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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 4, 2014**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission file number: 001-14845

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

California	**94-2802192**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

935 Stewart Drive, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)

Telephone Number (408) 481-8000
(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐ (Do not check if a smaller reporting company)	Smaller Reporting Company	☐

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

As of August 5, 2014, there were 259,914,767 shares of Common Stock (no par value) outstanding.

TRIMBLE NAVIGATION LIMITED
FORM 10-Q for the Quarter Ended July 4, 2014
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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As of	Second Quarter of 2014	Fiscal Year End 2013
(In thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 278,919	$ 147,227
Accounts receivable, net	379,811	337,932
Other receivables	24,779	23,143
Inventories, net	274,371	254,311
Deferred income taxes	42,157	38,597
Other current assets	41,667	35,807
Total current assets	1,041,704	837,017
Property and equipment, net	155,575	142,975
Goodwill	1,997,783	1,989,470
Other purchased intangible assets, net	553,413	619,399
Other non-current assets	118,764	111,979
Total assets	$ 3,867,239	$ 3,700,840
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 60,706	$ 106,402
Accounts payable	110,066	112,522
Accrued compensation and benefits	100,356	95,866
Deferred revenue	207,193	159,295
Accrued warranty expense	18,840	17,781
Other current liabilities	74,431	85,124
Total current liabilities	571,592	576,990
Non-current portion of long-term debt	595,157	652,056
Non-current deferred revenue	26,973	20,431
Deferred income taxes	132,772	136,399
Other non-current liabilities	89,950	80,982
Total liabilities	1,416,444	1,466,858
Commitments and contingencies		
EQUITY		
Shareholders’ equity:		
Preferred stock, no par value; 3,000 shares authorized; none outstanding	—	—
Common stock, no par value; 360,000 shares authorized; 261,340 and 258,711 shares issued and outstanding as of the second quarter of fiscal 2014 and fiscal year end 2013, respectively	1,180,271	1,106,017
Retained earnings	1,227,944	1,081,695
Accumulated other comprehensive income	30,849	33,194
Total Trimble Navigation Ltd. shareholders’ equity	2,439,064	2,220,906
Noncontrolling interests	11,731	13,076
Total equity	2,450,795	2,233,982
Total liabilities and equity	$ 3,867,239	$ 3,700,840

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Second Quarter of		First Two Quarters of	
(In thousands, except per share data)	2014	2013	2014	2013
Revenue:				
Product	$ 468,995	$ 425,880	$ 911,564	$ 838,667
Service	100,062	84,511	193,381	166,107
Subscription	73,142	65,902	141,975	127,630
Total revenue	642,199	576,293	1,246,920	1,132,404
Cost of sales:				
Product	212,369	200,493	416,121	399,194
Service	37,667	32,549	71,846	63,392
Subscription	17,574	20,995	36,584	40,967
Amortization of purchased intangible assets	20,018	19,855	40,906	39,536
Total cost of sales	287,628	273,892	565,457	543,089
Gross margin	354,571	302,401	681,463	589,315
Operating expense				
Research and development	81,807	76,555	158,183	150,163
Sales and marketing	95,621	85,307	192,975	168,930
General and administrative	61,364	52,760	118,797	104,730
Restructuring charges	789	2,966	1,126	4,571
Amortization of purchased intangible assets	17,856	19,908	37,537	39,559
Total operating expense	257,437	237,496	508,618	467,953
Operating income	97,134	64,905	172,845	121,362
Non-operating income, net				
Interest expense, net	(3,164)	(4,255)	(6,847)	(9,326)
Foreign currency transaction gain (loss)	(454)	600	(609)	(969)
Income from equity method investments	5,225	7,157	8,688	11,414
Other income, net	27	284	13,166	579
Total non-operating income, net	1,634	3,786	14,398	1,698
Income before taxes	98,768	68,691	187,243	123,060
Income tax provision	20,741	13,738	41,091	19,175
Net income	78,027	54,953	146,152	103,885
Less: Net gain (loss) attributable to noncontrolling interests	193	372	(306)	(504)
Net income attributable to Trimble Navigation Ltd.	$ 77,834	$ 54,581	$ 146,458	$ 104,389
Basic earnings per share	$ 0.30	$ 0.21	$ 0.56	$ 0.41
Shares used in calculating basic earnings per share	261,075	256,186	260,432	255,683
Diluted earnings per share	$ 0.29	$ 0.21	$ 0.55	$ 0.40
Shares used in calculating diluted earnings per share	265,957	260,533	265,370	260,416

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
(Dollars in thousands)				
Net income	$ 78,027	$ 54,953	$ 146,152	$ 103,885
Foreign currency translation adjustments	(1,003)	(1,603)	(2,404)	(27,286)
Net unrealized actuarial gain (loss)	50	35	59	(35)
Comprehensive income	77,074	53,385	143,807	76,564
Less: Comprehensive gain (loss) attributable to noncontrolling interests	193	372	(306)	(504)
Comprehensive income attributable to Trimble Navigation Ltd.	$ 76,881	$ 53,013	$ 144,113	$ 77,068

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	First Two Quarters of	
(Dollars in thousands)	2014	2013
Cash flow from operating activities:		
Net income	$ 146,152	$ 103,885
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	15,621	12,854
Amortization expense	78,443	79,095
Provision for doubtful accounts	869	261
Deferred income taxes	(1,700)	(13,732)
Stock-based compensation	21,087	17,253
Income from equity method investments	(8,688)	(11,414)
Gain on an equity sale	(15,091)	—
Excess tax benefit for stock-based compensation	(13,505)	(7,616)
Provision for excess and obsolete inventories	1,731	569
Other non-cash items	(1,867)	(494)
Add decrease (increase) in assets:		
Accounts receivable	(42,563)	(24,071)
Other receivables	(3,708)	(1,558)
Inventories	(21,335)	(14,725)
Other current and non-current assets	(8,001)	(12,165)
Add increase (decrease) in liabilities:		
Accounts payable	452	(18,936)
Accrued compensation and benefits	5,625	(7,166)
Deferred revenue	49,042	55,994
Accrued warranty expense	1,070	(154)
Other liabilities	10,954	14,163
Net cash provided by operating activities	214,588	172,043
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(25,094)	(178,953)
Acquisitions of property and equipment	(28,425)	(39,431)
Dividends received from equity method investments	22,463	2,526
Other	(2,684)	730
Net cash used in investing activities	(33,740)	(215,128)
Cash flow from financing activities:		
Issuances of common stock, net of tax withholding	39,322	23,954
Excess tax benefit for stock-based compensation	13,505	7,616
Proceeds from debt and revolving credit lines	17,000	239,613
Payments on debt and revolving credit lines	(119,517)	(252,780)
Net cash provided by (used in) financing activities	(49,690)	18,403
Effect of exchange rate changes on cash and cash equivalents	534	(4,017)
Net increase (decrease) in cash and cash equivalents	131,692	(28,699)
Cash and cash equivalents, beginning of period	147,227	157,771
Cash and cash equivalents, end of period	$ 278,919	$ 129,072

See accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Trimble Navigation Limited (Trimble or the Company) began operations in 1978 and incorporated in California in 1981. The Company provides technology solutions that enable professionals and field mobile workers to improve or transform their work processes. The solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, environmental management, government, natural resources, transportation and utilities. Representative customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Products frequently provide a good return on investment for customers through lower operational costs, higher productivity, improved quality, enhanced safety and compliance and reduced environmental impact. Product examples include: equipment that automates large industrial equipment such as tractors and bulldozers; surveying instruments; integrated systems that track fleets of vehicles and workers and provide real-time information and powerful analytics to the back-office; data collection systems that enable the management of large amounts of geo-referenced information; software solutions that connect all aspects of a construction site or farm; and building information modeling (BIM) software that is used throughout the design, build, and operation of buildings. The Company also manufactures components for in-vehicle navigation and telematics systems and timing modules used in the synchronization of wireless networks.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2013 was January 3, 2014. The second quarter of fiscal 2014 and 2013 ended on July 4, 2014 and June 28, 2013, respectively. Fiscal 2014 is a 52-week year and 2013 is a 53-week year. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

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

The accompanying financial data as of the second quarter of fiscal 2014 and for the second quarter and the first two quarters of fiscal 2014 and 2013 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of fiscal year end 2013 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2013. The following discussion should be read in conjunction with the Company's 2013 Annual Report on Form 10-K.

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

In the opinion of management, all adjustments necessary have been made to present a fair statement of results for the interim periods presented. The results of operations for the second quarter and the first two quarters of fiscal 2014 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions.

The Company has evaluated all subsequent events through the date that these financial statements have been filed with the Securities and Exchange Commission.

The Company has presented revenue and cost of sales separately for products, service and subscriptions. Product revenue includes primarily hardware, software licenses, parts and accessories; service revenue includes primarily hardware and software maintenance and support, training and professional services; subscription revenue includes software as a service (SaaS).

Certain immaterial amounts from prior periods have been reclassified to conform to the current period presentation, including certain line items within Note 7 Segment Information.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting polices during the first two quarters of fiscal 2014 from those disclosed in the Company's 2013 Form 10-K.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that generally requires the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Condensed Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Trimble adopted this new standard on a prospective basis in the first quarter of fiscal 2014. The implementation had no material impact on its Condensed Consolidated Financial Statements.

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014; however, early adoption is permitted as is a retrospective application. The Company will adopt the amendments beginning in the first quarter of fiscal 2015. The Company does not anticipate a material impact on its Condensed Consolidated Financial Statements as a result of this change.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will amend the current revenue recognition guidance under U.S. GAAP. The Company will adopt this standard in the first quarter of fiscal 2017. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company is unable to determine at this time whether adoption of the standard will have a material impact on its Condensed Consolidated Financial Statements.

NOTE 3. GAIN ON EQUITY SALE

In October, 2008, VirtualSite Solutions (VSS), a business formed by the Company and Caterpillar began operations. The Company originally had a 65% ownership and Caterpillar had a 35% ownership in VSS. VSS develops software for fleet management and connected worksite solutions for both Caterpillar and Trimble and in turn, sells software subscription services to Caterpillar and Trimble, which are sold through Caterpillar's and the Company's respective distribution channels. For financial reporting purposes, VSS's assets and liabilities were consolidated with those of the Company, as were its results of operations, which were reported under the Engineering and Construction segment. Caterpillar's 35% interest was included in the overall Consolidated Financial Statements as Noncontrolling interest.

Effective January 4, 2014, the Company sold 15% of its ownership in VSS to Caterpillar resulting in both the Company and Caterpillar owning 50% of the VSS joint venture. After the sale the Company no longer held a controlling interest in VSS. The sale of the 15% ownership resulted in the deconsolidation of VSS and a gain in the amount of $15.1 million for the first quarter of fiscal 2014. Of this amount, $8.5 million relates to the remeasurement of the Company's retained interest to fair value which was measured using a combination of the income and market approaches. The total gain is included in Other income, net on the Company's Condensed Consolidated Statements of Income. The new 50% investment in VSS is classified as an equity method investment.

NOTE 4. SHAREHOLDERS' EQUITY

Stock Repurchase Activities

In October 2011, the Company's Board of Directors approved a stock repurchase program ("2011 Stock Repurchase Program"), authorizing the Company to repurchase up to $100.0 million of Trimble's common stock. No shares of common stock were repurchased during the first two quarters of fiscal 2014 or 2013. The timing and actual number of future shares repurchased will depend on a variety of factors including price, regulatory requirements, capital availability and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without public notice.

Stock-Based Compensation Expense

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

The following table summarizes stock-based compensation expense related to employee stock-based compensation (for all plans) included in the unaudited Condensed Consolidated Statements of Income for the second quarter and the first two quarters of fiscal 2014 and 2013.

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
(Dollars in thousands)				
Cost of sales	$ 763	$ 607	$ 1,510	$ 1,207
Research and development	1,738	1,232	3,215	2,379
Sales and marketing	2,098	1,761	3,960	3,525
General and administrative	6,376	4,835	12,402	10,142
Total operating expenses	10,212	7,828	19,577	16,046
Total stock-based compensation expense	$ 10,975	$ 8,435	$ 21,087	$ 17,253

Fair value of Trimble Options

Stock option expense recognized in the unaudited Condensed Consolidated Statements of Income is based on the fair value of the portion of share-based payment awards that is expected to vest during the period and is net of estimated forfeitures. The Company's compensation expense for stock options is recognized using the straight-line single option method. The fair values for stock options are estimated on the date of grant using the binomial valuation 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 options granted during the second quarter and the first two quarters of fiscal 2014 and 2013, the following weighted average assumptions were used:

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
Expected dividend yield	—	—	—	—
Expected stock price volatility	35.3%	34.8%	35.4%	34.8%
Risk free interest rate	1.2%	0.5%	1.2%	0.5%
Expected life of options	4.0 years	4.0 years	4.0 years	4.0 years

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

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

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

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

Fair value of Restricted Stock Units

Restricted stock units are converted into shares of Trimble common stock upon vesting on a one-for-one basis. Vesting of restricted stock units is subject to the employee's continuing service to the Company. The compensation expense related to these awards is determined using the fair value of Trimble's common stock on the date of grant, and the expense is recognized on a straight-line basis over the vesting period. Restricted stock units typically vest at the end of three years.

Fair value of Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, rights to purchase shares are generally granted during the second and fourth quarter of each year. The fair value of rights granted under the Employee Stock Purchase Plan is estimated at the date of grant using the Black-Scholes option-pricing model.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Intangible Assets

Intangible Assets consisted of the following:

As of	Second Quarter of Fiscal 2014			Fiscal Year End 2013		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$ 710,433	$ (412,004)	$ 298,429	$ 699,479	$ (363,389)	$ 336,090
Trade names and trademarks	46,517	(31,659)	14,858	46,195	(28,699)	17,496
Customer relationships	426,050	(212,342)	213,708	424,630	(189,338)	235,292
Distribution rights and other intellectual properties	79,439	(53,021)	26,418	79,844	(49,323)	30,521
	$ 1,262,439	$ (709,026)	$ 553,413	$ 1,250,148	$ (630,749)	$ 619,399

The estimated future amortization expense of purchased intangible assets as of the second quarter of fiscal 2014 was as follows:

(Dollars in thousands)	
2014 (Remaining)	$ 74,083
2015	140,620
2016	122,005
2017	100,356
2018	69,649
Thereafter	46,700
Total	$ 553,413

Goodwill

The changes in the carrying amount of goodwill by segment for the first two quarters of fiscal 2014 were as follows:

(Dollars in thousands)	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
Balance as of fiscal year end 2013	$ 1,080,240	$ 88,651	$ 796,094	$ 24,485	$ 1,989,470
Additions due to acquisitions	6,385	45	4,422	—	10,852
Purchase price adjustments	737	46	43	—	826
Foreign currency translation adjustments	(2,690)	(266)	298	(18)	(2,676)
Write off	$ —	$ —	$ (689)	$ —	$ (689)
Balance as of the second quarter of fiscal 2014	$ 1,084,672	$ 88,476	$ 800,168	$ 24,467	$ 1,997,783

The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. For certain acquisitions completed in the second half of fiscal 2013 and the first two quarters of fiscal 2014, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

NOTE 6. INVENTORIES

Inventories, net, consisted of the following:

As of	Second Quarter of 2014	Fiscal Year End 2013
(Dollars in thousands)		
Raw materials	$ 105,373	$ 94,988
Work-in-process	7,795	6,871
Finished goods	161,203	152,452
Total inventories, net	$ 274,371	$ 254,311

Deferred costs of sales for the short-term deferral of hardware and related product revenues are included within finished goods and were $10.2 million as of the second quarter of fiscal 2014 and $12.6 million as of fiscal year end 2013.

NOTE 7. SEGMENT INFORMATION

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

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

- Engineering and Construction — Consists of hardware and software solutions for a variety of applications including: survey, heavy civil and building construction, infrastructure, geospatial, railway, mining and utilities.

- Field Solutions — Consists of hardware and software solutions for applications including agriculture, mapping and geographic information systems (GIS), utilities, and energy distribution.

- Mobile Solutions — Consists of hardware and software solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets.

- Advanced Devices — The various operations that comprise this segment are aggregated on the basis that these operations, taken as a whole, do not exceed 10% of the Company's total revenue, operating income and assets. This segment is comprised of the Embedded Technologies and Timing, Military and Advanced Systems, Applanix, Trimble Outdoors, and ThingMagic businesses.

The Company's Chief Operating Decision Maker (CODM), its Chief Executive Officer, evaluates each of its segment's performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies. In each of its segments the Company sells many individual products. For this reason it is impractical to segregate and identify revenue for each of these individual products or groups of products.

The following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangible assets, amortization of acquisition-related inventory step-up, acquisition costs and restructuring costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

(Dollars in thousands)	Reporting Segments: Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
Second Quarter of Fiscal 2014					
Segment revenue	$ 368,072	$ 114,456	$ 122,880	$ 36,791	$ 642,199
Operating income	91,884	38,672	20,385	12,083	163,024
Depreciation expense	3,173	191	1,288	158	4,810
Second Quarter of Fiscal 2013					
Segment revenue	$ 313,446	$ 115,864	$ 115,524	$ 31,459	$ 576,293
Operating income	66,840	43,372	15,435	6,514	132,161
Depreciation expense	2,880	153	1,358	190	4,581
First Two Quarters of Fiscal 2014					
Segment revenue	$ 677,348	$ 252,621	$ 241,508	$ 75,443	$ 1,246,920
Operating income	149,399	91,609	36,555	23,759	301,322
Depreciation expense	6,330	354	2,510	337	9,531
First Two Quarters of Fiscal 2013					
Segment revenue	$ 580,317	$ 263,345	$ 225,688	$ 63,054	$ 1,132,404
Operating income	109,813	102,898	27,008	12,999	252,718
Depreciation expense	5,848	287	2,337	387	8,859
As of the Second Quarter of Fiscal 2014					
Accounts receivable	$ 222,590	$ 65,894	$ 68,314	$ 23,013	$ 379,811
Inventories	178,480	50,286	29,980	15,625	274,371
Goodwill	1,084,672	88,476	800,168	24,467	1,997,783
As of Fiscal Year End 2013					
Accounts receivable	$ 185,634	$ 62,859	$ 70,174	$ 19,265	$ 337,932
Inventories	171,863	39,554	27,664	15,230	254,311
Goodwill	1,080,240	88,651	796,094	24,485	1,989,470

A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

	Second Quarter of		First Two Quarters of	
(Dollars in thousands)	2014	2013	2014	2013
Consolidated segment operating income	$ 163,024	$ 132,161	$ 301,322	$ 252,718
Unallocated corporate expense	(26,052)	(24,168)	(46,674)	(45,517)
Amortization of purchased intangible assets	(37,874)	(39,763)	(78,443)	(79,095)
Acquisition costs	(1,964)	(3,325)	(3,360)	(6,744)
Consolidated operating income	97,134	64,905	172,845	121,362
Non-operating income, net	1,634	3,786	14,398	1,698
Consolidated income before taxes	$ 98,768	$ 68,691	$ 187,243	$ 123,060

Unallocated corporate expense includes general corporate expense, amortization of acquisition-related inventory step-up and restructuring costs.

NOTE 8. DEBT, COMMITMENTS AND CONTINGENCIES

Debt consisted of the following:

As of	Second Quarter of 2014	Fiscal Year End 2013
(Dollars in thousands)		
Credit Facilities:		
Term loan	$ 647,500	$ 665,000
Revolving credit facility	—	85,000
Promissory notes and other debt	8,363	8,458
Total debt	655,863	758,458
Less current portion of long-term debt	60,706	106,402
Non-current portion	$ 595,157	$ 652,056

Credit Facilities

On November 21, 2012, the Company entered into an amended and restated credit agreement with a group of lenders (the “2012 Credit Facility”). This credit facility provides for unsecured credit facilities in the aggregate principal amount of $1.4 billion, comprised of a five-year revolving loan facility of $700.0 million and a five-year $700.0 million term loan facility. Subject to the terms of the 2012 Credit Facility, the revolving loan facility may be increased, and/or additional term loan commitments may be established, in an aggregate principal amount up to $300.0 million. The Company also has two $75 million uncommitted revolving loan facilities (the “Uncommitted Facilities”), which are callable by the bank at any time and have no covenants. The interest rate for the Uncommitted Facilities is 0.9% to 1.00% plus either LIBOR or the bank’s cost of funds or as otherwise agreed upon by the bank and the Company.

As of the second quarter of fiscal 2014, total debt was comprised primarily of a term loan of $647.5 million. Of the total outstanding balance, $595.0 million of the term loan is classified as long-term in the Condensed Consolidated Balance Sheet.

The funds available under the 2012 Credit Facility may be used for general corporate purposes, the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. Under the 2012 Credit Facility, the Company may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 21, 2017, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. Amounts not borrowed under the revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.15% to 0.35% per annum depending on the Company's leverage ratio as of the most recently ended fiscal quarter. The term loan will be repaid in quarterly installments, with the last quarterly payment to be made on September 29, 2017, with the remaining outstanding balance being due and payable at maturity on November 21, 2017. The Company is required to make quarterly principal payments on the term loan facility totaling $17.5 million for the remainder of fiscal 2014, $70.0 million in fiscal 2015, $70.0 million in fiscal 2016, and the remaining balance of $490.0 million in fiscal 2017. The term loan may be prepaid in whole or in part, subject to certain minimum thresholds, without penalty or premium. Amounts repaid or prepaid with respect to the term loan facility may not be reborrowed.

The Company may borrow funds under the 2012 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at the Company’s option, at either: (i) a floating per annum base rate based on the administrative agent’s prime rate or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.00% and 1.00%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR, EURIBOR, or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 1.00% and 2.00%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter. Interest will be paid on the last day of each fiscal quarter with respect to borrowings bearing interest based on a floating rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at a fixed rate. The Company's obligations under the 2012 Credit Facility are guaranteed by several of the Company's domestic subsidiaries.

The 2012 Credit Facility contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2012 Credit Facility also contains customary affirmative and negative 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 and make investments. Further, the 2012 Credit Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios. Specifically, the Company must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2012 Credit Facility) to (b) interest expenses for the most recently ended period of four fiscal quarters of not less than 3.00 to 1. The Company must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness to (y) EBITDA (as defined in the 2012 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3 to 1; provided, that on the completion of a material acquisition, the Company may increase the ratio by 0.25 for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters.

The Company was in compliance with these covenants as of the second quarter of fiscal 2014.

The 2012 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 2012 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default.

The weighted average interest rate on the current portion of the long-term debt outstanding under the 2012 Credit Facility and Uncommitted Facilities was 1.53% and 1.31% at the end of the second quarter of fiscal 2014 and fiscal year end 2013, respectively. The interest rate on the non-current debt outstanding under the 2012 Credit Facility was 1.53% and 1.67% at the end of the second quarter of fiscal 2014 and fiscal year end 2013, respectively.

Promissory Notes and Other Debt

As of the second quarter of fiscal 2014 and fiscal year end 2013, the Company had promissory notes and other debt totaling approximately $8.4 million and $8.5 million, respectively, of which $0.2 million and $0.1 million, respectively, was classified as long-term in the Condensed Consolidated Balance Sheet.

Leases and Other Commitments

The estimated future minimum operating lease commitments as of the second quarter of fiscal 2014 are as follows (dollars in thousands):

2014 (Remaining)	$	15,223
2015		24,587
2016		17,723
2017		14,185
2018		8,853
Thereafter		27,136
Total	$	107,707

As of the second quarter of fiscal 2014, the Company had unconditional purchase obligations of approximately $129.6 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company’s vendors. Purchase obligations exclude agreements that are cancelable without penalty.

NOTE 9. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

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

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

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

Fair Value on a Recurring Basis

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

	Fair Values as of the Second Quarter of Fiscal 2014				Fair Values as of Fiscal Year End 2013			
(Dollars in thousands)	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Money market funds(1)	$ 2	$ —	$ —	$ 2	$ 2	$ —	$ —	$ 2
Deferred compensation plan assets (2)	18,248	—	—	18,248	16,545	—	—	16,545
Derivative assets (3)	—	697	—	697	—	196	—	196
Total	$ 18,250	$ 697	$ —	$ 18,947	$ 16,547	$ 196	$ —	$ 16,743
Liabilities								
Deferred compensation plan liabilities (2)	$ 18,248	$ —	$ —	$ 18,248	$ 16,545	$ —	$ —	$ 16,545
Derivative liabilities (3)	—	775	—	775	—	635	—	635
Contingent consideration liabilities (4)	—	—	6,046	6,046	—	—	2,401	2,401
Total	$ 18,248	$ 775	$ 6,046	$ 25,069	$ 16,545	$ 635	$ 2,401	$ 19,581

(1) The money market funds are highly liquid investments. The fair values are determined using observable quoted prices in active markets. Money market funds are included in Cash and cash equivalents on the Company's Condensed Consolidated Balance Sheets.

(2) The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

(3) Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets.

(4) Contingent consideration liabilities represent arrangements to pay the former owners of certain companies the Company acquired. The undiscounted maximum payment under the arrangements is $13.9 million at the end of the second quarter of fiscal 2014, based on estimated future revenues or gross margins. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

Additional Fair Value Information

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

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
As of	Second Quarter of Fiscal 2014		Fiscal Year End 2013	
(Dollars in thousands)				
Assets:				
Cash and cash equivalents	$ 278,919	$ 278,919	$ 147,227	$ 147,227
Forward foreign currency exchange contracts	697	697	196	196
Liabilities:				
Credit facilities	$ 647,500	$ 647,500	$ 750,000	$ 750,000
Forward foreign currency exchange contracts	775	775	635	635
Promissory notes and other debt	8,363	8,363	8,458	8,458

The fair value of cash and cash equivalents is based on quoted prices in active markets for identical assets or liabilities, and is categorized as Level I in the fair value hierarchy. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate, and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 10. PRODUCT WARRANTIES

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. The products sold are generally covered by a warranty for periods ranging from 90 days to 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 first two quarters of fiscal 2014 are as follows:

(Dollars in thousands)		
Balance as of fiscal year end 2013	$	17,781
Acquired warranties		18
Accruals for warranties issued		10,499
Changes in estimates		630
Warranty settlements (in cash or in kind)		(10,088)
Balance as of the second quarter of fiscal 2014	$	18,840

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income attributable to Trimble Navigation Ltd. by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Navigation Ltd. by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and unvested restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table shows the computation of basic and diluted earnings per share:

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
(Dollars in thousands, except per share amounts)				
Numerator:				
Net income attributable to Trimble Navigation Ltd.	$ 77,834	$ 54,581	$ 146,458	$ 104,389
Denominator:				
Weighted average number of common shares used in basic earnings per share	261,075	256,186	260,432	255,683
Effect of dilutive securities	4,882	4,347	4,938	4,733
Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share	265,957	260,533	265,370	260,416
Basic earnings per share	$ 0.30	$ 0.21	$ 0.56	$ 0.41
Diluted earnings per share	$ 0.29	$ 0.21	$ 0.55	$ 0.40

For the second quarter of fiscal 2014 and 2013, the Company excluded 0.4 million and 3.2 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive. For the first two quarters of fiscal 2014 and 2013, the Company excluded 0.2 million and 2.8 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share.

NOTE 12. INCOME TAXES

In the second quarter of fiscal 2014, the Company’s effective income tax rate was 21% as compared to 20% in the corresponding period in 2013, primarily due to the expiration of the federal R&D credit and the differences in the geographic mix of pretax income. In the first two quarters of fiscal 2014, the Company’s effective income tax rate was 22% as compared to 16% in the corresponding period in 2013 due to the tax effect of a gain on a partial equity sale of VSS, the expiration of the federal R&D credit and the differences in the geographic mix of pretax income.

The Company's effective tax rates for the second quarter of fiscal years 2014 and 2013 are lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service as well as various state and foreign taxing authorities. Although timing of the resolution of audits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits as of the second quarter of fiscal 2014 will materially change in the next twelve months.

The unrecognized tax benefits of $42.1 million and $38.1 million as of the second quarter of fiscal 2014 and fiscal year end 2013, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the second quarter of fiscal 2014 and fiscal year end 2013, of $4.5 million and $3.6 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 13. LITIGATION

On August 9, 2013, the Harbinger Plaintiffs filed a lawsuit against Deere & Co., Garmin International, Inc., the Company and two other defendants in the U.S. District Court in Manhattan in connection with the Harbinger Plaintiffs’ investment in LightSquared. The Harbinger Plaintiffs allege, among other things, fraud and negligent misrepresentation, claiming that the defendants were aware of material facts that caused the Federal Communications Commission to take adverse action against LightSquared and affirmatively misrepresented and failed to disclose those facts prior to the Harbinger Plaintiffs’ investment in LightSquared. The Harbinger Plaintiffs seek $1.9 billion in damages from the defendants. On November 1, 2013, debtor LightSquared, Inc. and two related parties (“LightSquared Plaintiffs”) filed suit against the same defendants in the U.S. Bankruptcy Court in Manhattan. The LightSquared Plaintiffs assert claims similar to those made by the Harbinger Plaintiffs, as well as additional claims, including breach of contract and tortious interference, and allege that LightSquared invested billions of dollars in reliance on the promises and representations of defendants. On January 31, 2014, the U.S. District Court granted defendants’ motion to withdraw the LightSquared action from the U.S. Bankruptcy Court so it will proceed together with the Harbinger action before the U.S. District Court. Although an unfavorable outcome of these litigation matters may have a material adverse effect on the Company's operating results, liquidity, or financial position, the Company believes the claims in these lawsuits are without merit and intends to vigorously contest these lawsuits.

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

NOTE 14. SUBSEQUENT EVENTS

In the third quarter of 2014, the Company repurchased approximately 1,509,000 shares of common stock in open market purchases at an average price of $31.60 per share pursuant to its existing stock repurchase program (the “2011 Stock Repurchase Program”). The total purchase price of $47.7 million will be reflected as a decrease to common stock based on the average stated value per share with the remainder to retained earnings. Common stock repurchases under the program will be recorded based upon the trade date for accounting purposes. All common shares repurchased under this program are retired. As of August 7, 2014, the 2011 Stock Repurchase Program had remaining authorized funds of $52.3 million. The timing and actual number of future shares repurchased will depend on a variety of factors including price, regulatory requirements, capital availability, and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without public notice.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Actual results could differ materially from those indicated in the forward-looking statements due to a number of factors including, but not limited to, the risk factors discussed in "Risk Factors" below and elsewhere in this report as well as in the Company's Annual Report on Form 10-K for fiscal year 2013 and other reports and documents that the Company files from time to time with the Securities and Exchange Commission. The Company has attempted to identify forward-looking statements in this report by placing an asterisk (*) before paragraphs. Discussions containing such forward-looking statements may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" below. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q, and the Company disclaims any obligation to update these statements or to explain the reasons why actual results may differ.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on our best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our significant accounting polices during the first two quarters of fiscal 2014 from those disclosed in our 2013 Form 10-K.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that generally requires the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Condensed Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. We adopted this new standard on a prospective basis in the first quarter of fiscal 2014. The implementation had no material impact on our Condensed Consolidated Financial Statements.

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014; however, early adoption is permitted as is a retrospective application. We will adopt the amendments beginning in the first quarter of fiscal 2015. We do not anticipate a material impact on our Condensed Consolidated Financial Statements as a result of this change.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will amend the current revenue recognition guidance under U.S. GAAP. We will adopt this standard in the first quarter of fiscal 2017. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. We are unable to determine at this time whether adoption of the standard will have a material impact on our Condensed Consolidated Financial Statements.

EXECUTIVE LEVEL OVERVIEW

Trimble's focus is on integrating its broad technological and application capabilities to create system-level solutions that transform how work is done within the industries we serve, enhancing productivity, accuracy, safety and regulatory compliance for our customers. The majority of our markets are end-user markets, including engineering and construction firms, surveyors, farmers, governmental organizations, energy and utility companies and organizations that must manage fleets of mobile workers and assets. We also provide components to original equipment manufacturers to incorporate into their products. In the end-user markets, we provide stand-alone systems which may consist of software, hardware or some combination of the two, as well as integrated enterprise or workflow solutions which address the entire work process. We manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices.

Solutions targeted at the end-user make up a significant majority of our revenue. With the exception of our Mobile Solutions and Advanced Devices segments, our products are primarily sold through dealer channels, and it is crucial that we maintain proficient, global, third-party distribution channels.

Some of the more significant developments in our business during the quarter included:

Engineering and Construction Segment

We introduced advances in several Trimble software packages for geospatial analysis and modeling. These included enhanced point cloud processing and management in Trimble Business Center, which enables users to visualize and edit large point clouds while simultaneously working with high-resolution imagery. Improvements to Trimble RealWorks enable our users to produce colorized point clouds using high-resolution and high dynamic range images from professional grade cameras, thereby reducing measurement and modeling times. Enhancements to Trimble Trident software enable mobile mapping professionals to combine datasets captured using spherical cameras with laser scanner and inertial measurements from the Trimble MX2 to easily determine the location of surveyed features and automatically classify imaged objects.

We released an extension for SketchUp software to enable architects, engineers and geospatial professionals to create models from 3D scanning data collected with Trimble 3D laser scanners. The 3D scanning extension dramatically reduces modeling time and provides tools to extract construction points, lines and planes. We also launched SketchUp Mobile View for iPad, which enables design and construction professionals to utilize convenient, on-the-go access to SketchUp models.

Within the heavy civil construction market, we introduced the Trimble CCS900 Compaction Control System to improve efficiency in bulk earthworks and landfill compaction. When using the system, machine operators can make more uniform and efficient passes, report compaction production data in the field, and ensure target compaction is reached with minimal fuel usage and machine wear.

We also announced that Trimble CenterPoint RTX Correction Service is available for heavy civil construction applications. The service offers construction companies a flexible, easy-to-deploy option for conducting pre-bid reconnaissance and initial site measurements without using a traditional GNSS base station, enabling contractors to produce more accurate material estimates and bids.

We acquired Australian-based Mining Information Systems (MIS). The acquisition adds enterprise-level information management capabilities to Trimble's portfolio of mining solutions. These capabilities enable improved productivity, profitability, and safety by providing a more complete view of geospatial, productivity, workforce and cost data across mining functional areas to support better operational and strategic decision making.

In the quarter we continued to execute our global distribution strategy by establishing new SITECH Technology Dealers in northern and northwest Mexico, Nebraska and northeastern Canada.

Field Solutions Segment

Within the agriculture market, we extended our Connected Farm solution to include a new agronomic service, the Soil Information System (SIS), which provides farmers with in-depth 3-D soil data to support more informed decisions about crop production goals. SIS is a 3-D soil mapping solution that produces high-resolution soil and topographic information to provide a greater understanding of the physical and chemical characteristics of the soil. SIS multi-layer soil models enable farmers to initiate effective solutions to resolve the unique challenges of each area of their fields.

We further extended the Connected Farm solution with the release of Trimble PurePixel Precision Vegetation Health Solution, which provides processing of multi-spectral crop images. The system delivers a color-coded visual representation of a field’s crop health or maturity level, enabling farmers and their trusted advisers to be more efficient in locating, identifying and solving crop production issues. Also in the second quarter, we announced that the Trimble Irrigate-IQ precision irrigation solution is available in North America. The solution, which enables farmers to remotely control irrigators via the Internet, also includes the Connected Farm Irrigate application to enable control of pivot irrigation systems via smartphone or tablet.

Mobile Solutions Segment

Within the transportation and logistics market, ALK Technologies, a Trimble company, released the latest version of PC MILER truck routing, mileage and mapping software. PC MILER includes new tools and enhanced functionality geared around the need for greater customization.

Within the forestry market, we released a new Enterprise Forest Management software solution, which provides a single operational platform for managing land, forest and fiber resources. Operating as the centerpiece of the Trimble Connected Forest vision, the new solution integrates maps and spatial data with planning information to enable managers to schedule activities, plan and manage budgets and allocate resources. In addition, we announced that City Forests Ltd of Dunedin, New Zealand implemented the Enterprise Forest Management solution for managing its spatial and non-spatial forest information.

Advanced Devices Segment

We announced a new application, MyTopo Terrain Navigator Pro Enterprise (TNPe), which facilitates collaboration and position sharing in the field. Designed for deployment on mobile devices during large-scale search and rescue operations, environmental cleanups and multi-state conservation projects, TNPe synthesizes and displays collected data to speed in-the-field decision-making and create a digital record of all field activity.

We introduced the Trimble BD930-UHF receiver and communication module. As part of Trimble's GNSS OEM portfolio, the new compact module features centimeter-level, Real-Time Kinematic positioning capabilities coupled with an integrated UHF receiver for precise, mobile positioning. The BD930-UHF module's connectivity and configuration capabilities allow system integrators and OEMs to easily add GNSS, centimeter-level positioning to specialized or custom hardware solutions. The Trimble BD930-UHF can be used for demanding conditions and applications such as field computing, port automation and lightweight robotic or unmanned vehicles.

RECENT BUSINESS DEVELOPMENTS

The following companies or business assets were acquired during the fifteen months ended July 4, 2014 and are combined in our results of operations since the date of acquisition:

Omega Group

On June 2, 2014, we acquired the assets of privately-held The Omega Group, headquartered in San Diego, California. The Omega Group is an industry provider of cloud-based and on-premise operational performance support software that integrates mapping, analytics, intelligence and mobile technologies, allowing public safety agencies to optimize patrol strategies and daily field work. Omega Group's performance is reported under our Mobile Solutions business segment.

Mining Information Systems

On June 2, 2014, we acquired privately-held MIS, headquartered in Perth, Australia. The acquisition will add enterprise-level information management capabilities to Trimble's portfolio of mining solutions. These enterprise-level capabilities can enable improved productivity, profitability, and safety by providing a more complete view of geospatial, productivity, workforce and cost data across functional areas to support better operational and strategic decision making. MIS's performance is reported under our Engineering and Construction business segment.

MAYBIM

On May 12, 2014, we acquired the assets of privately-held MAYBIM based in Provo, Utah. MAYBIM provides 3D Building Information Modeling services to contractors with a focus on mechanical, electrical and plumbing contractors across the U.S. MAYBIM's performance is reported under our Engineering and Construction business segment.

WeoGeo

On May 1, 2014, we acquired privately-held WeoGeo based in Portland, Oregon. WeoGeo is a provider of technology for managing spatial data in the online geospatial data marketplace. WeoGeo's performance is reported under our Engineering and Construction business segment.

Field3D

On March 10, 2014, we acquired SVS Innovations’ (SVSi) construction software business and its advanced Field3D mobile technology based in Tampere, Finland. Field3D is an easy-to-use 3D collaboration software solution for BIM that works on mobile devices, enabling stakeholders in a construction workflow to access complete 3D model information for an entire building on smartphones and tablets. Field3D's performance is reported under our Engineering and Construction business segment.

GeoDesy Kft

On February 24, 2014, we acquired the assets of privately-held GeoDesy and GeoDesy Free Space Optics of Budapest, Hungary. GeoDesy is a European engineering and development company focused on delivering accessories for the geomatics, surveying, mapping and construction industries. GeoDesy Kft's performance is reported under our Engineering and Construction business segment.

IQ Irrigation Assets

On August 30, 2013, we acquired the assets of privately-held IQ Irrigation of Christchurch, New Zealand. IQ Irrigation is a provider of a hardware and software solution for controlling linear and pivot irrigation systems. IQ Irrigation's performance is reported under our Field Solutions business segment.

RainWave and Hydro-Engineering

On August 23, 2013, we acquired the assets of privately-held RainWave, LLC and Hydro-Engineering Solutions, LLC of Auburn, Alabama. RainWave provides precipitation monitoring services for agribusinesses, construction and engineering, government and consumer industries. Hydro-Engineering Solutions is a civil engineering company that specializes in hydrology and hydraulics. RainWave and Hydro-Engineering's performance is reported under our Field Solutions business segment.

Actronic Holdings Limited

On June 5, 2013, we acquired privately-held Actronic Holdings Limited of Auckland, New Zealand. Actronic Technologies is a provider of weighing technology and payload information systems for construction, aggregates, mining and waste markets. Actronic Holdings' performance is reported under our Engineering and Construction business segment.

Trade Service Company, LLC

On May 31, 2013, we acquired privately-held Trade Service Company, LLC based in San Diego, California. Trade Service is a provider in content acquisition, aggregation, management, publishing and distribution of product and pricing information used by manufacturers, distributors and contractors in the Achitecture, Engineering, and Construction industry. Trade Service’s performance is reported under our Engineering and Construction business segment.

Seasonality of Business

* Our individual segment revenue may be affected by seasonal buying patterns. Historically, the second fiscal quarter has been the strongest quarter for the Company driven by the construction buying season. However, as a result of diversification of our business into software and subscription revenue, we may experience less seasonality in the future.

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.

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
(Dollars in thousands)				
Revenue:				
Product	$ 468,995	$ 425,880	$ 911,564	$ 838,667
Service	100,062	84,511	193,381	166,107
Subscription	73,142	65,902	141,975	127,630
Total revenue	642,199	576,293	1,246,920	1,132,404
Gross margin	$ 354,571	$ 302,401	$ 681,463	$ 589,315
Gross margin %	55.2%	52.5%	54.7%	52.0%
Operating income	$ 97,134	$ 64,905	$ 172,845	$ 121,362
Operating income %	15.1%	11.3%	13.9%	10.7%

Revenue

In the second quarter of fiscal 2014, total revenue increased by $65.9 million or 11%, as compared to the second quarter of fiscal 2013. Of this increase, product revenue increased $43.1 million or 10%, service revenue increased $15.6 million or 18%, and subscription revenue increased $7.2 million or 11%. In the first two quarters of fiscal 2014, total revenue increased by $114.5 million or 10%, as compared to the first two quarters of fiscal 2013. Of this increase, product revenue increased $72.9 million or 9%, service revenue increased $27.3 million or 16%, and subscription revenue increased $14.3 million or 11%.

The product, service, and subscription revenue increases were driven primarily by growth across Engineering and Construction, and to a lesser extent, Mobile Solutions and Advanced Devices. The growth was primarily organic growth and to a lesser extent, the impact of the acquisitions which were not applicable in the prior period. The product revenue growth was partially offset by a decrease in Field Solutions product revenue primarily due to softness in agriculture markets. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

On a segment basis, Engineering and Construction revenue for the second quarter of fiscal 2014 increased $54.6 million or 17%, Mobile Solutions increased $7.4 million or 6%, and Advanced Devices increased $5.3 million or 17%, partially offset by a decrease in Field Solutions of $1.4 million or 1%, as compared to the second quarter of fiscal 2013. Engineering and Construction revenue for the first two quarters of fiscal 2014 increased $97.0 million or 17%, Mobile Solutions increased $15.8 million or 7%, Advanced Devices increased $12.4 million or 20%, and Field Solutions decreased $10.7 million or 4%, as compared to the corresponding period of fiscal 2013.

Revenue growth within Engineering and Construction was driven by growth due to continued market penetration and continued improvement in the U.S for construction and geospatial products. Mobile Solutions increased due to growth in the transportation and logistics market. Advanced Devices revenue increased primarily due to stronger sales of embedded and timing component products. Field Solutions revenue decreased primarily due to softness in agricultural markets.

Gross Margin

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

Gross margin increased by $52.2 million for the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, and increased by $92.1 million for the first two quarters of fiscal 2014, as compared to the first two quarters of fiscal 2013. The increase was primarily due to increased sales and gross margin expansion in Engineering and Construction and to a lesser extent in Mobile Solutions. Gross margin as a percentage of total revenue for the second quarter of fiscal 2014 was 55.2%, as compared to 52.5% for the second quarter of fiscal 2013, and was 54.7% for the first two quarters of fiscal 2014, as compared to 52.0% for the first two quarters of fiscal 2013. The increase was primarily due to an increase in sales of higher margin products, primarily software, maintenance, and subscription revenue, primarily due to organic growth, particularly in Engineering and Construction and to a lesser extent, in Mobile Solutions.

Operating Income

Operating income increased by $32.2 million for the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, and increased by $51.5 million for the first two quarters of fiscal 2014, as compared to the first two quarters of fiscal 2013. Operating income as a percentage of total revenue was 15.1% for the second quarter of fiscal 2014, as compared to 11.3% for the second quarter of fiscal 2013, and was 13.9% for the first two quarters of fiscal 2014, as compared to 10.7% for the first two quarters of fiscal 2013.

The increase in operating income in both periods was primarily driven by higher revenue and gross margin expansion, partially offset by an increase in operating expenses. The increase in operating income percentage was primarily driven by higher margin software, maintenance, and subscription revenue, particularly in Engineering and Construction.

Results by Segment

To achieve distribution, marketing, production and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions and Advanced Devices. Operating income equals net revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangible assets, amortization of inventory step-up charges, acquisition costs and restructuring costs. Operating leverage is defined as an increase in operating income as a percentage of the increase in revenue.

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

(Dollars in thousands)	Second Quarter of 2014	Second Quarter of 2013	First Two Quarters of 2014	First Two Quarters of 2013
Engineering and Construction				
Revenue	$ 368,072	$ 313,446	$ 677,348	$ 580,317
Segment revenue as a percent of total revenue	57%	54%	54%	51%
Operating income	$ 91,884	$ 66,840	$ 149,399	$ 109,813
Operating income as a percent of segment revenue	25%	21%	22%	19%
Field Solutions				
Revenue	$ 114,456	$ 115,864	$ 252,621	$ 263,345
Segment revenue as a percent of total revenue	18%	20%	20%	23%
Operating income	$ 38,672	$ 43,372	$ 91,609	$ 102,898
Operating income as a percent of segment revenue	34%	37%	36%	39%
Mobile Solutions				
Revenue	$ 122,880	$ 115,524	$ 241,508	$ 225,688
Segment revenue as a percent of total revenue	19%	20%	20%	20%
Operating income	$ 20,385	15,435	$ 36,555	27,008
Operating income as a percent of segment revenue	17%	13%	15%	12%
Advanced Devices				
Revenue	$ 36,791	$ 31,459	$ 75,443	$ 63,054
Segment revenue as a percent of total revenue	6%	6%	6%	6%
Operating income	$ 12,083	$ 6,514	$ 23,759	$ 12,999
Operating income as a percent of segment revenue	33%	21%	31%	21%

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

(Dollars in thousands)	Second Quarter of 2014	Second Quarter of 2013	First Two Quarters of 2014	First Two Quarters of 2013
Consolidated segment operating income	$ 163,024	$ 132,161	$ 301,322	$ 252,718
Unallocated corporate expense	(26,052)	(24,168)	(46,674)	(45,517)
Amortization of purchased intangible assets	(37,874)	(39,763)	(78,443)	(79,095)
Acquisition costs	(1,964)	(3,325)	(3,360)	(6,744)
Consolidated operating income	97,134	64,905	172,845	121,362
Non-operating income, net	1,634	3,786	14,398	1,698
Consolidated income before taxes	$ 98,768	$ 68,691	$ 187,243	$ 123,060

Unallocated corporate expense includes general corporate expense, amortization of inventory step-up charges and restructuring costs.

Engineering and Construction

Engineering and Construction revenue increased by $54.6 million or 17% and $97.0 million or 17% for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. Segment operating income increased $25.0 million or 37% and $39.6 million or 36% for the second quarter and the first two quarters of fiscal 2014, as compared to the corresponding periods in fiscal 2013.

Revenue growth for the second quarter and the first two quarters of fiscal 2014 was driven primarily by continued organic growth due to global sales of construction and geospatial products, primarily in the U.S. and Europe. The U.S. markets continued to improve and European markets demonstrated some growth as well. Australia's economy impacted our sales and was the most significant regional drag on the segment. Additionally, increased market penetration contributed to growth due to continuing adoption of our products, particularly in the construction industry as technology is playing a broader role in increasing productivity and reducing costs. Our newer product solutions integrate both hardware and software technologies across an entire work flow.

Segment operating income increased primarily due to higher revenue and product mix, including higher software, maintenance and subscription revenue.

Field Solutions

Field Solutions revenue decreased by $1.4 million or 1% and $10.7 million or 4% for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. Segment operating income decreased by $4.7 million or 11% and $11.3 million or 11% for the second quarter and the first two quarters of fiscal 2014, as compared to the corresponding periods in fiscal 2013.

Field Solution revenue decreased for the second quarter and the first two quarters of fiscal 2014, primarily due to softness in agriculture markets. Lower commodity prices and farmer income contributed to slower than anticipated sales in agriculture in North America and to a lesser extent, Europe. Additionally, weather conditions, particularly in North America, and some dislocation in the channel, as we continue to shift toward a more information centric product offering, impacted our sales. The agriculture decrease was partially offset by an increase in Geographic Information System (GIS) sales.

Mobile Solutions

Mobile Solutions revenue increased by $7.4 million or 6% and $15.8 million or 7% for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. Segment operating income increased by $5.0 million or 32% and $9.5 million or 35% for the second quarter and the first two quarters of fiscal 2014, as compared to the corresponding periods in fiscal 2013.

Mobile Solutions revenue increased for the second quarter and the first two quarters of fiscal 2014, primarily due to continued organic growth in the transportation and logistics market, which focuses on enterprise solutions. The majority of the sales are in the U.S., however there is continuing focus on geographic expansion. Operating income increased due to increased revenue and product mix, including higher software, maintenance and subscription revenue.

Advanced Devices

Advanced Devices revenue increased by $5.3 million or 17% and $12.4 million or 20% for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. Segment operating income increased by $5.6 million or 85% and $10.8 million or 83% for the second quarter and the first two quarters of fiscal 2014, as compared to the corresponding periods in fiscal 2013.

The increase in revenue and operating income for the second quarter and the first two quarters of fiscal 2014 was due to increased sales of timing, embedded and inertial/GNSS positioning and orientation systems.

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

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

	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
(Dollars in thousands)				
Research and development	$ 81,807	$ 76,555	$ 158,183	$ 150,163
Percentage of revenue	13%	13%	13%	13%
Sales and marketing	$ 95,621	$ 85,307	$ 192,975	$ 168,930
Percentage of revenue	15%	15%	15%	15%
General and administrative	$ 61,364	$ 52,760	$ 118,797	$ 104,730
Percentage of revenue	9%	9%	10%	9%
Total	$ 238,792	$ 214,622	$ 469,955	$ 423,823
Percentage of revenue	37%	37%	38%	37%

Overall, R&D, S&M and G&A expense increased by approximately $24.2 million and $46.1 million for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013.

Research and development expense increased by $5.3 million and $8.0 million for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. Research and development spending overall was at approximately 13% of revenue in both the second quarter and the first two quarters of fiscal 2014 and 2013. The cost of software developed for external sale subsequent to reaching technical feasibility was not material and was expensed as incurred.

The increase in R&D expense in the second quarter of fiscal 2014, as compared to the corresponding period of fiscal 2013 was primarily due to a $1.6 million increase in compensation related expense due to headcount increases, the inclusion of expense of $2.4 million from acquisitions not applicable in the prior corresponding period, a $0.6 million increase due to unfavorable foreign currency exchange rates and a $0.7 million increase in other expense.

The increase in R&D expense in the first two quarters of fiscal 2014, as compared to the corresponding period in fiscal 2013 was primarily due to a $2.8 million increase in compensation related expense due to headcount increases, the inclusion of expense of $5.0 million from acquisitions not applicable in the prior corresponding period, a $0.6 million increase due to unfavorable foreign currency exchange rates, partially offset by a $0.4 million decrease in other expense.

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

Sales and marketing expense increased by $10.3 million and $24.0 million for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods of fiscal 2013. Sales and marketing spending overall was at approximately 15% of revenue in both the second quarter and the first two quarters of fiscal 2014 and 2013.

The increase in Sales and marketing expense in the second quarter of fiscal 2014, as compared to the corresponding period of fiscal 2013 was primarily due to a $7.0 million increase in compensation related expense due to headcount increases, the inclusion of expense of $1.5 million from acquisitions not applicable in the prior period, a $0.9 million increase due to unfavorable foreign currency exchange rates and a $0.9 million increase in other expense.

The increase in Sales and marketing expense in the first two quarters of fiscal 2014, as compared to the corresponding period in fiscal 2013 was primarily due to an $11.4 million increase in compensation related expense due to headcount increases, the inclusion of expense of $4.6 million from acquisitions not applicable in the prior corresponding period, a $5.3 million increase in travel/marketing cost due to two global dealer meetings, and a $1.1 million increase due to unfavorable foreign currency exchange rates, and a $1.6 million increase in other expense.

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

General and administrative expense increased by $8.6 million and $14.1 million for the second quarter and the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods of fiscal 2013. General and administrative spending overall was at approximately 9% and 10% of revenue in the second quarter and the first two quarters of fiscal 2014, respectively, as compared to 9% in both the corresponding periods of fiscal 2013.

The increase in G&A expenses in the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013 was primarily due to a $4.3 million increase in compensation related expense due to headcount increases, the inclusion of expense of $1.1 million from acquisitions not applicable in the prior period, a $0.3 million increase in bad debt expense, and a $4.2 million increase in other expense, partially offset by a $1.3 million decrease in acquisition cost.

The increase in G&A expenses in the first two quarters of fiscal 2014, as compared to the corresponding period in fiscal 2013 was primarily due to a $7.5 million increase in compensation related expense, the inclusion of expense of $3.5 million from acquisitions not applicable in the prior period, a $0.9 million increase in bad debt expense, and a $5.6 million increase in other expense, partially offset by a $3.4 million decrease in acquisition cost.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was $37.9 million in the second quarter of fiscal 2014, as compared to $39.8 million in the second quarter of fiscal 2013. Of the total $37.9 million in the second quarter of fiscal 2014, $17.9 million is presented as a separate line within Operating expense and $20.0 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. The decrease was due to the expiration of amortization for prior acquisitions, partially offset by acquisitions not included in the second quarter of fiscal 2013. As of the second quarter of fiscal 2014, future amortization of intangible assets is expected to be $74.1 million during the remaining two quarters of fiscal 2014, $140.6 million during 2015, $122.0 million during 2016, $100.4 million during 2017, $69.6 million during 2018 and $46.7 million thereafter.

Non-operating Income, Net

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

(Dollars in thousands)	Second Quarter of		First Two Quarters of	
	2014	2013	2014	2013
Interest expense, net	$ (3,164)	$ (4,255)	$ (6,847)	$ (9,326)
Foreign currency transaction gain (loss)	(454)	600	(609)	(969)
Income from equity method investments, net	5,225	7,157	8,688	11,414
Other income, net	27	284	13,166	579
Total non-operating income, net	$ 1,634	$ 3,786	$ 14,398	$ 1,698

Non-operating income, net decreased $2.2 million for the second quarter and increased $12.7 million for the first two quarters of fiscal 2014, respectively, as compared to the corresponding periods in fiscal 2013. The decrease for the second quarter of fiscal 2014 was primarily due to a decrease in profitability from joint ventures. The increase for the first two quarters of fiscal 2014 was primarily due to a gain on a partial equity sale of Virtual Site Solutions (VSS) and lower interest expense, partially offset by lower profitability from joint ventures.

Income Tax Provision

Our effective income tax rate for the second quarter of fiscal 2014 was 21%, as compared to 20% in the corresponding period in 2013, primarily due to the expiration of the federal R&D credit and the differences in the geographic mix of pretax income. In the first two quarters of fiscal 2014, our effective income tax rate was 22% as compared to 16% in the corresponding period in 2013 due to the tax effect of a gain on a partial equity sale of VSS, the expiration of the federal R&D credit and the differences in the geographic mix of pretax income

Our effective tax rates for the second quarter of fiscal years 2014 and 2013 are lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. We have not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

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

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

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the second quarter of fiscal 2014 and fiscal year end 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of	Second Quarter of 2014	Fiscal Year End 2013
(Dollars in thousands)		
Cash and cash equivalents	$ 278,919	$ 147,227
Total debt	655,863	758,458

	First Two Quarters of	
	2014	2013
(Dollars in thousands)		
Cash provided by operating activities	$ 214,588	$ 172,043
Cash used in investing activities	(33,740)	(215,128)
Cash provided by (used in) financing activities	(49,690)	18,403
Effect of exchange rate changes on cash and cash equivalents	534	(4,017)
Net increase (decrease) in cash and cash equivalents	$ 131,692	$ (28,699)

Cash and Cash Equivalents

As of the second quarter of fiscal 2014, cash and cash equivalents totaled $278.9 million as compared to $147.2 million as of fiscal year end 2013. Debt was $655.9 million as of the second quarter of fiscal 2014, as compared to $758.5 million as of fiscal year end 2013.

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

*We believe that our cash and cash equivalents, together with borrowings under our 2012 Credit Facility as described below under the heading "Debt", will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months.

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

Operating Activities

Cash provided by operating activities was $214.6 million for the first two quarters of fiscal 2014, as compared to $172.0 million for the first two quarters of fiscal 2013. The increase of $42.5 million was primarily driven by an increase in net income before non-cash depreciation and amortization, partially offset by an increase in accounts receivable.

Investing Activities

Cash used in investing activities was $33.7 million for the first two quarters of fiscal 2014, as compared to $215.1 million for the first two quarters of fiscal 2013. The decrease of $181.4 million was due to lower cash requirements for business acquisitions.

Financing Activities

Cash used in financing activities was $49.7 million for the first two quarters of fiscal 2014, as compared to cash provided of $18.4 million for the first two quarters of fiscal 2013. The decrease of $68.1 million was primarily due to payments on term loan debt and revolving credit lines.

Accounts Receivable and Inventory Metrics

As of	Second Quarter of 2014	Fiscal Year End 2013
Accounts receivable days sales outstanding	54	55
Inventory turns per year	4.1	4.1

Accounts receivable days sales outstanding were 54 days as of the end of the second quarter of fiscal 2014, as compared to 55 days as of the end of fiscal 2013. The decrease in DSO was primarily due to improved collections. Accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were both 4.1 as of the end of the second quarter of fiscal 2014 and the end of fiscal 2013. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

Repatriation of Foreign Earnings and Income Taxes

As of the second quarter of fiscal 2014, $143.6 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. taxes to repatriate substantially all of these funds due to intercompany financing arrangements with our foreign subsidiaries. While a significant portion of our foreign earnings continue to be permanently reinvested in our foreign subsidiaries, it is anticipated this reinvestment will not impede cash needs at the parent company level. In our determination of which foreign earnings are permanently reinvested, we consider numerous factors, including the financial requirements of the U.S. parent company, the financial requirements of the foreign subsidiaries, and the tax consequences of remitting the foreign earnings back to the U.S. There are no other material impediments to our ability to access sources of liquidity and our resulting ability to meet short and long-term liquidity needs, other than in the event we are not in compliance with the covenants under our 2012 Credit Facility or the potential tax costs of remitting foreign earnings back to the U.S.

Credit Facilities

On November 21, 2012, we entered into an amended and restated credit agreement with a group of lenders (the “2012 Credit Facility”). This credit facility provides for unsecured credit facilities in the aggregate principal amount of $1.4 billion, comprised of a five-year revolving loan facility of $700.0 million and a five-year $700.0 million term loan facility. Subject to the terms of the 2012 Credit Facility, the revolving loan facility and the term loan facility may be increased by $300.0 million in the aggregate. We also have two $75 million uncommitted revolving loan facilities (the “Uncommitted Facilities”), which are callable by the bank at any time and have no covenants. The interest rate for the Uncommitted Facilities is 0.9% to 1.00% plus either LIBOR or the bank’s cost of funds or as otherwise agreed upon by the bank and us.

As of the second quarter of 2014, our total debt was comprised primarily of a term loan of $647.5 million. Of the total outstanding balance, $595.0 million of the term loan is classified as long-term in the Condensed Consolidated Balance Sheet.

The funds available under the 2012 Credit Facility may be used for general corporate purposes, the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. Under the 2012 Credit Facility, we may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 21, 2017, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. Amounts not borrowed under the revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.15% to 0.35% per annum depending on our leverage ratio as of the most recently ended fiscal quarter. The term loan will be repaid in quarterly installments, with the last quarterly payment to be made on September 29, 2017, with the remaining outstanding balance being due and payable at maturity on November 21, 2017. We are required to make quarterly principal payments on the term loan facility totaling $17.5 million for the remainder of fiscal 2014, $70.0 million in fiscal 2015, $70.0 million in fiscal 2016, and the remaining balance of $490.0 million in fiscal 2017. The term loan may be prepaid in whole or in part, subject to certain minimum thresholds, without penalty or premium. Amounts repaid or prepaid with respect to the term loan facility may not be reborrowed.

We may borrow funds under the 2012 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at our option, at either: (i) a floating per annum base rate based on the administrative agent's prime rate or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.00% and 1.00%, depending on our leverage ratio as of the most recently ended fiscal quarter, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR, EURIBOR, or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 1.00% and 2.00%, depending on our leverage ratio as of the most recently ended fiscal quarter. Interest will be paid on the last day of each fiscal quarter with respect to borrowings bearing interest based on a floating rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at a fixed rate. Our obligations under the 2012 Credit Facility are guaranteed by several of our domestic subsidiaries.

The 2012 Credit Facility contains various customary representations and warranties by us, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2012 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict our ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions and make investments. Further, the 2012 Credit Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios.

Specifically, we must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2012 Credit Facility) to (b) interest expenses for the most recently ended period of four fiscal quarters of not less than 3 to 1. We must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness to (y) EBITDA (as defined in the 2012 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3 to 1; provided, that on the completion of a material acquisition, we may increase the applicable ratio in the table below by 0.25 for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters.

We were in compliance with these covenants as of the second quarter of fiscal 2014.

The 2012 Credit Facility contains events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate our obligations under the 2012 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default.

The weighted average interest rate on the current portion of our long-term debt outstanding under the 2012 Credit Facility and Uncommitted Facilities was 1.53% and 1.31% at the end of the second quarter of fiscal 2014 and fiscal year end 2013, respectively. The interest rate on our non-current debt outstanding under the 2012 Credit Facility was 1.53% and 1.67% at the end of the second quarter of fiscal 2014 and fiscal year end 2013, respectively.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures. The non-GAAP financial measures included in the tables below as well as detailed explanations to the adjustments to comparable GAAP measures, are set forth below:

Non-GAAP gross margin

We believe our investors benefit by understanding our non-GAAP gross margin as a way of understanding how product mix, pricing decisions and manufacturing costs influence our business. Non-GAAP gross margin excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation and amortization of acquisition-related inventory step-up from GAAP gross margin. We believe that these exclusions offer investors additional information that may be useful to view trends in our gross margin performance.

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue. Non-GAAP operating expenses exclude restructuring costs, amortization of purchased intangible assets, stock-based compensation, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs from GAAP operating expenses. We believe that these exclusions offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

We believe our investors benefit by understanding our non-GAAP operating income trends which are driven by revenue, gross margin, and spending. Non-GAAP operating income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs. We believe that these exclusions offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

Non-GAAP non-operating income, net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income, net excludes acquisition and divestiture gains/losses associated with unusual acquisition related items such as adjustments to the fair value of earn-out liabilities and gains or losses related to the acquisition or sale of certain businesses and investments, and a gain on an equity sale. These gains/losses are specific to particular acquisitions and divestitures and vary significantly in amount and timing. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

Non-GAAP income tax provision

Non-GAAP items tax effected adjusts the provision for income taxes to reflect the effect of certain non-GAAP items on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these exclusions and from an alternative view of our net income performance as compared to our past net income performance.

Non-GAAP diluted net income per share

We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP diluted net income per share excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these exclusions offer investors a useful view of our diluted net income per share as compared to our past diluted net income per share.

Non-GAAP operating leverage

We believe this information is beneficial to investors as a measure of how much incremental revenue is contributed to our operating income. Non-GAAP operating leverage is the increase in non-GAAP operating income as a percentage of the increase in revenue. We believe that this information offers investors supplemental information to evaluate our current performance and to compare to our past non-GAAP operating leverage.

Non-GAAP segment operating income

Non-GAAP segment operating income excludes stock-based compensation from GAAP segment operating income. We believe this information is useful to investors because some may exclude stock-based compensation as an alternative view when assessing trends in the operating income of our segments.

These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of our investors track our "core operating performance" as a means of evaluating our performance in the ordinary, ongoing, and customary course of our operations. Core operating performance excludes items that are non-cash, not expected to recur or not reflective of ongoing financial results. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period to period comparisons. Accordingly, management excludes from non-GAAP those items relating to restructuring, amortization of purchased intangible assets, stock based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale, and non-GAAP tax adjustments. For detailed explanations of the adjustments made to comparable GAAP measures, see items (A) - (J) following the tables below.

(Dollars in thousands, except per share data)		Second Quarter of				First Two Quarters of			
		2014		2013		2014		2013	
		Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
GROSS MARGIN:									
GAAP gross margin:		$ 354,571	55.2 %	$ 302,401	52.5 %	$ 681,463	54.7 %	$ 589,315	52.0 %
Restructuring	(A)	170	— %	766	0.1 %	217	— %	821	0.1 %
Amortization of purchased intangible assets	(B)	20,018	3.1 %	19,855	3.4 %	40,906	3.3 %	39,536	3.5 %
Stock-based compensation	(C)	763	0.2 %	607	0.1 %	1,510	0.1 %	1,207	0.1 %
Amortization of acquisition-related inventory step-up	(D)	25	— %	524	0.1 %	76	— %	1,127	0.1 %
Non-GAAP gross margin:		$ 375,547	58.5 %	$ 324,153	56.2 %	$ 724,172	58.1 %	$ 632,006	55.8 %
OPERATING EXPENSES:									
GAAP operating expenses:		$ 257,437	40.1 %	$ 237,496	41.2 %	$ 508,618	40.8 %	$ 467,953	41.3 %
Restructuring	(A)	(789)	(0.1)%	(2,966)	(0.5)%	(1,126)	(0.1)%	(4,571)	(0.4)%
Amortization of purchased intangible assets	(B)	(17,856)	(2.8)%	(19,908)	(3.5)%	(37,537)	(3.0)%	(39,559)	(3.5)%
Stock-based compensation	(C)	(10,212)	(1.6)%	(7,828)	(1.4)%	(19,577)	(1.6)%	(16,046)	(1.4)%
Acquisition / divestiture items	(E)	(1,964)	(0.3)%	(2,976)	(0.4)%	(3,360)	(0.3)%	(6,394)	(0.6)%

Non-GAAP operating expenses:		$	226,616	35.3 %	$	203,818	35.4 %	$	447,018	35.8 %	$	401,383	35.4 %
OPERATING INCOME:													
GAAP operating income:		$	97,134	15.1 %	$	64,905	11.3 %	$	172,845	13.9 %	$	121,362	10.7 %
Restructuring	(A)		959	0.1 %		3,732	0.6 %		1,343	0.1 %		5,392	0.5 %
Amortization of purchased intangible assets	(B)		37,874	6.0 %		39,763	6.9 %		78,443	6.3 %		79,095	7.0 %
Stock-based compensation	(C)		10,975	1.7 %		8,435	1.5 %		21,087	1.6 %		17,253	1.5 %
Amortization of acquisition-related inventory step-up	(D)		25	— %		524	0.1 %		76	— %		1,127	0.1 %
Acquisition / divestiture items	(E)		1,964	0.3 %		2,976	0.5 %		3,360	0.3 %		6,394	0.6 %
Non-GAAP operating income:		$	148,931	23.2 %	$	120,335	20.9 %	$	277,154	22.2 %	$	230,623	20.4 %
NON-OPERATING INCOME, NET:													
GAAP non-operating income, net:		$	1,634		$	3,786		$	14,398		$	1,698	
Acquisition / divestiture items	(E)		2,612			(459)			4,305			(860)	
Gain on an equity sale	(F)		—			—			(15,091)			—	
Non-GAAP non-operating income, net:		$	4,246		$	3,327		$	3,612		$	838	
				GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)
INCOME TAX PROVISION:													
GAAP income tax provision:		$	20,741	21 %	$	13,738	20 %	$	41,091	22 %	$	19,175	16 %
Non-GAAP items tax effected:	(G)		11,426			10,994			22,430			16,337	
Tax on gain on an equity sale	(H)		—			—			(5,836)			—	
Non-GAAP income tax provision:		$	32,167	21 %	$	24,732	20 %	$	57,685	21 %	$	35,512	16 %
NET INCOME:													
GAAP net income attributable to Trimble Navigation Ltd.		$	77,834		$	54,581		$	146,458		$	104,389	
Restructuring	(A)		959			3,732			1,343			5,392	
Amortization of purchased intangible assets	(B)		37,874			39,763			78,443			79,095	
Stock-based compensation	(C)		10,975			8,435			21,087			17,253	
Amortization of acquisition-related inventory step-up	(D)		25			524			76			1,127	
Acquisition / divestiture items	(E)		4,576			2,517			7,665			5,534	
Gain on an equity sale	(F)		—			—			(15,091)			—	
Non-GAAP tax adjustments	(G), (H)		(11,426)			(10,994)			(16,594)			(16,337)	
Non-GAAP net income attributable to Trimble Navigation Ltd.		$	120,817		$	98,558		$	223,387		$	196,453	
DILUTED NET INCOME PER SHARE:													
GAAP diluted net income per share attributable to Trimble Navigation Ltd.		$	0.29		$	0.21		$	0.55		$	0.40	
Restructuring	(A)		—			0.01			0.01			0.02	
Amortization of purchased intangible assets	(B)		0.14			0.15			0.30			0.30	
Stock-based compensation	(C)		0.04			0.04			0.08			0.07	
Amortization of acquisition-related inventory step-up	(D)		—			—			—			—	
Acquisition / divestiture items	(E)		0.02			0.01			0.03			0.02	
Gain on an equity sale	(F)		—			—			(0.06)			—	
Non-GAAP tax adjustments	(G), (H)		(0.04)			(0.04)			(0.07)			(0.06)	

Non-GAAP diluted net income per share attributable to Trimble Navigation Ltd.	$ 0.45	$ 0.38	$ 0.84	$ 0.75
OPERATING LEVERAGE:				
Increase in non-GAAP operating income	$ 28,596	$ 15,098	$ 46,531	$ 23,652
Increase in revenue	$ 65,906	$ 58,733	$ 114,516	$ 112,577
Operating leverage (increase in non-GAAP operating income as a % of increase in revenue)	43.4%	25.7%	40.6%	21.0%

		Second Quarter of				First Two Quarters of		
		2014		2013		2014		2013	
(Dollars in thousands, except per share data)			% of Segment Revenue		% of Segment Revenue		% of Segment Revenue		% of Segment Revenue
SEGMENT OPERATING INCOME:									
Engineering and Construction									
GAAP operating income before corporate allocations:		$ 91,884	25.0%	$ 66,840	21.3%	$ 149,399	22.1%	$ 109,813	18.9%
Stock-based compensation	(J)	3,840	1.0%	2,890	0.9%	7,431	1.1%	5,752	1.0%
Non-GAAP operating income before corporate allocations:		$ 95,724	26.0%	$ 69,730	22.2%	$ 156,830	23.2%	$ 115,565	19.9%
Field Solutions									
GAAP operating income before corporate allocations:		$ 38,672	33.8%	$ 43,372	37.4%	$ 91,609	36.3%	$ 102,898	39.1%
Stock-based compensation	(J)	906	0.8%	827	0.7%	1,676	0.6%	1,544	0.6%
Non-GAAP operating income before corporate allocations:		$ 39,578	34.6%	$ 44,199	38.1%	$ 93,285	36.9%	$ 104,442	39.7%
Mobile Solutions									
GAAP operating income (loss) before corporate allocations:		$ 20,385	16.6%	$ 15,435	13.4%	$ 36,555	15.1%	$ 27,008	12.0%
Stock-based compensation	(J)	1,282	1.0%	948	0.8%	2,460	1.1%	1,860	0.8%
Non-GAAP operating income before corporate allocations:		$ 21,667	17.6%	$ 16,383	14.2%	$ 39,015	16.2%	$ 28,868	12.8%
Advanced Devices									
GAAP operating income before corporate allocations:		$ 12,083	32.8%	$ 6,514	20.7%	$ 23,759	31.5%	$ 12,999	20.6%
Stock-based compensation	(J)	506	1.4%	901	2.9%	1,002	1.3%	1,750	2.8%
Non-GAAP operating income before corporate allocations:		$ 12,589	34.2%	$ 7,415	23.6%	$ 24,761	32.8%	$ 14,749	23.4%

A. *Restructuring costs.* Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring costs from our non-GAAP measures because we believe they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the periods presented however the amount incurred can vary significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.

B. *Amortization of purchased intangible assets.* Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. US GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally. Furthermore, the useful life that we expense our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed, it provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisition and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.

C. *Stock-based compensation.* Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the second quarter and the first two quarters of fiscal 2014 and 2013, stock-based compensation was allocated as follows:

	Second Quarter of		First Two Quarters of	
(Dollars in thousands)	2014	2013	2014	2013
Cost of sales	$ 763	$ 607	$ 1,510	$ 1,207
Research and development	1,738	1,232	3,215	2,379
Sales and Marketing	2,098	1,761	3,960	3,525
General and administrative	6,376	4,835	12,402	10,142
	$ 10,975	$ 8,435	$ 21,087	$ 17,253

D. *Amortization of acquisition-related inventory step-up.* The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation of cost of sales, the increase in inventory value is amortized to cost of sales over the period that the related product is sold. We exclude inventory step-up amortization from our non-GAAP measures because it is a non-cash expense that we do not believe is indicative of our ongoing operating results. We further believe that excluding this item from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

E. *Acquisition / divestiture items.* Included in our GAAP presentation of operating expenses, acquisition costs consist of external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs. Included in our GAAP presentation of non-operating income, net, acquisition / divestiture items includes unusual acquisition, investment, or divestiture gains/losses such as adjustments to the fair value of earn-out liabilities, and gains/losses on acquisitions or divestitures of certain businesses and investments. Although we do numerous acquisitions, the costs that have been excluded from the non-GAAP measures are costs specific to particular acquisitions. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.

F. *Gain on an equity sale.* Included in our GAAP presentation of non-operating income, net this amount represents a gain on a partial equity sale of Virtual Site Solutions. We excluded the gain from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-GAAP measures because it facilitates an evaluation of our non-operating income trends.

G. *Non-GAAP items tax effected.* This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (E) on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in this non-GAAP presentation.

H. *Tax on gain on an equity sale.* This amount represents the tax effect of a gain on a partial equity sale of Virtual Site Solutions. We excluded this item as it represents the tax effect of a non-recurring gain. We believe that investors benefit from excluding this item from our non-GAAP income tax provision because it facilitates a comparison of the non-GAAP tax rate in the current period to the non-GAAP tax rates in prior periods.

I. *GAAP and non-GAAP tax rate %.* These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

J. *Stock-based compensation.* The amounts consist of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. As referred to above we exclude stock-based compensation here because investors may view it as not reflective of our core operating performance as it is a non-cash expense. However, management does include stock-based compensation for budgeting and incentive plans as well as for reviewing internal financial reporting. We discuss our operating results by segment with and without stock-based compensation expense, as we believe it is useful to investors. Stock-based compensation not allocated to the reportable segments was approximately $4.4 million and $2.9 million for the second quarter of fiscal 2014 and 2013, respectively, and $8.5 million and $6.3 million for the first two quarters of fiscal 2014 and 2013, respectively.

Non-GAAP Operating Income

Non-GAAP operating income increased by $28.6 million for the second quarter of fiscal 2014, as compared to the corresponding period in the prior year. Non-GAAP operating income as a percentage of total revenue was 23.2% for the second quarter of fiscal 2014, as compared to 20.9% for the corresponding period in the prior year. Non-GAAP operating income increased by $46.5 million for the first two quarters of fiscal 2014, as compared to the corresponding period in the prior year. Non-GAAP operating income as a percentage of total revenue was 22.2% for the first two quarters of fiscal 2014, as compared to 20.4% for the corresponding period in the prior year. The increase in operating income for the second quarter and the first two quarters was primarily driven by higher revenue in Engineering and Construction and Mobile Solutions and gross margin expansion due to higher margin software, maintenance, and subscription revenue. The increase in operating income percentage for both the second quarter and the first two quarters was primarily due to gross margin expansion, partially offset by higher operating expense associated with acquisitions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Market Interest Rate Risk

There have been no significant changes to our market interest rate risk assessment. Refer to our 2013 Annual Report on Form 10-K on page 50.

Foreign Currency Exchange Rate Risk

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. Dollar and various foreign currencies, the most significant of which is the Euro.

Historically, the majority of our revenue contracts are denominated in U.S. Dollars, with the most significant exception being Europe, where we invoice primarily in Euros. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily the Euro, Swedish Krona, New Zealand Dollar and Canadian Dollar. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the second quarter and the first two quarters of fiscal 2014, revenue was positively impacted by foreign currency exchange rates by $5.0 million and $8.3 million, respectively. The positive impact to operating income was $1.9 million and $3.4 million, respectively.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Australian, Canadian, Singapore and New Zealand Dollars, Japanese Yen, Chinese Yuan, Indian Rupee, Brazilian Real, South African Rand, Swedish Krona, Swiss Franc, Euro and British pound. These contracts reduce the exposure to fluctuations in foreign currency 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 currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions.

Foreign currency forward contracts outstanding as of the second quarter of fiscal 2014 and fiscal year end 2013 are summarized as follows (in thousands):

	Second Quarter of Fiscal 2014		Fiscal Year End 2013	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$ (31,469)	$ 536	$ (41,850)	$ (165)
Sold	$ 105,918	$ (614)	$ 136,952	$ (274)

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

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

(b) Internal Control Over Financial Reporting.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On August 9, 2013, Harbinger Capital Partners, LLC and additional plaintiffs ("Harbinger Plaintiffs") filed a lawsuit against Deere & Co., Garmin International, Inc., the Company and two other defendants in the U.S. District Court in Manhattan in connection with the Harbinger Plaintiffs' investment in LightSquared. The Harbinger Plaintiffs allege, among other things, fraud and negligent misrepresentation, claiming that the defendants were aware of material facts that caused the Federal Communications Commission to take adverse action against LightSquared and affirmatively misrepresented and failed to disclose those facts prior to the Harbinger Plaintiffs' investment in LightSquared. The Harbinger Plaintiffs seek $1.9 billion in damages from the defendants. On November 1, 2013, debtor LightSquared, Inc. and two related parties ("LightSquared Plaintiffs") filed suit against the same defendants in the U.S. Bankruptcy Court in Manhattan. The LightSquared Plaintiffs assert claims similar to those made by the Harbinger Plaintiffs, as well as additional claims, including breach of contract and tortious interference, and allege that LightSquared invested billions of dollars in reliance on the promises and representations of defendants. On January 31, 2014, the U.S. District Court granted defendants' motion to withdraw the LightSquared action from the U.S. Bankruptcy Court so it will proceed together with the Harbinger action before the U.S. District Court. Although an unfavorable outcome of these litigation matters may have a material adverse effect on our operating results, liquidity, or financial position, we believe the claims in these lawsuits are without merit and intend to vigorously contest these lawsuits.

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

ITEM 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition, or operating results is included under "Risk and Uncertainties" in Item 1A of Part I of our 2013 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2013 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

ITEM 6. EXHIBITS

3.1	Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
3.2	Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
3.3	Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
3.4	Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
3.5	Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
3.6	Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
3.7	Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)
3.8	Bylaws of the Company, amended and restated through May 8, 2014. (5)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (1)
10.1	Trimble Navigation Limited Amended and Restated 2002 Stock Plan. (8)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
(2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
(3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
(4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
(5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed April 9, 2014.
(6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
(7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.
(8) Filed herewith.

SIGNATURES

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

TRIMBLE NAVIGATION LIMITED
(Registrant)

By: /s/ François Delépine

François Delépine
Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

DATE: August 7, 2014

EXHIBIT INDEX

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3.1	Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
3.2	Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
3.3	Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
3.4	Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
3.5	Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
3.6	Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
3.7	Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)
3.8	Bylaws of the Company, amended and restated through May 8, 2014. (5)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (1)
10.1	Trimble Navigation Limited Amended and Restated 2002 Stock Plan. (8)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 7, 2014. (8)
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit number 4.1 to the registrant’s Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
(2) Incorporated by reference to identically numbered exhibits to the registrant’s Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
(3) Incorporated by reference to exhibit number 3.5 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
(4) Incorporated by reference to exhibit number 3.6 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
(5) Incorporated by reference to exhibit number 3.2 to the Company’s Current Report on Form 8-K, filed April 9, 2014.
(6) Incorporated by reference to exhibit number 3.7 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
(7) Incorporated by reference to exhibit number 3.1 to the Company’s Current Report on Form 8-K, filed March 20, 2013.
(8) Filed herewith.

TRIMBLE NAVIGATION LIMITED
AMENDED AND RESTATED 2002 STOCK PLAN
(as amended May 9, 2014)

1. Purposes of the Plan. The purposes of this Amended and Restated 2002 Stock Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

Grants under the Plan may be Awards, Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means any "parent" or "subsidiary" as such terms are defined in Rule 405 of the U.S. Securities Act of 1933, as amended. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(c) "Applicable Laws" means the requirements relating to the administration of stock incentive plans under U.S. state corporate laws, U.S. federal, state and foreign securities laws, the Code, the rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options or Awards are, or will be, granted under the Plan.

(d) "Award" means a grant of Shares, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance-Based Awards, or of any other right to receive Shares or cash pursuant to Section 12 of the Plan.

(e) "Award Agreement" means a written or electronic form of notice or agreement between the Company and an Awardee evidencing the terms and conditions of an individual Award. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "Awarded Stock" means the Common Stock subject to an Award.

(g) "Awardee" means the holder of an outstanding Award.

(h) "Board" means the board of directors of the Company.

(i) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the Directors are Incumbent Directors. "Incumbent Directors" means Directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Notwithstanding anything to the contrary in the foregoing, a transaction shall not constitute a Change in Control if it is effected for the purpose of changing the place of incorporation or form of organization of the ultimate parent entity (including where the Company is succeeded by an issuer incorporated under the laws of another state, country or foreign government for such purpose and whether or not the Company remains in existence following such transaction) where all or substantially all of the persons or group that beneficially own all or substantially all of the combined voting power of the Company's voting securities immediately prior to the transaction beneficially own all or substantially all of the combined voting power of the Company in substantially the same proportions of their ownership after the transaction.

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

(j) "Code" means the U.S. Internal Revenue Code of 1986, as amended.

(k) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

(l) "Common Stock" means the common stock of the Company.

(m) “Company” means Trimble Navigation Limited, a California corporation.

(n) “Consultant” means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary or Affiliate to render services to such entity and the services rendered by the consultant or advisor are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities.

(o) “Covered Employee” means an Employee who is, or could be, a “covered employee” within the meaning of Section 162(m) of the Code.

(p) “Director” means a member of the Board.

(q) “Disability” means that the Awardee or Optionee would qualify to receive benefit payments under the long-term disability policy, as it may be amended from time to time, of the Company or the Subsidiary or Affiliate to which the Awardee or Optionee provides services regardless of whether the Awardee or Optionee is covered by such policy. If the Company or Subsidiary or Affiliate to which the Awardee or Optionee provides service does not have a long-term disability plan in place, “Disability” means that an Awardee or Optionee is unable to carry out the responsibilities and functions of the position held by the Awardee or Optionee by reason of any medically determined physical or mental impairment for a period of not less than ninety (90) consecutive days. An Awardee or Optionee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Board in its discretion. Notwithstanding the foregoing, for purposes of Incentive Stock Options granted under the Plan, “Disability” means total and permanent disability as defined in Section 22(e)(3) of the Code.

(r) “Dividend Equivalents” means rights granted to an Awardee related to the Award of Restricted Stock Units or other Awards for which Shares have not been issued yet, which is a right to receive the equivalent value of dividends paid on the Shares prior to vesting of the Award. Such Dividend Equivalents shall be converted to cash or additional Shares, or a combination of cash and Shares, by such formula and at such time and subject to such limitations as may be determined by the Administrator.

(s) “Employee” means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary or Affiliate of the Company, but shall exclude individuals who are classified by the Company or any Parent or Subsidiary or Affiliate as (a) leased from or otherwise employed by a third party, (b) independent contractors or (c) intermittent or temporary, even if any such classification is changed retroactively as a result of an audit, litigation or otherwise. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or protected under applicable local laws, as interpreted by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary or Affiliate, or any successor. For purposes of Incentive Stock Options, no such leave may exceed three months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the last day of the three month period of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director’s fee by the Company shall be sufficient to constitute “employment” by the Company.

(t) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

(u) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable, or if no sales occurred on such date, then on the date immediately prior to such date on which sales prices are reported;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board, and to the extent applicable, in compliance with Section 409A of the Code.

Notwithstanding the foregoing, for income tax reporting purposes under U.S. federal, state, local or non-U.S. law and for such other purposes as the Administrator deems appropriate, including, without limitation, where Fair Market Value is used in reference to exercise, vesting, settlement or payout of an Award or an Option, the Fair Market Value shall be determined by the Company in accordance with Applicable Laws and uniform and nondiscriminatory standards adopted by it from time to time.

(v) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(w) “Nonstatutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option.

(x) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(y) “Option” means a stock option granted pursuant to the Plan.

(z) “Option Agreement” means a written or electronic form of notice or agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(aa) “Optioned Stock” means the Common Stock subject to an Option.

(bb) “Optionee” means the holder of an outstanding Option.

(cc) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(dd) "Performance-Based Award" means an Award granted pursuant to Section 11.

(ee) "Performance Criteria" means the criteria that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for an Awardee for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: earnings or net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added, sales or revenue, income, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on assets or net assets, return on stockholders' equity, return on capital, stockholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per Share, price per Share, market share, new products, customer penetration, technology and risk management, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Administrator shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Awardee.

(ff) "Performance Goals" means, for a Performance Period, the goals established in writing by the Administrator for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance, the performance of a Subsidiary or Affiliate, the performance of a division or a business unit of the Company or a Subsidiary or Affiliate, or the performance of an individual. The Administrator, in its discretion, may, to the extent consistent with, and within the time prescribed by, Section 162(m) of the Code, appropriately adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Awardees (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

(gg) "Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining an Awardee's right to, and the payment of, a Performance-Based Award.

(hh) "Plan" means this Amended and Restated 2002 Stock Plan, as amended from time to time.

(ii) "Qualified Performance-Based Compensation" means any compensation that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

(jj) "Restricted Stock" means Shares subject to certain restrictions, granted pursuant to Section 8 of the Plan.

(kk) "Restricted Stock Unit" means the right to receive a Share, or the Fair Market Value of a Share in cash, granted pursuant to Section 9 of the Plan.

(ll) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(mm) "Section 16(b)" means Section 16(b) of the Exchange Act.

(nn) "Service Provider" means an Employee, Director or Consultant.

(oo) "Share" means a share of Common Stock, as adjusted in accordance with Section 14 of the Plan.

(pp) "Stock Appreciation Right" means the right, granted pursuant to Section 10, to receive a payment, equal to the excess of the Fair Market Value of a specified number of Shares on the date the Stock Appreciation Right is exercised, over the grant price of the Shares.

(qq) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be awarded or optioned and delivered under the Plan is 57,800,000 Shares, plus (a) any Shares which were reserved but not issued under the Company's 1993 Stock Option Plan (the "1993 Plan"), and (b) any Shares returned to the 1993 Plan as a result of termination of options granted under the 1993 Plan; provided, however, that the maximum aggregate number of Shares that may be issued pursuant to the exercise of Incentive Stock Options shall in no event exceed 57,800,000 Shares. Any Shares that are subject to Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares that are subject to any Awards other than Options or Stock Appreciation Rights or other Awards which Awardees pay full value for (as determined on the date of the grant) shall be counted against this limit as 1.69 Shares for every one (1) Share granted. The Shares issued hereunder may be authorized, but unissued, or reacquired Common Stock.

(b) If an Award or Option expires, is cancelled or forfeited or becomes unexercisable without having been exercised in full or otherwise settled in full, or is settled in cash, the undelivered Shares which were subject thereto shall, unless the Plan has terminated, become available for future Awards or Options under the Plan. Any Shares that become available for the grant of Awards or Option pursuant to the foregoing sentence shall be added back in accordance with the following: (i) if the Shares were subject to Options or Stock Appreciation Rights, Shares will be added back as one (1) Share for every Share subject to the Options or Stock Appreciation Rights; (ii) if the Shares were subject to Awards other than Stock Appreciation Rights, Shares will be added back as 1.69 Shares for every Share subject to the Award. To the extent permitted by Applicable Law, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against Shares available for grant pursuant to this Plan. The payment of Dividend Equivalent rights in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3, no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

(c) Notwithstanding anything to the contrary contained herein, the following shall not be added to the shares of Common Stock authorized for grant under Section 3.1(a) above: (x) Shares subject to an Option surrendered in payment of the Option exercise price, or to satisfy any tax withholding obligation with respect to an Option or Stock Appreciation Right, (y) Shares that are not issued as a result of a net settlement of a Stock Appreciation Right, and (z) Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options. For purposes of this Section

3(c) and for the avoidance of any doubt, "surrendered" includes the tendering of Shares held by the Optionee or Awardee, as applicable, or withheld from an Option or Award, as applicable, voluntarily by the Optionee or Awardee, as applicable, or mandatorily by the Company.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards or Options granted hereunder as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to select the Service Providers to whom Awards or Options may be granted hereunder;

(ii) to determine the number of shares of Common Stock or other amounts to be covered by each Award or Option granted hereunder and to determine the amount, if any, of cash payment to be made to an Awardee;

(iii) to approve forms of agreements for use under the Plan;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award or Option granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), the time or times when Awards vest (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(v) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(vi) to establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan, including adopting sub-plans to the Plan or special terms for Options or Awards, for the purposes of complying with non-U.S. laws and/or taking advantage of tax favorable treatment for Options and Awards granted to Service Providers outside the United States (as further set forth in Section 5 of the Plan);

(vii) to modify or amend each Award or Option (subject to Section 15(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan; provided, however, that except in connection with a corporate transaction involving the company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for other Awards or Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights, without the approval of the Company's shareholders; provided further, however, that the Administrator shall not have the discretionary authority to accelerate or delay issuance of Shares under an Option or Award that constitutes a deferral of compensation within the meaning of Section 409A of the Code, except to the extent that such acceleration or delay may, in the discretion of the Administrator, be effected in a manner that will not cause any person to incur taxes, interest or penalties under Section 409A of the Code;

(viii) to allow Awardees or Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or vesting of an Award that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Awardee or Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(ix) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award or Option previously granted by the Administrator; and

(x) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Awardees and Optionees and any other holders of Awards or Options.

5. Eligibility. Nonstatutory Stock Options and Awards may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or a Parent or Subsidiary of the Company.

In order to comply with, or recognize differences in, the laws in other countries in which the Company and its Affiliates operate or have Service Providers, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Affiliates shall be covered by the Plan; (ii) determine which Service Providers outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Option or Award granted to Service Providers outside the United States to comply or facilitate compliance with applicable foreign laws; (iv) establish sub-plans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable, including adoption of rules, procedures or sub-plans applicable to particular Affiliates or Service Providers in particular locations; *provided, however*, that no such sub-plans and/or modifications shall increase the share limitations contained in Section 3 of the Plan; and (v) take any action, before or after an Option or Award is granted, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on eligibility to receive an Option or Award under the Plan or on death, disability, retirement or other termination of employment or service, available methods of exercise or settlement of an Option or Award, payment of income, social insurance contributions and payroll taxes, the shifting of employer tax liability to the Service Provider, the withholding procedures and handling of any stock certificates or other indicia of ownership. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Options or Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other Applicable Laws.

6. Limitations.

(a) Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(b) Neither the Plan nor any Award or Option shall confer upon an Awardee or Optionee any right with respect to continuing that individual's relationship as a Service Provider with the Company, nor shall they interfere in any way with the Awardee's or Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Awards and Options:

(i) No Service Provider shall be granted, in any fiscal year of the Company, Options and Awards covering more than 1,200,000 Shares.

(ii) In connection with his or her initial service, a Service Provider may be granted Options and Awards covering an additional 1,800,000 Shares, which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 14.

(iv) If an Award or Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 14), the cancelled Option or Award will be counted against the limits set forth in subsections (i) and (ii) above.

7. Stock Options. The Administrator is authorized to make grants of Options to any Service Provider on the terms stated below.

(a) Term. The term of each Option shall be ten (10) years from the date of grant or such shorter term as may be provided in the Option Agreement. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

(b) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(v) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(vi) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or consolidation of or by the Company with or into another corporation, the purchase or acquisition of property or stock by the Company of another corporation, any spin-off or other distribution of stock or property by the Company or another corporation, any reorganization of the Company, or any partial or complete liquidation of the Company, if such action by the Company or other corporation results in a significant number of Employees being transferred to a new employer or discharged, or in the creation or severance of the Parent-Subsidiary relationship.

(c) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised.

(d) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(v) cash;

(vi) check;

(vii) promissory note;

(viii) other Shares already owned by the Optionee (for the period necessary to avoid a charge to the Company's earnings for financial reporting purposes) having a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(ix) consideration received by the Company under a cashless exercise program approved by the Company;

(x) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(xi) with the consent of the Administrator, Shares withheld by the Company that are otherwise issuable in connection with the exercise of the Option;

(xii) any combination of the foregoing methods of payment; or

(xiii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(e) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Awards and Options granted hereunder shall be suspended during any unpaid leave of absence to the extent permitted under Applicable Laws. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company (or its designated agent) receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option or such person's authorized agent, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for delivery under the Option, by the number of Shares as to which the Option is exercised.

(f) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Optionee's termination. If an Optionee ceases to be a Service Provider, for any reason, all unvested Shares covered by his or her Option shall be forfeited. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(g) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(h) Death of Optionee. If an Optionee dies while a Service Provider or within thirty (30) days of ceasing to be a Service Provider (or such longer period of time not exceeding three (3) months as is determined by the Administrator), the Option may be exercised following the Optionee's death within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Option Agreement), by the personal representative of the Optionee's estate or by the person(s) to whom the Option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's death. If, at the time of death, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(i) Option Agreement. All Options granted under this Plan shall be subject to such additional terms and conditions as determined by the Administrator and shall be evidenced by an Option Agreement.

8. Grant of Restricted Stock. The Administrator is authorized to make Awards of Restricted Stock to any Service Provider selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator.

(a) Purchase Price. At the time of the grant of an Award of Restricted Stock, the Administrator shall determine the price, if any, to be paid by the Awardee for each Share subject to the Award of Restricted Stock. To the extent required by Applicable Laws, the price to be paid by the Awardee for each Share subject to the Award of Restricted Stock shall not be less than the amount required by Applicable Laws (if any). The purchase price of Shares (if any) acquired pursuant to the Award of Restricted Stock shall be paid either: (i) in cash at the time of purchase; (ii) at the sole discretion of the Administrator, by services rendered or to be rendered to the Company or a Subsidiary or Affiliate; or (iii) in any other form of legal consideration that may be acceptable to the Administrator in its sole discretion and in compliance with Applicable Laws.

(b) Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter.

(c) Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Awardee, certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

9. Restricted Stock Units. The Administrator is authorized to make Awards of Restricted Stock Units to any Service Provider selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall vest and become nonforfeitable, and may specify such conditions to vesting as it deems appropriate. On or after the vesting date (as further described in Section 13(g) below), the Company shall transfer to the Awardee one unrestricted, fully transferable Share for each Restricted Stock Unit. Alternatively, settlement of a Restricted Stock Unit may be made in cash (in an amount reflecting the Fair Market Value of Shares that would have been issued) or any combination of cash and Shares, as determined by the Administrator, in its sole discretion.

10. Stock Appreciation Rights. The Administrator is authorized to make Awards of Stock Appreciation Rights to any Service Provider selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator.

(a) Description. A Stock Appreciation Right shall entitle the Awardee (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the product of (i) the excess of (A) the Fair Market Value of the Shares on the date the Stock Appreciation Right is exercised over (B) the grant price of the Stock Appreciation Right and (ii) the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations the Administrator may impose.

(b) Grant Price. The grant price per Share subject to a Stock Appreciation Right shall be determined by the Administrator and set forth in the Award Agreement; provided that, the per Share grant price for any Stock Appreciation Right shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(c) Payment and Limitations on Exercise.

(i) Payment of the amounts determined under Section 10(c) hereof shall be in cash, in Shares (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Administrator.

(ii) To the extent any payment under Section 10(a) is effected in Shares, it shall be made subject to satisfaction of all applicable provisions of Section 7 pertaining to Options.

(d) Term. The term of any Stock Appreciation Right shall be no longer than ten (10) years from the date of grant.

11. Performance-Based Awards for Covered Employees.

(a) Purpose. The purpose of this Section 11 is to provide the Administrator the ability to qualify Awards other than Options and Stock Appreciation Rights as Qualified Performance-Based Compensation as determined under Code Section 162(m). If the Administrator, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Section 11 shall control over any contrary provision contained in this Plan; *provided*, *however*, that the Administrator may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Section 11.

(b) Applicability. This Section 11 shall apply only to those Covered Employees selected by the Administrator to receive Performance-Based Awards that are intended to qualify as Qualified Performance-Based Compensation. The designation of a Covered Employee as an Awardee for a Performance Period shall not in any manner entitle the Awardee to receive an Award for the period. Moreover, designation of a Covered Employee as an for a particular Performance Period shall not require designation of such Covered Employee as an Awardee in any subsequent Performance Period and designation of one Covered Employee as an Awardee shall not require designation of any other Covered Employees as an Awardee in such period or in any other period.

(c) Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under this Plan which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period.

(d) Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, an Awardee must be employed by the Company or a Subsidiary or Affiliate on the day a Performance-Based Award for the appropriate Performance Period is paid to the Awardee. Furthermore, an Awardee shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved.

(e) Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

12. Other Awards. The Administrator is authorized under the Plan to make any other Award to a Service Provider that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) a right with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or (iii) any other right with the value derived from the value of the Shares. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Awardees on such terms and conditions as determined by the Administrator from time to time.

13. General Provisions Applicable to All Awards.

(a) Transferability of Awards and Options. Incentive Stock Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and, may be exercised, during the lifetime of the Optionee, only by the Optionee. Unless determined otherwise by the Administrator, an Award or Nonstatutory Stock Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised (if applicable), during the lifetime of the Optionee or Awardee, only by the Optionee or Awardee. If the Administrator makes an Award or Nonstatutory Stock Option transferable, such Award or Nonstatutory Stock Option shall contain such additional terms and conditions as the Administrator deems appropriate.

(b) Term. Except as otherwise provided herein, the term of any Award or Option (to the extent applicable) shall be no longer than ten (10) years from the date of grant.

(c) Exercise and Vesting upon Termination of Employment or Service. Unless otherwise set forth in the Award Agreement, all unvested Awards will terminate effective upon termination of employment or service for any reason. Unless otherwise set forth in the Award Agreement, in the case of Awards that have an exercise period (*e.g.*, Stock Appreciation Rights), if the Awardee ceases to be a Service Provider as a result of his or her death or Disability, he or she (or his or her heirs or personal representative of his or her estate in the case of death) will have twelve (12) months after the date of termination to exercise outstanding vested Awards or shorter period if the expiration date for the Award is earlier. All Shares subject to unvested Awards that terminate upon termination of service and all unexercised Awards after expiration of the post termination will revert to the Plan.

(d) Form of Payment. Payments with respect to any Awards granted under the Plan shall be made in cash, in Shares, or a combination of both, as determined by the Administrator.

(e) Award Agreement. All Awards under this Plan shall be subject to such additional terms and conditions as determined by the Administrator and shall be evidenced by an Award Agreement.

(f) Date of Grant. The date of grant of an Award or Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Award or Option, or such other later date as is determined by the Administrator in accordance with Applicable Laws. Notice of the determination shall be provided to each Awardee and Optionee within a reasonable time after the date of such grant.

(g) Timing of Settlement. At the time of grant, the Administrator shall specify the settlement date applicable to an Award, which shall be no earlier than the vesting date(s) applicable to the relevant Award and may be later than the vesting date(s) to the extent and under the terms determined by the Administrator, subject to compliance with Section 409A of the Code. Until an Award has been settled, the number of Shares subject to the Award shall be subject to adjustment pursuant to Section 14(a) hereof.

(h) Exercise or Purchase Price. The Administrator may establish the exercise or purchase price (if any) of any Award provided however that such price shall not be less than required by Applicable Law.

(i) Vesting Conditions. The Administrator has the discretion to provide for vesting conditions for Awards tied to performance conditions which do not satisfy the requirements for Qualified Performance-Based Compensation as determined under Code Section 162(m).

(j) Dividend Equivalents. The Administrator may determine at the time of grant whether Awards (other than those Awards pursuant to which Shares are issued at grant) will provide for Dividend Equivalent rights on such terms and conditions and subject to such restrictions as the Administrator shall determine, in its sole discretion, which terms, conditions and restrictions shall be set forth in the Award Agreement. Notwithstanding the foregoing, Dividend Equivalents granted with respect to any Award that vests based on achievement of performance goals shall either (i) not be paid or credited or (ii) be accumulated and be subject to restrictions and risk of forfeiture to the same extent that the Shares underlying the Award are subject.

14. Adjustments; Dissolution; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares or their value occurs, then the Administrator shall make proportional adjustments to (i) the number and class or kind of Shares that may be delivered under the Plan, (ii) the number, class or kind and price of shares covered by each outstanding Award and Option, and (iii) the numerical limits of Section 6(c). Notwithstanding the foregoing, a regular cash dividend that does not affect the Shares or the value of the Shares shall not result in the proportional adjustment to the Shares, Awards and Options contemplated under the preceding sentence. The determination by the Administrator of the adjustments provided under this Section 14(a) shall be final and binding on the affected Optionee or Awardee and the Company.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Awardee and Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee or Awardee to have the right to exercise his or her Option or Award (if exercisable) until ten (10) days prior to such transaction as to all of the Optioned/Awarded Stock covered thereby, including Shares as to which the Option or Award would not otherwise be exercisable. The Administrator in its discretion may provide that the vesting of an Award or Option accelerate at any time prior to such transaction. To the extent it has not been previously exercised, an Option or Award (if exercisable) will terminate immediately prior to the consummation of such proposed action, and unvested Awards will be forfeited immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation, or a Change in Control, each outstanding Award and Option shall be assumed or an equivalent award, option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event the successor corporation does not agree to assume the Award or Option, or substitute an equivalent option or right, the Administrator shall, in lieu of such assumption or substitution, provide for the Awardee or Optionee to have the right to vest in and exercise the Option or Award (if exercisable) as to all of the Optioned/Awarded Stock, including Shares as to which the Option or Award would not otherwise be vested or exercisable, and in the case of an unvested Award, to vest in the entire Award. If the Administrator makes an Option or Award (if exercisable) fully vested and exercisable in lieu of assumption or substitution in the event of a merger or Change in Control, the Administrator shall notify the Optionee or Awardee that the Option or Award shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Award (if exercisable) will terminate upon the expiration of such period. If, in such a merger or Change in Control, the Award or Option is assumed or an equivalent award or option or right is substituted by such successor corporation or a Parent or Subsidiary of such successor corporation, and if during a one-year period after the effective date of such merger or Change in Control, the Awardee's or Optionee's status as a Service Provider is terminated for any reason other than the Awardee's or Optionee's voluntary termination of such relationship, then (i) in the case of an Option or an Award (if exercisable), the Optionee or Awardee shall have the right within three (3) months thereafter to exercise the Option or Award (if exercisable) as to all of the Optioned/Awarded Stock, including Shares as to which the Option or Award (if exercisable) would not be otherwise exercisable, effective as of the date of such termination and (ii) in the case of an unvested Award, the Award shall be fully vested on the date of such termination.

For the purposes of this subsection (c), the Award or Option shall be considered assumed if, following the merger or Change in Control, the option or right confers the right to purchase or receive, for each Share of Awarded Stock subject to the Award or each Share of Optioned Stock subject to the Option, in each case, immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or an Award (if exercisable), for each Share of Optioned Stock subject to the Option and each Share of Awarded Stock subject to the Award, and upon the vesting of an Award, for each Share of Awarded Stock to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan. The Board may not materially alter the Plan without shareholder approval, including by increasing the benefits accrued to Awardees or Optionees under the Plan; increasing the number of securities which may be issued under the Plan; modifying the requirements for participation in the Plan; or including a provision allowing the Board to lapse or waive restrictions at its discretion.

(b) Shareholder Approval. The Company shall obtain shareholder approval of this Plan amendment to the extent necessary and desirable to comply with Applicable Laws and paragraph (c) below.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan or any Award or Option shall (i) impair the rights of any Awardee or Optionee, unless mutually agreed otherwise between the Awardee or Optionee and the Administrator, which agreement must be in writing and signed by the Awardee or Optionee and the Company, except with respect to any amendment made or other action taken pursuant to Section 25 hereof or any amendment or other action with respect to an outstanding Option or Award that may be required or desirable to comply with Applicable Laws, as determined in the sole discretion of the Administrator, or (ii) permit the reduction of the exercise price of an Option or Stock Appreciation Right, after it has been granted, to below the per Share Fair Market Value as of the date the Option or Stock Appreciation Right was granted (except for adjustments made pursuant to Section 14 of the Plan), unless approved by the Company's shareholders. Neither may the Administrator, without the approval of the Company's shareholders and except as provided in Section 14 of the Plan, cancel any outstanding Option or Stock Appreciation Right at any time when the then-current Fair Market Value of a Share is less than the Fair Market Value of a Share on the date that the outstanding Option or Stock Appreciation Right was granted, and replace it with (A) a new Option or Stock Appreciation Right with a lower exercise price, where the economic effect would be the same as reducing the exercise price of the cancelled Option or Stock Appreciation Right below the per Share Fair Market Value as of the date the Option or Stock Appreciation Right was granted, (B) cash or (C) any other Award. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards and Options granted under the Plan prior to the date of such termination. Any increase in the number of Shares subject to the Plan, other than pursuant to Section 14 hereof, shall be approved by the Company's shareholders.

16. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or Award (if exercisable) or the vesting of an Award unless the exercise of such Option or Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option or Award (if exercisable), the Company may require the person exercising such Option or Award 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.

17. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. Shareholder Approval; Effective Date; Plan Term for ISO Grants. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws. The Plan became effective on May 23, 2002 (the "Effective Date"). No Incentive Stock Options may be granted under the Plan after January 31, 2022.

20. Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of California.

21. Section 409A. Except as provided in Section 25 hereof, to the extent that the Administrator determines that any Award or Option granted under the Plan is subject to Section 409A of the Code, the Award Agreement or Option Agreement evidencing such Award or Option shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements and Option Agreements shall be interpreted in accordance with Section 409A of the Code and U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the date an Option or an Award is granted the Administrator determines that the Award or Option may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may, without consent of the Awardee or Optionee, adopt such amendments to the Plan and the applicable Award Agreement or Option Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in a reduction to the benefits payable under an Option or an Award, in each case, without the consent of the Optionee or Awardee, as applicable, that the Administrator determines are necessary or appropriate to (a) exempt the Award or Option from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award or Option, or (b) comply with the requirements of

Section 409A of the Code and related U.S. Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code if compliance is not practical.

22. Tax Withholding. The Company or any Subsidiary or Affiliate, as appropriate, shall have the authority and the right to deduct or withhold, or require an Awardee or Optionee to remit to the Company, an amount sufficient to satisfy U.S. federal, state, and local taxes and taxes imposed by jurisdictions outside of the United States (including income tax, social insurance contributions, payment on account and any other taxes that may be due) that the Company or an Affiliate determines are required to be withheld with respect to any taxable event concerning an Optionee or Awardee arising as a result of this Plan or to take such other action as may be necessary in the opinion of the Company or a Subsidiary or Affiliate, as appropriate, to satisfy withholding obligations for the payment of taxes. The Administrator may in its discretion and in satisfaction of the foregoing requirement allow the Company to withhold, or allow a participant to elect to have the Company withhold, Shares otherwise issuable under an Option or Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. No Shares shall be delivered hereunder to any Optionee or Awardee or other person until the Optionee or Awardee, or such other person has made arrangements acceptable to the Administrator for the satisfaction of these tax obligations with respect to any taxable event concerning the Optionee or Awardee, or such other person arising as a result of the Options or Awards made under this Plan.

23. No Right to Employment or Services. Nothing in the Plan or any Award Agreement or Option Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary or Affiliate to terminate any Awardee's or Optionee's employment or services at any time, nor confer upon any Awardee or Optionee any right to continue in the employ or service of the Company or any Subsidiary or Affiliate.

24. Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to an Awardee pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Awardee any rights that are greater than those of a general creditor of the Company or any Subsidiary or Affiliate.

25. No Representations or Covenants with respect to Tax Qualification. Although the Company may endeavor to (1) qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States (*e.g.*, incentive stock options under Section 422 of the Code or French-qualified stock options) or (2) avoid adverse tax treatment (*e.g.*, under Sections 280G, 409A or 457A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment and any liability to any Optionee or Awardee for failure to maintain favorable or avoid unfavorable tax result. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Awardees or Optionees under the Plan. Nothing in this Plan or in an Option Agreement or Award Agreement shall provide a basis for any person to take any action against the Company or any Affiliate based on matters covered by Section 409A of the Code, including the tax treatment of any Option or Awards, and neither the Company nor any Affiliate will have any liability under any circumstances to an Optionee or Awardee or any other party if the Option or Award that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Administrator with respect thereto.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. Berglund, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 7, 2014

/s/ Steven W. Berglund

Steven W. Berglund

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, François Delépine, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 7, 2014

/s/ François Delépine

François Delépine

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 Quarterly Report on Form 10-Q of Trimble Navigation Limited (the "Company") for the period ended July 4, 2014 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

August 7, 2014

Exhibit 32.2

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 Quarterly Report on Form 10-Q of Trimble Navigation Limited (the “Company”) for the period ended July 4, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), François Delépine, 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/ François Delépine

François Delépine

Chief Financial Officer

August 7, 2014