurance requirements of this Tenant Improvement Agreement.

3.4 Performance of Work. All work performed by Tenant's Contractor shall strictly conform to the Approved Working Drawings, shall comply with all Governmental Requirements (including building codes) and all applicable standards of the American Insurance Association and the National Electrical Code and all building material manufacturer's specifications, shall comply with all rules and regulations from time to time adopted by Landlord to govern construction in or about the Project, including the Tenant Construction Rules and Regulations attached hereto as Schedule 1, and shall be performed in a good and professional manner and so as not to interfere with the occupancy of any other tenant of the Project, the performance of any other work within the Project, or with Landlord's maintenance or operation of the Project. At all times during construction of the Tenant Improvements, Landlord and Landlord's employees and agents shall have the right to enter the Premises to inspect the Tenant Improvement Work, and to require the correction of any faulty work or any material deviation from the Approved Working Drawings. Tenant shall not close-up any Tenant Improvement Work affecting the life safety, telecommunications, heating, ventilation and air conditioning, plumbing, electrical or other Building Systems in the Premises until the same have been inspected and approved by Landlord's agents. No inspection or approval by Landlord of any such work shall constitute an endorsement thereof or any representation as to the adequacy thereof for any purpose or the conformance thereof with any Governmental Requirements, and Tenant shall be fully responsible and liable therefor. In addition to the Construction Administration Costs under Section 4.3 below, Tenant shall reimburse Landlord for the cost of any repairs, corrections or restoration which must be made, in Landlord's good faith judgment, to the Premises if caused by Tenant's Contractor or any other of Tenant's Agents.

3.5 Insurance. At all times during the construction of the Tenant Improvements (and in the case of Products and Completed Operations Coverage, for 5 years following completion of the Tenant Improvement Work), in addition to the insurance required to be maintained by Tenant under the Lease, Tenant shall require all of Tenant's Agents to maintain (a) Commercial General Liability Insurance with limits of not less than \$2,000,000 combined single limit for bodily injury and property damage, including personal injury and death, and Contractor's Protective Liability, and Products and Completed Operations Coverage in an amount not less than \$500,000 per incident, \$1,000,000 in the aggregate; (b) Comprehensive automobile liability insurance with a policy limit of not less than \$1,000,000 each accident for bodily injury and property damage, providing coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any

auto", and insuring against all loss in connection with the ownership, maintenance and operation of automotive equipment that is owned, hired or non-owned; (c) Worker's Compensation with statutory limits and Employer's Liability Insurance with limits of not less than \$100,000 per accident, \$500,000 aggregate disease coverage and \$100,000 disease coverage per employee. In addition, Tenant shall carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Tenant Improvements, including such extended coverage endorsements as may be reasonably required by Landlord, it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to Section 8 of the Lease immediately upon completion thereof. Tenant's liability insurance shall be written on an "occurrence" basis and shall name Landlord, the holder of any Superior Interests and Landlord's designated agents as additional insureds (by endorsement reasonably acceptable to Landlord). The "Builder's All Risk" insurance shall name Landlord and such other parties as Landlord may specify as the loss payee(s) with respect to all proceeds received therefrom. All of the insurance required to be carried by Tenant hereunder shall provide that it is primary insurance, and not excess over or contributory with any other valid, existing, and applicable insurance in force for or on behalf of Landlord, shall provide that Landlord shall receive thirty (30) days' written notice from the insurer prior to any cancellation or change of coverage, and shall be placed with companies which are rated A:VI or better by Best's Insurance Guide and licensed to business in the State of California. All deductibles and self-insured retentions under Tenant's policies are subject to Landlord's reasonable approval, and all insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Tenant's compliance with the provisions of this Section shall in no way limit Tenant's liability under any of the other provisions of the Lease.

3.6 Liens. Tenant shall keep the Premises free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to remove any such lien within five (5) days after notice to do so from Landlord, Landlord may, in addition to any other remedies, record a bond pursuant to California Civil Code Section 3143 and all costs and obligations incurred by Landlord in so doing shall immediately become due and payable by Tenant to Landlord as Additional Rent under the Lease. Landlord shall have the right to post and keep posted on the Premises any notices that may be required or permitted by Governmental Requirements, or which Landlord may deem to be proper, for the protection of Landlord and the Building from such liens. Promptly following completion of construction, Tenant shall provide Landlord a copy of a final unconditional lien release from Tenant's Contractor and each of Tenant's Agents who performed work or supplied materials for the Tenant Improvements. Upon completion of construction, Tenant shall promptly record a Notice of Completion in accordance with California Civil Code Section 3093 and provide a copy thereof to Landlord.

4. Responsibility for Design and Construction Costs.

4.1 Construction Allowance. Landlord will contribute to the costs of designing the Tenant Improvements and performing the Tenant Improvement Work, as depicted on the Approved Working Drawings, to the extent of the lesser of (a) Two Million Eighty-Three Thousand One Hundred Ten Dollars (\$2,083,110.00) (calculated at the rate of \$15.00 per square foot of rentable area in the Premises) or (b) the actual cost for such work (the "Construction Allowance"). Tenant shall pay all costs in excess of the Construction Allowance for the design and construction of the Tenant Improvements. Except as otherwise specified in this Tenant Improvement Agreement, the Construction Allowance may be applied only to the

payment or reimbursement of: (i) costs of preparing the Space Plans and Final Working Drawings, the cost of obtaining Permits and other similar approvals and the costs and expenses incurred by Landlord in connection with coordinating and supervising the Tenant Improvement Work, including, without limitation, the Construction Administration Costs; and (ii) documented costs of labor and materials incorporated into the Tenant Improvements (including all costs of relocating and installing data and telephone cabling [up to a maximum of \$6.00 per square foot of rentable area in the Premises], but excluding all costs of furnishings, fixtures, equipment, signage and other personal property).

4.2 Disbursement of Construction Allowance.

(a) Landlord shall pay the Construction Allowance to Tenant on a progress payment basis within forty-five (45) days after Landlord's receipt of a disbursement request from Tenant, provided that (i) in no event shall Landlord be required to make such progress payments more than once per calendar month; (ii) Tenant's disbursement request shall comply with Section 4.2(b) below; (iii) in the event the cost of the Tenant Improvements (the "Tenant Improvement Cost") exceeds the Construction Allowance, Tenant shall pay an amount equal to its proportionate share of each progress payment, which amount bears the same ratio to the total amount of the progress payment in question as the amount of the total excess Tenant Improvements cost bears to the total Tenant Improvement Cost and, subject to clause (iv), Landlord shall pay the remainder of such progress payment ("Landlord's Share"); (iv) Landlord shall have the right to retain ten percent (10%) of the progress payment requested (or, if Landlord is required to pay only Landlord's Share of such progress payment, ten percent (10%) of Landlord's Share); (v) Landlord shall have no obligation to disburse any portion of the Construction Allowance for any request received by Landlord on or after March 1, 2006; (vi) the Lease is then in full force and effect; (vii) Tenant is not then in default of any of its obligations under the Lease, including, without limitation, Tenant's obligations under this Tenant Improvement Agreement to perform Tenant Improvement Work in accordance with the Approved Working Drawings and all Governmental Requirements; and (viii) Landlord shall have the right to deduct from any payment required to be made hereunder the Construction Administration Costs, as described in Section 4.3 below.

(b) Tenant's disbursement request shall (i) show a schedule, by trade, of the percentage of completion of the Tenant Improvements, detailing the portion of the work completed and the portion not completed, as certified by Tenant's Architect, and (ii) be accompanied by (A) invoices for work actually performed, construction in place and materials delivered to the site (as may be applicable) describing in reasonable detail such work, construction and/or materials; (B) the conditional release of all mechanic's lien rights by all contractors, suppliers, laborers and others covered by the disbursement request; (C) evidence that no mechanic's liens have been recorded against the Project; (D) if Tenant makes more than one request for payment, evidence (such as unconditional releases of mechanic's lien rights) to Landlord's satisfaction that the prior progress payment(s) has been paid to the respective contractors, suppliers, laborers and others covered by Tenant's request for such prior progress payment(s); and (E) all other information reasonably requested by Landlord.

(c) The amount retained by Landlord under clause (iv) of Section 4.2(a) above shall be disbursed by Landlord after (i) Tenant's delivery to Landlord of a certificate of Tenant's Architect, in a form reasonably acceptable to Landlord, certifying that the construction of the Tenant Improvements has been completed in accordance with the Approved Working Drawings; (ii) Tenant's delivery to Landlord of "as-built" drawings in CAD format

showing the Tenant Improvements (updated by Tenant's Architect as necessary to reflect all changes made to the Approved Working Drawings during the course of construction); (iii) a detailed breakdown of Tenant's final and total construction costs, together with receipted invoices (or such other proof of payment as Landlord shall reasonably require) showing full payment thereof; (iv) properly executed mechanics' lien releases in compliance with both California Civil Code Section 3262(d)(2) and either Section 3262(d)(3) or Section 3262(d)(4) from all of Tenant's Agents; and (v) copies of all Permits, licenses, certificates and other governmental authorizations and approvals necessary in connection with, and indicating final approval of, the Tenant Improvement Work, and which may be necessary for the operation of Tenant's business within the Premises. Notwithstanding any provision in the foregoing to the contrary, Tenant shall, in any event, submit the documents described in clauses (i) through (v) above to Landlord within thirty (30) days following the date Tenant commences business operations in the Premises.

4.3 Construction Administration Costs. Tenant shall pay to Landlord all of Landlord's actual out-of-pocket costs incurred in connection with the Tenant Improvement Work, including, without limitation, all reasonable management, engineering, outside consulting and construction fees incurred by or on behalf of Landlord for the review and approval of the Space Plans and Construction Drawings (collectively, the "Construction Administration Costs"). Landlord shall be entitled to charge the amount of the Construction Administration Costs against the Construction Allowance required to be contributed by Landlord hereunder, or if funds are not available from the Construction Allowance for such purposes, Tenant will pay such amounts within twenty (20) days following delivery of Landlord's invoice.

4.4 Tenant's Lease Default. Notwithstanding any terms and conditions to the contrary contained in this Lease, if a material Event of Default has occurred at any time on or before the Commencement Date, then (a) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold disbursement of all or any portion of the Construction Allowance and/or Landlord may cause Tenant's Contractor to cease the construction of the Tenant Improvements, and (b) all other obligations of Landlord under the terms and conditions of this Tenant Improvement Agreement shall be suspended until such time as such Event of Default is cured pursuant to the terms and conditions of the Lease.

5. Change Orders. Landlord will not unreasonably withhold its approval of (a) any request by Tenant, or by Tenant's Contractor with Tenant's approval, to amend or change the Approved Working Drawings, or (b) any change or amendment to the Approved Working Drawings that may be necessary to obtain any Permits, or which may be required by city officials or inspectors to comply with code rulings or interpretations (any of the foregoing, a "Change Order"), provided such Change Order does not diminish the quality of construction of the Tenant Improvements. Without limiting the generality of the foregoing, however, Tenant acknowledges that it shall not be unreasonable for Landlord to withhold consent to any Change Order if any of the circumstances listed in clauses 2.2(a) through 2.2(c) of this Tenant Improvement Agreement apply. No material changes or modifications to the Approved Working Drawings shall be made unless by written Change Order signed by Landlord and Tenant. Tenant shall pay all costs attributable to Change Orders, including costs incurred by Landlord in reviewing proposed Change Orders (provided that to the extent funds are available, such costs may be paid or reimbursed from the Construction Allowance).

6. Ownership of Tenant Improvements. The Tenant Improvements shall be deemed, effective upon installation, to be a part of the Premises and shall be deemed to be the property of Landlord (subject to Tenant's right to use and depreciate (to the extent paid for by Tenant) the same during the Term of the Lease), and shall be surrendered at the expiration or earlier termination of the Term, unless Landlord shall have conditioned its approval of the Final Working Drawings or any Change Order on Tenant's agreement to remove any items thereof, in which event, prior to the expiration or termination of the Term, the specified items shall be removed at Tenant's expense, any damage caused by such removal shall be repaired, and the Premises shall be restored to their condition existing prior to the installation of the items in question, normal wear and tear excepted. The removal, repair and restoration described above shall, at Landlord's sole election, be performed either by Tenant or by Landlord; and if such work shall be performed by Landlord, Tenant shall pay to Landlord, within twenty (20) days following Landlord's demand, the reasonable cost and expense of such work.

SCHEDULE 1

TENANT CONSTRUCTION RULES AND REGULATIONS

The rules and regulations governing construction by Tenant in the Buildings at the time of the execution of the Lease to which this Schedule is attached are as follows (capitalized terms used without being defined in this Schedule shall have the meanings given them in the Lease):

1. Prior to commencement of any construction, Tenant's Contractor shall coordinate with Landlord's representatives to ensure that all employees and subcontractors of Tenant's Contractor have received instruction regarding Landlord's requirements for safety, security and fire prevention. All work to be performed shall be coordinated with the managing agent of the Buildings or its representative. During construction, Tenant shall coordinate all construction activities with Landlord's Project manager so as to minimize the disruption caused by such construction, and so as not to interfere with other construction in the Project or the rights of Landlord, other tenants or occupants. Tenant and Tenant's Agents shall take all safety measures necessary to protect Landlord, its employees and contractors, other tenants and users of the Project and the general public, and the property of each, from injury or damage resulting from the performance of the Tenant Improvement Work.

2. Tenant acknowledges that certain construction activities (including, without limitation, jackhammering and use of "shot" type mechanical fasteners which create excessive or explosive type noises) must be completed, on a daily basis, not later than 6:30 a.m. on weekdays, and may not resume until at least 6:30 p.m. on weekdays. Tenant shall make prior arrangements with Landlord's representatives if any construction work is to be performed between 6:30 p.m. and 6:30 a.m. or on weekends, and Landlord may charge Tenant or Tenant's Contractor a reasonable sum, as determined by Landlord, to defray the cost of providing for a representative of Landlord or Landlord's Project manager, and/or additional security personnel, to be present at all times.

3. All construction work and all storage and staging of materials, tools and equipment shall be confined to the Premises, unless Landlord gives written permission to use areas outside the Premises. Common and public areas of the Project and the sidewalk and curbs in front of or adjacent to the Buildings shall not be used or obstructed by Tenant or by Tenant's Agents without written approval of Landlord. All storage of materials, tools and equipment within the Premises or the Project shall be at Tenant's risk. Tenant shall immediately relocate, at Tenant's expense, any materials found by Landlord to be stored in an unsafe manner. Landlord shall not be responsible for lost, stolen or damaged materials, tools or equipment stored or staged in the Project.

4. All deliveries shall be scheduled so that materials are stocked in Tenant's Premises prior to normal business hours of the Project. No deliveries shall be made through the common or public areas of the Project, or to the sidewalk in front of or adjacent to the Project during business hours. No hand trucks shall be used in any portion of the Project, including common areas, except those equipped with rubber tires and side guards.

5. Landlord will not provide off-street parking for Tenant's Agents' vehicles. Loading zones are for loading and unloading purposes only, and no parking in loading zones is permitted. Vehicles parked illegally will be subject to towing at the expense of Tenant or the vehicle owner.
6. Tenant and Tenant's Contractor shall be responsible for ensuring that all doors, gates and windows are closed and locked at all times when not in immediate use.
7. Tenant's Agents are not permitted to transport tools or materials in wheelbarrows or wheeled vehicles in the common or public areas of the Project during normal business hours.
8. All construction shall be performed so as to prevent dust from filtering through to other parts of the Project. All painting shall be shielded and other parts of the Project shall be protected from all fumes and spray. All temporary partitions and dust-proof barriers shall be furnished and installed by Tenant and shall remain intact at all times. Should any panel be removed, torn or otherwise displaced or damaged, it will be reattached or repaired and Tenant will be backcharged at a reasonable labor and material charge.
9. Hazardous and/or inflammable materials brought onto the Premises or into the Project in connection with Tenant's construction shall be used and stored in containers which conform to all applicable laws and regulations, and shall be used in a manner which prevents their accidental release. Upon bringing Hazardous Substances into the Project, Tenant or Tenant's Contractor shall immediately provide Landlord's Project manager with a copy of the Material Safety Data Sheet (M.S.D.S.) for such Hazardous Substances. In addition, a new M.S.D.S. shall be provided whenever M.S.D.S. information is revised. Hazardous Substances, including empty containers and hazardous wastes, shall not be discarded in the Premises or the Project, but shall be removed immediately and disposed of in a proper, lawful manner. Tenant's Contractor shall comply with all federal and state O.S.H.A. Safety Regulations.
10. Tenant and Tenant's Contractor shall maintain the Premises and related Project facilities, surfaces and glass in a clean, orderly condition during the progress of construction, and shall clean up debris and remove trash daily, to the satisfaction of Landlord. Tenant shall make arrangements to remove dirt and debris from work after the end of each workday. No individual trash or storage containers will be allowed in the common or public areas of the Project. Any containers provided by Landlord to Tenant for construction debris shall be at Tenant's expense. Where Landlord does not provide containers for removal of debris, Tenant or Tenant's Contractor shall arrange for trash removal service by a debris or scavenger service approved by Landlord. Any dirt, debris, construction materials or equipment remaining in the common or public areas of the Project, or in service corridors or adjoining unoccupied spaces, after commencement of normal business hours, will be removed by Landlord, and Tenant will be backcharged at a reasonable rate for labor and material charges.
11. Electrical power shall be provided at Tenant's expense at a suitable existing electrical outlet or other source reasonably near the boundary of the Premises. Tenant shall be responsible for installing a temporary electrical panel and arranging for commencement of electrical, water and other utility services in Tenant's name as early in the construction process as is possible. Temporary or portable wiring beyond the outlet or other source shall be furnished and installed by and at the expense of Tenant and shall comply with all applicable

laws and codes. All temporary electrical connections must be approved in advance by Landlord's representatives prior to installation. Tenant and Tenant's Agents shall use their respective best efforts to use the minimal amount of water necessary for work and cleanup of the Premises.

12. Construction workers are not permitted to eat or smoke in the common or public areas of the Project.

13. Tenant shall not attach or cause to be attached to any wall or structural member of the Buildings any equipment that may, by virtue of its size or weight, cause structural damage. Tenant shall not exceed the load as set forth in the plans and specifications for the floors of the Buildings and shall not do anything that might in any way alter or affect the structural strength of the Buildings.

14. If appropriate, as determined by Landlord or as required by any Governmental Requirements, a smoke and/or heat detector shall be installed in Tenant's space, at Tenant's expense, during the time any construction work is being performed in the Premises. The smoke and/or heat detector shall be connected by Landlord's specified contractor, at Tenant's expense, to the central system, if such control system is available.

15. Except to the extent provided in the Lease to the contrary, expenses incurred by Landlord in respect of the work performed by or on behalf of Tenant shall be paid by Tenant immediately upon receipt of an invoice from Landlord and shall be delinquent if not paid within ten (10) days. Late charges, interest and collection expenses on delinquent payments shall be charged to Tenant in the manner set forth in the Lease for delinquent payment of rents.

EXHIBIT D

COMMENCEMENT DATE CONFIRMATION

THIS CONFIRMATION AGREEMENT is entered into as of _____, 20__ by and between CarrAmerica Realty Operating Partnership, L.P., a Delaware limited partnership ("Landlord"), and Trimble Navigation Limited, a California corporation ("Tenant"), with respect to that certain Lease dated as of May 11, 2005 (the "Lease") respecting certain premises (the "Premises") located in the buildings commonly known as 510 DeGuigne Drive and 935 Stewart Drive, Sunnyvale, California.

Pursuant to Section 1.1 of the Lease, Landlord and Tenant hereby confirm and agree that the Commencement Date (as defined in the Lease) is _____, 20__, the Rent Commencement Date (as defined in the Lease) is _____, 20__, and that the Termination Date (as defined in the Lease) is _____, 20__.

This Confirmation Agreement supplements, and shall be a part of, the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Confirmation Agreement as of the day and year first above written.

LANDLORD:

CarrAmerica Realty Operating Partnership, L.P.,
a Delaware limited partnership

By: CarrAmerica Realty Corporation,
a Maryland corporation, its general partner

By: Christopher Peatross
Managing Director

Date of Execution:

TENANT:

Trimble Navigation Limited,
a California corporation

By: Steven W. Berglund
President and Chief Executive Officer

By: Raj Bahri
Chief Financial Officer

Date of Execution:

EXHIBIT E

ENVIRONMENTAL QUESTIONNAIRE

As a new tenant of the Project, answer based upon: (1) any existing or previous operations of the same kind which Tenant has conducted elsewhere, and (2) Tenant's plans for the new space. For each answer, specify which operation(s) you are describing.

1. **Solid Waste.**

- a. Does the facility have an EPA Hazardous Waste generator number?
- b. Does the facility produce Hazardous Waste? Other chemical waste?
- c. Describe each type of waste generated (whether or not hazardous).
- d. If the facility produces hazardous waste, is it classified as a large quantity generator, small quantity generator or conditionally exempt small quantity generator?
- e. Are hazardous waste manifests maintained for three years on site?
- f. Please identify the waste disposal contractor.

2. **Wastewater.**

- a. Does the facility produce any "process wastewater," meaning any wastewater that has come in contact with chemicals or other materials in process (essentially, any discharge of water other than from sinks and toilets)?
- b. If so, please describe each type of process wastewater produced.
- c. Is any water discharged down the floor drains?
- d. Does the facility have a permit for its wastewater discharges?

3. **Air Emissions.**

- a. Does the facility emit any chemicals or wastes into the air?
- b. Does the facility have an air permit?
- c. Does the facility treat any of its air emissions to remove air pollutants?
- d. Describe the ventilation system for the facility.

4. **General.**

- a. Has the facility ever been charged with any violation of, or found in violation of any environmental requirements? If yes, please describe.
- b. Are you aware of any testing of soil or groundwater to determine whether any contamination exists in or around the facility? If so, please provide results.
- c. Please describe any hazardous materials present on site, their respective quantities and the containment measures for those materials.

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**EXHIBIT 21.1
SUBSIDIARIES OF THE COMPANY**

Name of Subsidiary	Jurisdiction of Incorporation
Trimble Navigation Australia Pty Limited	Australia
Spectra Precision Pty Ltd.	Australia
Trimble Belgium BVBA	Belgium
Jamestown Manufacturing Corporation	California
Pacific Crest Corporation	California
Trimble Export Limited	California
Trimble Navigation International Limited	California
Trimble Specialty Products, Inc.	California
TR Navigation Corporation	California
Applanix Corporation	Canada
Trimble Canada Ltd.	Canada
Trimble Exchangeco Ltd.	Canada
Trimble Holdings Co.	Canada
Trimble Electronic Products (Shanghai) Co. Ltd.	China
Trimble Navigation Technology (Shanghai) Co. Ltd.	China
Mensi, Inc.	Delaware
SPHM Inc.	Delaware
Advanced Public Safety, Inc.	Florida
Mensi, S.A.	France
Trimble France S.A.S.	France
Apache Technologies Europe GmbH	Germany
GeoNav GmbH	Germany
Trimble GmbH	Germany
Trimble Holdings GmbH	Germany
Trimble Jena	Germany
Trimble Kaiserslautern GmbH	Germany
Trimble terraSat GmbH	Germany
Trimble Navigation India Private Limited	India
Trimble Italia SRL	Italy
Mensi, KK	Japan
Trimble Japan K.K.	Japan
Trimble Mexico S de RL	Mexico
Trimble Europe B.V.	Netherlands
Trimble Navigation New Zealand Limited	New Zealand
Apache Technologies, Inc.	Ohio
Tripod Data Systems, Inc.	Oregon

Trimble Navigation Singapore PTE Limited

Singapore

Trimble International Holdings S.L.

Spain

Trimble Navigation Iberica S.L.

Spain

Spectra Precision Scandinavia AB

Sweden

Trimble AB

Sweden

MobileTech Solutions, Inc.

Texas

TNL Flight Services, Inc

Texas

Applanix LLC

Texas

Trimble Navigation Europe Limited

United Kingdom

Trimble Pty Ltd.

United Kingdom

Trimble Mobile Solutions, Inc.

Virginia

EXHIBIT 23.1
TRIMBLE NAVIGATION LIMITED

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 Nos. 33-37384, 33-39647, 33-45167, 33-45604, 33-46719, 33-50944, 33-57522, 33-62078, 33-78502, 33-84362, 33-91858, 333-04670, 333-28429, 333-53703, 333-84949, 333-38264, 333-65758, 333-65760, 333-97979, 333-118212, pertaining to the 1983 Stock Option Plan, the Trimble Navigation Savings and Retirement Plan, the 1990 Director Stock Option Plan, the "Position Us for Progress" 1992 Employee Stock Bonus Plan, the 1992 Management Discount Stock Option Plan, the 1993 Stock Option Plan, Trimble Non-statutory Option Plan, the 2002 Stock Option Plan, and the 1988 Employee Stock Purchase Plan, and Form S-3 Nos. 333-76986, 333-86656, 333-103676, 333-106893, and the related Prospectuses, of our reports dated March 8, 2006, with respect to the consolidated financial statements and schedule of Trimble Navigation Limited, Trimble Navigation Limited management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Trimble Navigation Limited, included in this Annual Report (Form10-K) for the year ended December 30, 2005.

/s/ Ernst & Young LLP

Palo Alto, California
March 8, 2006

EXHIBIT 31.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven W. Berglund, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Steven W. Berglund
Steven W. Berglund
Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Rajat Bahri, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Rajat Bahri
Rajat Bahri
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Steven W. Berglund, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven W. Berglund
Steven W. Berglund
Chief Executive Officer

March 10, 2006

EXHIBIT 32.2

**CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rajat Bahri, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rajat Bahri
Rajat Bahri
Chief Financial Officer

March 10, 2006
