

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended January 3, 2003  
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OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-18645

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

California  
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(State or other jurisdiction of incorporation or organization)

94-2802192  
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(I.R.S. Employer Identification No.)

645 North Mary Avenue, Sunnyvale, CA 94085  
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(Address of principal executive offices) (Zip Code)

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

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

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

Common Stock  
Preferred Share Purchase Rights  
(Title of Class)

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the Nasdaq National Market on June 28, 2002 was approximately \$455 million.

There were 29,350,366 shares of the registrant's Common Stock issued and outstanding as of March 5, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of Trimble Navigation Limited's Proxy Statement relating to the annual meeting of stockholders to be held on May 20, 2003 (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

## SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

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

TRIMBLE NAVIGATION LIMITED  
2002 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

PART I	
Item 1	Business.....5
Item 2	Properties.....17
Item 3	Legal Proceedings.....17
Item 4	Submission of Matters to a Vote of Security Holders.....18
PART II	
Item 5	Market for the Registrant's Common Equity and Related Stockholder Matters.....19
Item 6	Selected Financial Data.....20
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations.....23
Item 7A	Quantitative and Qualitative Disclosures about Market Risk.....52
Item 8	Financial Statements and Supplementary Data.....56
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....94
PART III	
Item 10	Directors and Executive Officers of the Registrant.....94
Item 11	Executive Compensation.....94
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.....94
Item 13	Certain Relationships and Related Transactions.....94
Item 14	Controls and Procedures.....94
PART IV	
Item 15	Exhibits, Financial Statement Schedules and Reports on Form 8-K..95-108

TRADEMARKS

Trimble, SiteVision, GeoExplorer, AgGPS, Thunderbolt, FirstGPS, and CrossCheck are trademarks of Trimble Navigation Limited registered in the United States Patent and Trademark Office. Spectra Precision, Lassen, Force, Galaxy, EZ-Guide, Placer, Trimble Toolbox and Telvisant are trademarks of Trimble Navigation Limited. All other trademarks are the property of their respective owners.

## PART I

### Item 1 Business Overview

Trimble Navigation Limited, a California corporation ("Trimble" or "the Company" or "we" or "our" or "us"), provides advanced positioning products and solutions to industrial, commercial, governmental entities, and professional customers in a number of markets including surveying, construction, agriculture, urban and resource management, military, transportation, and telecommunications. Customer benefits resulting from our products typically include cost savings or avoidance, improved quality, higher productivity, and increased efficiency. Examples of our products and solutions include guidance for earthmoving operations, surveying instrumentation, fleet management for specialized trucks such as concrete mixers, positioning technology for vehicle navigation and telematics products, tractor guidance for farming, field data collection equipment, and timing technology for synchronization of wireless networks.

Our expertise is focused in positioning, communication, and information technologies, which form the core of our products. Positioning technologies used include the Global Positioning System (GPS), laser, optical, and inertial, while communication techniques include both public networks such as cellular, and private networks such as business band radio. The unique nature of many of our products and solutions is created through information technologies - both firmware that enables the positioning solution and applications software that allows the customer to make use of the positioning information.

We design and market our own products. Assembly and manufacturing for many of our products are subcontracted to third parties. We conduct our business globally with major operations in the United States, Sweden, Germany, New Zealand, and the Netherlands. Products are sold through dealers, representatives, partners, and other channels throughout the world. Products are supported by sales offices in 22 countries.

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

### Technology Overview

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

The usefulness of GPS is dependent upon the locations of the receiver and the GPS satellites that are above the horizon at any given time. Reception of GPS signals requires line-of-sight visibility between the satellites and the receiver, which can be blocked by buildings, hills, and dense foliage. The receiver must have a line of sight to at least four satellites to determine its latitude, longitude, altitude, and time. The accuracy of GPS may also be limited by distortion of GPS signals from ionospheric and other atmospheric conditions, and intentional or inadvertent signal interference or Selective Availability. Selective Availability, which was the largest component of GPS distortion, is controlled by the U.S. Department of Defense and was deactivated on May 1, 2000.

Our GPS products are based on proprietary receiver technology. The convergence of positioning, wireless, and information technologies enables significant new value to be added to positioning systems, thereby creating a more robust solution for the user. In addition, recent developments in wireless technology and deployments of wireless networks have enabled less expensive wireless communications. These developments allow for the efficient transfer of position data to locations away from the positioning field device, allowing the data to be accessed by more users and thereby increasing productivity.

Our laser and optical products measure distances and angles accurately using light. We generally use commercially available laser diodes to create

light beams for distance measurement. In addition, our proprietary precision mechanics and software algorithms in these products combine to give robust, accurate distance and angle measurements for a variety of agricultural, surveying, and construction applications.

## Business Strategy

Our business strategy leverages our expertise in positioning to provide solutions for our customers, built around several key initiatives:

- o Focus on attractive markets - We focus on markets that offer potential for revenue growth, profitability, and market leadership.
- o Create innovative solutions that provide significant economic benefits to our customers - We seek to apply our technology to applications for which position data has a high value. We anticipate that further advances in positioning, wireless, and information technologies will enable new classes of solutions to emerge that will create new opportunities.
- o Develop distribution channels to best access our markets - We utilize a range of distribution channels to best serve the needs of individual markets. These channels can include independent dealers, direct sales, OEM sales, and distribution alliances with key partners. In addition, we will continue to extend our international distribution.

## Business Segments and Markets

We are organized into four main operating segments encompassing our various applications and product lines: Engineering and Construction, Field Solutions, Component Technologies, and Mobile Solutions. We also operate in smaller business areas, primarily Military and Advanced Systems, and Tripod Data Systems, which aggregate into the Portfolio Business segment. Our segments are distinguished by the markets they serve. Each division is responsible for product development, marketing, sales, strategy, financial performance, and is headed by a general manager.

## Segment Realignment

In the first fiscal quarter of 2002, we realigned two of our reportable segments. The Agriculture segment was combined with the Mapping and Geographic Information Systems (GIS) business to form Field Solutions. Mapping and GIS were previously part of Fleet and Asset Management. The Mobile Positioning business that was part of Fleet and Asset Management is now Mobile Solutions.

We began breaking out Mobile Solutions as a separate reporting segment during the first quarter of 2002 to address the growing importance of the mobile asset management business and its impact on our profitability. At the same time, we combined our GIS and Agriculture businesses to create a new segment called Field Solutions in order to recognize the synergies and similar product requirements between the two businesses.

## Engineering and Construction

We employ GPS, optical, lasers, communications, and information technology to pursue the opportunities in the Engineering and Construction industry segment. Products in this segment increase productivity and accuracy for the entire construction process including the initial survey, planning, design, earthmoving, and building phases. These products are aimed at making each individual task more efficient, as well as speeding up the entire process by improving information flow from one step to the next, and facilitating faster redesign when needed.

For example, our GPS and robotic optical technology allows surveying tasks to be completed faster and with a smaller crew. Similarly, construction machine guidance products allow the operator to achieve the desired landform by eliminating stakeout and reducing rework. These steps in the operation can be readily linked together with data collection modules and software to minimize the time and effort required to get the job done accurately.

We sell and distribute our products from this segment through a global network of independent dealers and our sales staff. This channel is supplemented by relationships that create additional channel breadth including our joint venture with Caterpillar and private branding arrangements with other companies.

Competition in this segment comes from companies that provide optical, laser, or GPS positioning products. Our principal competitors are Topcon

Corporation and Leica Geosystems. Price points in this segment range from less than \$1,000 for certain laser systems to approximately \$125,000 for a high-precision, three-dimensional, machine control system.

Representative products sold in this segment include:

5800 RTK Rover - This is an integrated unit that allows the surveyor to make centimeter-level measurements or do construction stakeout with only one person. Wireless technology eliminates cables that could otherwise snag on foliage and structures. The rover weighs 3.5kg for an entire system on a pole including batteries.

5600 Total Station - This optical total station series provides a choice of increasing levels of automation that allow the surveyor to choose a system that will best suit his work. Depending on the job, these configurations enable one-person stakeout and survey. The included Attachable Control Unit (ACU) also works with the 5800 RTK Rover providing complete measurement compatibility regardless of the technology used.

SiteVision(R) GPS System - SiteVision GPS is a machine-mounted, positioning system that guides the operator by comparing the actual position of the blade with the digitized design that resides in a computer on the machine. The use of this system enables faster machine speed, eliminates the need for placing stakes, and lowers the number of passes needed to get the desired grade. Applications include road construction and site preparation.

Spectra Precision(TM) Laser GL 700 Series - This laser product provides grade control capability for heavy equipment on a construction site. The level surface of the laser light can be precisely controlled, and machines with a laser receiver can be controlled to establish a precise and uniform grade over the desired area. Applications include trenching, pipe laying, machine control grading, and road construction applications.

## Field Solutions

Our Field Solutions division addresses the two business areas of Agriculture and Geographical Information System (GIS). Products and solutions from the GIS business area are targeted at collecting feature and attribute information in the field to be used within GIS databases and providing position-related information directly to a person working in the field in the mobile GIS market. The manner in which information is presented or collected is of key importance to the customer, as well as the applicability and value of the information itself.

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

Our distribution to the agricultural market is through multiple channels. Revenue is generated through independent dealers and through partners such as CNH Global. Competitors in this market are either vertically integrated implement companies such as John Deere, or agricultural instrumentation suppliers such as Raven, CSI Wireless, and Integrinautics.

The other principle market within Field Solutions is GIS. Our products enable the efficient acquisition of features, attributes, and positions of fixed infrastructure and natural resource assets. An example of the type of data being collected would be that of a utility company performing a survey of its transmission poles including the age and condition of each telephone pole. Our handheld unit enables this data to be collected and automatically stored while confirming the location of the asset. The collected data can then be downloaded into a GIS database. This stored data could later be used to navigate back to any individual asset or item for maintenance or data update.

Distribution for GIS applications is primarily through a network of independent dealers and business partners, supported by an internal sales staff. Competitors in this market are typically either survey instrument companies having GPS technology and/or consumer GPS companies. Two examples are Leica Geosystems and Garmin.

Approximate price points in this segment range from \$2,500 for a handheld unit to \$35,000 for a fully automated, farm equipment control system.

Representative products sold within this segment include:

GeoExplorer(R) CE Series - Combines a GPS receiver in a rugged handheld

unit running Microsoft's Windows CE operating system that makes it easy to collect and maintain data about objects in the field.

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

AgGPS(R) EZ-Guide(TM) System - A GPS-enabled, manual guidance system that provides the tractor operator with steering visual corrections required to stay on course to within 25 centimeters. This system reduces the overlap or gap in spraying, fertilizing, and other field applications.

## Component Technologies

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

In the telecommunication infrastructure market, we provide timing modules that keep wireless networks synchronized and on frequency. For example, CDMA cellular telephone networks require a high level of both short-term and long-term frequency stability for proper operation (synchronization of information/voice flow to avoid dropped calls). Our timing modules meet these needs at a much lower cost than the atomic standards or other specially prepared components that would otherwise be required. Customers include wireless infrastructure companies such as Nortel, Samsung, UTStarcom, and Grayson Wireless.

In the automotive market, we provide a GPS component that is embedded into in-vehicle navigation systems. Our focus on high reliability, continuous improvement, and low cost has earned us supplier awards and continuing business in this market. Customers include IVN system manufacturers and integrators such as Siemens VDO Automotive AG, Blaupunkt, and Magnetti Marelli.

\* The declining size and power requirements for GPS components, coupled with improving capabilities, allow GPS to potentially be used in a new class of applications such as position-aware cellular telephones or other wireless handheld devices. We expect our strength in GPS technology will expand our participation in this market.

Competitors in the telecommunication infrastructure market include Symmetricom. Competitors in the automotive market are typically component companies with GPS capability including Japan Radio Corporation, Motorola, and SiRF.

Representative products sold by this segment include:

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

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

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

## Mobile Solutions

Our Mobile Solutions segment addresses the market for fleet management by providing a bundled solution including both hardware and software needed to run the application. In almost all cases, the software solution is provided to the user through Internet-enabled access for a monthly service fee. The bundled

solution enables the fleetowner to dispatch, track, and monitor the conditions of vehicles in the fleet on a real-time basis. A vehicle-mounted unit consists of a single module including a GPS receiver, sensor interface, and a cellular modem. Our solution includes the communication service from the vehicle to our data center and access over the Internet to the application software, relieving the user of the need to maintain extensive computer operations.

Our agreement with McNeilus Companies, Inc., a major manufacturer of trucks for the ready mix concrete and waste management industries, facilitates the delivery of a complete management solution when a new fleet is acquired. McNeilus' sales team will market our solution, which includes our GPS-enabled hardware and hosted software provided for a monthly service fee to its customers as a retrofit for trucks already in the field, or as a factory-installed option.

Our Mobile Solutions segment maintains multiple distribution channels including independent dealers, key accounts and strategic partners such as McNeilus. Approximate prices for the hardware fall in the range of \$300 to \$3000, while the monthly software service fees range from approximately \$20 to approximately \$55, depending on the customer service level. Competition comes largely from service-oriented businesses such as @Road, @Track, Aether Systems, and Minorplanet.

Representative products sold by this division include:

Telvisant(TM) System - Our fleet management service offering, Telvisant provides different levels of service that run from snapshots of fleet activity to real-time fleet dispatch capability. Telvisant includes truck communication service and computer backbone support of the software. Variations of Telvisant are tailored for specific industry applications.

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

#### Portfolio Business

Our Portfolio Business segment includes various operations that each equal less than 10 percent of our total operating revenue. The products in this segment are data collection products as well as navigation modules and embedded sensors that are used in avionics, flight, and military applications. The two most significant components in this segment are Tripod Data Systems (TDS), and Military and Advanced Systems (MAS).

TDS designs and markets handheld data collectors and data collection software for field use by surveyors and other professionals. Products are sold directly, through dealers, and other survey manufacturers. Competitors in this portion of the business are small and geographically diverse.

Our MAS business supplies GPS modules that use the military's GPS Precise Positioning Service. These modules are most often used in aviation or ground-based military equipment. Military products are sold directly by our sales force to either the U.S. Government or a contractor. Sales are also made to foreign governments, with the sales of the encrypted components taking place through the U.S. Government. Competitors in this market include Rockwell, L3, Raytheon, and Thales.

Representative products sold by this segment include:

TDS Ranger(TM) Series - The TDS Ranger device is a handheld data collector supporting Microsoft's Windows CE operating system. Running TDS survey software, this unit can control and collect data from all major brands of optical and GPS surveying instruments. The operator can also run his or her own application programs for the Microsoft Windows CE operating system on the platform.

Force(TM) 5 Module - The Force 5 GPS Receiver Application Module (GRAM) is a dual-frequency, GPS module that is used in a variety of military GPS signal embedded airborne and ground applications.

#### Acquisitions and Joint Ventures

The markets in which we compete require a wide variety of technologies, products, and capabilities. Through acquisitions, investments, and joint development agreements or alliances, we are able to deliver products and services to customers in target markets. We employ the following strategies to satisfy the need for new or enhanced products and solutions: develop new technologies and products internally; enter into joint ventures with strategic partners; resell another company's product; or acquire all or part of another



company.

## Acquisitions

\* We have acquired a number of companies in the past and we expect to make acquisitions in the future. Mergers and acquisitions of high-technology companies are inherently risky. No assurance can be given that our previous or future acquisitions will be successful or will not materially adversely affect our financial condition or operating results. The risks associated with acquisitions are more fully discussed in the "Risks and Uncertainties" section contained in Part II, Item 7 of this Report.

LeveLite - On August 15, 2002, we acquired LeveLite Technology, Inc. This was a strategic acquisition for us, as it not only extended the product portfolio of our commercial construction business in the entry-level market for laser-levels, but it also strengthened our presence in certain distribution channels, such as the construction supply houses and power tool manufacturers.

## Caterpillar Joint Venture

On April 1, 2002, Trimble and Caterpillar established and began operations of a joint venture called Caterpillar Trimble Control Technologies, LLC, in which each company has a 50% ownership stake and have equal voting rights. The purpose of this joint venture is to develop the next generation of machine control products for the construction and mining markets.

\* Today, we sell construction machine control products to contractors through our dealer channel, for installation on bulldozers, motorgraders, and excavators that are already in the field (the "after-market"). However, both companies believe that this "after-market" solution will spur future demand for a machine control product that can be integrated into the design of new Caterpillar machines, while also still being available for "after-market" installation.

## Patents, Licenses and Intellectual Property

We hold 582 U.S. patents and 114 foreign patents, the majority of which cover GPS technology and applications, and over 100 of which cover optical and laser technology and applications.

We prefer to own the intellectual property used in our products, either directly or through subsidiaries. Although this is not a significant factor in our business, from time to time we license technology from third parties.

There are 74 trademarks registered to Trimble and its subsidiaries. Specifically, "Trimble" with the sextant logo, "AgGPS", "GeoExplorer," and "GPS Total Station," are examples of trademarks of Trimble Navigation Limited registered in the United States and other countries. Additional trademarks are pending registration.

Although we believe that our patents and trademarks have value, we cannot be sure that those patents and trademarks, or any additional patents and trademarks that may be obtained in the future, will provide meaningful protection from competition. We actively develop and protect our intellectual property through a program of patenting, enforcement, and licensing.

We do not believe that any of our products infringe patent or other proprietary rights of third parties, but we cannot be certain that they do not do so. (See Note 20 of the Notes to the Consolidated Financial Statements.) If infringement is alleged, legal defense costs could be material, and there can be no assurance that the necessary licenses could be obtained on terms or conditions that would not have a material adverse effect on our profitability.

## Sales and Marketing

We currently have regional sales offices throughout North America and Europe. Offices serving the rest of the world include Australia, China, Japan, Philippines, New Zealand, Singapore, and United Arab Emirates. We tailor the distribution channel to the needs of the product and regional market. Therefore, we have a number of forms of sales channel solutions around the world.

## North America

We sell our products in the United States and Canada primarily through

dealers, distributors, and authorized representatives. This channel is supplemented and supported by our employees who provide additional sales support. In some cases, where third party distribution is not available, we utilize a direct sales force. We also utilize distribution alliances and OEM relationships with other companies as a means to serve selected markets.

## International

We market to end-users through a network of dealers and distributors in more than 85 countries. Distributors carry one or more product lines and are generally limited to selling either in one country or in a portion of a country. We occasionally grant exclusive rights to market certain products within specified countries.

Sales to unaffiliated customers outside the United States comprised approximately 49% in 2002, 50% in 2001, and 52% in 2000. During the 2002 fiscal year, North and South America represented 55%, and Europe, the Middle East and Africa represented 32%, and Asia represented 13%. In fiscal 2002, the United States comprised approximately 51% and Germany 16% of sales to unaffiliated customers.

## Support and Warranty

The warranty periods for our products are generally between one and three years from date of shipment. Selected military programs may require extended warranty periods, and certain products sold by our TDS subsidiary have a 90-day warranty period. We support our GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of our non-GPS products are available from company-owned or authorized facilities. We reimburse dealers and distributors for all authorized warranty repairs they perform.

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

## Seasonality of Business

\* Our revenues are affected by seasonal buying patterns in some of our business areas. Over half of our total revenue comes from our Engineering and Construction business, which has the biggest seasonal impact on our total revenue. This business, and therefore our total revenue, is seasonally strongest during the second quarter due to the start of the construction buying season in the northern hemisphere in spring. Typically, we expect the first and fourth quarters to be the seasonal lows due to the lack of construction and farming during the winter months. If other factors such as economic conditions or underlying growth in the business are removed, the historical variability in our total quarterly revenue from seasonality has generally been less than 10 percent.

## Working Capital

Our working capital needs are typically for inventories, accounts receivable, and short-term debt. As the business is generally dependent upon a steady stream of new products, some amount of working capital is devoted to the ramp up and ramp down of product volumes as new products get introduced and older models are taken out of production.

## Backlog

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

## Manufacturing

Manufacturing for most of our GPS products is subcontracted to Solectron Corporation. Solectron is responsible for substantially all material procurement, assembly, and testing. We continue to manage product design up through pilot production for the subcontracted products, and we are directly involved in qualifying suppliers and key components used in all our products.

During the fourth quarter of 2002, Solectron began assembling some of our Component Technologies products in China. Our current contract with Solectron is due to expire in August 2003.

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

Most of the components used in our products are standard parts readily available from more than one supplier. A few components are from sole suppliers or are custom parts unique to our company. While custom parts make our products hard to imitate, they also represent a manufacturing risk due to the lack of alternative suppliers. If these parts became unavailable, redesign or modification of our products could be required. In addition, suppliers may cease manufacturing common components, replacing them with newer parts, which require requalification. These risks could cause an interruption in our ability to provide a steady stream of products to our customers.

#### Research and Development

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

Recent developments have produced small, low-power, OEM GPS receivers, accurate and versatile rotating lasers for construction use, and light weight and compact GPS surveying rovers.

Our research and development expenditure, net of reimbursed amounts was \$61.2 million for fiscal 2002, \$62.9 million for fiscal 2001, and \$46.5 million for fiscal 2000.

\* We expect to continue investing in research and development with the goal of maintaining or improving our competitive position, as well as the goal of entering new markets and satisfying new needs for positioning related solutions. There can be no assurance that we will succeed in doing so.

#### Employment

As of January 3, 2003, we employed a total of 2,050 employees, including 686 in sales and marketing, 631 in manufacturing, 505 in engineering, and 228 in general and administrative positions. Of these employees, 607 were located in Europe and in the Middle East (primarily in Germany and Sweden), 252 were situated in the Asia Pacific region (primarily in New Zealand), and 1,191 employed in the Americas (primarily in the United States).

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

#### Available Information

Our Internet address is [www.trimble.com](http://www.trimble.com). Information contained on our website is not part of this annual report on Form 10-K. We make available free of charge on [www.trimble.com](http://www.trimble.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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

Trimble Navigation Limited  
645 North Mary Avenue, Sunnyvale, CA 94088  
Attention: Investor Relations  
Telephone: 408-481-8000

#### Executive Officers

The names, ages, and positions of the Company's executive officers as of

March 5, 2003 are as follows:

Name	Age	Position
Steven W. Berglund.....	51	President and Chief Executive Officer
Mary Ellen P. Genovese...	43	Chief Financial Officer
William C. Burgess.....	56	Vice President, Human Resources
Joseph F. Denniston, Jr..	42	Vice President, Operations
Bryn A. Fosburgh.....	40	Vice President and General Manager, Geomatics and Engineering
John E. Huey.....	53	Treasurer
Irwin L. Kwatek.....	63	Vice President and General Counsel
Michael W. Lesyna.....	42	Vice President and General Manager, Mobile Solutions
Bruce E. Peetz.....	51	Vice President, Advanced Technology and Systems
Christopher J. Shephard..	40	Vice President and General Manager, Construction Instruments
Anup V. Singh.....	32	Corporate Controller
Alan R. Townsend.....	54	Vice President and General Manager, Field Solutions
Dennis L. Workman.....	57	Vice President and General Manager, Component Technologies

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

Mary Ellen Genovese - Mary Ellen Genovese, chief financial officer, has been responsible for the overall financial activities of Trimble since September 2000. Ms. Genovese was vice president of finance and corporate controller from 1997 to September 2000. From 1994 to 1997, Ms. Genovese served as business unit controller for Software and Component Technologies, and Tracking and Communications. She joined Trimble as controller of manufacturing operations in December 1992. Prior to joining Trimble, Ms. Genovese was chief financial officer for Minton Co., a distributing company to the commercial building market, from 1991 to 1992. Prior to 1991, she worked for 10 years with General Signal Corp. in several management positions. Ms. Genovese is a certified public accountant and received her B.S. in accounting from Fairfield University in Connecticut in 1981.

William C. Burgess - William Burgess joined Trimble in August of 2000 as vice president of Human Resources, with global responsibility for Human Resources. Prior to joining Trimble, Mr. Burgess was vice president of Human Resources and Management Information Systems for Sonoma West Holdings, Inc. From 1993 to 1997, he served as vice president of Human Resources for Optical Coating Laboratory, from 1990 to 1993, he established and managed the human resources function at Teknekron Communications Systems, and from 1985 to 1990 he was vice president of Human Resources for a \$25 billion, 35,000-employee segment of Asea Brown Boveri (ABB), a global technology company. Mr. Burgess received a B.S. from the University of Nebraska and an M.S. in organizational development from Pepperdine University.

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

Bryn A. Fosburgh - Bryn Fosburgh was appointed vice president and general manager of the Geomatics and Engineering (G&E) business area in July 2002, with responsibility for all the division-level activities associated with survey, construction, and infrastructure solutions. From October 1999 to July 2002, Mr. Fosburgh served as division vice president of survey and infrastructure. In 1997, Mr. Fosburgh was appointed director of development for the Company's land survey business unit where he oversaw the development of field and office software that enabled the interoperability of Trimble survey products. Mr. Fosburgh joined Trimble in 1994 as technical service manager for surveying,

mining, and construction. Prior to Trimble, Mr. Fosburgh was a civil engineer with the Wisconsin Department of Transportation where he was responsible for coordinating the planning, data acquisition, and data analysis for statewide GPS surveying projects in support of transportation improvement projects. He has also held various engineering, research and operational positions for the U.S. Army Corps of Engineers and Defense Mapping Agency. Mr. Fosburgh received a B.S. in geology from the University of Wisconsin in Green Bay in 1985 and an M.S. in civil engineering from Purdue University in 1989.

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

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

Michael W. Lesyna - Michael Lesyna has been vice president and general manager of the Mobile Solutions business area since September 2000. Prior to Trimble, Mr. Lesyna spent six years at Booz Allen & Hamilton where he most recently served as a principal in the operations management group. Prior to Booz Allen & Hamilton, Mr. Lesyna held a variety of engineering positions at Allied Signal Aerospace. Mr. Lesyna received his M.B.A., as well as an M.S. and B.S. in mechanical engineering from Stanford University.

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

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

Christopher J. Shephard - Chris Shephard was appointed vice president and general manager of the Construction Instruments (CI) business area in July 2002 after serving as division vice president of operations for Engineering and Construction since Trimble's acquisition of Spectra Precision Group in July 2000. Prior to Trimble, Mr. Shephard served from 1998 to 2000 as Spectra Precision's chief financial officer. Mr. Shephard also worked for more than eight years at Booz Allen & Hamilton. Prior to Booz Allen & Hamilton, Mr. Shephard spent three years at Copeland Corporation, a division of Emerson, in their management-training program. Mr. Shephard received a B.A. in business studies from Manchester Polytechnic in England in 1985 and an M.M. from the J.L. Kellogg Graduate School of Management at Northwestern University, Evanston, Illinois in 1990.

Alan R. Townsend - Alan Townsend has served as vice president and general manager of the Field Solutions business area since November 2001. He also serves as the managing director of Trimble Navigation New Zealand Ltd. for which he has overall site responsibility. From 1995 to 2001, Mr. Townsend was general manager of Mapping and GIS. Mr. Townsend joined Trimble in 1991 as the manager of Trimble Navigation New Zealand Ltd. Prior to Trimble, Mr. Townsend held a variety of technical and senior management roles within the Datacomm group of companies in New Zealand including Managing Director of Datacomm Software Research Ltd. from 1986 to 1991. In addition, Mr. Townsend is a director of IT Capital Ltd., a venture capital company based in Auckland, New Zealand. He is also a fellow of the New Zealand Institute of Management and a past president of

the New Zealand Software Exporters Association. Mr. Townsend received a B.S.c in economics from the University of Canterbury in 1970.

Dennis L. Workman - Dennis Workman has served as vice president and general manager of Trimble's Component Technologies business area since September 1999. From 1998 to 1999, Mr. Workman was senior director and chief technical officer of the newly formed Mobile and Timing Technologies (MTT) business group, also serving as general manager of Trimble's Automotive and Timing group. In 1997, he was director of engineering for Software & Component Technologies. Mr. Workman joined Trimble in 1995 as director of the newly created Timing vertical market. Prior to Trimble, Mr. Workman held various senior-level technical positions at Datum Inc. During his 9-year tenure at Datum, he held the position of CTO. Mr. Workman received a B.S. in mathematics and physics from St. Marys College in 1967 and an M.S. in electrical engineering from the Massachusetts Institute of Technology in 1969.

Item 2 Properties

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

<del>Location</del>	<del>Size in Segment(s) served</del>	<del>Commitment</del>	<del>sq. feet</del>	<del>Sunnyvale, California</del>	<del>309,400</del>	<del>All Leased, expiring 2003</del>	<del>2005</del>	<del>14 buildings</del>	<del>approximately 100,000 sq. ft.</del>	<del>subleased</del>	<del>Corvallis, Oregon</del>	<del>20,000</del>	<del>Engineering &amp; Construction</del>	<del>Owned, encumbered by \$1.8M mortgage</del>	<del>Chandler, Arizona</del>	<del>12,500</del>	<del>Mobile Solutions</del>	<del>Leased, expiring 2003</del>	<del>Westminster, Colorado</del>	<del>73,000</del>	<del>Engineering &amp; Construction</del>	<del>Leased, expiring 2006</del>	<del>2 buildings</del>	<del>Field Solutions</del>	<del>44,000 sq. ft.</del>	<del>vacant</del>	<del>Huber Heights (Dayton)</del>	<del>150,000</del>	<del>Engineering &amp; Construction</del>	<del>Owned, no encumbrances</del>	<del>Ohio</del>	<del>57,200</del>	<del>Field Solutions</del>	<del>Leased, expiring in 2011</del>	<del>32,800</del>	<del>Distribution</del>	<del>Leased, month to month</del>	<del>Danderyd, Sweden</del>	<del>93,900</del>	<del>Engineering &amp; Construction</del>	<del>Leased, expiring 2005</del>
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~~24-month  
notice, auto  
renewal for 3  
years Jena,  
Germany 28,700  
Engineering &  
Construction  
Leased, no  
expiration  
date, 12-month  
notice  
Kaiserslautern,  
Germany 26,000  
Engineering &  
Construction  
Leased,  
expiring 2005  
Raunheim,  
Germany 28,700  
Sales Leased,  
expiring 2011  
Christchurch,  
New 65,000  
Engineering &  
Construction,  
Leased,  
expiring 2005—  
2010 Zealand; 2  
buildings  
Mobile  
Solutions,  
Field Solutions~~

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In addition, we lease a number of smaller offices around the world primarily for sales.

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

Item 3                    Legal Proceedings

In January of 2001, Philip M. Clegg instituted a lawsuit in the United States District Court for the District of Utah, Central Division, against Spectra-Physics Laserplane, Inc., Spectra Precision AB and Trimble Navigation Limited. On January 29, 2003, we settled this patent infringement lawsuit with Mr. Clegg whereby we have purchased a fully paid-up, non-exclusive license under U.S. Patent No. 4,807,131 from Mr. Clegg.

\* In November of 2001, Qualcomm Inc. filed a lawsuit against us in the Superior Court of the State of California. The complaint alleges claims for an unspecified amount of money damages arising out of Qualcomm's perceived lack of assurances in early 1999 that our products purchased by Qualcomm would work properly after a scheduled week number rollover event that took place in August of 1999. Qualcomm is the only customer to make a claim against us based on the week number rollover event. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on our overall financial position.

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

Item 4                    Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

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

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

	2002		2001	
	High	Low	High	Low
First Quarter	\$17.14	\$11.76	\$28.50	\$16.50
Second Quarter	18.50	14.97	21.25	12.75
Third Quarter	15.00	10.28	19.80	13.06
Fourth Quarter	14.47	8.02	18.41	12.89

As of January 3, 2003, there were approximately 1,132 holders of record of our common stock. We made no sales of unregistered securities during the year-ended January 3, 2003.

Dividend Policy

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

We are currently restricted from paying dividends and are limited as to the amount of our common stock that we can repurchase under the terms of our credit facilities. We are allowed to pay dividends and repurchase shares of our common stock up to 25% of net income in the previous fiscal year.

Equity Compensation Plan Information

The following table sets forth, as of January 3, 2003, the total number of securities outstanding under our stock option plans, the weighted average exercise price of such options, and the number of options available for grant under such plans.

Plan Category	Number of securities	Weighted average price of securities to be issued upon exercise	Number of securities remaining available for exercise of outstanding options, future issuance under equity outstanding options, warrants and rights compensation plans (excluding warrants and rights securities reflected in column (a))
(a)	(b)	(c)	Equity compensation plans approved by security holders
Equity compensation plans approved by security holders	5,126,633	\$18.53	1,859,656
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>5,126,633</b>	<b>\$18.53</b>	<b>1,859,656</b>

Item 6. Selected Financial Data



HISTORICAL FINANCIAL REVIEW

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

We have significant intangible assets on our balance sheet that include goodwill and other purchased intangibles related to acquisitions. At the beginning of fiscal 2002, we adopted Statement of Financial Accounting Standards No. 141 ("SFAS 141"), Business Combinations, and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Application of the non-amortization provisions of SFAS 142 significantly reduced amortization expense of purchased intangibles and goodwill to approximately \$8.3 million for the fiscal year 2002 from \$29.4 million in fiscal year 2001. We reclassified identifiable intangible assets with indefinite lives, with a net book value of \$73.6 million, as defined by SFAS 142, to goodwill at the date of adoption.

For comparative purposes, the pro forma adjusted net income per share excluding amortization of goodwill, distribution channel, and assembled workforce is as follows:

	January 3, December 28, December 29, 2003	2001	2000
(In thousands)			
Net income (loss)	\$		
	<del>10,324</del>	\$	
	<del>(22,879)</del>	\$	
14,185 Add back SFAS 142 adjustments:			
Amortization of goodwill		<del>7,817</del>	<del>3,116</del>
Amortization of distribution channel		<del>11,230</del>	<del>5,176</del>
Amortization of assembled workforce		<del>1,834</del>	<del>1,225</del>
Adjusted net income (loss)	\$		
	10,324	\$	
	(1,998)	\$	
	23,702		
=====			
=====			
Weighted average shares outstanding			
Basic		28,573	24,727
		24,727	23,601
Diluted		29,052	24,727
		24,727	

25,976  
Diluted net  
income  
~~(loss) per~~  
~~share \$~~  
~~0.36 \$~~  
~~(0.93) \$~~  
0.55

— Pro  
forma  
adjusted  
diluted net  
income  
~~(loss) per~~  
~~share \$~~  
~~0.36 \$~~  
~~(0.08) \$~~  
0.92  
=====  
=====  
=====

Summary Consolidated Statements of Operations Data

January 3,  
December 28,  
December 29,  
December 31,  
January 1,  
Fiscal Years  
Ended 2003

2001 2000  
1999 1999 (In  
thousands of  
dollars,  
except per  
share data)

Revenue \$  
~~466,602~~ \$  
~~475,292~~ \$  
~~369,798~~ \$  
~~271,364~~ \$  
~~268,323~~ Cost  
of revenue  
232,170  
238,057  
173,237  
127,117  
141,075

~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
Gross  
margin \$  
~~234,432~~ \$  
~~237,235~~ \$  
~~196,561~~ \$  
~~144,247~~ \$  
127,248

Operating  
expenses  
Research and  
development  
~~61,232~~ ~~62,881~~  
~~46,520~~ ~~36,493~~  
~~45,763~~ Sales  
and marketing  
~~89,344~~  
~~103,778~~  
~~79,901~~ ~~53,543~~  
61,874

General and  
administrative  
~~40,634~~ ~~37,407~~  
~~30,514~~ ~~33,750~~  
33,245

Restructuring  
charges ~~1,099~~  
~~3,599~~  
10,280

Amortization  
of goodwill  
and other  
purchased  
intangible  
assets ~~8,300~~  
~~29,389~~ ~~13,407~~

~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
Total  
operating  
expenses  
200,609  
237,054  
170,342  
123,786  
151,162

~~Operating  
income (loss)  
from  
continuing  
operations  
33,823 181  
26,219 20,461  
(23,914) Non-  
operating  
income  
(expense),  
net (19,999)  
(21,773)  
(10,459) 274  
(2,041)~~

~~Income  
(loss) before  
income taxes  
from  
continuing  
operations  
13,824  
(21,592)  
15,760 20,735  
(25,955)  
Income tax  
provision  
3,500 1,900  
1,575 2,073  
1,400~~

~~Net  
income (loss)  
from  
continuing  
operations \$  
10,324 \$  
(23,492) \$  
14,185 \$  
18,662 \$  
(27,355)~~

~~Loss  
from  
discontinued  
operations  
(net of tax)  
(5,760) Gain  
(loss) on  
disposal of  
discontinued  
operations  
(net of tax)  
613  
2,931  
(20,279)~~

~~Net income  
(loss) \$  
10,324 \$  
(22,879) \$  
14,185 \$  
21,593 \$  
(53,394)~~

~~Basic  
earnings  
(loss) per~~

share from  
continuing  
operations \$  
~~0.36~~ ~~\$(0.95)~~  
~~\$ 0.60~~ ~~\$ 0.83~~  
~~\$(1.22)~~  
Basic  
earnings  
(loss) per  
share from  
discontinued  
operations —  
~~0.02~~ ~~0.13~~  
~~(1.16)~~

Basic  
earnings  
(loss) per  
share \$ ~~0.36~~  
~~\$(0.93)~~ \$  
~~0.60~~ \$ 0.96 \$  
(2.38)

Shares used  
in  
calculating  
basic  
earnings per  
share 28,573  
24,727 23,601  
22,424 22,470

Diluted  
earnings  
(loss) per  
share from  
continuing  
operations \$  
~~0.36~~ ~~\$(0.95)~~  
~~\$ 0.55~~ ~~\$ 0.82~~  
~~\$(1.22)~~  
Diluted  
earnings  
(loss) per  
share from  
discontinued  
operations —  
~~0.02~~ ~~0.13~~  
~~(1.16)~~

Diluted  
net income  
(loss) per  
share \$ ~~0.36~~  
~~\$(0.93)~~ \$  
~~0.55~~ \$ 0.95 \$  
(2.38)

Shares used  
in  
calculating  
diluted  
earnings per  
share 29,052  
24,727 25,976  
22,852 22,470

=====  
=====  
Cash  
dividends per  
share \$ \$  
\$ \$  
\$  
=====  
=====  
=====  
=====  
=====

Other Operating Data:

January 3  
 December  
 28,  
 December  
 29,  
 December  
 31, January  
 1, Fiscal  
 Years ended  
 2003 2001  
 2000 1999  
 1999 - ----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----

(In  
 thousand of  
 dollars,  
 except  
 where shown  
 as a  
 percentage  
 of revenue)

Gross  
 margin  
 percentage  
~~50%~~ ~~50%~~ ~~53%~~  
~~53%~~ ~~47%~~  
 Operating  
 income  
 (loss)  
 percentage  
~~7%~~ ~~0%~~ ~~7%~~ ~~8%~~  
~~(9%)~~ EBITDA  
~~(1)~~ \$  
~~46,025~~ \$  
~~41,038~~ \$  
~~49,196~~ \$  
~~29,345~~  
~~\$(13,637)~~  
 EBITDA as a  
 percentage  
 of revenue  
~~(1)~~ ~~10%~~ ~~9%~~  
~~13%~~ ~~11%~~  
~~(5%)~~  
 Depreciation  
 and  
 amortization  
~~\$ 18,150~~ \$  
~~41,524~~ \$  
~~23,476~~ \$  
~~9,073~~ \$  
~~12,510~~ Cash  
 provided by  
 operating  
 activities  
~~\$ 35,096~~ \$  
~~25,093~~ \$  
~~19,835~~ \$  
~~23,625~~ \$  
~~6,968~~ Cash  
 provided  
 (used) by  
 investing  
 activities  
~~\$ (5,766)~~  
~~\$(11,441)~~







The following table sets forth, for the periods indicated, certain financial data as a percentage of total revenue:

	January 3, December 28, December 29, December 31, January 1, Fiscal Years ended 2003	2001	2000
Revenue	100%	100%	100%
Cost of revenue	50%	47%	47%
Gross margin	50%	53%	53%
Operating expenses:			
Research and development	13%	13%	13%
Sales and marketing	19%	22%	22%
General and administrative	9%	8%	8%
Restructuring charges	—	1%	—
Amortization of goodwill and other purchased intangibles	2%	6%	4%
Total operating expense	50%	46%	46%
Operating income (loss) from continuing operations	7%	7%	8%
Non-operating income (expense), net	(3%)	(4%)	(5%)
Income (loss) before income taxes from continuing operations	3%	(5%)	4%
Income tax provision	1%	1%	1%
Net income (loss) from			

continuing	
operations	2%
	5%) 4% 7%
	(10%)
<hr/>	
Loss from	
discontinued	
operations,	
(net of tax)	
	(2%)
Gain (loss)	
on disposal	
of	
discontinued	
operations	
(net of tax)	
	1% (8%)
<hr/>	
Net	
income (loss)	
	2% (5%) 4% 8%
	(20%) == =====
	=====

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting estimates and the related assumptions are evaluated periodically as conditions warrant, and changes to such estimates are recorded as new information or changed conditions require revision. Application of the critical accounting policies requires management's judgments, often as the result of the need to make estimates of matters that are inherently uncertain. If actual results were to differ materially from the estimates made, the reported results could be materially affected. For a summary of all of our significant accounting policies, including critical accounting policies discussed below, see Note 1 - "Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements.

Revenue Recognition

Our revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." Prior to recognizing revenue, we require the following: (i) execution of a written customer order, (ii) delivery of the product, (iii) a fixed or determinable fee, and (iv) probable collectibility of the proceeds. We recognize revenue from product sales when the products are shipped to the customer, title has transferred, and no significant obligations remain. We defer revenue if there is uncertainty about customer acceptance. We reduce product revenue for estimated customer returns and for any discounts that may occur under programs we have with our customers and partners.

Our shipment terms are either FOB shipping point or FCA shipping point. FOB (Free on Board) shipping point term means that the seller fulfills the obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. FCA (Free Carrier) shipping point term means that the seller fulfills the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into carrier's charge.

Our shipment terms for domestic orders are typically FOB shipping point. International orders fulfilled from our European distribution center are typically shipped FCA shipping point. Other international orders are shipped FOB

destination, and accordingly these international orders are not recognized as revenue until the product is delivered and title has transferred.

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period. Substantially all technology licenses and research revenue have consisted of initial license fees and royalties, which were recognized when earned, provided we had no remaining obligations.

Sales to distributors and resellers are recognized upon shipment providing that there is evidence of such an arrangement through a distribution agreement or purchase order, title has transferred, no remaining performance obligations exist, the price and terms of the sale are fixed, and collection is probable. Distributors and resellers do not have a right of return.

Our software arrangements consist of a license fee and post contract customer support (PCS). We have established vendor specific objective evidence (VSOE) of fair value for our PCS contracts based on the price of the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, which revenue is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the period of the PCS agreement.

#### Allowance for Doubtful Accounts

We evaluate the collectibility of our trade accounts receivable based on a number of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

#### Inventory Valuation

Our inventory is recorded at the lower of cost or market. We use a standard cost accounting system to value inventory and these standards are reviewed a minimum of once a year and multiple times a year in our most active manufacturing plants. We adjust the inventory value for estimated excess and obsolete inventory based on management's assessment of future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

#### Deferred Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it is determined to be more likely than not that some portion or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we consider future taxable income, resolution of tax uncertainties and prudent and feasible tax planning strategies. If we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the carrying value of the deferred tax assets would be charged to income in the period in which such determination was made.

#### Goodwill and Other Purchased Intangible Assets

We have significant intangible assets on our balance sheet that include goodwill and other purchased intangibles related to acquisitions. At the beginning of fiscal 2002, we adopted Statement of Financial Accounting Standards No. 141 ("SFAS 141"), Business Combinations, and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Application of the non-amortization provisions of SFAS 142 significantly reduced amortization expense of purchased intangibles and goodwill to approximately \$8.3 million for the fiscal year 2002 from \$29.4 million in the prior year. We reclassified identifiable intangible assets with indefinite lives and net book value of \$73.6 million, as defined by SFAS 142, to goodwill at the date of adoption.

For comparative purposes, the pro forma adjusted net income per share excluding amortization of goodwill, distribution channel, and assembled workforce is as follows:

January 3, December 28, December 29,

	2003	2001	2000
(In thousands)			
Net income (loss)	\$ 10,324	\$ (22,879)	\$ 14,185
Add back SFAS 142 adjustments:			
Amortization of goodwill		7,817	3,116
Amortization of distribution channel		11,230	5,176
Amortization of assembled workforce		1,834	1,225
		-----	-----
Adjusted net income (loss)	\$ 10,324	\$ (1,998)	\$ 23,702
	=====	=====	=====
Weighted average shares outstanding			
Basic	28,573	24,727	23,601
Diluted	29,052	24,727	25,976
Diluted net income (loss) per share	\$ 0.36	\$ (0.93)	\$ 0.55
Pro forma adjusted diluted net income (loss) per share	\$ 0.36	\$ (0.08)	\$ 0.92
	=====	=====	=====

In assessing the recoverability of goodwill and indefinite life intangible assets, we must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets. Assumptions about future revenue and cash flows require significant judgment because of the current state of the economy, the fluctuation of actual revenue, and the timing of expenses.

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

Similarly, the impairment evaluation for indefinite life intangible assets includes a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value an impairment charge is recorded for the amount of the difference. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to the future cash flows of our company. In each reporting period, we also evaluate the remaining useful life of an intangible asset that is not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

We tested goodwill for impairment using the process prescribed in SFAS No. 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. No impairment charge resulted from the impairment tests. For comparative purposes that depict the effect of adopting SFAS No. 141 and 142 above, we have included the pro forma adjusted net income per share excluding amortization of goodwill, distribution channel, and assembled workforce.

#### Accounting for the Long-Lived Assets Including Intangibles Subject to Amortization

We adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," at the beginning of fiscal 2002. The effect of adopting SFAS 144 did not have a material impact on our financial position or results of operations.

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

Factors such as changes in the planned use of equipment, customer attrition, contractual amendments, or mandated regulatory requirements could result in shortened useful lives.

Long-lived assets and asset groups are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

#### Warranties

We provide for the estimated cost of product warranties at the time revenue is recognized. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from our estimates, revisions to the estimated warranty accrual and related costs may be required.

#### Stock Compensation

As permitted by the provisions of Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and Statement of Financial Accounting Standards ("SFAS 123") No. 123, "Accounting for Stock-Based Compensation," we apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for our stock option plans and stock purchase plan. Accordingly, we do not recognize compensation cost for stock options granted at a price equal to fair market value. Note 14 of the Notes to the Consolidated Financial Statements describes the plans we operate, and Note 1 of the Notes to the Consolidated Financial Statements contains a summary of the pro forma effects to reported net income (loss) and earnings (loss) per share for fiscal 2002, 2001, and 2000 as if we had elected to recognize compensation cost based on the fair value of the options granted at grant date, as prescribed by SFAS No. 123.

#### Investment in the Caterpillar Trimble Control Technologies LLC (CTCT or "Joint Venture")

We have adopted the equity method of accounting for our investment in the Joint Venture. This requires that we record our share of the Joint Venture profits or losses in a given fiscal period. During fiscal year 2002, the Joint Venture reported a loss of \$0.4 million of which our share is \$0.2 million, which was recorded as a Non-operating expense under the heading of "Expense for affiliated operations, net," but which was offset by the amortization of an equal amount of the original deferred gain on the sale of technology to the Joint Venture.

We have elected to treat the cash distribution of \$11.0 million as a deferred gain, being amortized to the extent that losses are attributable from the Joint Venture under the equity method described above. When and if the Joint Venture is profitable on a sustainable basis and future operating losses are not anticipated, then we will recognize as a gain, the portion of the \$11.0 million, which is un-amortized. To the extent that it is possible that we will have any future-funding obligation relating to the Joint Venture, then the relevant amount of the \$11.0 million will be deferred until such time, the funding obligation no longer exists. Both our share of profits (losses) under the equity method and the amortization of our \$11.0 million deferred gain are recorded under the heading of "Expense for affiliated operations, net" in Non-operating income (expense).

For further information, see 'Recent Business Developments - Caterpillar Joint Venture' section of Item 7 in this Report.

#### RECENT BUSINESS DEVELOPMENTS

##### Caterpillar Joint Venture

On April 1, 2002, Caterpillar Trimble Control Technologies LLC, a Joint Venture formed by Trimble and Caterpillar, began operations. The Joint Venture,

50 percent owned by Trimble and 50 percent owned by Caterpillar, with equal voting rights, is developing and marketing next generation advanced electronic guidance and control products for earthmoving machines in the construction, mining, and waste industries. The Joint Venture is based in Dayton, Ohio. Under the terms of the joint venture agreement, Caterpillar contributed \$11.0 million cash plus selected technology, for a total contributed value of \$14.5 million, and we contributed selected existing machine control product technologies valued at \$25.5 million. Additionally, both companies have licensed patents and other intellectual property from their portfolios to the Joint Venture. During the first fiscal quarter of 2002, we received a special cash distribution of \$11.0 million from the Joint Venture.

During fiscal year 2002, we recorded approximately \$4.0 million of expenses under the heading of "Expense for affiliated operations, net" in Non-operating income (expense) related to certain transactions between the Joint Venture and us. This was comprised of approximately \$4.9 million of incremental costs incurred by us as a result of purchasing products from the Joint Venture at a higher transfer price than our original manufacturing costs, offset by approximately \$0.9 million of contract manufacturing fees charged to the Joint Venture by us. Due to the nature of the transfer price agreements between Trimble and the Joint Venture, a related party, the impact of these agreements is classified under Non-operating income (expense).

In addition, during fiscal year 2002, we recorded lower operating expenses of approximately \$4.2 million due to the transfer of employee-related expenses for research and development (\$2.8 million), and sales, marketing and administrative functions (\$1.4 million) to the Joint Venture. These employees are devoted to the Joint Venture and are primarily engaged in developing next generation products and technology for that entity.

#### Acquisition of Levelite Technology, Inc

On August 15, 2002, we acquired Levelite Technology, Inc. ("Levelite"), a California corporation, for approximately \$5.7 million. This strategic acquisition complements our entry-level construction instrument product line. The purchase price consisted of 437,084 shares of our common stock. The merger agreement provides for Trimble to make additional earn-out payments not to exceed \$3.9 million (in common stock and cash payment) based on future revenues derived from existing product sales to a certain customer. On January 22, 2003, we issued the first earn-out payment (stock and cash combination) with a fair market value of approximately \$0.4 million, related to the earn-out for the quarter ended January 3, 2003. Also, if we receive any proceeds from a pending litigation, a portion will be paid to the former shareholders of Levelite. The additional payments, if earned, will result in additional goodwill.





administrative)
<del>917</del>
<del>Total</del>
<del>infrequent and</del>
<del>acquisition-</del>
<del>related charges</del>
<del>10,687 32,967</del>
<del>18,835</del>
<del>Adjusted income</del>
<del>before income</del>
<del>taxes from</del>
<del>continuing</del>
<del>operations</del>
<del>24,511 11,375</del>
<del>34,595 Income</del>
<del>tax provision</del>
<del>3,500 1,900</del>
<del>3,460</del>
<del>Adjusted net</del>
<del>income \$ 21,011</del>
<del>\$ 9,475 \$</del>
<del>31,135</del>
<del>=====</del>
<del>=====</del>
<del>=====</del>

RESULTS OF CONTINUING OPERATIONS

Our annual revenues from continuing operations decreased from \$475.3 million in fiscal 2001 to \$466.6 million in fiscal 2002. In fiscal 2001, our annual revenues from continuing operations increased to \$475.3 million from \$369.8 million in fiscal 2000. In fiscal 2002, we had net income from continuing operations of \$10.3 million, or \$0.36 diluted earnings per share, compared to a net loss of \$23.5 million, or \$0.95 loss per share, in fiscal 2001, and a net income from continuing operations of \$14.2 million, or \$0.55 diluted earnings per share, in fiscal 2000. The total net income for fiscal 2002, including discontinued operations, was \$10.3 million, or \$0.36 diluted earnings per share, compared to a total net loss for 2001, including discontinued operations of \$22.9 million, or \$0.93 loss per share, and a total net income for fiscal 2000, including discontinued operations of \$14.2 million, or \$0.55 diluted earnings per share. A summary of financial data by business segment is as follows.

The following table shows revenue and operating income by segment for the periods indicated and should be read in conjunction with the narrative descriptions below. Operating income by segment excludes unallocated corporate expenses, which are comprised primarily of general and administrative costs, amortization of goodwill and other purchased intangibles, as well as other items not controlled by the business segment.

In the first fiscal quarter of fiscal 2002, we realigned two of our reportable segments and therefore the following table shows restated revenue and operating income by segment to reflect this realignment. The Agriculture segment was combined with the Mapping and GIS business to form Field Solutions. Mapping and GIS were previously part of Fleet and Asset Management. The Mobile Positioning business that was part of Fleet and Asset Management is now Mobile Solutions.

We began breaking out Mobile Solutions as a separate reporting segment during the first quarter of 2002 to address the growing importance of the mobile asset management business and its impact on our profitability. At the same time, we combined our GIS and Agriculture businesses to create a new segment called Field Solutions in order to recognize the synergies and similar product requirements between the two businesses.

% of % of %  
of January  
3, Total  
December  
28, Total  
December  
29, Total  
Fiscal  
Years Ended  
2003  
Revenue  
2001  
Revenue  
2000

Revenue - -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

(Dollars in thousands)  
Engineering  
and

Construction  
Revenue \$

~~305,490~~ 66%

~~\$ 303,944~~

64% \$

~~195,150~~ 53%

Segment

operating

income from

continuing

operations

~~54,931~~

~~51,625~~

~~43,937~~

Segment

operating

income as a

percent of

segment 18%

~~17%~~ 23%

revenue

Field

Solutions

Revenue

~~67,259~~ 14%

~~68,510~~ 14%

~~70,652~~ 19%

Segment

operating

income from

continuing

operations

~~12,395~~

~~13,652~~

~~10,834~~

Segment

operating

income

(loss) as a

percent of

segment

revenue 18%

~~20%~~ 28%

Mobile

Solutions

Revenue

~~8,486~~ 2%

~~13,791~~ 3%

~~20,471~~ 6%

Segment

operating

loss from

continuing

operations

~~(10,830)~~

~~(8,966)~~

~~(369)~~

Segment

operating

loss as a

percent of

segment

revenue

~~(128%)~~

~~(65%)~~ (2%)

Component

Technologies

Revenue  
~~59,755~~ 13%  
~~58,083~~ 12%  
~~60,230~~ 16%  
Segment  
operating  
income from  
continuing  
operations  
~~11,290~~  
~~10,882~~  
~~14,850~~  
Segment  
operating  
income as a  
percent of  
segment  
revenue 10%  
~~19%~~ 25%

Technologies

Revenue  
~~25,612~~ 5%  
~~30,955~~ 7%  
~~23,295~~ 6%  
Segment  
operating  
income from  
continuing  
operations  
~~5,072~~ 4,037  
965 Segment  
operating  
income as a  
percent of  
segment  
revenue 20%  
~~13%~~ 4%

----- Total  
Revenue \$  
~~466,602~~ \$  
~~475,292~~ \$  
~~369,798~~  
Total  
Segment  
operating  
income from  
continuing  
operations  
~~\$ 72,858~~ \$  
~~71,230~~ \$  
79,217

A reconciliation of our consolidated segment operating income from continuing operations to consolidated income (loss) before income taxes from continuing operations follows:

January 3,  
December 28,  
December 29,  
Fiscal Years  
Ended 2003  
2001 2000 -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

- (In  
thousands)  
Consolidated  
segment  
operating  
income from  
continuing  
operations \$

72,858	\$
<del>71,230</del>	\$
79,217	
Unallocated	
corporate	
expense	
<del>(29,636)</del>	
<del>(38,061)</del>	
<del>(39,591)</del>	
Amortization	
of goodwill	
and other	
purchased	
intangible	
assets	
<del>(8,300)</del>	
<del>(29,389)</del>	
<del>(13,407)</del>	
Restructuring	
charges	
<del>(1,099)</del>	
<del>(3,599)</del>	
Non-	
operating	
expense, net	
<del>(19,999)</del>	
<del>(21,773)</del>	
<del>(10,459)</del>	
<hr/>	
Income	
(loss) from	
continuing	
operations	
before	
income taxes	
\$ 13,824	
<del>\$(21,592)</del>	\$
15,760	
=====	
=====	
=====	

#### Basis of Presentation

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2002 was January 3, 2003. Fiscal 2002 was a 53-week year and as a result, we recorded an extra week of revenues, costs, and related financial activities.

Therefore, the financial results of fiscal year 2002, having the extra week, will not be exactly comparable to the prior and subsequent 52-week fiscal years. Thus, due to the inherent nature of adopting a 52-53 week fiscal year, Trimble, analysts, shareholders, investors and others will have to make appropriate adjustments to any analysis performed when comparing our activities and results in fiscal years that contain 53 weeks, to those that contain the standard 52 weeks. Fiscal years 2001 and 2000 were both comprised of 52-weeks.

#### Revenue

In fiscal 2002, total revenue decreased by \$8.7 million or 1.8% to \$466.6 million from \$475.3 million in fiscal 2001. The decrease in fiscal 2002 was primarily due to the reduction of revenue in Mobile Solutions and Portfolio Technologies. Total revenue in fiscal 2001 increased by \$105.5 million or 28.5% to \$475.3 million from \$369.8 million in fiscal 2000, primarily due to the full-year revenue effect of the Spectra Precision Group, acquired in July 2000.

## Engineering and Construction

### Revenue

Engineering and Construction revenues increased by \$1.5 million or 0.5% during fiscal 2002 as compared to fiscal 2001 due to the following:

- o Revenues increased due to the Levelite acquisition by \$3.6 million;
- o Strong performance by our machine control product offering as we continue to penetrate the after-market for machine guidance on earthmoving equipment;
- o Increased revenues were partially offset by a reduction in revenues in several other product areas due to continued difficult global economic conditions.

Engineering and Construction revenues increased by \$108.8 million or 56% in fiscal 2001 over fiscal 2000 due to the following:

- o In fiscal 2001, we recorded a full year of revenues generated from the Spectra Precision Group compared to approximately half-year results in fiscal 2000, which accounted for approximately \$85.0 million;
- o Strong demand for our land survey product line primarily due to the introduction of the Trimble Toolbox(TM) in the first fiscal quarter of 2001;
- o Higher demand for GPS machine guidance equipment.

### Operating Income

Engineering and Construction operating income increased by \$3.3 million or 6.4% in fiscal 2002 over fiscal 2001 due to the following:

- o A reduction of \$4.2 million of operating expenses, due to the transfer of employee-related expenses to Caterpillar Trimble Control Technologies;
- o Higher revenues and lower operating expenses were partially offset by a reduction in gross margin as a result of product sales mix during fiscal 2002.

Engineering and Construction operating income increased by \$7.7 million or 17% in fiscal 2001 over fiscal 2000 due to the following:

- o Fiscal 2001 included a full year of revenue from the Spectra Precision Group acquisition and the benefits of the consolidation of product lines in the Engineering and Construction business areas;
- o The worldwide cost reduction program, implemented as part of Trimble and the Spectra Precision Group integration, also favorably impacted operating income.

## Field Solutions

### Revenue

Field Solutions experienced a revenue decline in fiscal 2002 of \$1.3 million or 1.9% compared with fiscal 2001 due to the following:

- o Overall revenue decreased during the year due to the decline in the United States federal, state, and local government spending and a delay in the release of the new GeoExplorer(R) CE Series due to component supply issues;
- o This decrease was partially offset by the increased demand for both the manual and auto guidance product lines.

Field Solutions revenue decreased by \$2.1 million or 3% in fiscal 2001 over fiscal 2000 due to the following:

- o Small decrease in GIS revenues due to lower demand in the second half of fiscal 2001;

- o Significant decrease in price points in the Agriculture market on flat demand.

#### Operating Income

Field Solutions operating income decreased by \$1.3 million or 9.2% in fiscal 2002 over fiscal 2001 due to the following:

- o Lower revenues primarily from the decrease in government spending described above;
- o Lower gross margin due to product sales mix, which was more weighted toward the relatively lower margin Agricultural business area.

Field Solutions operating income decreased by \$6.2 million or 31.2% in fiscal 2001 over fiscal 2000 due to the following:

- o A product mix shift toward lower-priced products with a general reduction in prices;
- o Overall weak demand in the agricultural market in fiscal 2001;
- o The startup development, selling, and support costs associated with the ramp up of the Autopilot product line.

#### Mobile Solutions

##### Revenue

Mobile Solutions revenues decreased by \$5.3 million or 39% in fiscal 2002 over fiscal 2001 due to the following:

- o Revenue reduction of approximately \$3 million in our satellite communications business as a result of our decision to discontinue the Galaxy(TM) Inmarsat-C product line in early 2001;
- o Slow down in system integration projects due to reduced spending at municipalities;
- o Reduced sales of wireless products of \$0.9 million due to a transition from a sensor provider to a fully integrated service provider;
- o Sales of some product lines were down as a result of the economic slow down and the shift of technology from analog to digital.

Mobile Solutions revenues decreased by \$6.7 million or 33% in fiscal 2001 over fiscal 2000 due to the following:

- o A reduction of approximately \$3.7 million in our GalaxyT Inmarsat-C line due to the announcement of our intention to discontinue certain of these product lines in early 2001, Mexico's satellite communications systems capacity limitations, and the general economic slow-down;
- o Sales of the CrossCheck and Placer(TM) receiver product lines were down by approximately \$3.0 million as a result of the economic slow down.

##### Operating Loss

Mobile Solutions operating loss increased by \$1.9 million or 21% in fiscal 2002 over fiscal 2001 due to the following:

- o Lower revenues as described above;
- o Increased costs incurred in the development and marketing of a service platform to enable a range of asset management solutions.

Mobile Solutions operating loss increased by \$8.6 million in fiscal 2001 over fiscal 2000 due to the following:

- o Lower revenues as described above;
- o Decrease in margins due to the sell-off of existing Satcom inventory at reduced prices;

- o Significant costs incurred in the development of a service platform to enable a range of asset management solutions including an Internet delivered, cellular-based solution for vehicle fleet management.

## Component Technologies

### Revenue

Component Technologies revenues increased by \$1.7 million or 3% in fiscal 2002 over fiscal 2001 due to the following:

- o Timing revenue increased \$4.6 million in fiscal 2002 over fiscal 2001 due to significant demand during the second half of fiscal 2002 from new and existing wireless infrastructure customers;
- o In-vehicle navigation revenue decreased \$1.0 million in fiscal 2002 over fiscal 2001 as average selling prices declined by more than 9%;
- o License revenue decreased \$1.7 million in fiscal 2002 over fiscal 2001 due to an expired license contract.

Component Technologies revenues decreased by \$2.1 million or 4% in fiscal 2001 over fiscal 2000 due to the following:

- o Embedded product lines were down approximately \$2.7 million due to the economic slowdown;
- o Timing product lines were down by \$1.5 million due to reduced spending in the telecommunications market;
- o In-vehicle navigation sales increased by approximately \$0.9 million. Volume grew by 29%, which was offset by a decrease of 19% in an average selling price of these products during the year.

## Operating Income

Component Technologies operating income increased by \$0.4 million or 4% in fiscal 2002 over fiscal 2001 due to the following factors:

- o Higher gross margins resulting from higher revenues and favorable product mix;
- o This increase was partially offset by higher operating expenses, primarily in research & development and marketing.

Component Technologies operating income decreased by \$4.0 million or 27% in fiscal 2001 over fiscal 2000 due to the following:

- o Lower revenue as described above;
- o Higher expenses primarily due to new product development and channel development.

## Portfolio Technologies

### Revenue

Portfolio Technologies revenues decreased by \$5.3 million or 17 % in fiscal 2002 over fiscal 2001 due to the following:

- o Reduction of \$4.4 million due to the sale of our air transport product line to Honeywell in fiscal 2001;
- o Revenues from the military business declined by \$1.1 million.

Portfolio Technologies revenues increased by \$7.7 million or 33% in fiscal 2001 over fiscal 2000 due to the following:

- o In fiscal 2001, Trimble experienced a full year of revenues generated from the purchase of Tripod Data Systems as compared to one and one-half months in fiscal 2000, which accounted for an increase of approximately \$12.2 million;
- o The above increase was partially offset by a \$4.5 million reduction in our commercial aviation product line during fiscal 2001. The sale of the air transport product line to Honeywell was completed in March 2001.

## Operating Income

Portfolio Technologies operating income increased by \$1 million or 26% in fiscal 2002 over fiscal 2001 due to the following:

- o Increased operating performance from Tripod Data Systems business.

Portfolio Technologies operating income increased by \$3.1 million or 318% in fiscal 2001 over fiscal 2000 primarily due to the following:

- o An incremental increase resulting from a full years operating results of Tripod Data Systems acquired on November 14, 2000.

## International Revenues

Sales to unaffiliated customers outside the United States comprised approximately 49% in 2002, 50% in 2001, and 52% in 2000. During the 2002 fiscal year, North and South America represented 55%, Europe, the Middle East and Africa represented 32%, and Asia represented 13%. In fiscal 2002, the United States comprised approximately 51% and Germany 16% of sales to unaffiliated customers. We anticipate that sales to international customers will continue to account for a significant portion of our revenue. For this reason, we are subject to the risks inherent in these foreign sales, including unexpected changes in regulatory requirements, exchange rates, governmental approval, tariffs, or other barriers. Even though the U.S. Government announced on March 29, 1996, that it supports and maintains the GPS system, and on May 1, 2000, stated that it has no intent to ever again use Selective Availability (SA), a method of degrading GPS accuracy, there may be reluctance in certain foreign



markets to purchase such products given the control of GPS by the U.S. Government. Our results of operations could be adversely affected if we were unable to continue to generate significant sales in locations outside the U.S.

No single customer accounted for 10% or more of our total revenues in fiscal 2002, 2001, and 2000. It is possible, however, that in future periods the failure of one or more large customers to purchase products in quantities anticipated by us may adversely affect the results of operations.

#### Gross Margin

Gross margin varies due to a number of factors including product mix, international sales mix, customer type, the effects of production volumes and fixed manufacturing costs on unit product costs, and new product start-up costs. Gross margin as a percentage of total revenues was 50.2% in fiscal 2002 and 49.9% in fiscal 2001. The slight increase in gross margin percentage for fiscal 2002, compared with fiscal 2001, was due partially to approximately \$3.3 million of additional charges associated with the write-down of excess and obsolete inventory in fiscal 2001, related to the rationalization and simplification of product lines, and partially due to inventories in excess of our forecasted 12-month demand.

Because of potential product mix changes within and among the industry markets, market pressures on unit selling prices, fluctuations in unit manufacturing costs, including increases in component prices and other factors, current level gross margins cannot be assured. In addition, should the global economic conditions deteriorate further, gross margin could be further adversely impacted.

#### Operating Expenses

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

Fiscal Years Ended	January 3, 2003	December 28, 2001	December 29, 2000
-----			
(In thousands)			
Research and development	\$ 61,232	\$ 62,881	\$ 46,520
Sales and marketing	89,344	103,778	79,901
General and administrative	40,634	37,407	30,514
Restructuring charges	1,099	3,599	--
Amortization of goodwill and other purchased intangible assets	8,300	29,389	13,407
	-----	-----	-----
Total	\$ 200,609	\$ 237,054	\$ 170,342
	=====	=====	=====

## Research and Development

Research and development spending decreased by \$1.6 million during fiscal 2002 and represented 13% of revenue, consistent with 13% in fiscal 2001 due primarily to:

- o The transfer of employee-related expenses to the Caterpillar joint venture of approximately \$2.8 million, partially offset by an increase in engineering expenses associated with the introduction of new products.

Research and development spending increased by \$16.4 million during fiscal 2001, and represented 13% of revenue, consistent with 13% in fiscal 2000 due primarily to the following:

- o In fiscal 2001, we experienced a full year of operations of the Spectra Precision Group compared with half a year in fiscal 2000, which accounted for approximately \$11.7 million of the increase;
- o The increase was also due to approximately \$5.0 million related to a full year of operations of Tripod Data Systems in fiscal 2001 compared with one and one-half months for fiscal 2000, as well as the inclusion of Grid Data for approximately nine months in fiscal 2001.

\* We believe that the development and introduction of new products are critical to the Company's future success and expects to continue its active development of new products.

## Sales and Marketing

Sales and marketing expense decreased by \$14.4 million in fiscal 2002 and represents 19% of revenue, compared with 22% in fiscal 2001 due primarily to the following:

- o During fiscal 2001, we sold off many of our direct sales offices, which decreased sales and marketing expenses by approximately \$7.0 million for fiscal 2002;
- o A decrease in overall compensation, travel, advertising, promotional, and trade show expenses of approximately \$7.4 million for fiscal 2002 compared to the corresponding period in fiscal 2001.

Sales and marketing expense increased by \$23.9 million in fiscal 2001 and represents 22% of revenue, consistent with 22% in fiscal 2000 primarily due to the following:

- o Inclusion of a full year of operations of the Spectra Precision Group as compared with half a year in fiscal 2000, which accounted for approximately \$23.1 million of the increase.

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

## General and Administrative

General and administrative expense increased by \$3.2 million in fiscal 2002 representing 9% of revenue, compared with 8% in fiscal 2001 primarily due to the following:

- o Increase in bad debt provisions related to customers in an uncertain economic environment;
- o Bad debt expenses for accounts written off during the year due to customer defaults.

General and administrative expense increased by \$6.9 million in fiscal 2001 representing 8% of revenue, consistent with 8% in fiscal 2000 due primarily to the following:

- o In fiscal 2001, we experienced a full year of operations of the Spectra Precision Group as compared with half a year in fiscal 2000, which

accounted for approximately \$5.6 million of the increase;

- o The increase was also due to approximately \$0.9 million related to a full year of operations of Tripod Data Systems in fiscal 2001, as compared with one and one-half months for fiscal 2000.

#### Restructuring Charges

Restructuring charges of \$1.1 million were recorded in fiscal 2002 and \$3.6 million were recorded in fiscal 2001, which related to severance costs. As a result of these actions, our headcount decreased in fiscal 2002 by 49 and in fiscal 2001 by 207 individuals. As of January 3, 2003, all of the restructuring charges have been paid.

#### Amortization of Goodwill, Purchased and Other Intangible Assets:

January 3, December 28, December 29, Fiscal Years Ended 2003 2001 2000 - ---- ----- --- ---- - -- ---- (in thousands)	
Amortization of goodwill	
\$ 7,647	
<del>3,116</del>	
Amortization of purchased intangibles	
8,300	
<del>21,742</del>	
<del>10,291</del>	
Amortization of other intangible assets	
<del>868</del>	
<del>917</del>	
<del>930</del>	
<hr/>	
Total amortization of goodwill, purchased, and other intangible assets	
\$ 9,168	
<del>\$ 30,306</del>	
<del>14,337</del>	
=====	
=====	
=====	

We adopted SFAS No. 142 on January 1, 2002. As a result, goodwill is no longer amortized and intangible assets with indefinite lives with net book value of \$73.6 million were reclassified to goodwill.

Amortization expense of goodwill, purchased and other intangibles decreased in fiscal 2002 by approximately \$21.1 million representing 2% of revenue, compared with 6% in fiscal 2001. The decrease was primarily due to the adoption of FAS 142 that does not require the amortization of goodwill and intangible assets with indefinite lives.

Amortization expense of goodwill and other purchased intangibles increased in fiscal 2001 by approximately \$16.0 million representing 6% of revenue, compared with 4% in fiscal 2000. The increase was primarily due to the acquisition of the Spectra Precision Group in July 2000, which resulted in a year-over-year increase of approximately \$15.0 million in goodwill and intangibles amortization.



## Non-operating Expense, Net

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

Fiscal Years Ended	January 3, 2003	December 28, 2001	December 29, 2000
-----			
(in thousands)			
Interest income	\$ 659	\$ 1,118	\$ 4,478
Interest expense	(14,710)	(22,224)	(14,438)
Foreign exchange loss	(823)	(237)	(376)
Expenses for affiliated operations, net	(3,954)	-	-
Other expense	(1,171)	(430)	(123)
	-----	-----	-----
Total	\$(19,999) =====	\$(21,773) =====	\$(10,459) =====

Non-operating expense, net decreased by \$1.8 million during fiscal 2002 as compared with fiscal 2001. The primary reasons for the decrease were as follows:

- o Decrease in net interest expense of \$7.1 million due to significant repayment of debt balances during the year of approximately \$52 million, combined with the effect of lower interest rates;
- o This was partially offset by expenses recorded for affiliated operations of \$4.0 million as a result of transfer pricing effects on transactions between Trimble and CTCT, an increase in foreign exchange loss of \$0.6 million, and a write-down of minority investment of \$1.5 million.

Non-operating expense, net increased by \$11.3 million during fiscal 2001 as compared with fiscal 2000. The primary reasons for the increase were as follows:

- o Increase in interest expenses related to loans and credit facilities incurred primarily to finance the acquisition of the Spectra Precision Group accounted for approximately \$7.8 million;
- o Decreased interest income resulting from the sale and maturities of short-term investments used to finance the acquisition of the Spectra Precision Group accounted for approximately \$3.4 million.

## Income Tax Provision

Our effective income tax rates from continuing operations for fiscal years 2002, 2001, and 2000 were 25%, (9%) and 10%, respectively. The fiscal 2002 and 2001 income tax rates differ from the federal statutory rate of 35%, due primarily to foreign taxes and the inability to realize the benefit of net operating losses. The fiscal 2000 income tax rate is less than the federal statutory rate due primarily to the realization of the benefits from prior net operating losses and previously reserved deferred tax assets.

## Litigation Matters

\* In November 2001, Qualcomm Inc. filed a lawsuit against Trimble in the Superior Court of the State of California. The complaint alleges claims for an unspecified amount of money damages arising out of Qualcomm's perceived lack of assurances in early 1999 that our products purchased by Qualcomm would work properly after a scheduled week number rollover event that took place in August of 1999. Qualcomm is the only customer to make a claim against us based on the week number rollover event. In our opinion, the resolution of this lawsuit is not expected to have a material adverse effect on our overall financial position.

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



~~\$(2,399)~~  
~~\$(9,798)~~  
~~\$(9,388)~~

In fiscal 2002, our cash and cash equivalents decreased by \$2.4 million from fiscal 2001. We repaid \$52.1 million of our debt outstanding. This was financed by the issuance of common stock of approximately \$21.4 million and cash generated from operating activities of approximately \$35.1 million. We also used approximately \$7.2 million for capital expenditures.

At January 3, 2003, our debt mainly consisted of \$67.6 million outstanding under senior secured credit facilities, and \$69.1 million outstanding under the subordinated promissory note related to the acquisition of the Spectra Precision Group. We have relied primarily on cash provided by operating activities to fund capital expenditures and other investing activities.

On March 20, 2002, we used \$21.4 million of net proceeds from our private placement to retire accrued interest and principal under our subordinated note with Spectra-Physics Holdings, Inc., a subsidiary of Thermo Electron Corporation, reducing the outstanding principal amount to \$68.7 million. In addition, we renegotiated the terms of the subordinated note. Under the revised agreement, the maturity of the note was extended until July 14, 2004, at the current interest rate of approximately 10.4% per year. In connection with the amendment, on March 20, 2002 we agreed to issue to Thermo Electron a five-year warrant to purchase 200,000 shares of our common stock at an exercise price of \$15.11. Under the five-year warrant, the total number of warrants issued will not exceed 376,233 shares. On a quarterly basis beginning July 14, 2002, Spectra-Physics' warrant became exercisable for an additional 250 shares of common stock for every \$1 million of principal and interest outstanding until the note is paid off in full. These shares are purchasable at a price equal to the average of our stock's closing price for the five days immediately preceding the last trading day of each quarter. On July 14, 2002 an additional 17,364 shares became exercisable at an exercise price of \$14.46 per share. On October 14, 2002 an additional 17,824 shares became exercisable at an exercise price of \$9.18. On January 14, 2003 an additional 18,284 shares became exercisable at an exercise price of \$13.54. These additional shares are exercisable over a 5-year period. The approximate fair value of the warrants of \$1.5 million was determined using the Black-Scholes pricing model with the following assumptions: contractual life of 5-year period; risk-free interest rate of 4%; volatility of 65%; and no dividends during the contractual term. The value of the warrants is amortized to interest expense over the term of the subordinated note.

\* In fiscal 2002, cash provided by operating activities was \$35.1 million, as compared to \$25.1 million in fiscal 2001. The increase of \$10 million was primarily due to a one-time special cash distribution of \$11 million from Caterpillar Trimble Control Technologies upon its formation in the first quarter of fiscal 2002. Trimble's ability to continue to generate cash from operations will depend in large part on revenues, the rate of collections of accounts receivable, and profitability. Both the inventory turns and accounts receivable days sales outstanding metrics were similar at the end of fiscal 2002 to the fiscal 2001 level.

Cash flows used in investing activities were \$5.8 million in fiscal 2002 as compared to \$11.4 million in fiscal 2001, mostly due to investment activities associated with the acquisition of an additional 25 percent equity interest in Terrasat, a German Corporation, and the acquisition in property and equipment partially offset by cash acquired through Levelite acquisition. Cash used in investing activities in fiscal 2001 included amounts paid for the Grid Data acquisition.

Cash used in financing activities was \$31.7 million in fiscal 2002, as compared to \$23.5 million in fiscal 2001. During fiscal 2002, we made \$52.1 million of payments against our debt outstanding. These payments were offset by proceeds from the issuance of common stock to employees pursuant to our stock option plan and employee stock purchase plan of \$4.1 million, as well as issuance of common stock under a private equity placement of \$17 million.

In July 2000, we obtained \$200 million of senior, secured credit facilities (the "Credit Facilities") from a syndicate of banks to support our acquisition of the Spectra Precision Group, the Company's ongoing working capital requirements, and to refinance certain existing debt (see Note 10 of the Notes to the to the Consolidated Financial Statements). The Credit Facilities consisted of \$100 million available as a term loan and \$100 million available under two revolvers. On January 14, 2003, Trimble executed an Amended and Restated Credit Agreement, which restructured the \$100 million revolver into four Tranches. Tranches A and C belong to the \$50 million U.S. dollar revolver and Tranches B and D belong to the \$50 million multi-currency revolver. Allocated to Tranche A is \$12,500,000 with an expiration date of July 14, 2003 and allocated to Tranche C is \$37,500,000 with an expiration date of April 7, 2004. Allocated to Tranche B is \$1,500,000 with an expiration date of July 14,







related expense. SFAS No.146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. We do not anticipate that the adoption of SFAS No. 146 will have a material effect on our financial position or results of operations.

In November of 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN No. 45 requires disclosures about the guarantees that an entity has issued, including a roll-forward of the entity's product warranty liabilities. We will apply the recognition provisions of FIN No. 45 prospectively to guarantees issued after December 31, 2002.

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

Changes in our product warranty liability during the 12 months, ended January 3, 2003 are as follows:

	(in thousands)
	-----
Balance at December 28, 2001	\$ 6,827
Warranties accrued	2,821
Warranty claims	(3,254)
	-----
Balance at January 3, 2003	\$ 6,394
	=====

Our product warranty liability is classified as accrued warranty in the accompanying balance sheet.

In November of 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently evaluating the effect that the adoption of EITF Issue No. 00-21 will have on our results of operations and financial condition.

In December of 2002, FASB issued FASB No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends FASB No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that changes to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require expanded and more prominent disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation. This disclosure is required in the summary of significant accounting policies footnote or its equivalent in annual and interim financial statements. SFAS No. 148 does not amend SFAS No. 123 to require companies to account for their stock-based employee awards using the fair value method. As discussed in Note 1 of the Notes to the Consolidated Financial Statements, for purposes of pro forma disclosures, we amortized the estimated fair value of the options to expense over the options' vesting period, and the estimated fair value of purchases under the employee stock purchase plan is expensed in the year of purchase as well as the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards. The effects on pro forma disclosure of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosure of future years.

In January of 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. We are currently evaluating the provisions of FIN No. 46, however, we do not believe as of January 3, 2003, the Company has any investments in variable

interest entities.

## RISKS AND UNCERTAINTIES

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

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

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

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

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

Since August 1999, we have been substantially dependent upon Solectron Corporation as the exclusive manufacturing partner for many of our GPS products previously manufactured out of our Sunnyvale facilities. Under the agreement with Solectron, we provide to Solectron a twelve-month product forecast and place purchase orders with Solectron sixty calendar days in advance of the scheduled delivery of products to our customers. Although purchase orders placed with Solectron are cancelable, the terms of the agreement would require us to purchase from Solectron all material inventory not returnable or usable by other Solectron customers. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate manufacturing capacity from Solectron to meet customers' delivery requirements or we may accumulate excess inventories, if such inventories are not usable by other Solectron customers.

Our current contract with Solectron expires in August of 2003.

During the fourth quarter of 2002, Solectron began assembling some of our Component Technology products in China. Although we believe that this initiative in China will bring significant cost savings, we cannot predict potential effects that may result from this program.

In addition, we rely on sole suppliers for a number of our critical components. We have experienced shortages of components in the past. As an example, we were affected by the inability of a display supplier to provide adequate quantities to meet our requirements in the third fiscal calendar quarter of 2002 that resulted in the deferral of \$2.4 million in orders into the fourth quarter of 2002. Our current reliance on sole or a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and reduced control over pricing. Any inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply or to manufacture such components internally could significantly delay our ability to ship our products, which could damage relationships with current and prospective customers and could harm our reputation and brand, which could have a material adverse effect on our business.

**Our Annual and Quarterly Performance May Fluctuate.**

Our operating results have fluctuated and can be expected to continue to

fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Results in any period could be affected by:

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

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

#### Our Gross Margin Is Subject to Fluctuation.

Our gross margin is affected by a number of factors, including product mix, product pricing, cost of components, foreign currency exchange rates and manufacturing costs. For example, since our Engineering and Construction (E&C) and Geographic Information Systems (GIS) products generally have higher gross margins than our Component Technologies (CT) products, absent other factors, a shift in sales toward E&C and GIS products would lead to a gross margin improvement. On the other hand, if market conditions in the highly competitive E&C and GIS market segments forced us to lower unit prices, we would suffer a decline in gross margin unless we were able to timely offset the price reduction by a reduction in production costs or by sales of other products with higher gross margins. A decline in gross margin could negatively impact our earnings per share.

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

Acts of war or acts of terrorism could have a material adverse impact on our business, operating results, and financial condition. The threat of terrorism and war and heightened security and military response to this threat, or any future acts of terrorism, may cause further disruption to our economy and create further uncertainties. To the extent that such disruptions or uncertainties result in delays or cancellations of orders, or the manufacture or shipment of our products, our business, operating results, and financial condition could be materially and adversely affected.

#### Our Substantial Indebtedness Could Materially Restrict Our Operations and Adversely Affect Our Financial Condition.

We now have, and for the foreseeable future expect to have, a significant level of indebtedness. Our substantial indebtedness could:

- o increase our vulnerability to general adverse economic and industry conditions;
- o limit our ability to fund future working capital, capital expenditures,

research and development and other general corporate requirements, or to make certain investments that could benefit us;

- o require us to dedicate a substantial portion of our cash flow to service interest and principal payments on our debt;
- o limit our flexibility to react to changes in our business and the industry in which we operate; and
- o limit our ability to borrow additional funds.

Our Credit Agreement Contains Stringent Financial Covenants.

Two of the financial covenants in our Credit Agreement with The Bank of Nova Scotia and certain other banks, dated July 14, 2000 as amended (the "Credit Agreement"), minimum fixed charge coverage and maximum leverage ratio, are extremely sensitive to changes in earnings before interest, taxes, depreciation and amortization ("EBITDA"). In turn, EBITDA is highly correlated to revenues and costs. Due to uncertainties associated with the downturn in the worldwide economy, our future revenues by quarter are more difficult to forecast and we have put in place various cost cutting measures, including the consolidation of service functions and centers, offices, and of redundant product lines and reductions in staff. If revenues should decline at a faster pace than the rate of these cost cutting measures, on a quarter-to-quarter basis we may not be in compliance with the two above-mentioned financial covenants. If we default on one or more covenants, we will have to obtain either negotiated waivers or amendments to the Credit Agreement. If we were unable to obtain such waivers or amendments, the banks would have the right to accelerate the payment of our outstanding obligations under the Credit Agreement, which would have a material adverse effect on our financial condition and viability as an operating company. In addition, a default under one of our debt instruments may also trigger cross defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us. In September of 2002, we reached an agreement to ease our financial covenants.. These revised covenants will remain in effect through the term of the current credit facility. On January 14, 2003, Trimble executed an Amended and Restated Credit Agreement, which restructured the \$100 million revolver into four tranches. Tranches A & C belong to the \$50 million US dollar revolver and Tranches B & D belong to the \$50 million multi-currency revolver. Allocated to Tranche A is \$12,500,000 with an expiration date of July 14, 2003 and allocated to Tranche C is \$37,500,000 with an expiration date of April 07, 2004. Allocated to Tranche B is \$1,500,000 with an expiration date of July 14, 2003 and allocated to Tranche D is \$48,500,000 with an expiration date of April 07, 2004. As a result, the \$100 million revolver will remain in effect through July 14, 2003 and be reduced to \$86 million for the period starting July 15, 2003 through April 7, 2004.

We Are Dependent on Key Customers.

An increasing amount of our revenue is generated from large original equipment manufacturers such as Siemens VDO Automotive AG, Nortel, McNeilus, Caterpillar, CNH Global, DeWalt, Hilti, and Blaupunkt. A reduction or loss of business with these customers could have a material adverse effect on our financial condition and results of operations. There can be no assurance that we will be able to continue to realize value from these relationships in the future.

We Are Dependent on New Products.

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

We Face Risks of Entering Into and Maintaining Alliances.

We believe that in certain emerging markets our success will depend on our ability to form and maintain alliances with established system providers and industry leaders. Our failure to form and maintain such alliances, or the preemption of such alliances by actions of other competitors or us will adversely affect our ability to penetrate emerging markets. No assurances can be given that we will not experience problems from current or future alliances or that we will realize value from any such strategic alliances.

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

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

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

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

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

We have certain real-time kinematics products, such as our Land Survey 5700, that use integrated radio communication technology requiring access to available radio frequencies allocated by the FCC. In addition, access to these frequencies by state agencies is under management by state radio communications coordinators. Some bands are experiencing congestion that excludes their availability for access by state agencies in some states, including the state of California. An inability to obtain access to these radio frequencies could have an adverse effect on our operating results.

**Many of Our Products Rely on the GPS Satellite System.**

The GPS satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of 28 satellites in place, some have already been in operation for 13 years. To repair damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites may impair the current utility of the GPS system and the growth of current and additional market opportunities.

In addition, there can be no assurance that the U.S. Government will remain committed to the operation and maintenance of GPS satellites over a long period, or that the policies of the U.S. Government for the use of GPS without charge will remain unchanged. However, a 1996 Presidential Decision Directive marks the first time in the evolution of GPS that access for civilian use free of direct

user fees is specifically recognized and supported by Presidential policy. In addition, Presidential policy has been complemented by corresponding legislation, signed into law. Because of ever-increasing commercial applications of GPS, other U.S. Government agencies may become involved in the administration or the regulation of the use of GPS signals. Any of the foregoing factors could affect the willingness of buyers of our products to select GPS-based systems instead of products based on competing technologies.

Any resulting change in market demand for GPS products could have a material adverse effect on our financial results. For example, European governments have expressed interest in building an independent satellite navigation system, known as Galileo. Depending on the as yet undetermined design and operation of this system, there may be interference to the delivery of the GPS SPS and may materially and adversely affect the utility and reliability of our products, which could result in a material adverse effect on our business and operating results.

#### We Face Risks in Investing in and Integrating New Acquisitions.

We are continuously evaluating external investments in technologies related to our business, and have made relatively small strategic equity investments in a number of GPS-related and laser-related technology companies. Acquisitions of companies, divisions of companies, or products entail numerous risks, including:

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

As a result of such acquisitions, we have significant assets that include goodwill and other purchased intangibles. The testing of these intangibles under established accounting guidelines for impairment requires significant use of judgment and assumptions. Changes in business conditions could require adjustments to the valuation of these assets. Any such problems in integration or adjustments to the value of the assets acquired could harm our growth strategy and have a material adverse effect on our business, financial condition and compliance with debt covenants.

#### We Face Competition in Our Markets.

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

competitive with other technologies or products that may be developed by our competitors, many of whom have significantly greater financial, technical, manufacturing, marketing, sales and other resources than we do.

#### We Are Dependent on Proprietary Technology.

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

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

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

#### We Must Carefully Manage Our Future Growth.

Growth in our sales or continued expansion in the scope of our operations could strain our current management, financial, manufacturing and other resources and may require us to implement and improve a variety of operating, financial and other systems, procedures and controls. Specifically we have experienced strain in our financial and order management system, as a result of our acquisitions. We are expanding our sales, accounting, manufacturing, and other information systems to meet these challenges. These systems, procedures or controls may not be adequate to support our operations and may not be designed, implemented or improved in a cost effective and timely manner. Any failure to implement, improve and expand such systems, procedures and controls in a timely and efficient manner could harm our growth strategy and adversely affect our financial condition and ability to achieve our business objectives.

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

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

#### We May Encounter Problems Associated With International Operations and Sales.

Our customers are located throughout the world. Sales to unaffiliated customers in foreign locations represented approximately 49% of our revenues in our fiscal year 2002, 50% in our fiscal year 2001 and 52% in our fiscal year 2000. In addition, we have significant international operations, including manufacturing facilities, sales personnel and customer support operations. Our international sales organization contains offices in 21 foreign countries. Our international manufacturing facilities are in Sweden and Germany, and we have a regional fulfillment center in the Netherlands. Our international presence exposes us to risks not faced by wholly domestic companies. Specifically, we have experienced issues relating to integration of foreign operations, greater difficulty in accounts receivable collection, longer payment cycles and currency fluctuations. Additionally, we face the following risks, among others:

- o unexpected changes in regulatory requirements;
- o tariffs and other trade barriers;



- o political, legal and economic instability in foreign markets, particularly in those markets in which we maintain manufacturing and research facilities;
- o difficulties in staffing and management;
- o language and cultural barriers; seasonal reductions in business activities in the summer months in Europe and some other countries;
- o war and acts of terrorism; and
- o potentially adverse tax consequences.

Although we implemented a program to attempt to manage foreign exchange risks through hedging and other strategies, there can be no assurance that this program will be successful and that currency exchange rate fluctuations will not have a material adverse effect on our results of operations. In addition, in certain foreign markets, there may be reluctance to purchase products based on GPS technology, given the control of GPS by the U.S. Government.

We are exposed to fluctuations in Currency Exchange Rates.

A significant portion of our business is conducted outside the United States, and as such, we face exposure to adverse movements in non-U.S. currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results and cash flows. Compared to fiscal 2001, in fiscal 2002, the US currency has weakened against other currencies.

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

The affect of the movement in foreign exchange rates has been reflected in the Cumulative Translation Adjustment included in the Accumulative Other Comprehensive Loss under Shareholders' Equity on our Consolidated Balance Sheet Statement located in this Report.

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

We market certain products that are subject to governmental and similar certifications before they can be sold. For example, CE certification for radiated emissions is required for most GPS receiver and data communications products sold in the European Union. An inability to obtain such certifications in a timely manner could have an adverse effect on our operating results. Also, our products that use integrated radio communication technology require an end-user to obtain licensing from the Federal Communications Commission (FCC) for frequency-band usage. These are secondary licenses that are subject to certain restrictions. During the fourth quarter of 1998, the FCC temporarily suspended the issuance of licenses for certain of our real-time kinematics products because of interference with certain other users of similar radio frequencies. An inability or delay in obtaining such certifications or changes to the rules by the FCC could adversely affect our ability to bring our products to market, which could harm our customer relationships and have a material adverse effect on our business.

Our Stock Price May Be Volatile.

The price of our common stock can be expected to fluctuate substantially as it has in the past. The price could react to actual or anticipated quarterly variations in results of operations, announcements of technological innovations or new products by us or our competitors, developments related to patents or other intellectual property rights, developments in our relationship with customers, suppliers, or strategic partners and other events or factors. In addition, any shortfall or changes in revenue, gross margins, earnings, or other financial results from analysts' expectations could cause the price of our common stock to fluctuate significantly. Additionally, macro-economic factors as well as market climate for the high-technology sector could also impact the trading price of our stock.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

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

#### Market Interest Rate Risk

We are exposed to market risk due to the possibility of changing interest rates under our senior secured credit facilities. Our credit facilities are comprised of a U.S. dollar-only revolver, a multi-currency revolver both expiring April 7, 2004, and a five-year term loan expiring July 14, 2004. Borrowings under the credit facility have interest payments based on a floating rate of LIBOR plus a number of basis points tied to a formula based on our leverage ratio. As of January 3, 2003, our senior debt to EBITDA (senior leverage ratio) was approximately 1.41. At this leverage ratio our pricing on the Credit Facility is LIBOR plus 125 basis points. The U.S. dollar and the multi-currency revolvers run through April 2004 and have outstanding principal balances at January 3, 2003 of \$25.0 million and \$10.0 million, respectively. As of January 3, 2003, we have borrowed from the Multi-Currency revolver in U.S. currency only. The term loan expires on July 14, 2004 and has an outstanding principal balance of \$32.6 million at January 3, 2003. The three-month LIBOR effective rate at January 3, 2003 was 1.38%. A hypothetical 10% increase in three-month LIBOR rates could result in approximately \$93,000 annual increase in interest expense on the existing principal balances.

In addition, we have a \$1.8 million promissory note, of which \$110,000 was classified as a current liability at the end of fiscal 2002. The note is payable in monthly installments, bearing a variable interest rate of 5.4% as of January 3, 2003. A hypothetical 10% increase in interest rates would not have a material impact on the results of our operations.

\* The hypothetical changes and assumptions made above will be different from what actually occurs in the future. Furthermore, the computations do not anticipate actions that may be taken by our management should the hypothetical market changes actually occur over time. As a result, actual earnings effects in the future will differ from those quantified above.

#### Foreign Currency Exchange Rate Risk

We transact business in various foreign currencies and hedges identified risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to hedge certain trade and inter-company receivables and payables. These contracts reduce the exposure to fluctuations in exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the hedge contracts. These hedge instruments are marked to market through earnings every period. From time to time, we may also utilize forward foreign exchange contracts designated as cash flow hedges of operational exposures represented by firm backlog orders to specific accounts over a specific period of time. We record changes in the fair value of cash flow hedges in accumulated, other comprehensive income (loss), until the firm backlog transaction ships. Upon recognition of revenue, we reclassify the gain or loss on the cash flow hedge to the statement of operations. For the fiscal year ended January 3, 2003, we recorded a gain of \$57,000 reflecting the net change and ending balance in relation to a firm backlog hedge. The critical terms of the cash flow hedging instruments are the same as the underlying forecasted transactions. The changes in fair value of the derivatives are intended to offset changes in the expected cash flow from the forecasted transactions. All forward contracts have maturity of less than 12 months.

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

The following table provides information about our foreign exchange forward contracts outstanding as of January 3, 2003:

Currency	Buy/Sell	Foreign Currency Amount (in thousands)	Contract Value USD (in thousands)	Fair Value in USD (in thousands)
CAD	Sell	1,630	\$ 1,033	\$ 1,039
MXN	Sell	5,000	469	475
JPY	Sell	751,668	6,259	6,302
EUR	Buy	(6,200)	(6,348)	(6,024)
EUR	Sell	14,939	14,652	15,534

NZD	Buy	(2,017)	(967)	(1,060)
SEK	Buy	(158,572)	(17,099)	(17,988)
SEK	Sell	19,836	2,126	2,144
			\$ 125	\$ 422
			=====	=====

The following table provides information about our foreign exchange forward contracts outstanding as of December 28, 2001:

Currency	Buy/Sell	Foreign Currency Amount (in thousands)	Contract Value USD (in thousands)	Fair Value in USD (in thousands)
EURO	Sell	3,769	\$ 3,365	\$ 3,332
EURO	Buy	(800)	(716)	(712)
STERLING	Buy	(298)	(423)	(433)
YEN	Sell	225,000	1,903	1,714
YEN	Buy	(44,000)	(363)	(335)
			\$ 3,766	\$ 3,566
			=====	=====

TRIMBLE NAVIGATION LTD  
INDEX TO FINANCIAL STATEMENTS

Page in this	
Annual	
Report on	
Form 10-K	
Consolidated	
Balance	
Sheets at	
January 3,	
<del>2003 and</del>	
<del>December 28,</del>	
<del>2001-56</del>	
Consolidated	
Statements	
of	
Operations	
for each of	
the three	
fiscal years	
in the	
period ended	
January 3,	
<del>2003-57</del>	
Consolidated	
Statement of	
Shareholders'	
Equity for	
the three	
fiscal years	
in the	
period ended	
January 3,	
<del>2003-58</del>	
Consolidated	
Statements	
of Cash	
Flows for	
each of the	
three fiscal	
years in the	
period ended	
January 3,	
<del>2003-59</del>	
Notes to	
Consolidated	
Financial	
Statements	
<del>60-92 Report</del>	
<del>of Ernst &amp;</del>	
<del>Young LLP,</del>	
<del>Independent</del>	
<del>Auditors-93</del>	

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

January 3,  
December 28,  
As at 2003  
2001 - -----

-----  
-----  
-----  
-----  
-----  
-----  
-----

-- (in  
thousands)

ASSETS

Current

assets: Cash  
and cash  
equivalents

~~\$ 28,679~~ \$  
~~31,078~~

Accounts  
receivable,  
less

allowance  
for doubtful  
accounts of

~~\$9,900~~ and  
~~\$8,540~~,

respectively  
~~79,645~~

~~71,680~~

Inventories,  
net ~~61,144~~

~~51,810~~ Other  
current

assets ~~8,477~~  
~~6,536~~

----- Total  
current

assets  
~~177,945~~  
~~161,104~~

Property and  
equipment,  
at cost less

accumulated  
depreciation  
~~22,037~~

~~27,542~~

Goodwill,  
less

accumulated  
amortization  
~~205,933~~

~~120,052~~

Other  
intangible  
assets, less

accumulated  
amortization  
~~23,238~~

~~100,252~~

Deferred  
income taxes  
~~417,383~~

Other assets  
~~12,086~~

~~10,062~~

-----  
Total non-  
current

assets  
~~263,711~~

~~258,291~~

~~Total assets~~

~~\$ 441,656~~

~~419,395~~

~~=====~~

~~=====~~

~~LIABILITIES~~

~~AND~~

~~SHAREHOLDERS'~~

~~EQUITY~~

~~Current~~

~~liabilities:~~

~~Bank and~~

~~other short-~~

~~term~~

~~borrowings \$~~

~~6,556~~

~~40,025~~

~~Current~~

~~portion of~~

~~long term~~

~~debt 24,104~~

~~23,443~~

~~Accounts~~

~~payable~~

~~30,669~~

~~21,494~~

~~Accrued~~

~~compensation~~

~~and benefits~~

~~17,728~~

~~13,786~~

~~Accrued~~

~~liabilities~~

~~21,000~~

~~28,822~~

~~Accrued~~

~~warranty~~

~~expense~~

~~6,394 6,827~~

~~Income taxes~~

~~payable~~

~~6,450 7,403~~

~~-----~~

~~Total~~

~~current~~

~~liabilities~~

~~112,901~~

~~141,800 Non-~~

~~current~~

~~portion of~~

~~long term~~

~~debt 107,865~~

~~127,097~~

~~Deferred~~

~~gain on~~

~~joint~~

~~venture~~

~~10,792~~

~~Deferred~~

~~income tax~~

~~2,561 7,347~~

~~Other non-~~

~~current~~

~~liabilities~~

~~6,186 4,662~~

~~-----~~

~~Total~~

~~liabilities~~

~~240,305~~

~~280,906~~

~~-----~~

~~Commitments~~

~~and~~

~~Contingencies~~

~~Shareholders'~~

~~equity:~~

~~Preferred~~

~~stock no par~~

~~value; 3,000~~

shares
authorized;
none
outstanding
<del>Common</del>
<del>stock, no</del>
<del>par value;</del>
<del>40,000</del>
shares
authorized;
29,309, and
26,862
shares
outstanding,
respectively
225,872
191,224
Accumulated
deficit
(23,495)
(33,819)
Accumulated
other
comprehensive
loss (1,026)
(18,916)
<del>_____</del>
Total
shareholders'
equity
201,351
<del>138,489</del>
<del>_____</del>
Total
liabilities
and
shareholders'
equity \$
441,656 \$
419,395
<del>=====</del>
<del>=====</del>

\*See accompanying Notes to the Consolidated Financial Statements.



CONSOLIDATED STATEMENTS OF OPERATIONS

January 3,  
December 28,  
December 29,  
Fiscal Years  
Ended 2003

2001 2000 - -

-----  
-----  
-----  
-----  
-----  
-----  
-----

(In  
thousands,  
except per  
share data)  
Revenue \$  
466,602 \$  
475,292 \$  
~~369,798~~ Cost  
of revenue  
232,170  
238,057  
173,237

----- Gross  
margin  
234,432  
237,235  
196,561

Operating  
expenses  
Research and  
development  
~~61,232~~ ~~62,881~~  
46,520 Sales  
and marketing  
89,344  
103,778  
79,901

General and  
administrative  
~~40,634~~ ~~37,407~~  
30,514

Restructuring  
charges ~~1,099~~  
3,599

Amortization  
of goodwill  
and other  
purchased  
intangible  
assets ~~8,300~~  
~~29,389~~ ~~13,407~~

----- Total  
operating  
expenses  
200,609  
237,054  
170,342

-----  
Operating  
income from  
continuing  
operations  
~~33,823~~ ~~181~~  
~~26,219~~ Non-  
operating  
income  
(expense),  
net Interest  
income ~~659~~

~~1,118-4,478~~  
 Interest  
 expense  
~~(14,710)~~  
~~(22,224)~~  
~~(14,438)~~  
 Foreign  
 exchange loss  
~~(823)~~ ~~(237)~~  
~~(376)~~  
 Expenses for  
 affiliated  
 operations,  
 net ~~(3,954)~~  
~~Other~~  
 expense  
~~(1,171)~~ ~~(430)~~  
~~(123)~~  


---

 Total non-  
 operating  
 expense, net  
~~(19,999)~~  
~~(21,773)~~  
~~(10,459)~~  
 Income (loss)  
 before income  
 taxes from  
 continuing  
 operations  
~~13,824~~  
~~(21,592)~~  
~~15,760~~ Income  
 tax provision  
~~3,500~~ ~~1,900~~  
~~1,575~~

---

 Net income  
 (loss) from  
 continuing  
 operations  
~~10,324~~  
~~(23,492)~~  
~~14,185~~ Gain  
 on disposal  
 of  
 discontinued  
 operations  
 (net of tax)  
~~613~~

---

 Net income  
 (loss) \$  
~~10,324~~ \$  
~~(22,879)~~ \$  
~~14,185~~

=====  
 =====  
 Basic  
 earnings  
 (loss) per  
 share from  
 continuing  
 operations \$  
~~0.36~~ \$ ~~(0.95)~~  
~~\$ 0.60~~ Basic  
 earnings per  
 share from  
 discontinued  
 operations  
~~0.02~~

=====  
 =====  
 Basic  
 earnings  
 (loss) per  
 share \$ ~~0.36~~  
~~\$ (0.93)~~ \$  
~~0.60~~

~~=====~~  
~~=====~~  
~~Shares used~~  
~~in~~  
~~calculating~~  
~~basic~~  
~~earnings per~~  
~~share 28,573~~  
~~24,727 23,601~~  
~~Diluted~~  
~~earnings~~  
~~(loss) per~~  
~~share from~~  
~~continuing~~  
~~operations \$~~  
~~0.36 \$ (0.95)~~  
~~\$ 0.55~~  
~~Diluted~~  
~~earnings per~~  
~~share from~~  
~~discontinued~~  
~~operations —~~  
~~0.02 —~~  
~~=====~~  
~~=====~~  
~~=====~~  
~~Diluted~~  
~~earnings~~  
~~(loss) per~~  
~~share \$ 0.36~~  
~~\$ (0.93) \$~~  
~~0.55 =====~~  
~~=====~~  
~~=====~~  
~~Shares used~~  
~~in~~  
~~calculating~~  
~~diluted~~  
~~earnings per~~  
~~share 29,052~~  
~~24,727 25,976~~

\*See accompanying Notes to the Consolidated Financial Statements.



~~846 846~~

~~Balance  
at December  
29, 2000  
24,162  
154,846  
(10,940)  
(8,963)  
134,943~~

~~Components  
of  
comprehensive  
income~~

~~(loss): Net  
loss  
(22,879)  
(22,879)  
Loss on  
interest  
rate swap  
(203) (203)  
Unrealized  
gain on  
investments  
16 16  
Foreign  
currency  
translation  
adjustments  
(9,766)  
(9,766)~~

~~Comprehensive  
loss  
(32,832)~~

~~Subtotal  
102,111~~

~~Issuance  
of stock  
under  
employee  
plans and  
exercise of  
warrants 917  
11,344  
11,344~~

~~Issuance of  
stock in  
private  
placement  
1,783 25,034  
25,034~~

~~Balance at  
December 29,  
2001 26,862  
\$191,224 \$  
(33,819)  
\$(18,916) \$  
138,489~~

~~Components  
of  
comprehensive  
income~~

~~(loss): Net  
income  
10,324  
10,324 Gain  
on interest  
rate swap  
210 210  
Unrealized  
loss on  
investments  
(17) (17)  
Foreign~~

currency translation adjustments	17,697	
	<del>17,697</del>	
		-
Comprehensive income	28,214	
	<del>28,214</del>	
Subtotal	166,703	
	<del>166,703</del>	
Issuance of stock for acquisition	793	12,033
		<del>12,033</del>
Issuance of stock under employee plans	4,091	4,091
	<del>4,091</del>	<del>4,091</del>
Issuance of warrants	1,528	1,528
	<del>1,528</del>	<del>1,528</del>
Issuance of stock in private placement	1,280	16,996
	<del>1,280</del>	<del>16,996</del>
Balance at January 3, 2003	\$225,872	\$
	<del>(23,495)</del>	
	<del>\$(1,026)</del>	<del>\$</del>
	201,351	
	=====	
	=====	
	=====	
	=====	
	=====	

\*See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 3, December  
28, December 29,  
Fiscal Years Ended  
2003 2001 2000 - - -

-----  
-----  
-----  
-----

----- (In		
thousands) Cash		
flow from operating		
activities: Net		
income (loss) \$		
10,324	\$	(22,879)
\$	14,185	
Adjustments		
to reconcile net		
income (loss) to		
cash flows provided		
by operating		
activities:		
Depreciation expense		
9,850	11,218	9,139
Amortization expense		
9,168	30,306	14,337
Provision for		
doubtful accounts		
5,443	5,077	1,198
(Gain) loss on sale		
of fixed assets		
423		
		(135)
Amortization of		
deferred gain		
(1,061)		(1,584)
(2,555)	Amortization	
of debt issuance		
cost		
1,197	960	440
Deferred income		
taxes		
1,464		(887)
(908)	Other	
193		(508)
(2,505)		
Decrease (increase)		
in assets: Accounts		
receivable, net		
(10,615)	6,842	
(7,289)	Inventories	
(7,649)	7,442	
(5,994)	Other	
current and non-		
current assets		
(3,920)	2,393	
(3,743)	Effect of	
foreign currency		
translation		
adjustment		
3,218		(4,538)
(1,116)		
Increase (decrease)		
in liabilities:		
Accounts payable		
8,593	(4,954)	7,554
Accrued compensation		
and benefits		
3,452		(3,112)
(6,362)		
Deferred gain on		
joint venture		
10,792		
Accrued		
liabilities		
(4,823)		
(2,946)	5,595	
Income		
taxes payable		
(953)		
2,398	(2,141)	
----- Net		
cash provided by		
operating activities		
35,096	25,093	19,835
-----		
Cash flow from		

<del>investing</del>		
<del>activities:</del>		
<del>Acquisition of</del>		
<del>property and</del>		
<del>equipment (7,157)</del>		
<del>(7,254) (7,555)</del>		
<del>Proceeds from sale</del>		
<del>of assets 1,407</del>		
<del>1,177</del>		
<del>Acquisitions, net of</del>		
<del>cash acquired 1,718</del>		
<del>(4,430) (211,488)</del>		
<del>Costs of capitalized</del>		
<del>patents (1,734)</del>		
<del>(934) (900) Purchase</del>		
<del>of short term</del>		
<del>investments</del>		
<del>(6,423)</del>		
<del>Maturities/sales of</del>		
<del>short term</del>		
<del>investments</del>		
<del>59,186</del>		
<del>Net cash</del>		
<del>used by investing</del>		
<del>activities (5,766)</del>		
<del>(11,441) (167,180)</del>		
<del>=====</del>		
<del>===== Cash flow</del>		
<del>from financing</del>		
<del>activities: Issuance</del>		
<del>of common stock and</del>		
<del>warrants 21,393</del>		
<del>36,378 12,043</del>		
<del>(Payment)/collection</del>		
<del>of notes receivable</del>		
<del>(1,082) 872 196</del>		
<del>Proceeds from long-</del>		
<del>term debt and</del>		
<del>revolving credit</del>		
<del>lines 18,000 30,062</del>		
<del>162,000 Payments on</del>		
<del>long term debt and</del>		
<del>revolving credit</del>		
<del>lines (70,040)</del>		
<del>(90,762) (35,282)</del>		
<del>Net cash</del>		
<del>provided (used) by</del>		
<del>financing activities</del>		
<del>(31,729) (23,450)</del>		
<del>138,957</del>		
<del>Decrease in cash and</del>		
<del>cash equivalents</del>		
<del>(2,399) (9,798)</del>		
<del>(8,388) Cash and</del>		
<del>cash equivalents,</del>		
<del>beginning of period</del>		
<del>31,078 40,876 49,264</del>		
<del>Cash and cash</del>		
<del>equivalents, end of</del>		
<del>period \$ 28,679 \$</del>		
<del>31,078 \$ 40,876</del>		
<del>=====</del>		
<del>=====</del>		

\*See accompanying Notes to the Consolidated Financial Statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies:

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent nature of those estimates, actual results could differ from expectations.

#### Basis of Presentation

Trimble has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2002 was January 3, 2003. Fiscal 2002 was a 53-week year and as a result, the Company has included an extra week of revenues, costs and related financial activities.

Therefore, the financial results of those fiscal years (as this fiscal year 2002) having the extra week will not be exactly comparable to the prior and subsequent 52-week fiscal years. Fiscal years 2001 and 2000 were both comprised of 52 weeks.

The consolidated financial statements include the results of Trimble and its subsidiaries. Inter-company accounts and transactions have been eliminated. Certain amounts from prior years have been reclassified to conform to the current year presentation. Accrued interest expense and Deferred gain on sale of assets have been reclassified to Accrued liability in the Consolidated Balance Sheet at December 28, 2001. Certain previously allocated corporate charges to the Portfolio Technologies business segment have been reclassified to unallocated corporate charges in fiscal 2001 and fiscal 2000 to conform to current year presentation.

#### Foreign Currency

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average rates prevailing during the year. Local currencies are considered to be the functional currencies for the Company's non-U.S. subsidiaries. Translation adjustments are included in shareholders' equity in the consolidated balance sheet caption "Accumulated other comprehensive income (loss)." Foreign currency transaction gains and losses are included in results of operations as incurred, and have not been significant to the Company's operating results in any fiscal year presented. The effect of foreign currency rate changes on cash and cash equivalents is not material.

#### Cash and Cash Equivalents

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

#### Concentration of Risk

In entering into forward foreign exchange contracts, Trimble has assumed the risk that might arise from the possible inability of counter-parties to meet the terms of their contracts. The counter-parties to these contracts are major multinational investment and commercial banks, and the Company does not expect any losses as a result of counter-party defaults (see Note 6 of the Notes to the Consolidated Financial Statements). The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end-user customers in diversified industries as well as various resellers. Trimble performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally does not require collateral.

With the selection of Solectron Corporation in August 1999 as an exclusive manufacturing partner for many of its GPS products, Trimble became substantially dependent upon a sole supplier for the manufacture of many of its products. In

addition, the Company relies on sole suppliers for a number of its critical components.

Many of Trimble's products use GPS as the positioning technology. GPS is a system of 24 orbiting satellites established and funded by the U.S. Government, which has been fully operational since March 1995. A significant reduction in the number of operating satellites would impair the current utility of the GPS system and the growth of current and additional market opportunities. In addition, the U.S. Government may not remain committed to the operation and maintenance of GPS satellites over a long period, and the policy of the U.S. Government for the use of GPS without charge may change.

#### Allowance for Doubtful Accounts

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

Trimble evaluates the collectibility of its trade accounts receivable based on a number of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount Trimble believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding. The expenses recorded for doubtful accounts were approximately \$5.4 million in fiscal 2002, \$5.1 million in fiscal 2001, and \$1.2 million in fiscal 2000.

#### Inventories

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

#### Intangible and Non-Current Assets

Intangible assets include goodwill, assembled workforce, distribution channels, patents, licenses, technology, and trademarks, which are capitalized at cost. Intangible assets with definite lives are amortized on the straight-line basis. Useful lives generally range from 2 to 10 years, with weighted average useful life of 5.5 years. Prior to January 1, 2002, goodwill was amortized over 20 years, except for goodwill from the Grid Data purchase, which was amortized over 5 years.

If facts and circumstances indicate that the goodwill, other intangible assets or property and equipment may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write down to fair market value or discounted cash flow value is required. Trimble performed an impairment test of goodwill upon transition to FAS No. 142 on January 1, 2002, and an annual impairment test on September 30, 2002, and found no impairment. Trimble will continue to evaluate its goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

Trimble adopted SFAS No. 142 on January 1, 2002. As a result, goodwill is no longer amortized and intangible assets with indefinite lives were reclassified to goodwill.

#### Revenue Recognition

Trimble's revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." The Company requires the following: (i) execution of a written customer order, (ii) delivery of the product, (iii) fee is fixed or determinable, and (iv) collectibility of the proceeds is probable. The Company recognizes revenue from product sales when the products are shipped to the customer, title has transferred, and no significant obligations remain. Trimble defers revenue if there is uncertainty about customer acceptance. Deferred

revenue is included in accrued liabilities on the consolidated balance sheet. Trimble reduces product revenue for estimated customer returns, and any discount, which may occur under programs it has with its customers and partners.

The Company's shipment terms are either FOB shipping point or FCA shipping point. FOB (Free on Board) - shipping point term means that the seller fulfills the obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. FCA (Free Carrier) shipping point term means that the seller fulfills the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into carrier's charge.

The Company's shipment terms for domestic orders are typically FOB shipping point. International orders fulfilled from the European distribution center are typically shipped FCA shipping point. Other international orders are shipped FOB destination, and accordingly these international orders are not recognized as revenue until the product is delivered and title has transferred.

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period. Substantially all technology licenses and research revenue have consisted of initial license fees and royalties, which were recognized when earned, provided the Company has no remaining obligations.

Sales to distributors and resellers are recognized upon shipment providing that there is evidence of the arrangement through a distribution agreement or purchase order, title has transferred, no remaining performance obligations exist, the price and terms of the sale are fixed, and collection is probable. Distributors and resellers do not have a right of return.

Software arrangements consist of a license fee and post contract customer support (PCS). Trimble has established vendor specific objective evidence (VSOE) of fair value for its PCS contracts based on the price of the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, under which revenue is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the period of the PCS agreement.

#### Support and Warranty

The warranty periods for the Company's products are generally between one and three years from date of shipment. Selected military programs may require extended warranty periods, and certain products sold by Trimble's TDS business have a 90-day warranty period. Trimble supports its GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of Trimble's non-GPS products are available from company-owned or authorized facilities. The Company reimburses dealers and distributors for all authorized warranty repairs they perform.

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

Changes in the Company's product warranty liability during the 12 months, ended January 3, 2003 are as follows:

	(in thousands)
Balance at December 28, 2001	\$6,827
Warranties accrued	2,821
Warranty claims	(3,254)
Balance at January 3, 2003	\$6,394

The Company's warranty liability is classified as accrued warranty in the accompanying balance sheet.

#### Guarantees, Including Indirect Guarantees of Indebtedness of Others

In November of 2002, the FASB issued FIN No. 45, "Guarantor's Accounting

and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN No. 45 requires disclosures about the guarantees that an entity has issued including a roll-forward of the entity's product warranty liabilities. Trimble will apply the recognition provisions of FIN No. 45 prospectively to guarantees issued after December 31, 2002.

#### Advertising Costs

Trimble's expenses advertising costs as incurred. Advertising expenses were approximately \$6.3 million, \$6.8 million, and \$7.9 million in fiscal 2002, 2001, and 2000, respectively.

#### Research and Development Costs

Research and development costs are charged to expense when incurred. Trimble received third party funding of approximately \$5.3 million, \$4.1 million, and \$4.8 million in fiscal 2002, 2001, and 2000, respectively. Trimble offsets research and development expenses with any third party funding received.

The Company retains the rights to any technology developed.

#### Stock Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and "Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure," Trimble applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock option plans and stock purchase plan. Accordingly, the Company does not recognize compensation cost for stock options granted at fair market value. Note 14 of the Notes to the Consolidated Financial Statements describes the plans operated by Trimble.

In December of 2002, the Financial Accounting Standards Board issued SFAS No. 148, which amends SFAS No. 123, to provide alternative methods of transition for an entity that changes to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require expanded and more prominent disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, and the estimated fair value of purchases under the employee stock purchase plan is expensed in the year of purchase as well as the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards. The effects on pro forma disclosure of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosure of future years.

Pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS No. 123 and has been determined as if Trimble had accounted for its employee stock options and purchases under the employee stock purchase plan using the fair value method of SFAS No.123. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for fiscal 2002, 2001, and 2000:

	January 3, 2003	December 28, 2001	December 29, 2000
Expected dividend yield	-	-	-
Expected stock price volatility	52.70%	69.59%	66.41%
Risk free interest rate	3.13%	4.15%	6.21%
Expected life of options after vesting	1.18	1.20	1.22

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Trimble's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in

management's opinion, the existing models do not necessarily provide a reliable single measure of its employee stock options.



## Depreciation

Depreciation of property and equipment owned or under capitalized leases is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms. Useful lives include a range from two to four years for machinery and equipment, four to five years for furniture and fixtures, and four to five years for leasehold improvements.

## Income Taxes

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

## Earnings (Loss) Per Share

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

## New Accounting Standards

Trimble adopted SFAS No. 144, at the beginning of fiscal 2002. The effect of adopting SFAS No. 144 did not have a material impact on the Company's financial position or results of operations.

Trimble adopted SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, at the beginning of fiscal 2002. Application of the non-amortization provisions of SFAS No. 142 significantly reduced amortization expense of purchased intangibles and goodwill to approximately \$8.3 million for the fiscal year 2002 from \$29.4 million in the prior year. The Company reclassified identifiable intangible assets with indefinite lives with net book value of \$73.6 million, as defined by SFAS No. 142, to goodwill at the date of adoption. The Company tested goodwill for impairment using the two-step process prescribed in SFAS No. 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. No impairment charge resulted from the impairment tests.

In October of 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," which amends accounting guidance on asset impairment and provides a single accounting model for long-lived assets to be disposed of. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations.

In July of 2002, the FASB approved SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses the financial accounting and reporting for obligations associated with an exit activity, including restructuring, or with a disposal of long-lived assets. Exit activities include, but are not limited to, eliminating or reducing product lines, terminating employees and contracts and relocating plant facilities or personnel. SFAS No. 146 specifies that a company will record a liability for a cost associated with an exit or disposal activity only when that liability is incurred and can be measured at fair value. Therefore, commitment to an exit plan or a plan of disposal expresses only management's intended future actions and, therefore, does not meet the requirement for recognizing a liability and the related expense. SFAS No. 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The Company does not anticipate that the adoption of SFAS No. 146 will have a material effect on its financial position or results of operations.

In November of 2002, the FASB issued FIN No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN No. 45 requires disclosures about the guarantees that an entity has issued, including a roll-forward of the entity's product warranty liabilities. Trimble will apply





Allocation of Purchase Consideration

The following is a summary of purchase price, acquisition costs and purchase price allocation of the Spectra Precision Group, Tripod Data Systems, Grid Data, and Levelite acquisitions:

Spectra  
 Tripod Data  
 Levelite  
 Precision  
 Group  
 Systems Grid  
 Data  
 Technology -  
 -----  
 -----  
 -----  
 -----

----- (In thousands)

Purchase price  
~~\$292,700~~  
~~\$14,995~~  
~~\$8,248~~  
~~\$6,031~~  
 Acquisition costs ~~7,719~~  
~~391,501~~  
 Restructuring costs ~~7,851~~  
~~555~~

----- Total purchase price  
~~\$308,270~~  
~~\$15,386~~  
~~\$8,298~~  
~~\$6,730~~  
 =====  
 =====  
 =====

Purchase Price Allocation:  
 Fair value of tangible net assets acquired  
~~65,913~~ ~~4,261~~  
~~(141)~~ ~~6,115~~  
 Deferred tax ~~(9,138)~~  
 -----  
 Identified intangible assets:  
 Distribution Channel  
~~78,600~~  
 Existing Technology  
~~25,200~~  
 Assembled Workforce  
~~18,300~~  
 Trade names, trade marks, patents, and other intellectual properties  
~~10,800~~  
 Goodwill  
~~118,595~~  
~~11,125~~ ~~8,439~~

~~Total~~  
~~\$308,270~~  
~~\$15,386~~  
~~\$8,298~~  
~~\$6,730~~  
=====

#### Spectra Precision Group

Spectra Precision, a group of wholly-owned businesses, formerly owned by Thermo Electron Corporation, collectively known as the "Spectra Precision Group," was acquired on July 14, 2000. The acquisition was completed for an aggregate purchase price, excluding acquisition and restructuring costs, of approximately \$293.8 million. Subsequently, in March 2002, the purchase price was adjusted by \$1.1 million as a result of the completion of final negotiations with Thermo Electron relating to certain assets and liabilities acquired. This adjustment subsequently decreased the purchase price to approximately \$292.7 million and goodwill to approximately \$118.6 million. The acquisition included 100% of the stock of Spectra Precision Inc., a Delaware corporation; Spectra Precision SRL, an Italian corporation; Spectra Physics Holdings GmbH, a German corporation; and Spectra Precision BV, a Netherlands corporation. The acquisition also included certain assets and liabilities of Spectra Precision AB, a Swedish corporation; including 100% of the shares of Spectra Precision SA, a French corporation; Spectra Precision Scandinavia AB, a Swedish corporation; Spectra Precision of Canada Ltd., a Canadian corporation; and Spectra Precision Handelsges GmbH, an Austrian corporation.

#### Spectra Precision Group Restructuring Activities

At the time the Company acquired the Spectra Precision Group, the management formulated a restructuring plan and provided approximately \$9.0 million for costs to close certain duplicative office facilities, combine operations including redundant domestic and foreign legal entities, reduce workforce in overlapping areas, and relocate certain employees. These costs were accrued for as part of the allocation of the purchase price. Included in the total cost was approximately \$2.7 million related to the discontinuance of overlapping product lines, which was included in the accrual for excess and obsolete inventory. The facility consolidation and employee relocations resulted primarily from combining certain office facilities and duplicative functions, including management functions, of the Spectra Precision Group.

In fiscal 2002, the Company used approximately \$1.9 million of the accrual, which consisted of \$1.5 million for legal and tax consulting expenses relating to consolidation of legal entities and, \$0.4 million for facilities and direct sales office closures. As of January 3, 2003, the accrual was fully utilized.

In fiscal 2001, the Company had used approximately \$3.3 million of the accrual, which consisted of \$0.9 million for legal and tax consulting expenses relating to consolidation of legal entities, \$1.3 million for severance expenses, \$0.7 million for facilities and direct sales office closures, \$0.3 million for an underfunded pension plan, and other costs of \$0.1 million. The Company revised its final estimates for costs to complete the remaining planned activities and accordingly reduced its restructuring accrual by approximately \$1.1 million, with a corresponding adjustment to goodwill, in the fourth quarter of fiscal 2001.

The elements of the restructuring accrual, which are included in accrued liabilities in the balance sheet, are as follows:

	Employee Severance and Relocation	Facility Closure, Legal and Tax Expense	Total
(In thousands)			
Total accrual	\$ 1,945	\$ 4,370	\$ 6,315
Amounts paid	(1,685)	(1,610)	(3,295)
Revision to estimates	(260)	(812)	(1,072)
Balance as of December 28, 2001	\$ -	\$ 1,948	\$ 1,948
Amounts paid	-	(1,948)	(1,948)
Balance as of January 3, 2003	\$ -	\$ -	\$ -

Tripod Data Systems, Inc., an Oregon corporation, was purchased on November 14, 2000 for an aggregate final purchase price of approximately \$15.0 million. The purchase price consisted of 576,726 shares of Trimble's common stock valued at the average closing price for the five trading days preceding the closing date.

#### Grid Data, Inc.

On April 2, 2001, Trimble acquired certain assets of Grid Data, an Arizona corporation, for approximately \$3.5 million in cash and the assumption of certain liabilities. In addition, the purchase agreement provided for Trimble to make earn-out payments based upon the completion of certain business milestones. In June 2002, Trimble issued 268,352 in settlement of all earn-out payments, which resulted in additional goodwill of \$4.8 million, with a final purchase price of approximately \$8.3 million.

#### Levelite Technology, Inc.

On August 15, 2002, Trimble acquired Levelite Technology, Inc. ("Levelite"), a California corporation, for approximately \$5.7 million. This strategic acquisition complements our entry-level construction instrument product line. The purchase price consisted of 437,084 shares of our common stock. The merger agreement provides for Trimble to make additional earn-out payments not to exceed \$3.9 million (in common stock and cash payment) based on future revenues derived from existing product sales to a certain customer. On January 22, 2003, Trimble issued the first earn-out payment (stock and cash combination) with a fair market value of approximately \$0.4 million, related to the earn-out for the quarter ended January 3, 2003. Also, if Trimble receives any proceeds from a pending litigation, a portion will be paid to the former shareholders of Levelite. The additional payments, if earned, will result in additional goodwill.

Note 3 - Unaudited Pro Forma Information:

The consolidated statements of operations of Trimble presented throughout this report include the operating results of the acquired companies from the date of the respective acquisitions. The following pro forma information for fiscal 2002, 2001, and 2000 presents net revenue, net loss from continuing operations, and net loss for each of these periods as if the transactions with Spectra Precision Group were consummated on January 1, 2000. The following pro forma information does not include Tripod Data Systems, Grid Data, and Levelite, as these acquisitions were not material to the Company. This unaudited pro forma data does not purport to represent the Company's actual results of operations had the Spectra Precision Group acquisition occurred on January 1, 2000, and should not serve as a forecast of the Company's operating results for any future periods.

January 3,  
December  
28,  
December  
29, Fiscal  
Years Ended  
2003 2001  
2000 - ----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

----- (In  
thousands,  
except for  
per share  
amounts)

Net revenue	
<del>\$ 466,602</del>	\$ 475,292
<del>491,436</del>	Net
income	
(loss) from	
continuing	
operations	
10,324	
(23,492)	
(1,920)	Net
income	
(loss)	
10,324	
(22,879)	
(1,920)	
Basic	
earnings	
(loss) per	
share from	
\$ 0.36	\$
(0.95)	
(0.08)	
continuing	
operations	
Basic	
earnings	
per share	
from	
discontinued	
Operations	
0.02	
-----	
-----	

Basic  
earnings  
(loss) per  
share \$

~~0.36~~ \$  
~~(0.93)~~ \$  
~~(0.08)~~

---

---

Diluted  
earnings  
(loss) per  
share from  
continuing  
~~\$ 0.36~~ \$  
~~(0.95)~~ \$  
~~(0.08)~~  
Operations  
Diluted  
earnings  
per share  
from  
discontinued  
Operations  
~~0.02~~

---

---

Diluted  
earnings  
(loss) per  
share \$  
~~0.36~~ \$  
~~(0.93)~~ \$  
~~(0.08)~~

---

---

Note 4 - Goodwill and Intangible Assets:

Goodwill and purchased intangible assets consisted of the following:

	January 3, 2003	December 28, 2001
(In thousands) Intangible assets:		
Intangible assets with indefinite life:		
Distribution channel	\$ -	\$ 73,363
Assembled workforce	-	17,773
	-----	-----
Total intangible assets with indefinite life	-	91,136
Intangible assets with definite life:		
Existing technology	25,986	23,907
Trade names, trademarks, patents, and other intellectual properties	21,594	18,394
	-----	-----
Total intangible assets with definite life	47,580	42,301
	-----	-----
Total intangible assets	47,580	\$133,437
Less accumulated amortization	(24,342)	(33,185)
	-----	-----
Total net intangible assets	\$ 23,238	\$100,252
	=====	=====
Goodwill:		
Goodwill, Spectra Precision acquisition*	185,277	116,001
Goodwill, other acquisitions*	20,656	14,710
	-----	-----
Total goodwill	205,933	130,711
Less accumulated amortization *	-	(10,659)
	-----	-----
Total net goodwill	\$ 205,933	\$ 120,052
	=====	=====

\* Goodwill as of January 3, 2003 includes assembled workforce and distribution channel amounts, which were reclassified to goodwill in accordance with SFAS 142. Also, January 3, 2003 amounts are shown net of accumulated depreciation from December 28, 2001.

The intangible asset amortization expense as of January 3, 2003 for the five years following fiscal 2002 is projected as follows:

Year	(In thousands)
----	-----
2003	\$ 7,126
2004	7,084
2005	5,327
2006	1,892
2007	1,116
Thereafter	693
	---
Total	\$ 23,238
	=====

Trimble adopted SFAS No. 142 on January 1, 2002. As a result, goodwill is no longer amortized and intangible assets with indefinite lives were reclassified to goodwill.

For comparative purposes, the pro forma adjusted net income per share excluding amortization of goodwill, distribution channel, and assembled workforce is as follows:

January 3,  
December  
28,  
December  
29, 2003  
2001 2000 -  
-----  
-- (in

thousands)  
 Net income  
 (loss) \$  
~~10,324~~ \$  
~~(22,879)~~ \$  
~~14,185~~ Add  
 back SFAS  
 142  
 adjustments:  
 Amortization  
 of goodwill  
~~7,817~~ ~~3,116~~  
 Amortization  
 of  
 distribution  
 channel  
~~11,230~~  
~~5,176~~  
 Amortization  
 of  
 assembled  
 workforce  
~~1,834~~ ~~1,225~~  
 Adjusted  
 net income  
 (loss) \$  
~~10,324~~ \$  
~~(1,998)~~ \$  
 23,702  
 =====  
 =====  
 =====  
 Weighted  
 average  
 shares  
 outstanding  
 Basic  
 28,573  
 24,727  
 23,601  
 Diluted  
 29,052  
 24,727  
 25,976  
 Diluted net  
 income  
 (loss) per  
 share \$  
~~0.36~~ \$  
~~(0.93)~~ \$  
 0.55  
 -----  
 -----  
 -----  
 Pro forma  
 adjusted  
 diluted net  
 income  
 (loss) per  
 share \$  
~~0.36~~ \$  
~~(0.08)~~ \$  
 0.92  
 =====  
 =====  
 =====

Note 5 - Certain Balance Sheet Components:

Inventories consisted of the following:

(in thousands)	January 3, 2003	December 28, 2001
Raw materials	\$ 21,098	\$ 25,790
Work-in-process	5,187	7,177
Finished goods	34,859	18,843
	-----	-----
	\$ 61,144	\$ 51,810
	=====	=====

Property and equipment consisted of the following:

(in thousands)	January 3, 2003	December 28, 2001
Machinery and equipment	\$ 70,660	\$ 66,265
Furniture and fixtures	6,538	6,367
Leasehold improvements	6,451	5,882
Buildings	2,905	3,979
Land	1,391	1,657
	-----	-----
	87,945	84,150
Less accumulated depreciation	(65,908)	(56,608)
	-----	-----
	\$ 22,037	\$ 27,542
	=====	=====

Other current assets consisted of the following:

(in thousands)	January 3, 2003	December 28, 2001
Notes receivable	\$ 1,685	\$ 2,130
Prepaid expenses	5,495	4,150
Other	1,297	256
	-----	---
	\$ 8,477	\$ 6,536
	=====	=====

Other non-current assets consisted of the following:

(in thousands)	January 3, 2003	December 28, 2001
Debt issuance costs, net	\$ 2,493	\$ 3,046
Other investments	1,381	2,737
Deposits	1,196	1,241
Demo inventory, net	2,665	1,961
Receivables from employees	1,223	955
Other	3,128	122
	-----	---
	\$ 12,086	\$ 10,062
	=====	=====

Note 6 - Derivative Financial Instruments:

Trimble transacts business in various foreign currencies and hedges identified risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. Trimble utilizes forward contracts to hedge certain trade and inter-company receivables and payables. These contracts reduce the exposure to fluctuations in exchange rate movements, as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the hedge contracts. These hedge instruments are marked to market through earnings every period. From time to time, Trimble may also utilize forward foreign exchange contracts designated as cash flow hedges of operational exposures represented by firm backlog orders to specific accounts over a specific period of time. Trimble records changes in the fair value of cash flow hedges in accumulated other comprehensive income (loss), until the firm backlog transaction ships. Upon recognition of revenue, the Company reclassifies the gain or loss on the cash flow hedge to the statement of operations. For the fiscal year ended January 3, 2003, Trimble recorded a gain of \$57,000 reflecting the net change and ending balance in relation to a firm backlog hedge. The critical terms of the cash flow hedging instruments are the same as the underlying forecasted transactions. The changes in fair value of the derivatives are intended to offset changes in the expected cash flow from the forecasted transactions. All forward contracts have maturity of less than 12 months. As of January 3, 2003, the effect of all outstanding derivative instruments does not have a material impact on the Company's financial position or results of operations.

In July 2002, Trimble expanded its worldwide hedging program to include inter-company transactions among the former Spectra Precision Group entities in order to minimize the impact of changes in foreign exchange rates on earnings. The forward foreign currency exchange contracts mature over the next twelve months. As of January 3, 2003, the effect of all outstanding derivative



instruments does not have a material impact on the Company's financial position or results of operations.

#### Note 7 - Disposition of Line of Business and Assets:

##### Disposition of Line of Business:

On March 6, 2001, the Company sold certain product lines of its Air Transport Systems to Honeywell Inc. for approximately \$4.5 million in cash. Under the asset purchase agreement, Honeywell International, Inc. purchased product lines that included the HT 1000, HT 9000, HT 9100 and Trimble's TNL 8100. As part of this sale, during the third quarter of fiscal 2001, the Company also sold other product lines and discontinued its manufacturing operations in Austin, Texas. The Company also incurred severance costs of approximately \$1.7 million, which are included in restructuring charges, related to the termination of employees associated with the product lines disposed of in fiscal 2001.

At January 3, 2003, the Company had an accrual of approximately \$1.1 million for related liabilities associated with the disposition of these product lines and the discontinuance of its manufacturing operations.

#### Note 8 - The Company, Industry Segment, Geographic, and Customer Information:

Trimble is a designer and distributor of positioning products and applications enabled by GPS, optical, laser, and wireless communications technology. The Company designs and markets products, by delivering integrated information solutions such as collecting, analyzing, and displaying position data to its end-users. Trimble offers an integrated product line for diverse applications in its targeted markets.

To achieve distribution, marketing, production, and technology advantages in Trimble's targeted markets, the Company manages its operations in the following five segments:

- o Engineering and Construction - Consists of products currently used by survey and construction professionals in the field for positioning data collection, field computing, data management, and automated machine guidance and control. These products provide solutions for numerous construction applications including surveying, general construction, site preparation and excavation, road and runway construction, and underground construction.
- o Field Solutions - Consists of products that provide solutions in a variety of agriculture and fixed asset applications, primarily in the areas of precise land leveling, machine guidance, yield monitoring, variable-rate applications of fertilizers and chemicals, and fixed asset data collection for a variety of governmental and private entities. This segment is an aggregation of the Mapping and GIS operation and the Agriculture operation. Trimble has aggregated these business operations under a single general manager in order to continue to leverage its research and development activities due to the similarities of products across the segment.
- o Mobile Solutions - Consists of products that enable end-users to monitor and manage their mobile assets by communicating location-relevant information from the field to the office. Trimble offers a range of products that address a number of sectors of this market including truck fleets, security, telematics, and public safety vehicles.
- o Component Technologies - Currently, Trimble markets its GPS component products through an extensive network of OEM relationships. These products include proprietary chipsets, modules, and a variety of intellectual property. The applications into which end-users currently incorporate the component products include: timing applications for synchronizing wireless and computer systems; in-vehicle navigation and telematics (tracking) systems; fleet management; security systems; data collection systems; and wireless handheld consumer products.
- o Portfolio Technologies - The various operations that comprise this segment were aggregated on the basis that no single operation accounted for more than 10% of the total revenue. These markets include the operations of the Military and Advanced Systems business and Tripod Data Systems.

In the first fiscal quarter of fiscal 2002, Trimble realigned two of its reportable segments and therefore the following table shows restated revenue and operating income by segment to reflect this realignment. The Agriculture segment was combined with the Mapping and GIS business to form Field Solutions. Mapping

and GIS were previously part of Fleet and Asset Management. The Mobile Positioning business that was part of Fleet and Asset Management is now Mobile Solutions.

The Company began breaking out Mobile Solutions as a separate reporting segment during the first quarter of 2002 to address the growing importance of the mobile asset management business and its impact on Trimble's profitability. At the same time, the Company combined its GIS and Agriculture businesses to create a new segment called Field Solutions in order to recognize the synergies and similar product requirements between the two businesses.

Trimble evaluates each of these segment's performance and allocates resources based on profit and loss from operations before income taxes, and some corporate allocations.

The accounting policies applied by each of the segments are the same as those used by Trimble in general.

The following table presents revenues, operating income (loss), and identifiable assets for the five segments. The information includes the operations of Spectra Precision Group after July 14, 2000, Tripod Data Systems after November 14, 2000, Grid Data after April 2, 2001, and Levelite Technology, Inc. after August 15, 2002. Operating income (loss) is net revenue less operating expenses, excluding general corporate expenses, goodwill amortization, restructuring charges, non-operating income (expense), and income taxes. The identifiable assets that Trimble's Chief Operating Decision Maker views by segment are accounts receivable and inventory.

Fiscal Year
Ended
January 3,
2003 (in
thousands)
Engineering
and Field
Mobile
Component
Portfolio
Construction
Solutions
Solutions
Technologies
Technologies
Total
External
net revenue
<del>\$ 305,490</del>
<del>\$ 67,259</del>
<del>\$ 8,486</del>
<del>\$ 59,755</del>
<del>\$ 25,612</del>
<del>466,602</del>
Inter-
segment net
Revenue
<del>6,193</del>
<del>(6,193)</del>
Operating
income
(loss)
before
corporate
allocations
<del>54,931</del>
<del>12,395</del>
<del>(10,830)</del>
<del>11,290</del>
<del>5,072</del>
<del>72,858</del>
Operating
income
(loss) \$
<del>54,931</del>
<del>12,395</del>
<del>\$(10,830)</del>
<del>11,290</del>
<del>5,072</del>
<del>72,858</del>
Assets:
Accounts

receivable  
~~(2) \$~~  
~~71,415 \$~~  
~~11,598 \$~~  
~~1,960 \$~~  
~~11,276 \$~~  
~~4,025 \$~~  
 100,274  
 Inventories  
~~\$ 44,905 \$~~  
~~7,337 \$~~  
~~1,986 \$~~  
~~2,853 \$~~  
~~4,063 \$~~  
 61,144

Fiscal Year  
 Ended  
 December  
 28, 2001  
 (in  
 thousands)  
 Engineering  
 and Field  
 Mobile  
 Component  
 Portfolio  
 Construction  
 Solutions  
 Solutions  
 Technologies  
 Technologies  
 Total  
~~External~~  
~~net revenue~~  
~~\$ 303,944 \$~~  
~~68,519 \$~~  
~~13,791 \$~~  
~~58,083 \$~~  
~~30,955 \$~~  
~~475,292~~  
~~Inter-~~  
~~segment net~~  
~~revenue~~  
~~2,080~~  
~~(2,080)~~  
 Operating  
 income  
 (loss)  
 before  
 corporate  
 allocations  
 51,625  
 13,652  
 (8,966)  
 10,882  
 4,037  
 71,230  
 Operating  
 income  
 (loss) \$  
 51,625 \$  
 13,652 \$  
 (8,966) \$  
 10,882 \$  
 4,037 \$  
 71,230  
 Assets:  
 Accounts  
 receivable  
~~(2) \$~~  
~~62,471 \$~~  
~~10,191 \$~~  
~~4,274 \$~~  
~~7,392 \$~~  
~~7,249 \$~~  
 91,577  
 Inventories

~~\$ 36,896~~ \$  
~~4,639~~ \$  
~~1,992~~ \$  
~~2,490~~ \$  
~~5,463~~ \$  
51,480

Fiscal Year  
Ended  
December  
29, 2000  
(in  
thousands)  
Engineering  
Field  
Mobile  
Component  
Portfolio  
and  
Solutions  
Solutions  
Technologies  
Technologies  
Total

Construction  
External  
net revenue  
~~\$ 195,150~~ \$  
~~70,652~~ \$  
~~20,471~~ \$  
~~60,230~~ \$  
~~23,295~~ \$  
369,798

Operating  
income  
(loss)  
before  
corporate  
allocations  
43,937  
19,834  
(369)

14,850 965  
79,217  
Corporate  
allocations  
(1)  
(15,120)  
(8,112)  
(2,844)  
(4,788)  
(2,687)  
(33,551)

Operating  
income  
(loss) \$  
28,817 \$  
11,722 \$  
(3,213) \$  
10,062 \$  
(1,722) \$  
45,666

Assets:  
Accounts  
receivable  
(2) \$  
58,693 \$  
12,439 \$  
4,374 \$  
11,892 \$  
8,522 \$  
95,920

Inventories  
~~\$ 39,146~~ \$  
~~4,416~~ \$  
~~3,133~~ \$  
~~2,360~~ \$  
~~8,074~~ \$  
57,129

- (1) In fiscal 2002 and 2001, Trimble did not allocate corporate expenses to its individual business segments. In fiscal 2000, the Company determined the amount of corporate allocations charged to each of its segments based on a percentage of the segments' monthly revenue, gross profit, and controllable spending (research and development, sales and marketing, and general and administrative).
- (2) As presented, accounts receivable excludes cash received in advance and allowances for doubtful accounts, which are not allocated between segments.

The following are reconciliations corresponding to totals in the accompanying consolidated financial statements:

January 3,  
December  
28,  
December  
29, Fiscal  
Years  
Ended 2003  
2001 2000

-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

----- (in thousands)

Operating  
income  
from  
continuing  
operations:  
Total for  
reportable  
divisions  
\$ 72,858 \$  
71,230 \$  
45,666

Unallocated  
corporate  
expenses  
(39,035)  
(71,049)  
(19,447)

-----  
Operating  
income  
from  
continuing  
operations  
\$ 33,823 \$  
181 \$  
26,219

=====  
=====  
=====

	January 3, 2003	December 28, 2001
	-----	-----
(in thousands)		
Assets:		
Accounts receivable total for reportable segments	\$ 100,274	\$ 91,577
Unallocated (1)	(20,629)	(19,897)
Total	\$ 79,645	\$ 71,680
	=====	=====
Inventory total for reportable segments	\$ 61,144	\$ 51,480
Common inventory (2)	-	330
	-	---
Total	\$ 61,144	\$ 51,810
	=====	=====

-----

(1) Includes cash in advance, other receivables, and accruals that are not allocated by segment.

(2) Consists of common inventory that can be used by multiple segments.

The following table presents revenues by product groups.

Fiscal Years Ended	January 3, 2003	December 28, 2001	December 29, 2000
-----			
(in thousands)			
GPS products	\$269,835	\$274,439	\$274,215
Laser and optical products	182,650	186,948	93,879
Other	14,117	13,905	1,704
	-----	-----	-----
Total revenue	\$466,602	\$475,292	\$369,798
	=====	=====	=====





~~143,051 \$~~  
~~54,710 \$~~  
~~40,866 \$~~  
~~\$ 475,292~~  
Inter-  
geographic  
transfers  
57,481  
49,940  
~~2,137~~  
~~(109,558)~~  


---



---



---



---



---

Total  
revenue \$  
294,146 \$  
~~192,991 \$~~  
~~56,847 \$~~  
~~40,866 \$~~  
~~(109,558) \$~~  
~~475,292~~

Identifiable  
assets \$  
~~120,403 \$~~  
~~71,081 \$~~  
~~10,048 \$~~  
~~3,829 \$~~  
~~(5,494) \$~~  
199,867  
December  
29, 2000  
Sales to  
unaffiliated  
customers  
(1) \$  
175,993 \$  
103,455 \$  
~~43,922 \$~~  
~~46,428 \$~~  
~~\$ 369,798~~  
Inter-  
geographic  
transfers  
65,117  
12,108  
~~8,320~~  
~~(85,545)~~  
Total  
revenue \$  
241,110 \$  
~~115,563 \$~~  
~~52,242 \$~~  
~~46,428 \$~~  
~~(85,545) \$~~  
369,798  
Identifiable  
assets \$  
146,821 \$  
~~84,358 \$~~  
~~12,016 \$~~  
4,588 \$  
~~(6,274) \$~~  
241,509

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

Transfers between U.S. and foreign geographic areas are made at prices based on total costs and contributions of the supplying geographic area. The Company's subsidiaries in Asia, except for Japan, which is a buy/sell entity, have derived revenue from commissions from domestic operations in each of the



~~note 69,136~~  
~~69,136~~  
 Promissory  
 note and  
 other 1,789  
~~110 110 110~~  
~~110 1,349~~

Total  
 contractual  
 cash  
 obligations  
~~\$138,525~~ \$  
~~30,660~~  
~~\$106,296~~ \$  
~~110~~ \$ ~~110~~ \$  
 1,349  
 =====  
 =====  
 =====  
 =====  
 =====  
 =====

Credit Facilities

In July of 2000, Trimble obtained \$200 million of senior, secured credit facilities (the "Credit Facilities") from a syndicate of banks to support the acquisition of Spectra Precision Group and its ongoing working capital requirements and to refinance certain existing debt. At January 3, 2003, Trimble has approximately \$67.6 million outstanding under the Credit Facilities, comprised of \$32.6 million under a \$100 million five-year term loan, \$25 million under a \$50 million U.S. dollar only revolving credit facility ("revolver"), and \$10 million under a \$50 million multi-currency revolver. The Company has access to an additional \$65 million of cash under the terms of the revolver loans. The Company has commitment fees on the unused portion of 0.5% if the leverage ratio (which is defined as all outstanding debt, excluding the seller subordinated note, over Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), as defined in the related agreement) is 2.0 or greater and 0.375% if the leverage ratio is less than 2.0.

Pricing for any borrowings under the Credit Facilities was fixed for the first six months at LIBOR plus 275 basis points and is thereafter tied to a formula, based on the leverage ratio. The weighted average interest rate under the Credit Facilities was 4.9% for the month of December ending January 3, 2003.

The Credit Facilities are secured by all of the Company's material assets, except for assets that are subject to foreign tax considerations. Financial covenants of the Credit Facilities include leverage, fixed charge, and minimum net worth tests, all of which were amended during the third quarter of 2002. At January 3, 2003, Trimble was in compliance with these debt covenants. The amounts due under the revolver loans are paid as the loans mature, and the loan commitment fees are paid on a quarterly basis.

Two of the financial covenants, minimum fixed charge coverage and maximum leverage ratios are sensitive to EBITDA. EBITDA is correlated to Trimble's results of operations. Due to uncertainties associated with the downturn in the worldwide economy and other factors, future revenues by quarter are difficult to forecast. Cost cutting measures have been put in place by the management team; however, if revenues should decline at a higher rate than cost cutting measures on a quarter-to-quarter basis, Trimble may violate the two above-mentioned financial covenants.

Subordinated Note

In July of 2000, as part of the acquisition of Spectra Precision Group, the Company issued Spectra-Physics Holdings USA, Inc., a subordinated seller note that had a stated two-year maturity (\$40 million was due in fiscal 2001 and \$40 million in fiscal 2002). On March 20, 2002, the Company renegotiated the terms of the subordinated note. Under the revised agreement, Spectra-Physics Holdings, Inc., a subsidiary of Thermo Electron, extended the due date of the note until July 14, 2004, at the current interest rate of approximately 10.4% per year.

As of January 3, 2003 the principal amount outstanding was approximately \$69.1 million. To the extent that interest and principal due on the maturity date becomes delinquent, an additional 4% interest rate per annum will apply.

The Credit Facilities allow Trimble to repay the subordinated note at any time (in part or in whole), provided that (a) Trimble's leverage ratio (Debt (excluding the seller note)/EBITDA) prior to such repayment is less than 1.0x and (b) after giving effect to such repayment Trimble would have (i) a leverage ratio (Debt (excluding any remaining portion of the subordinated note)/EBITDA) of less than 2.0x and (ii) cash and unused availability under the revolvers of the Credit Facilities of at least \$35 million. The note, by its terms, is subordinated to the Credit Facilities.

#### Promissory Note

The promissory note consists of a \$1.8 million liability arising from the purchase of a building for Trimble's Corvallis, Oregon site. The note is payable in monthly installments through April 2015, bearing a variable interest rate (5.4% as of January 3, 2003).

#### Weighted Average Cost of Debt

The weighted average cost of debt is approximately 7.6% for fiscal 2002 and 8.0% for fiscal 2001.

Note 11 - Lease Obligations and Commitments:

Trimble's principal facilities in the United States are leased under non-cancelable operating leases that expire at various dates through 2011. The Company has options to renew certain of these leases for an additional five years. Trimble also leases facilities under operating leases in the United Kingdom, Sweden, and Germany that expire in 2005.

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

(In thousands)	Operating Lease Payments
2003	\$ 12,067
2004	7,438
2005	6,958
2006	1,795
2007	1,461
Thereafter	5,115
	-----
Total	\$ 34,834 =====

Rent expense under operating leases was \$11.6 million in fiscal 2002, \$13.1 million in fiscal 2001, and \$10.6 million in fiscal 2000.

Note 12 - Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" requires disclosure of the following information about the fair value of certain financial instruments for which it is currently practicable to estimate such value. None of the Company's financial instruments are held or issued for trading purposes. The carrying amounts and fair values of Trimble's financial instruments are as follows:

Carrying Fair Carrying Fair Amount Value Amount Value ----- ----- ----- January 3, 2003 December 28, 2001 (In thousands) Assets: Cash and cash equivalents (See Note 1*) \$28,679 \$28,679 \$ 31,078 \$ 31,078 Forward foreign currency exchange contracts 93-93-101 101 (See Note 6*) Accounts receivable 79,645 79,645 71,680 71,680
---

~~Liabilities:~~  
~~Subordinated~~  
~~notes (See~~  
~~Note 10\*)~~  
~~\$69,136~~  
~~\$65,798~~ \$  
~~84,000~~ \$  
~~81,290~~  
~~Credit~~  
~~facilities~~  
~~(See Note~~  
~~10\*)~~ ~~67,600~~  
~~67,600~~  
~~101,300~~  
~~101,300~~  
~~Promissory~~  
~~notes and~~  
~~other (See~~  
~~Note 10\*)~~  
~~1,789~~ ~~1,421~~  
~~5,189~~ ~~4,958~~  
~~Accounts~~  
~~payable~~  
~~30,669~~  
~~30,669~~  
~~21,494~~  
~~21,494~~

\* See the Notes to the Consolidated Financial Statements

The fair value of the subordinated notes, bank borrowings, promissory note, and the long-term commitment have been estimated using an estimate of the interest rate Trimble would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that Trimble would currently have to pay to extinguish any of this debt.

The fair value of forward foreign exchange contracts is estimated, based on quoted market prices of comparable contracts. These contracts are adjusted to fair value at the end of every month.

Note 13 - Income Taxes:

Trimble's income tax provision consists of the following:

Fiscal Years Ended (in thousands)	January 3, 2003	December 28, 2001	December 29, 2000
Federal:			
Current	\$ -	\$ -	\$ 1,408
Deferred	-	-	-
	-	-	1,408
State:			
Current	142	58	144
Deferred	-	-	-
	142	58	144
Foreign:			
Current	2,052	2,729	931
Deferred	1,306	(887)	(908)
	3,358	1,842	23
Income tax provision	\$ 3,500	\$ 1,900	\$ 1,575

The domestic (loss) income from continuing operations before income taxes was approximately \$3.3 million, \$(29.3) million and \$14.4 million in fiscal years 2002, 2001 and 2000, respectively.

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

January 3,  
 December  
 28,  
 December

29, Fiscal  
Years Ended  
2003 2001  
2000  
(dollars in  
thousands)  
Expected  
tax from  
continuing  
operations  
at 35% in  
all years \$  
4,839 \$  
(7,557) \$  
5,516  
Operating  
loss not  
utilized  
(utilized)  
(1,156)  
9,704  
(5,115)  
Foreign  
withholding  
taxes 115  
141 Foreign  
tax rate  
differential  
(137) (970)  
307  
Goodwill  
amortization  
—747 370  
Other (46)  
(139) 356  
Income tax  
provision \$  
3,500 \$  
1,900 \$  
1,575  
Effective  
tax rate  
25% (9%)  
10%

The components of deferred taxes consist of the following:

(in thousands)	January 3, 2003	December 28, 2001
Deferred tax liabilities:		
Purchased intangibles	\$ 381	\$ 6,933
Depreciation and amortization	2,258	-
Other items	(78)	300
Total deferred tax liabilities	2,561	7,233
Deferred tax assets:		
Inventory valuation differences	12,069	11,741
Expenses not currently deductible	5,762	5,103
Federal credit carry forwards	8,172	7,300
Deferred revenue	4,317	808
State credit carry forwards	6,215	5,377
Warranty	2,374	2,596
Depreciation and amortization	3,184	6,091
Federal net operating loss (NOL) carry forward	4,451	1,086
Other items	1,827	1,147
Total deferred tax assets	48,371	51,249
Valuation allowance	(47,878)	(50,974)
Total deferred tax assets	493	275
Total net deferred tax liabilities	\$ (2,068)	\$ (6,958)

The Company has \$12.7 million federal net operating loss carry forwards, which expire beginning in 2022. The total federal credit carry forwards of \$8.2 million expire beginning in 2005. The Company has state research and development credit carry forwards of approximately \$6.2 million, which do not expire.

Valuation allowances reduce the deferred tax assets to that amount that, based upon all available evidence, is more likely than not to be realized. The valuation allowance decreased by \$3.1 million in 2002 and increased by \$13.1

million in 2001. Approximately \$12.1 million of the valuation allowance at January 3, 2003 relates to the tax benefits of stock option deductions, which will be credited to equity if and when realized.

#### Note 14 - Shareholder's Equity:

##### Common Stock

On December 21, 2001, Trimble completed a private placement of 1,783,337 shares of its common stock at a price of \$15.00 per share to certain qualified investors, resulting in gross proceeds of approximately \$26.8 million to the Company. On January 15, 2002, Trimble had a second closing of the private placement issuing 1,280,004 shares of common stock at \$15.00 per share resulting in gross proceeds of an additional \$19.2 million.

##### 2002 Stock Plan

In 2002, Trimble's Board of Directors adopted the 2002 Stock Plan ("2002 Plan"). The 2002 Plan approved by the shareholders provides for the granting of incentive and non-statutory stock options for up to 2,000,000 shares plus any shares currently reserved but un-issued to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 2002 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of the grant. The exercise price of non-statutory stock options issued under the 2002 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 3, 2003, options to purchase 782,715 shares were outstanding and 1,217,285 were available for future grant under the 2002 Plan.

##### 1993 Stock Option Plan

In 1992, Trimble's Board of Directors adopted the 1993 Stock Option Plan ("1993 Plan"). The 1993 Plan, as amended to date and approved by shareholders, provides for the granting of incentive and non-statutory stock options for up to 6,375,000 shares of Common Stock to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 1993 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of grant. The exercise price of non-statutory stock options issued under the 1993 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 3, 2003, options to purchase 4,009,585 shares were outstanding, and 606,955 shares were available for future grant under the 1993 Plan.

##### 1990 Director Stock Option Plan

In December 1990, Trimble adopted a Director Stock Option Plan under which an aggregate of 380,000 shares of Common Stock have been reserved for issuance to non-employee directors as approved by the shareholders to date. At January 3, 2003, options to purchase 208,333 shares were outstanding, and 35,416 shares were available for future grants under the Director Stock Option Plan.

##### 1992 Management Discount Stock Option Plan

In 1992, Trimble's Board of Directors approved the 1992 Management Discount Stock Option Plan ("Discount Plan"). Under the Discount Plan, 300,000 non-statutory stock options were reserved for grant to management employees at exercise prices that may be significantly discounted from the fair market value of Common Stock on the dates of grant. Options are generally exercisable six months from the date of grant. As of January 3, 2003, there were no shares available for future grants. For accounting purposes, compensation cost on these grants is measured by the excess over the discounted exercise prices of the fair market value of Common Stock on the dates of option grant. There were no discounted options granted in the plan in fiscal 2002, 2001, and 2000. As of January 3, 2003, options to purchase 126,000 shares were outstanding under the 1992 Management Discount Stock Option Plan.

##### 1988 Employee Stock Purchase Plan

In 1988, Trimble established an employee stock purchase plan under which an



aggregate of 3,350,000 shares of Common Stock have been reserved for sale to eligible employees as approved by the shareholders to date. The plan permits full-time employees to purchase Common Stock through payroll deductions at 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each six-month offering period. In fiscal 2002 and 2001, 241,608 shares and 208,154 shares, respectively, were issued under the plan for aggregate proceeds to the Company of \$2.9 million and \$3.1 million, respectively. At January 3, 2003, the number of shares reserved for future purchases by eligible employees was 504,203.

SFAS 123 Disclosures

As stated in Note 1 of the Notes to the Consolidated Financial Statements, Trimble has elected to follow APB 25 and related interpretations in accounting for its employee stock options and stock purchase plans. The alternative fair value accounting provided for under SFAS 123 requires use of option pricing models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of Trimble's employee stock options equals the market price of the underlying stock on date of grant, no compensation expense is recognized.

For purposes of pro forma disclosure assumptions, see the related SFAS 123 information in Note 1 of the Notes to the Consolidated Financial Statements.

Exercise prices for options outstanding as of January 3, 2003, ranged from \$8.00 to \$51.69. The weighted average remaining contractual life of those options is 7.13 years. In view of the wide range of exercise prices, Trimble considers it appropriate to provide the following additional information in respect of options outstanding:

Currently  
exercisable

-----  
-----  
-----  
-----

Total  
Weighted-  
average  
Weighted-  
average  
Number  
Weighted-  
average  
Remaining  
Number  
Exercise  
price  
Range (in  
thousands)  
Exercise  
price  
contractual  
life (in  
thousands)

\$8.00	574,141
8.66	574,141
<del>\$8.13</del>	<del>5.64</del>
444,958	444,958
<del>8.14</del>	<del>8.88</del>
<del>11.94</del>	819,055
\$10.99	583,583
6.25	583,583
<del>12.00</del>	<del>10.99</del>
\$13.99	344,701
344,701	344,701
<del>12.81</del>	<del>6.55</del>
6.55	190,177
190,177	190,177
<del>12.57</del>	<del>15.34</del>
\$15.34	608,765
608,765	608,765
<del>15.34</del>	<del>9.47</del>
9.47	





during  
year ~~\$8.46~~  
~~\$9.58~~  
~~\$19.04~~

#### Non-statutory Options

On May 3, 1999, Trimble entered into an agreement to grant a non-statutory option to purchase up to 30,000 shares of common stock at an exercise price of \$9.75 per share, with an expiration date of March 29, 2004.

As of January 3, 2003, these non-statutory options have not been exercised.

#### Warrants

On December 21, 2001, Trimble granted five-year warrants to purchase 356,670 shares of common stock at an exercise price of \$19.475 per share. These warrants were granted to investors as part of a private placement of the Company's common stock.

On January 15, 2002, in connection with the second closing of the December 21, 2001 private placement of the Company's common stock, Trimble granted five-year warrants to purchase an additional 256,002 shares of common stock, subject to certain adjustments, at an exercise price of \$19.475 per share.

On April 12, 2002, the Company issued to Spectra-Physics Holdings USA, Inc., a warrant to purchase up to 376,233 shares of Trimble's common stock over a fixed period of time. Initially, Spectra-Physics' warrant entitles it to purchase 200,000 shares of common stock over a five-year period at an exercise price of \$15.11 per share. On a quarterly basis beginning July 14, 2002, Spectra-Physics' warrant became exercisable for an additional 250 shares of common stock for every \$1 million of principal and interest outstanding until the note is paid off in full. These shares are purchasable at a price equal to the average of Trimble's closing price for the five days immediately preceding the last trading day of each quarter. On July 14, 2002 an additional 17,364 shares became exercisable at an exercise price of \$14.46 per share. On October 14, 2002 an additional 17,824 shares became exercisable at an exercise price of \$9.18. On January 14, 2003, an additional 18,284 shares became exercisable at an exercise price of \$13.54. The additional shares are exercisable over a 5-year period.

The approximate fair value of the warrants of \$1.5 million was determined using the Black-Scholes pricing model with the following assumptions: contractual life of 5-year period, risk-free interest rate of 4%; volatility of 65%; and no dividends during the contractual term. The value of the warrants is amortized to interest expense over the term of the subordinated note.

#### Common Stock Reserved for Future Issuances

As of January 3, 2003, Trimble had reserved 8,478,397 common shares for issuance upon exercise of options and warrants outstanding and options available for grant under the 2002 Plan, the 1993 Plan, the 1990 Director Plan, and the 1992 Management Discount Plan, and available for issuance under the 1988 Employee Stock Purchase Plan.

#### Note 15 - Benefit Plans:

##### 401(k) Plan

Under Trimble's 401(k) Plan, U.S. employee participants (including employees of certain subsidiaries) may direct the investment of contributions to their accounts among certain mutual funds and the Trimble Navigation Limited Common Stock Fund. The Trimble Fund sold net 23,813 shares of Common Stock for an aggregate of \$291,565 in fiscal 2002. Trimble, at its discretion, matches individual employee 401(k) Plan contributions at a rate of fifty cents of every dollar that the employee contributes to the 401(k) Plan up to 5% of the employee's annual salary to an annual maximum of \$2,500. Trimble's matching contributions to the 401(k) Plan were \$1.8 million in fiscal 2002, \$1.7 million in fiscal 2001, and \$0.8 million in fiscal 2000.

##### Profit-Sharing Plan

In 1995, Trimble introduced an employee profit-sharing plan in which all employees, excluding executives and certain levels of management, participate. The plan distributes to employees approximately 5% of quarterly adjusted pre-tax income. Payments under the plan during fiscal 2002, 2001 and 2000 were \$1.1 million, \$0.9 million, and \$2.1 million, respectively.

#### Defined Contribution Pension Plans

Certain of the Company's European subsidiaries participate in state sponsored pension plans. Contributions are based on specified percentages of employee salaries. For these plans, Trimble contributed and charged to expense approximately \$1.4 million for fiscal 2002, \$1.4 million for fiscal 2001, and \$0.3 million for fiscal 2000.

#### Defined Benefit Pension Plan

The Swedish and German subsidiaries have an unfunded defined benefit pension plan that covered substantially all of their full-time employees through 1993. Benefits are based on a percentage of eligible earnings. The employee must have had a projected period of pensionable service of at least 30 years as of 1993. If the period was shorter, the pension benefits were reduced accordingly. Active employees do not accrue any future benefits; therefore, there is no service cost and the liability will only increase for interest cost.

Net periodic benefit costs in fiscal 2002 and 2001 were not material. The fair value of the plan assets were as follows:

	January 3, 2003	December 28, 2001
-----		
(in thousands)		
Fair value of plan assets at beginning of year	\$ 503	\$ 465
Actual return on plan assets	60	56
Employer contribution	-	-
Plan participants' contributions	23	33
Benefits paid	-	-
Translation adjustment	76	(51)
	--	---
Fair value of plan assets at end of year	\$ 662	\$ 503
	=====	=====

The defined benefit plan activity was as follows:

	January 3, 2003	December 28, 2001
(in thousands)		
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,706	\$ 4,811
Interest cost	131	134
Translation adjustment	(237)	(312)
Actuarial (gain) loss	282	73
Benefit obligation at end of year	\$ 4,318	\$ 4,706
	-----	-----
Unrecognized prior service cost	-	-
Unrecognized net actuarial gain	-	-
Accrued pension costs (included in accrued liabilities)	\$ 4,318	\$ 4,706
	=====	=====

Actuarial assumptions used to determine the net periodic pension costs for the year ended January 3, 2003 were as follows:

	Swedish Subsidiary	German Subsidiaries
-----		
Discount rate	5.5%	6.25%
Rate of compensation increase	2.5%	1.5%

Note 16 - Earnings Per Share:

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive potential Common Stock.

January 3,  
 December 28,  
 December 29,  
 Fiscal Years  
 Ended 2003  
 2001 2000 -  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----

--- (in  
 thousands,  
 except per  
 share data)

Numerator:  
 Income  
 available to  
 common  
 shareholders:

Used in  
 basic and  
 diluted  
 earnings  
 (loss) per  
 share from  
 continuing  
 operations \$

10,324 \$  
 (23,492) \$  
 14,185

Used  
 in basic and  
 diluted  
 earnings per  
 share from  
 discontinued  
 operations —  
 613

Used in  
 basic and  
 diluted  
 earnings  
 (loss) per  
 share \$  
 10,324 \$  
 (22,879) \$  
 14,185

=====  
 =====

Denominator:  
 Weighted-  
 average  
 number of  
 common

shares used  
 in basic  
 earnings  
 (loss) per  
 share 28,573  
 24,727  
 23,601

Effect of  
 dilutive  
 securities  
 (using  
 treasury

~~stock~~  
~~method):~~  
~~Common stock~~  
~~options 470~~  
~~— 2,098~~  
~~Common stock~~  
~~warrants 9~~  
~~277~~  
~~Weighted-~~  
~~average~~  
~~number of~~  
~~common~~  
~~shares and~~  
~~dilutive~~  
~~potential~~  
~~common~~  
~~shares used~~  
~~in diluted~~  
~~income per~~  
~~share 29,052~~  
~~24,727~~  
~~25,976 Basic~~  
~~earnings~~  
~~(loss) per~~  
~~share from~~  
~~continuing~~  
~~operations \$~~  
~~0.36 \$~~  
~~(0.95) \$~~  
~~0.60 Basic~~  
~~earnings per~~  
~~share from~~  
~~discontinued~~  
~~operations~~  
~~0.02~~  
~~Basic~~  
~~earnings~~  
~~(loss) per~~  
~~share \$ 0.36~~  
~~\$ (0.93) \$~~  
~~0.60~~

~~—————~~  
~~Diluted~~  
~~earnings~~  
~~(loss) per~~  
~~share from~~  
~~continuing~~  
~~operations \$~~  
~~0.36 \$~~  
~~(0.95) \$~~  
~~0.55~~  
~~=====~~  
~~=====~~  
~~=====~~  
~~Diluted~~  
~~earnings per~~  
~~share from~~  
~~discontinued~~  
~~operations~~  
~~0.02~~  
~~—————~~  
~~Diluted~~  
~~income~~  
~~(loss) per~~  
~~share \$ 0.36~~  
~~\$ (0.93) \$~~  
~~0.55~~  
~~=====~~  
~~=====~~  
~~=====~~

Due to the fact that the Company reported a net loss in fiscal 2001, options and warrants were not included in the computation of earnings per share in fiscal 2001. If the Company had reported net income in 2001, additional 938,000 common equivalent shares related to outstanding options and warrants would have been included in the calculation of diluted loss per share.

Note 17 - Comprehensive Income (Loss):

The components of other comprehensive income (loss), net of related tax as follows:

January 3,  
 December 28,  
 December 29,  
 Fiscal Years  
 Ended 2003  
 2001 2000 -  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 ----- (in  
 thousands)  
 Cumulative  
 foreign  
 currency  
 translation  
 adjustments  
~~\$ 17,697~~ \$  
~~(9,766)~~ \$  
~~(8,045)~~ Net  
 gain (loss)  
 on interest  
 rate swap  
~~210~~ ~~(203)~~  
 Net  
 unrealized  
 gain (loss)  
 on  
 investments  
~~(17)~~ ~~16~~ ~~123~~  
 Other  
 comprehensive  
 income  
 (loss) \$  
 17,890 \$  
~~(9,953)~~ \$  
 (7,922)

Accumulated other comprehensive income (loss) on the consolidated balance sheets consists of unrealized gains on available for sale investments and foreign currency translation adjustments.

The components of accumulated other comprehensive (loss), net of related tax as follows:

(in thousands)	January 3 2003	December 28, 2001
Cumulative foreign currency translation adjustments	\$ (1,032)	\$ (18,729)
Unrealized gain-hedges of forecasted transactions	7	0
Net gain (loss) on interest rate swap	-	(203)
Net unrealized gain (loss) on investments	(1)	16
Accumulated other comprehensive loss	\$ (1,026)	\$ (18,916)
	=====	=====

Note 18 - Related-Party Transactions:

Related-Party Lease

Trimble currently leases office space in Ohio from an association of three individuals, one of whom is an employee of one of the U.S. operating units, under a non-cancelable operating lease arrangement expiring in 2011. The annual rent is subject to adjustment based on the terms of the lease. The Consolidated Statements of Operations include expenses from this operating lease of \$0.345



million for fiscal 2002, \$0.345 million for fiscal 2001, and \$0.172 million for fiscal 2000.

#### Related-Party Notes Receivable

Trimble has notes receivable from officers and employees of approximately \$1.2 million as of January 3, 2003 and \$955,000 as of December 28, 2001. The notes bear interest from 4.49% to 6.62% and have an average remaining life of 2.89 years as of January 3, 2003.

#### Caterpillar Joint Venture

On April 1, 2002, Caterpillar Trimble Control Technologies LLC (CTCT, or "Joint Venture"), a Joint Venture formed by Trimble and Caterpillar began operations. The Joint Venture, 50 percent owned by Trimble and 50 percent owned by Caterpillar, with equal voting rights, is developing and marketing next generation advanced electronic guidance and control products for earthmoving machines in the construction, mining, and waste industries. The Joint Venture is based in Dayton, Ohio. Under the terms of the joint venture agreement, Caterpillar contributed \$11.0 million cash plus selected technology, for a total contributed value of \$14.5 million, and Trimble contributed selected existing machine control product technologies valued at \$25.5 million. Additionally, both companies have licensed patents and other intellectual property from their portfolios to the Joint Venture. During the first fiscal quarter of 2002, Trimble received a special cash distribution of \$11.0 million from the Joint Venture.

Trimble has elected to treat the cash distribution of \$11.0 million as a deferred gain, being amortized to the extent that losses are attributable from the Joint Venture under the equity method described above. When and if the Joint Venture is profitable on a sustainable basis, and future operating losses are not anticipated, then Trimble will recognize as a gain, the portion of the \$11.0 million, which is un-amortized. To the extent that it is possible that the Company will have any future-funding obligation relating to the Joint Venture, then the relevant amount of the \$11.0 million will be deferred until such a time, as the funding obligation no longer exists. Both Trimble's share of profits (losses) under the equity method and the amortization of our \$11.0 million deferred gain are recorded under the heading of "Expense for affiliated operations, net" in Non-operating income (expense).

During fiscal year 2002, Trimble recorded approximately \$4.0 million of expenses under the heading of "Expense for affiliated operations, net" in Non-operating income (expense) related to certain transactions between the Joint Venture and Trimble. This was comprised of approximately \$4.9 million of incremental costs incurred by Trimble as a result of purchasing products from the Joint Venture at a higher transfer price than its original manufacturing costs, offset by approximately \$0.9 million of contract manufacturing fees charged to the Joint Venture by Trimble. Due to the nature of the transfer price agreements between Trimble and the Joint Venture, a related party, the impact of these agreements is classified under Non-operating income (expense).

In addition, during fiscal year 2002, Trimble recorded lower operating expenses of approximately \$4.2 million due to the transfer of employee related expenses for research and development (\$2.8 million), and sales, marketing, and administrative functions (\$1.4 million) to the Joint Venture. These employees are devoted to the Joint Venture and are primarily engaged in developing next generation products and technology for that entity.

Trimble has adopted the equity method of accounting for its investment in the Joint Venture. This requires that the Company records its share of the Joint Venture profits or losses in a given fiscal period. During fiscal year 2002, the Joint Venture reported a loss of \$0.4 million of which Trimble's share is \$0.2 million, which was recorded as a Non-operating expense under the heading of "Expense for affiliated operations, net", but which was offset by the amortization of an equal amount of the original deferred gain on the sale of technology to the Joint Venture.

#### Note 19 - Statement of Cash Flow Data:

Fiscal Years Ended (in thousands)	January 3, 2003	December 28, 2001	December 29, 2000
Supplemental disclosure of cash flow information:			
Interest paid	\$ 12,215	\$ 17,363	\$ 9,037
Income taxes paid	\$ 2,635	\$ 825	\$ 3,835



Note 20 - Litigation:

In January of 2001, Philip M. Clegg instituted a lawsuit in the United States District Court for the District of Utah, Central Division, against Spectra-Physics Laserplane, Inc., Spectra Precision AB and Trimble Navigation Limited. On January 29, 2003, Trimble and Mr. Clegg settled this patent infringement lawsuit whereby Trimble has purchased a fully paid up, non-exclusive license under U.S. Patent No. 4,807,131 from Mr. Clegg.

In November of 2001, Qualcomm Inc. filed a lawsuit against Trimble in the Superior Court of the State of California. The complaint alleges claims for an unspecified amount of money damages arising out of Qualcomm's perceived lack of assurances in early 1999 that Trimble's products purchased by Qualcomm would work properly after a scheduled week number rollover event that took place in August of 1999. Qualcomm is the only customer to make a claim against Trimble based on the week number rollover event. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's overall financial position.

The Company is also a party to other disputes incidental to its business. Trimble believes that its ultimate liability as a result of such disputes, if any, would not be material to its overall financial position, results of operations, or liquidity.

Note 21 - Selected Quarterly Financial Data (unaudited):

First  
Second  
Third  
Fourth  
Quarter  
Quarter  
Quarter  
Quarter -

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-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

(In  
thousands,  
except per  
share  
data)

Fiscal  
2002 Total  
revenue \$  
104,029 \$  
123,256 \$  
114,748 \$  
124,569  
Gross  
margin  
54,333  
60,951  
57,581  
61,567 Net  
income  
(loss)  
(715)  
4,326  
2,708  
4,005

-----  
Basic net  
income  
(loss) per  
share \$

~~(0.03) \$~~  
~~0.15 \$~~  
~~0.00 \$~~  
~~0.14~~  
=====

Diluted  
net income  
(loss) per  
share \$  
~~(0.03) \$~~  
~~0.15 \$~~  
~~0.00 \$~~  
~~0.14~~  
=====

Fiscal  
2001 Total  
revenue \$  
~~117,863 \$~~  
~~133,587 \$~~  
~~117,437 \$~~  
~~106,405~~  
Gross  
margin  
~~57,500~~  
~~65,531~~  
~~60,315~~  
53,889 Net  
loss  
~~(11,587)~~  
~~(1,974)~~  
~~(2,686)~~  
~~(6,632)~~  
=====

Basic net  
loss per  
share \$  
~~(0.48) \$~~  
~~(0.08) \$~~  
~~(0.11) \$~~  
~~(0.26)~~  
=====

Diluted  
net loss  
per share  
\$ ~~(0.48) \$~~  
~~(0.08) \$~~  
~~(0.11) \$~~  
~~(0.26)~~  
=====

Significant quarterly items include the following: (i) in the first quarter of 2002 a \$0.3 million charge or \$0.01 per diluted share relating to workforce reduction (ii) in the second quarter of 2002 a \$0.2 million charge, or \$0.01 per diluted share relating to work force reduction (iii) in the third quarter of 2002 a \$0.2 million charge, or \$0.01 per diluted share relating to work force reduction and a \$0.2 million gain, or \$0.01 per diluted share relating to the sale of an investment; (iv) in the fourth quarter of 2002 a \$0.5 million charge, or \$0.02 per diluted share relating to work force reduction and a \$1.5 million charge, or \$0.05 per diluted share relating to the write-down of an investment.

Significant quarterly items include the following: (i) in the first quarter

of 2001 a \$2.0 million charge or \$0.08 per diluted share relating to loss on sale of Air Transport business and the exiting of certain product lines; (ii) in the second quarter of 2001 a \$0.9 million charge, or \$0.04 per diluted share relating to work force reduction; and \$0.2 million in income or \$0.01 per diluted share relating to a gain on the sale of a minority investment; (iii) in the third quarter of 2001 a \$0.4 million charge, or \$0.01 per diluted share relating to work force reduction; (iv) in the fourth quarter of 2001 a \$0.5 million charge, or \$0.02 per diluted share relating to work force reduction; a \$0.1 million gain, or \$0.01 per diluted share on sale of business; and a \$0.1 million charge, or \$0.01 per diluted share relating to the write-down of an investment.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders, Trimble Navigation Limited

We have audited the accompanying consolidated balance sheets of Trimble Navigation Limited as of January 3, 2003 and December 28, 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 3, 2003. Our audits also included the financial statement schedule listed in the index at Item 14(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule, based on our audits.

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

In our opinion, the financial statements and schedule referred to above present fairly, in all material respects, the consolidated financial position of Trimble Navigation Limited at January 3, 2003 and December 28, 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 3, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

s/ Ernst & Young LLP

January 24, 2003  
Palo Alto, California

TRIMBLE NAVIGATION LIMITED  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

- Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
- None

PART III

- Item 10 Directors and Executive Officers of the Registrant

The information required by this item, insofar as it relates to Trimble's directors, will be contained under the captions "Election of Directors" and "Section 16 Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

- Item 11 Executive Compensation

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

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

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

Item 13 Certain Relationships and Related Transactions

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

Item 14 Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) and 15(d)-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing of this Form 10-K (the "Evaluation Date") and, based on that evaluation, concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to timely alert management to material information relating to Trimble during the period when our periodic reports are being prepared.

(b) Changes in internal controls.

Since the Evaluation Date, there have not been any significant changes to our internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on form 8-K

(a) 1. Financial Statements

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

Page in this  
Annual  
Report on  
Form 10-K  
~~Consolidated  
Balance  
Sheets at  
January 3,  
2003 and  
December 28,  
2001-56  
Consolidated  
Statements  
of  
Operations  
for each of  
the three  
fiscal years  
in the  
period ended  
January 3,  
2003-57  
Consolidated  
Statement of  
Shareholders'  
Equity for  
the three  
fiscal years  
in the  
period ended  
January 3,  
2003-58  
Consolidated  
Statements  
of Cash  
Flows for  
each of the  
three fiscal  
years in the  
period ended  
January 3,  
2003-59  
Notes to  
Consolidated~~

## 2. Financial Statement Schedules

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

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

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

## 3. Exhibits

### Exhibit Number

- 3.1 Restated Articles of Incorporation of the Company filed June 25, 1986. (6)
- 3.2 Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (6)
- 3.3 Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (6)
- 3.4 Certificate of Determination of the Company filed February 19, 1999. (6)
- 3.8 Amended and Restated Bylaws of the Company. (15)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (1)
- 4.2 Preferred Shares Rights Agreement dated as of February 18, 1999. (5)
- 4.3 First Amended and Restated Stock and Warrant Purchase Agreement between and among the Company and the investors thereto dated January 14, 2002. (10)
- 4.4 Form of Warrant to Purchase Shares of Common Stock dated January 14, 2002. (11)
- 4.5 Form of Warrant dated April 12, 2002. (12)
- 10.4+ Form of Indemnification Agreement between the Company and its officers and directors. (1)
- 10.32+ 1990 Director Stock Option Plan, as amended, and form of Outside Director Non-statutory Stock Option Agreement. (4)
- 10.35 Sublease Agreement dated January 2, 1991, between the Company, Aetna Insurance Company, and Poqet Computer Corporation for property located at 650 North Mary Avenue, Sunnyvale, California. (2)
- 10.40 Industrial Lease Agreement dated December 3, 1991, between the Company and Aetna Life Insurance Company for property located at 585 North Mary Avenue, Sunnyvale, California. (3)
- 10.41 Industrial Lease Agreement dated December 3, 1991, between the Company and Aetna Life Insurance Company for property located at 570 Maude Court, Sunnyvale, California. (3)
- 10.42 Industrial Lease Agreement dated December 3, 1991, between the Company and Aetna Life Insurance Company for property located at 580 Maude Court, Sunnyvale, California. (3)



- 10.46+ 1992 Management Discount Stock Option and form of Nonstatutory Stock Option Agreement. (3)
- 10.59+ 1993 Stock Option Plan, as amended May 11, 2000. (8)
- 10.60+ 1988 Employee Stock Purchase Plan, as amended May 11, 2000. (8)
- 10.65+ Standby Consulting Agreement between the Company and Bradford W. Parkinson dated September 1, 1998. (6)
- 10.66+ Standby Consulting Agreement between the Company and Robert S. Cooper dated September 1, 1998. (6)
- 10.67+ Employment Agreement between the Company and Steven W. Berglund dated March 17, 1999. (6)
- 10.68+ Nonqualified deferred Compensation Plan of the Company effective February 10, 1994. (6)
- 10.70\*\*\*Supply Agreement dated August 10, 1999 by and among Trimble Navigation Limited and Solectron Corporation and Solectron Federal Systems, Inc. (7)
- 10.77+ Australian Addendum to the Trimble Navigation 1988 Employee Stock Purchase Plan. (9)
- 10.80 Amended and Restated Subordinated Promissory Note dated March 20, 2002. (13)
- 10.81+ 2002 Stock Plan, including form of Option. (14)
- 10.82 Amended and Restated Credit Agreement dated January 14, 2003. (16)
- 10.83 Letter dated May 8, 2002 exercising renewal option of the Supply Agreement dated August 10, 1999 by and among Trimble Navigation Limited and Solectron Corporation and Solectron Federal Systems, Inc. (16)
- 21.1 Subsidiaries of the Company. (16)
- 23.1 Consent of Ernst & Young LLP, independent auditors. (16)
- 24.1 Power of Attorney included on signature page herein.
- 99.1 Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (16)
- 99.2 Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (16)
- \*\*\* Confidential treatment has been granted for certain portions of this exhibit pursuant to an order dated effective October 5, 1999.
- + Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) thereof.
- (1) Incorporated by reference to identically numbered exhibits 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 December 31, 1990.
- (3) Incorporated by reference to identically numbered exhibits to the registrant's Registration Statement on Form S-1 (File No. 33-45990), which was filed February 18, 1992.
- (4) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
- (5) Incorporated by reference to Exhibit No. 1 to the registrant's Registration Statement on Form 8-A, which was filed on February 18, 1999.
- (6) 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.

- (7) Incorporated by reference to identically numbered exhibits to the registrant's Report on Form 8-K, which was filed on August 25, 1999.
- (8) Incorporated by reference to identically numbered exhibits to the registrant's registration statement on Form S-8 filed on June 1, 2000.
- (9) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2000.
- (10) Incorporated by reference to exhibit number 4.1 to the registrant's Current Report on Form 8-K filed on January 16, 2002.
- (11) Incorporated by reference to exhibit number 4.2 to the registrant's Current Report on Form 8-K filed on January 16, 2002.
- (12) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-3 filed on April 19, 2002.
- (13) Incorporated by reference to exhibit number 10.80 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2002.
- (14) Incorporated by reference to exhibit number 10.82 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2002.
- (15) Incorporated by reference to exhibit number 3.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 27, 2002.
- (16) Filed herewith.

(b) Reports on Form 8-K.

On October 24, 2002, the Company filed a report on Form 8-K reporting the Company's quarterly earnings for the third fiscal quarter of 2002.

SIGNATURES

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

TRIMBLE NAVIGATION LIMITED

By: /s/ Steven W. Berglund

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 Steven W. Berglund,  
 President and Chief Executive Officer

March 6, 2003

POWER OF ATTORNEY

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

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

Signature	Capacity in which Signed	Date
/s/ Steven W. Berglund ----- Steven W. Berglund	President, Chief Executive Officer, Director	March 6, 2003



CERTIFICATIONS  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven W. Berglund, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited.
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) Designed such disclosure controls and procedures 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 Annual Report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and
  - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;
6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

/s/ Steven W. Berglund  
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Steven W. Berglund  
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mary Ellen Genovese, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited.
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) Designed such disclosure controls and procedures 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 Annual Report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and
  - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;
6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

/s/ Mary Ellen Genovese

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Mary Ellen Genovese  
Chief Financial Officer



SCHEDULE II

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

	January 3, 2003	December 28, 2001	December 29, 2000
Allowance for doubtful accounts:			
Balance at beginning of period	\$ 8,540	\$ 6,538	\$ 2,949
Acquired allowance (1)	-	-	4,445
Bad debt expense	5,443	5,077	1,198
Write-offs, net of recoveries	(4,083)	(3,075)	(2,054)
Balance at end of period	\$9,900	\$8,540	\$6,538
Inventory allowance:			
Balance at beginning of period	\$23,274	\$19,285	\$14,109
Acquired allowance (2)	-	-	7,672
Additions to allowance	3,901	7,242	188
Write-offs, net of recoveries	(2,025)	(3,253)	(2,684)
Balance at end of period	\$25,150	\$23,274	\$19,285

(1) Includes \$4,419,000 acquired at July 14, 2000 as part of the acquisition of Spectra Precision Group and \$26,000 acquired at November 14, 2000 as part of the acquisition of Tripod Data Systems.

(2) Includes \$7,659,000 acquired at July 14, 2000 as part of the acquisition of Spectra Precision Group and \$13,000 acquired at November 14, 2000 as part of the acquisition of Tripod Data Systems.





AMENDED AND RESTATED  
CREDIT AGREEMENT

Dated as of January 14, 2003

among

TRIMBLE NAVIGATION LIMITED,  
as the Company,

THE SUBSIDIARY BORROWERS,

THE INSTITUTIONS FROM TIME TO TIME  
PARTIES HERETO AS LENDERS,

THE BANK OF NOVA SCOTIA,  
as Administrative Agent, Issuing Bank, and Swing Line Bank,

FLEET NATIONAL BANK,  
as Syndication Agent,

and

BANK OF AMERICA, N.A.,  
as Documentation Agent,

-----  
Arranged By

THE BANK OF NOVA SCOTIA,  
as Lead Arranger and Sole Book Runner,

and

FLEET SECURITIES, INC.,  
as Co-Arranger

-2-

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT, dated as of January 14, 2003, is entered into by and among, TRIMBLE NAVIGATION LIMITED, a California corporation (the "Company"), the institutions from time to time parties hereto as Lenders, whether by execution of this Agreement or an Assignment Agreement pursuant to Section 14.3, THE BANK OF NOVA SCOTIA ("BNS"), in its capacity as administrative agent for itself and the other Lenders (the "Administrative Agent"), FLEET NATIONAL BANK, in its capacity as syndication agent (the "Syndication Agent"), and BANK OF AMERICA, N.A., in its capacity as documentation agent (the "Documentation Agent").

R E C I T A L S:

A. Pursuant to the Credit Agreement, dated as of July 14, 2000 (as amended, supplemented, amended and restated or otherwise modified prior to the date hereof, the "Existing Credit Agreement"), among the Company, the various financial institutions and other Persons from time to time parties thereto as lenders (the "Existing Lenders"), the Syndication Agent, BNS, as documentation agent, and ABN Amro Bank N.V., as administrative agent thereunder, the Existing Lenders were committed to make extensions of credit to the Company and the Subsidiary Borrowers on the terms and conditions set forth therein and made revolving loans (the "Existing Revolving Loans") and term loans (the "Existing Term Loans", and collectively with the Existing Revolving Loans, the "Existing Loans") to the Company and the Subsidiary Borrowers.

B. In order to provide for the ongoing working capital and general corporate needs of the Company, the Company desires to, among other things, continue certain of the Existing Loans as Loans under this Agreement and to obtain the commitments to make Loans set forth herein.

C. The Company has requested that the Existing Credit Agreement be amended and restated in its entirety to become effective and binding on the Company pursuant to the terms of this Agreement, and the Lenders (including the Existing Lenders) have agreed (subject to the terms of this Agreement) to amend and restate the Existing Credit Agreement in its entirety to read as set forth in this Agreement, and it has been agreed by the parties to the Existing Credit Agreement that (a) the commitments which the Existing Lenders have agreed to extend to the Company under the Existing Credit Agreement shall be extended or advanced upon the amended and restated terms and conditions contained in this Agreement and (b) the Existing Loans and other Obligations outstanding under the Existing Credit Agreement shall be governed by and deemed to be outstanding under the amended and restated terms and conditions contained in this Agreement, with the intent that the terms of this Agreement shall supersede the terms of the Existing Credit Agreement (each of which shall hereafter have no further effect upon the parties thereto, other than for accrued fees and expenses, and indemnification provisions, accrued and owing under the terms of the Existing Credit Agreement on or prior to the date hereof or arising (in the case of an indemnification) under the terms of the Existing Credit Agreement); provided that any Hedging Agreements with any one or more Existing Lenders (or their respective Affiliates) shall continue unamended and in full force and effect.

D. All Obligations are and shall continue to be secured by, among other things, the Collateral Documents and the other Loan Documents.

E. The Lenders are willing to extend such financial accommodations on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders and the Administrative Agent hereby agree as follows:

#### ARTICLE I: DEFINITIONS

1.1 Certain Defined Terms. In addition to the terms defined above, the following terms used in this Agreement shall have the following meanings, applicable both to the singular and the plural forms of the terms defined.

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Company or any of its Subsidiaries (a) acquires any going business concern or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding equity interests of another Person.

"Acquisition Documents" means the Stock and Asset Purchase Agreement, the documents evidencing the Subordinated Seller Debt and the other documents, certificates and agreements delivered in connection with the Spectra Precision Acquisition.

"Administrative Agent" is defined in the preamble and includes each other Person appointed as the successor Administrative Agent pursuant to Section 12.11.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loan(s) made by some or all of the Lenders to the applicable Borrower of the same Type and, in the case of Eurocurrency Rate Advances and Alternate Currency Loans, in the same currency and for the same Interest Period.

"Affected Lender" is defined in Section 2.20 hereof.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of greater than ten percent (10%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of Capital Stock, by contract or otherwise.

"Aggregate Revolving Loan Commitment" means, as of any date of

determination, the sum of (a) the Aggregate Tranche A Revolving Loan Commitment as of such date, (b) the Aggregate Tranche B Revolving Loan Commitment as of such date, (c) the Aggregate Tranche C Revolving Loan Commitment as of such date and (d) the Aggregate Tranche D Revolving Loan Commitment as of such date.

"Aggregate Tranche A Revolving Loan Commitment" means the aggregate of the Tranche A Revolving Loan Commitments of all the Lenders, as they may be adjusted from time to time pursuant to the terms hereof. The Aggregate Tranche A Revolving Loan Commitment shall not be greater than the difference between the Aggregate Tranche C Revolving Loan Commitment and Fifty Million and 00/100 Dollars (\$50,000,000.00).

"Aggregate Tranche B Revolving Loan Commitment" means the aggregate of the Tranche B Revolving Loan Commitments of all the Lenders, as they may be adjusted from time to time pursuant to the terms hereof. The Aggregate Tranche B Revolving Loan Commitment shall not be greater than the difference between the Aggregate Tranche D Revolving Loan Commitment and Fifty Million and 00/100 Dollars (\$50,000,000.00).

"Aggregate Tranche C Revolving Loan Commitment" means the aggregate of the Tranche C Revolving Loan Commitments of all the Lenders, as they may be adjusted from time to time pursuant to the terms hereof. The Aggregate Tranche C Revolving Loan Commitment shall not be greater than Fifty Million and 00/100 Dollars (\$50,000,000.00).

"Aggregate Tranche D Revolving Loan Commitment" means the aggregate of the Tranche D Revolving Loan Commitments of all the Lenders, as they may be adjusted from time to time pursuant to the terms hereof. The Aggregate Tranche D Revolving Loan Commitment shall not be greater than Fifty Million and 00/100 Dollars (\$50,000,000.00).

"Agreed Currencies" means (a) Dollars, (b) so long as such currency remains an Eligible Currency, euros, and (c) any other Eligible Currency which the applicable Borrower requests the Administrative Agent to include as an Agreed Currency hereunder and which is agreed to by all of the Lenders with a Tranche B Revolving Loan Commitment and a Tranche D Revolving Loan Commitment; provided that the Administrative Agent shall promptly notify each such Lender of each such request and each such Lender shall be deemed not to have agreed to each such request unless and until its written consent thereto has been received by the Administrative Agent.

"Agreement" means, on any date, the Existing Credit Agreement as amended and restated hereby and as further amended, supplemented, amended and restated or otherwise modified from time to time and in effect on such date.

"Agreement Accounting Principles" means generally accepted accounting principles as applied in a manner consistent with that used in preparing the financial statements of the Company referred to in Section 6.4 hereof; provided that for the purposes of determining compliance with the financial covenants set forth in Section 7.4 hereof, "Agreement Accounting Principles" means generally accepted accounting principles as in effect as of the date of this Agreement.

"Alternate Base Rate" means, for any day, a fluctuating rate of interest per annum equal to in the case of Loans in Dollars, the higher of (a) the Prime Rate for such day and (b) the sum of (i) the Federal Funds Effective Rate for such day and (ii) one half percent (.50%) per annum and in the case of Loans in other Eligible Currencies, the comparable rate for such other Eligible Currency, as reasonably determined by the Administrative Agent or the Alternate Currency Bank, as applicable.

"Alternate Currency" shall mean any Eligible Currency which is not an Agreed Currency and which the applicable Borrower requests the applicable Alternate Currency Bank to include as an Alternate Currency hereunder and which is acceptable to the applicable Alternate Currency Bank and with respect to which an Alternate Currency Addendum has been executed by a Subsidiary Borrower or the Company and the applicable Alternate Currency Bank in connection therewith.

"Alternate Currency Addendum" means an addendum substantially in the form of Exhibit H hereto with such modifications thereto as shall be approved by the applicable Alternate Currency Bank and the Administrative Agent.

"Alternate Currency Bank" means BNS and any other Lender with a Tranche B Revolving Loan Commitment or a Tranche D Revolving Loan Commitment (or any Affiliate, branch or agency thereof) to the extent it is party to an Alternate Currency Addendum as the "Alternate Currency Bank" thereunder. If any agency, branch or Affiliate of such Lender shall be a party to an Alternate Currency Addendum, such agency, branch or Affiliate shall, to the extent of any commitment extended and any Loans made by it, have all the rights of such Lender hereunder; provided that such Lender shall to the exclusion of such agency, branch or Affiliate, continue to have all the voting rights vested in it by the

terms hereof.

"Alternate Currency Borrowing" means any borrowing consisting of a Loan made in an Alternate Currency.

"Alternate Currency Commitment" means, for any Alternate Currency Bank for each Alternate Currency, the obligation of such Alternate Currency Bank to make Alternate Currency Loans not exceeding the Dollar Amount set forth in the applicable Alternate Currency Addendum, as such amount may be modified from time to time pursuant to the terms of this Agreement and the applicable Alternate Currency Addendum.

"Alternate Currency Interest Period" means, with respect to any Alternate Currency Loan, the Interest Period as set forth in, or determined in accordance with, the applicable Alternate Currency Addendum.

"Alternate Currency Loan" means any Loan denominated in an Alternate Currency made by the applicable Alternate Currency Bank to a Subsidiary Borrower or the Company pursuant to Section 2.21 and an Alternate Currency Addendum.

"Alternate Currency Rate" means, for any day for any Alternate Currency Loan, the per annum rate of interest selected by the applicable Borrower under and as set forth in the applicable Alternate Currency Addendum.

"Amendment Effective Date" means the date upon which the applicable conditions precedent set forth in Article V have been satisfied and the Loans hereunder made.

"Applicable Commitment Fee Percentage" means, as at any date of determination, the rate per annum then applicable in the determination of the amount payable under Section 2.15(c)(i) hereof determined in accordance with the provisions of Section 2.15(d)(ii) hereof.

"Applicable Eurocurrency Margin" means, as at any date of determination, the rate per annum then applicable to Eurocurrency Rate Loans determined in accordance with the provisions of Section 2.15(d)(ii) hereof.

"Applicable Floating Rate Margin" means, as at any date of determination, the rate per annum then applicable to Floating Rate Loans determined in accordance with the provisions of Section 2.15(d)(ii) hereof.

"Applicable L/C Fee Percentage" means, as at any date of determination, a rate per annum equal to the Applicable Eurocurrency Margin for Eurocurrency Rate Loans in effect on such date.

"Approved Fund" means, with respect to any Lender that is a fund or commingled investment vehicle that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Approximate Equivalent Amount" of any currency with respect to any amount of Dollars shall mean the Equivalent Amount of such currency with respect to such amount of Dollars at such date, rounded up to the nearest amount of such currency as determined by the Administrative Agent from time to time.

"Arrangers" means each of BNS, as Lead Arranger and Sole Book Runner, and Fleet Securities, Inc., as Co-Arranger, in their respective capacities as arrangers for the loan transaction evidenced by this Agreement.

"Asset Sale" means, with respect to any Person, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of a sale-leaseback transaction) to any Person other than the Company or any of its Wholly-Owned Subsidiaries other than (a) the sale or lease of Inventory in the ordinary course of business, (b) the sale or other disposition of any obsolete, excess, damaged or worn-out Equipment disposed of in the ordinary course of business and (c) the sale or liquidation of Cash Equivalents, (d) dispositions or transfers in the nature of a license or sublicense of intellectual property, other than licenses that are exclusive across all regions and fields and (e) other sales, dispositions, leases, conveyances or transfers in the ordinary course of business, consistent with past practices; provided that sales, dispositions, leases, conveyances or transfers described in clauses (b), (d) and (e) shall only be excluded from the definition of Asset Sale to the extent that they do not exceed \$10,000,000 in any fiscal year.

"Assigning Lender" is defined in Section 14.3.

"Assignment Agreement" means an assignment and acceptance agreement entered into in connection with an assignment pursuant to Section 14.3 hereof in substantially the form of Exhibit D hereto.

"Assumption Letter" means a letter of a Subsidiary of the Company addressed to the Lenders in substantially the form of Exhibit J hereto pursuant to which such Subsidiary agrees to become a Subsidiary Borrower and agrees to be bound by the terms and conditions hereof.

"Authorized Officer" means any of the Chairman of the Board, the President, the Treasurer, any Vice President or the Chief Financial Officer of the Company, acting singly.

"Benefit Plan" means a defined benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan or a Foreign Employee Benefit Plan) and in respect of which the Company or any other member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"BNS" is defined in the preamble.

"Borrower" means, as applicable, any of the Company and the Subsidiary Borrowers, together with their respective successors and assigns; and "Borrowers" shall mean, collectively, the Company and the Subsidiary Borrowers.

"Borrowing Date" means a date on which a Loan is made hereunder.

"Borrowing/Conversion/Continuation Notice" is defined in Section 2.8 hereof.

"Business Day" means (a) with respect to any borrowing, payment or rate selection of Loans bearing interest at the Eurocurrency Rate, a day (other than a Saturday or Sunday) on which banks are open for business in Chicago, Illinois, New York, New York and San Francisco, California and (i) in addition, for Loans denominated in Agreed Currencies (other than euro), on which dealings in Dollars and the other applicable Agreed Currencies are carried on in the London interbank market and (ii) in addition, for Loans denominated in euro, on which dealings in euro are carried on in Brussels, Belgium interbank market, and (b) for all other purposes a day (other than a Saturday or Sunday) on which banks are open for business in Chicago, Illinois, New York, New York and San Francisco, California.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with Agreement Accounting Principles excluding (a) the cost of assets acquired with Capitalized Lease Obligations, (b) expenditures of insurance proceeds to rebuild or replace any asset after a casualty loss and (c) leasehold improvement expenditures for which the Company or a Subsidiary is reimbursed promptly by the lessor.

"Capital Stock" means (a) in the case of a corporation, corporate stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (c) in the case of a partnership, partnership interests (whether general or limited) and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person; provided that "Capital Stock" shall not include any debt securities convertible into equity securities prior to such conversion.

"Capitalized Lease" of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the government of the United States and backed by the full faith and credit of the United States government; (b) domestic and Eurocurrency certificates of deposit and time deposits, bankers' acceptances and floating rate certificates of deposit issued by any commercial bank organized under the laws of the United States, any state thereof, the District of Columbia, any foreign bank, or its branches or agencies, the long-term indebtedness of which institution at the time of acquisition is rated A- (or better) by Standard & Poor's Ratings Group or A3 (or better) by Moody's Investors Services, Inc., and which certificates of deposit and time deposits are fully protected against currency fluctuations for any such deposits with a term of more than ninety (90) days; (c) shares of money market, mutual or similar funds having assets in excess of \$100,000,000 and the investments of which are limited to (i) investment grade securities (i.e., securities rated at least Baa by Moody's Investors Service, Inc. or at least BBB by Standard &

Poor's Ratings Group) and (ii) commercial paper of United States and foreign banks and bank holding companies and their subsidiaries and United States and foreign finance, commercial industrial or utility companies which, at the time of acquisition, are rated A-1 (or better) by Standard & Poor's Ratings Group or P-1 (or better) by Moody's Investors Services, Inc. (all such institutions being, "Qualified Institutions"); (d) commercial paper of Qualified Institutions; provided that the maturities of such Cash Equivalents shall not exceed three hundred sixty-five (365) days from the date of acquisition thereof and (e) other Investments properly classified as "cash" or "cash equivalents" in accordance with Agreement Accounting Principles and made in accordance with the Company's investment policy, as approved by the Company's Board of Directors from time to time.

"Change" is defined in Section 4.2 hereof.

"Change of Control" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act of 1934), becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act of 1934, provided that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of twenty-five percent (25%) or more of the combined voting power of the Company's outstanding Capital Stock ordinarily having the right to vote at an election of directors; or

(b) the majority of the board of directors of the Company fails to consist of Continuing Directors; or

(c) the Company consolidates with or merges into another corporation or conveys, transfers or leases all or substantially all of its property to any Person, or any corporation consolidates with or merges into the Company, in either event pursuant to a transaction in which the outstanding Capital Stock of the Company is reclassified or changed into or exchanged for cash, securities or other property.

"Closing Date" means July 14, 2000, the date the initial Existing Loans were made under the Existing Credit Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral Agent" means the collateral agent for the Lenders, selected pursuant to Section 12.13.

"Collateral Documents" means, collectively, (a) the Security Agreements, the Mortgages, the Pledge Agreements and all other security agreements, mortgages, deeds of trust, patent and trademark assignments, lease assignments, guarantees and other similar agreements between any Borrower or Guarantor and the Lenders, the Administrative Agent or the Collateral Agent for the benefit of the Lenders now or hereafter delivered to the Lenders, the Administrative Agent or the Collateral Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the UCC or comparable law) against any Borrower or Guarantor as debtor in favor of the Lenders, the Administrative Agent or the Collateral Agent for the benefit of the Lenders as secured party, and (b) any amendments, supplements, modifications, renewals, replacements, consolidations, substitutions and extensions of any of the foregoing.

"Commission" means the Securities and Exchange Commission of the United States of America and any Person succeeding to the functions thereof.

"Company" is defined in the preamble and includes such Person's successors and assigns, including a debtor-in-possession on behalf of such Person.

"Consolidated Net Assets" means the total assets of the Company and its Subsidiaries on a consolidated basis (determined in accordance with Agreement Accounting Principles), but excluding therefrom all goodwill and other intangible assets under Agreement Accounting Principles.

"Consolidated Net Worth" means, at a particular date, all amounts which would be included under shareholders' equity on the consolidated balance sheet for the Company and its consolidated Subsidiaries, in each case as determined in accordance with Agreement Accounting Principles but excluding the effects, whether positive or negative, of foreign exchange translation adjustments after the Closing Date.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, polychlorinated biphenyls ("PCBs"), or any constituent of any such substance or waste, and includes but is not limited to these terms as defined in Environmental, Health or Safety Requirements of Law.

"Contingent Obligation", as applied to any Person, means any Contractual Obligation, contingent or otherwise, of that Person with respect to any Indebtedness of another or other obligation or liability of another, including, without limitation, any such Indebtedness, obligation or liability of another directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received. The amount of any Contingent Obligation shall be equal to the portion of the obligation so guaranteed or otherwise supported, in the case of known recurring obligations, and the maximum reasonably anticipated liability in respect of the portion of the obligation so guaranteed or otherwise supported assuming such Person is required to perform thereunder, in all other cases.

"Continuing Director" means, with respect to any Person as of any date of determination, any member of the board of directors of such Person who (a) was a member of such board of directors on the date hereof or (b) was nominated for election or elected to such board of directors with the approval of the Continuing Directors who were members of such board at the time of such nomination or election.

"Contractual Obligation", as applied to any Person, means any provision of any equity or debt securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument, in any case in writing, to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

"Controlled Group" means the group consisting of (a) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company; (b) a partnership or other trade or business (whether or not incorporated) which is under common control (within the meaning of Section 414(c) of the Code) with the Company; and (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Company, in each case ((a), (b) or (c)) giving effect to the consummation of the transactions contemplated by the Loan Documents and the Acquisition Documents.

"Customary Permitted Liens" means:

(a) Liens (other than Environmental Liens and Liens in favor of the IRS or the PBGC) with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or (so long as foreclosure, distraint, sale or other similar proceedings shall not have been commenced or any such proceeding after being commenced is stayed) which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with Agreement Accounting Principles;

(b) Statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen, service providers or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not more than sixty (60) days past due or which thereafter can be paid without penalty or which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with Agreement Accounting Principles;

(c) Liens arising with respect to zoning restrictions, easements, encroachments, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges, restrictions or encumbrances on the use of real property which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary use or occupancy of the real property or with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(d) Liens arising in the ordinary course of business out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(e) Liens arising from or upon any judgment or award; provided that such judgment or award is being contested in good faith by proper appeal proceedings and only so long as execution thereon shall be stayed;

(f) Deposits to secure the performance of bids, trade contracts (other than for Indebtedness for borrowed money), leases, statutory obligations, surety bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of the Company's or any Subsidiary's business;

(g) Leases or subleases and licenses and sublicenses granted to others in the ordinary course of the Company's business not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole, and any interest or title of a lessor, licensor or under any lease or license;

(h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(i) Liens that are subordinate to the Lien of the Administrative Agent or Lenders which constitute rights of set-off of a customary nature or bankers' liens with respect to amounts on deposit, whether arising by operation of law or by contract, in connection with arrangements entered into with banks in the ordinary course of business.

"Default" means an event described in Article VIII hereof.

"Disqualified Stock" means any class or series of capital stock of any Person that by its terms or otherwise: (a) is required to be redeemed prior to the date which is six months after the Facility Termination Date, (b) is redeemable at the option of the holder of such class or series of capital stock at any time prior to the date which is six months after the Facility Termination Date; or (c) is convertible into or exchangeable or exchangeable for capital stock referred to in clause (a) or (b) or Indebtedness having a scheduled maturity prior to the date which is six months after the Facility Termination Date.

"Documentation Agent" is defined in the preamble and includes such Person's successors and assigns.

"DOL" means the United States Department of Labor and any Person succeeding to the functions thereof.

"Dollar" and "\$" means dollars in the lawful currency of the United States of America.

"Dollar Amount" of any currency at any date shall mean (a) the amount of such currency if such currency is Dollars or (b) the Equivalent Amount of Dollars if such currency is any currency other than Dollars.

"Domestic Subsidiary" means a Subsidiary of the Company organized under the laws of a jurisdiction located in the United States of America.

"EBITDA" means, for any period, on a consolidated basis for the Company and its Subsidiaries, the sum of the amounts for such period, without duplication, of (a) Net Income, plus (b) cash Interest Expense to the extent deducted in computing Net Income, plus (c) charges against income for foreign, federal, state and local taxes to the extent deducted in computing Net Income, plus (d) depreciation expense to the extent deducted in computing Net Income, plus (e) amortization expense, including, without limitation, amortization of goodwill and other intangible assets to the extent deducted in computing Net Income, plus (f) other extraordinary non-cash charges to the extent deducted in computing Net Income, minus (g) other extraordinary cash or non-cash credits to the extent added in computing Net Income.

"Eligible Currency" means any currency other than Dollars with respect to which the Administrative Agent or the applicable Borrower has not given notice in accordance with Section 2.23 and that is readily available, freely traded, in which deposits are customarily offered to banks in the London interbank market (or other market where the Administrative Agent's or Alternate Currency Bank's, as applicable, foreign currency operations in respect of such currency are then being conducted), convertible into Dollars in the



international interbank market available to the Lenders in such market and as to which an Equivalent Amount may be readily calculated. If, after the designation pursuant to the terms of this Agreement of any currency as an Agreed Currency or Alternate Currency, (a) currency control or other exchange regulations are imposed in the country in which such currency is issued with the result that different types of such currency are introduced, such country's currency is, in the determination of the Administrative Agent, no longer readily available or freely traded or (b) in the determination of the Administrative Agent, an Equivalent Amount for such currency is not readily calculable (each of clause (a) and (b), a "Disqualifying Event"), then the Administrative Agent shall promptly notify the Lenders and the Company, and such country's currency shall no longer be an Agreed Currency or Alternate Currency until such time as the Disqualifying Event(s) no longer exist, but in any event within five (5) Business Days of receipt of such notice from the Administrative Agent, the applicable Borrowers shall repay all Loans in such currency to which the Disqualifying Event applies or convert such Loan into Loans in Dollars or another Agreed Currency or Alternate Currency, subject to the other terms contained in Articles II and IV.

"Environmental, Health or Safety Requirements of Law" means all Requirements of Law derived from or relating to foreign, federal, state and local laws or regulations relating to or addressing pollution or protection of the environment, or protection of worker health or safety, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ss. 9601 et seq., the Occupational Safety and Health Act of 1970, 29 U.S.C. ss. 651 et seq., and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss. 6901 et seq., in each case including any amendments thereto, any successor statutes, and any regulations or guidance promulgated thereunder, and any state or local equivalent thereof.

"Environmental Lien" means a lien in favor of any Governmental Authority for (a) any liability under Environmental, Health or Safety Requirements of Law, or (b) damages arising from, or costs incurred by such Governmental Authority in response to, a Release or threatened Release of a Contaminant into the environment.

"Equipment" means all of the Company's and its Subsidiaries' present and future (a) equipment, including, without limitation, machinery, manufacturing, distribution, selling, data processing and office equipment, assembly systems, tools, molds, dies, fixtures, appliances, furniture, furnishings, vehicles, vessels, aircraft, aircraft engines, and trade fixtures, (b) other tangible personal property (other than the Company's or its Subsidiaries' Inventory), and (c) any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equivalent Amount" of any currency with respect to any amount of Dollars at any date shall mean the equivalent in such currency of such amount of Dollars, calculated on the basis of the arithmetic mean of the buy and sell spot rates of exchange of the Administrative Agent or Alternate Currency Bank, as applicable, in the London interbank market (or other market where the Administrative Agent's or Alternate Currency Bank's, as applicable, foreign exchange operations in respect of such currency are then being conducted) for such other currency at or about 11:00 a.m. (local time) two (2) Business Days prior to the date on which such amount is to be determined, rounded up to the nearest amount of such currency as determined by the applicable Alternate Currency Bank from time to time; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent or Alternate Currency Bank, as applicable, may use any reasonable method it deems appropriate to determine such amount, and such determination shall be conclusive absent manifest error.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"euro" means the euro referred to in the Council Regulation (EC) No. 1103/97 dated 17 June 1997 passed by the Council of the European Union, or, if different, the then lawful currency of the member states of the European Union that participate in the third stage of the Economic and Monetary Union.

"Eurocurrency Base Rate" means, with respect to a Eurocurrency Rate Loan for any specified Interest Period, (a) for any Eurocurrency Rate Loan in any Agreed Currency other than euro, either (i) the rate of interest per annum equal to the rate for deposits in the applicable Agreed Currency in the approximate amount of the Pro Rata Tranche A Revolving Share, Pro Rata Tranche B Revolving Share, Pro Rata Tranche C Revolving Share, Pro Rata Tranche D

Revolving Share or Pro Rata Term Share, as applicable, of the Administrative Agent of such Eurocurrency Rate Advance with a maturity approximately equal to such Interest Period which appears on Telerate Page 3740 or Telerate Page 3750, as applicable, or, if there is more than one such rate, the average of such rates rounded to the nearest 1/100 of 1%, as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period or (ii) if no such rate of interest appears on Telerate Page 3740 or Telerate Page 3750, as applicable, for any specified Interest Period, the rate at which deposits in the applicable Agreed Currency are offered by the Administrative Agent to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of the Pro Rata Tranche A Revolving Share, Pro Rata Tranche B Revolving Share, Pro Rata Tranche C Revolving Share, Pro Rata Tranche D Revolving Share or Pro Rata Term Share, as applicable, of the Administrative Agent of such Eurocurrency Rate Loan and having a maturity approximately equal to such Interest Period; and (b) with respect to any Eurocurrency Rate Loan in euro for any Interest Period, the interest rate per annum equal to the rate determined by the Administrative Agent to be the rate at which deposits in euro appear on Telerate Page 248 as of 11:00 a.m. (Brussels time), on the date that is two (2) TARGET Settlement Days preceding the first day of such Interest Period; provided that if such rate does not appear on Telerate Page 248, then the Eurocurrency Base Rate shall be an interest rate per annum equal to the arithmetic mean determined by the Administrative Agent (rounded upwards to the nearest .01%) of the rates per annum at which deposits in euro are offered by the three (3) leading banks in the euro-zone interbank market on or about 11:00 a.m. (Brussels time), on the date which is two (2) TARGET Settlement Days prior to the first day of such Interest Period to other leading banks in the euro-zone interbank market. The terms "Telerate Page 3740", "Telerate Page 3750" and "Telerate Page 248" mean the display designated as "Page 3740", "Page 3750" and "Page 248", as applicable, on the Associated Press-Dow Jones Telerate Service (or such other page as may replace Page 3740, Page 3750 or Page 248, as applicable, on the Associated Press-Dow Jones Telerate Service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association interest rate settlement rates for the relevant Agreed Currency).

"Eurocurrency Payment Office" of the Administrative Agent shall mean, for each of the Agreed Currencies, any agency, branch or Affiliate of the Administrative Agent, specified as the "Eurocurrency Payment Office" for such Agreed Currency in Exhibit A-1 hereto or such other agency, branch, Affiliate or correspondence bank of the Administrative Agent, as it may from time to time specify to the applicable Borrowers and each Lender as its Eurocurrency Payment Office.

"Eurocurrency Rate" means, with respect to a Eurocurrency Rate Loan for the relevant Interest Period, the sum of (a) the quotient of (i) the Eurocurrency Base Rate applicable to such Interest Period divided by (ii) one minus the Reserve Requirement plus (b) the then Applicable Eurocurrency Margin, changing as and when the Applicable Eurocurrency Margin changes.

"Eurocurrency Rate Advance" means an Advance which bears interest at the Eurocurrency Rate.

"Eurocurrency Rate Loan" means a Loan made by a Lender pursuant to Section 2.1, which bears interest at the Eurocurrency Rate.

"Excess Cash Flow" means, for any period, for the Company and its Subsidiaries on a consolidated basis, (a) the sum of (i) Net Income, plus (ii) amortization, depreciation and other non-cash charges, minus (b) the sum of (i) Capital Expenditures, plus (ii) principal payments made on all Indebtedness (exclusive of mandatory prepayments made for Excess Cash Flow during such period), and minus (c) the increase (or plus the decrease, as the case may be), as of the last day of a fiscal year from the last day of the previous fiscal year in the excess of Current Assets over Current Liabilities. For purposes of this definition, "Current Assets" means all accounts receivable and Inventory of the Company and its Subsidiaries, calculated in accordance with Agreement Accounting Principles, excluding cash and Cash Equivalents and excluding Accounts due from Affiliates and "Current Liabilities" means all liabilities of the Company and its Subsidiaries which should, in accordance with Agreement Accounting Principles, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from the date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, and the current portion of long-term Indebtedness required to be paid within one year (excluding the Revolving Credit Obligations).

"Existing Credit Agreement" is defined in the first recital.

"Existing Lenders" is defined in the first recital.

"Existing Loans" is defined in the first recital.

"Existing Revolving Loans" is defined in the first recital.

"Existing Term Loans" is defined in the first recital.

"Facility Termination Date" is defined in Section 2.19.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:00 a.m. (New York time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (a) EBITDA to (b) Fixed Charges in each case for the period of four fiscal quarters ending on such date.

"Fixed Charges" means, with respect to the Company and its Subsidiaries on a consolidated basis, as of any date of determination, (a) cash interest expenses (other than unscheduled payments of interest under the Subordinated Seller Note) paid on outstanding Indebtedness for the period of four fiscal quarters ending on the date of determination, plus (b) scheduled principal payments on Indebtedness (other than the Subordinated Seller Note) made during such period, plus (c) dividends paid on stock, plus (d) Capital Expenditures made during such period.

"Fixed-Rate Advance" means an Advance which bears interest at the Eurocurrency Rate or at a fixed Alternate Currency Rate.

"Fixed-Rate Loans" means, collectively, the Eurocurrency Rate Loans and the Alternate Currency Loans.

"Floating Rate" means, for any day for any Loan, a rate per annum equal to (a) in the case of Loans in Dollars, the Alternate Base Rate for such day, changing when and as the Alternate Base Rate changes, plus the then Applicable Floating Rate Margin, and (b) in the case of Alternate Currency Loans, the rate specified as such in the applicable Alternate Currency Addendum.

"Floating Rate Advance" means an Advance which bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan, or portion thereof, which bears interest at the Floating Rate.

"Foreign Employee Benefit Plan" means any employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to for the benefit of the employees of the Company, any of its Subsidiaries or any members of its Controlled Group and is not covered by ERISA pursuant to ERISA Section 4(b)(4).

"Foreign Subsidiary" means a Subsidiary of the Company which is not a Domestic Subsidiary.

"Foreign Pension Plan" means any employee benefit plan as described in Section 3(3) of ERISA which (a) is maintained or contributed to for the benefit of employees of the Company, any of its Subsidiaries or any member of its Controlled Group, (b) is not covered by ERISA pursuant to Section 4(b)(4) of ERISA, and (c) under applicable local law, is required to be funded through a trust or other funding vehicle.

"Governmental Acts" is defined in Section 3.10(a) hereof.

"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established to perform any of such functions.

"Guaranteed Obligations" is defined in Section 10.1 hereof.

"Guarantor" means each Domestic Subsidiary of the Company that from time to time is party to a Guaranty.

"Guaranty" means each of (a) that certain Guaranty (and any and all

supplements thereto) executed from time to time by each Subsidiary Borrower that is a Domestic Subsidiary and each other Domestic Subsidiary of the Company as required pursuant to Section 7.2(k) in favor of the Administrative Agent for the benefit of itself and the Holders of Obligations, in substantially the form of Exhibit G-1 attached hereto, and (b) the guaranty by the Company of all of the Obligations of the Subsidiary Borrowers pursuant to this Agreement and the Alternate Currency Addenda, in each case as amended, supplemented, amended and restated or otherwise modified from time to time.

"Hedging Agreements" is defined in Section 7.3(n) hereof.

"Hedging Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, commodity prices, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"Holders of Obligations" means the holders of the Obligations from time to time and shall include (a) each Lender in respect of its Loans, (b) each Issuing Bank in respect of Reimbursement Obligations owed to it, (c) the Administrative Agent, the Lenders and the Issuing Banks in respect of all other present and future obligations and liabilities of the Company or any of its Subsidiaries of every type and description arising under or in connection with this Agreement or any other Loan Document, (d) each Indemnitee in respect of the obligations and liabilities of the Company or any of its Subsidiaries to such Person hereunder or under the other Loan Documents, and (e) their respective successors, transferees and assigns.

"Indebtedness" of a Person means, without duplication, such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such person's business payable on terms customary in the trade), (c) obligations, whether or not assumed, secured by Liens on or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances, or other similar instruments, (e) Capitalized Lease Obligations, (f) Hedging Obligations, (g) Contingent Obligations, (h) actual and contingent reimbursement obligations in respect of letters of credit, and (i) the implied debt component of synthetic leases of which such Person is lessee or any other off-balance sheet financing arrangements (including, without limitation, any such arrangements giving rise to any Off-Balance Sheet Liabilities); provided that the term "Indebtedness" shall not include any (a) accrued or deferred interest or other expenses, unless capitalized in accordance with Agreement Accounting Principles, or (b) lease properly classified as an operating lease in accordance with Agreement Accounting Principles. The amount of any item of Indebtedness, except for any item of Indebtedness described in clause (h), shall be the amount of any liability in respect thereof appearing on a balance sheet properly prepared in accordance with Agreement Accounting Principles, except that the amount of any item of Indebtedness described in clause (g) shall be determined in accordance with the definition of Contingent Obligations and the amount of any item of Indebtedness described in clause (i) above shall be the "principal-equivalent" amount of such obligation.

"Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Subsidiaries, whether paid or accrued (including the interest component of Capitalized Leases, commitment fees and fees for stand-by letters of credit), all as determined in conformity with Agreement Accounting Principles.

"Interest Period" means (a) with respect to Alternate Currency Loans, any Alternate Currency Interest Period and (b) with respect to a Eurocurrency Rate Loan, a period of one (1), two (2), three (3) or six (6) months or, with the consent of all of the Lenders, nine (9) months, commencing on a Business Day selected by the applicable Borrower on which a Eurocurrency Rate Advance is made to such Borrower pursuant to this Agreement. Such Interest Period described in clause (b) above shall end on (but exclude) the day which corresponds numerically to such date one, two, three, six or nine months thereafter; provided that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided that if said next succeeding Business Day falls in a new calendar month, such Interest

Period shall end on the immediately preceding Business Day.

"Inventory" shall mean any and all goods, including, without limitation, goods in transit, wheresoever located, whether now owned or hereafter acquired by the Company or any of its Subsidiaries, which are held for sale, rental or lease, furnished under any contract of service or held as raw materials, work in process or supplies, and all materials used or consumed in the business of the Company or any of its Subsidiaries, and shall include all right, title and interest of the Company or any of its Subsidiaries in any property the sale or other disposition of which has given rise to Receivables and which has been returned to or repossessed or stopped in transit by the Company or any of its Subsidiaries.

"Investment" means, with respect to any Person, (a) any purchase or other acquisition by that Person of any Indebtedness, Equity Interests or other securities, or of a beneficial interest in any Indebtedness, Equity Interests or other securities, issued by any other Person, (b) any purchase by that Person of all or substantially all of the assets of a business (whether of a division, branch, unit operation, or otherwise) conducted by another Person, and (c) any loan, advance (other than deposits with financial institutions available for withdrawal on demand, prepaid expenses, accounts receivable, advances to employees and similar items made or incurred in the ordinary course of business) or capital contribution by that Person to any other Person, including all Indebtedness to such Person arising from a sale of property by such Person other than in the ordinary course of its business.

"IRS" means the Internal Revenue Service and any Person succeeding to the functions thereof.

"Issuing Banks" means BNS or any of its Affiliates in its separate capacity as an issuer of Letters of Credit pursuant to Sections 3.1 and 3.2.

"L/C Documents" is defined in Section 3.4 hereof.

"L/C Draft" means a draft drawn on an Issuing Bank pursuant to a Letter of Credit.

"L/C Interest" shall have the meaning ascribed to such term in Section 3.6 hereof.

"L/C Obligations" means, without duplication, an amount equal to the sum of (a) the aggregate amount then available for drawing under each of the Letters of Credit, (b) the face amount of all outstanding L/C Drafts corresponding to the Letters of Credit, which L/C Drafts have been accepted by the applicable Issuing Bank, (c) the aggregate outstanding amount of all Reimbursement Obligations at such time and (d) the aggregate amount equal to the face amount of all Letters of Credit requested by the Borrowers but not yet issued (unless the request for an unissued Letter of Credit has been denied).

"Lenders" means the lending institutions listed on the signature pages of this Agreement, and their successors and assigns.

"Lending Installation" means, with respect to a Lender or the Administrative Agent, any office, branch, subsidiary or Affiliate of such Lender or the Administrative Agent.

"Letter of Credit" means standby letters of credit to be (a) issued by the Issuing Banks pursuant to Section 3.1 hereof or (b) deemed issued by the Issuing Banks pursuant to Section 3.2 hereof.

"Leverage Ratio" means, as of any date of determination, the ratio of (a) Total Indebtedness (not including the Seller Subordinated Debt) on such date of determination to (b) EBITDA for the most recently ended period of four fiscal quarters (including any fiscal quarters ending on the date of determination.)

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or security agreement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement); provided that in no event shall the lessor's interest under any lease properly classified as an operating lease in accordance with Agreed Accounting Principles be a "Lien" for purposes of this definition.

"Loan(s)" means, (a) in the case of any Lender, such Lender's portion of any Advance made pursuant to Section 2.1 hereof, in the case of any Alternate Currency Bank, any Alternate Currency Loan made by it pursuant to Section 2.21 and the applicable Alternate Currency Addendum, and in the case of the Swing Line Bank, any Swing Line Loan made by it pursuant to Section 2.3, and (b) collectively, all Revolving Loans, Term Loans, Alternate Currency Loans, and Swing Line Loans.

"Loan Account" is defined in Section 2.13(a) hereof.

"Loan Documents" means this Agreement, each Alternate Currency Addendum executed hereunder, each Assumption Letter executed hereunder, the Collateral Documents, the Guaranty, the Subordination Agreement, the New Fee Letter and all other documents, instruments, notes and agreements executed in connection therewith or contemplated thereby, as the same may be amended, restated or otherwise modified and in effect from time to time.

"Loan Parties" means each of the Company, each Subsidiary Borrower and each of the Guarantors.

"Margin Stock" shall have the meaning ascribed to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect upon (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Company or the Company and its Subsidiaries, taken as a whole, (b) the ability of the Company or any of its Subsidiaries to perform their respective obligations under the Loan Documents, or (c) the ability of the Lenders or the Administrative Agent to enforce the Obligations.

"Mortgages" means one or more deeds of trust, mortgages, leasehold mortgages, assignments of rents or similar documents, satisfactory in form and substance to the Administrative Agent, executed and delivered by the Company and its Domestic Subsidiaries pursuant to or in connection with the transactions contemplated hereby, as the same may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan" means a "Multiemployer Plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, or was required to be, contributed to by either the Company or any member of the Controlled Group.

"National Currency Unit" means the unit of currency (other than a euro) of each member state of the European Union that participates in the third stage of Economic and Monetary Union.

"Net Income" means, for any period, the net income (or loss) after taxes of the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with Agreement Accounting Principles.

"Net Proceeds" means (a) with respect to any Asset Sale, the sum of cash or readily marketable cash equivalents received (including by way of a cash generating sale or discounting of a note or receivable, but excluding any other consideration received in the form of assumption by the acquiring Person of debt or other obligations relating to the properties or assets so disposed of or received in any other non-cash form) therefrom, whether at the time of such disposition or subsequent thereto, or (b) with respect to any sale or issuance of any debt or equity securities of the Company or any Subsidiary, cash or readily marketable cash equivalents received (but excluding any other non-cash form) therefrom, whether at the time of such disposition, sale or issuance or subsequent thereto, net, in either case, of all legal, title and recording tax expenses, commissions and other fees and all costs and expenses incurred and all federal, state, local and other taxes required to be paid or accrued as a liability as a consequence of such transactions.

"New Fee Letter" means that certain fee letter, dated as of November 2002, by and between the Company and BNS, as the Administrative Agent.

"Notice of Assignment" is defined in Section 14.3(b) hereof.

"Obligations" means all Loans, L/C Obligations, advances, debts, liabilities, obligations, covenants and duties owing by the Borrowers or any of their Subsidiaries to the Administrative Agent, any Lender, the Swing Line Bank, any Arranger, any Affiliate of the Administrative Agent or any Lender, any Issuing Bank or any Indemnitee, of any kind or nature, present or future, arising under this Agreement, the L/C Documents, any Alternate Currency Addendum or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, reasonable paralegals' fees (in each case whether or not allowed), and any other sum chargeable to the Company or any of its Subsidiaries under this Agreement or any other Loan Document.

"Obligor" is defined in Section 10.1 hereof.

"Off-Balance Sheet Liabilities" of a Person means (i) any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to Receivables sold by such Person or any of its Subsidiaries, (ii) any liability of such Person or any of its Subsidiaries under any sale and leaseback transactions which do not create a liability on the consolidated balance sheet of such Person, (iii) any liability of such Person or any of its Subsidiaries under any financing lease or so-called "synthetic" lease transaction, or (iv) any obligations of such Person or any of its Subsidiaries arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheets of such Person and its Subsidiaries.

"Original Fee Letter" means that certain fee letter, dated as of May 15, 2000, by and between the Company and ABN AMRO Bank N.V., as the Administrative Agent.

"Other Taxes" is defined in Section 2.15(e)(ii) hereof.

"Participants" is defined in Section 14.2(a) hereof.

"Payment Date" means the last day of each March, June, September and December, the date on which the Aggregate Revolving Loan Commitment shall terminate or be cancelled, and the Facility Termination Date.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" is defined in Section 7.3(f) hereof.

"Permitted Existing Contingent Obligations" means the Contingent Obligations of the Company and its Subsidiaries identified as such on Schedule 1.1.1 to this Agreement.

"Permitted Existing Indebtedness" means the Indebtedness of the Company and its Subsidiaries identified as such on Schedule 1.1.2 to this Agreement.

"Permitted Existing Investments" means the Investments of the Company and its Subsidiaries identified as such on Schedule 1.1.3 to this Agreement.

"Permitted Existing Liens" means the Liens on assets of the Company and its Subsidiaries identified as such on Schedule 1.1.4 to this Agreement.

"Person" means any individual, corporation, firm, enterprise, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company or other entity of any kind, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee benefit plan defined in Section 3(3) of ERISA, other than a Multiemployer Plan, in respect of which the Company or any member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreements" means one or more pledge agreements, each in form and substance satisfactory to the Administrative Agent, executed and delivered by the Company and/or certain of its Subsidiaries pursuant to or in connection with transactions contemplated by this Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Prime Rate" means the "prime rate" of interest announced by BNS from time to time at its Chicago office, changing when and as said prime rate changes.

"Pro Rata Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) by (b) the Aggregate Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement); provided that if all of the Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of (A) such Lender's Revolving Loans, plus (B) such Lender's share of the obligations to purchase participations in Alternate Currency Loans and Letters of Credit plus (C) such Lender's share of the obligations to refund or purchase participations in Swing Line Loans, by (ii) the sum of (A) the aggregate outstanding amount of all Revolving Loans, plus (B) the aggregate outstanding amount of all Alternate Currency Loans and all Letters of Credit, plus (C) the aggregate outstanding amount of all Swing Line Loans.

"Pro Rata Share" means, with respect to any Lender, the percentage obtained by dividing (a) the sum of (i) such Lender's Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) plus (ii) such Lender's Term Loans by (b) the sum of (i) the Aggregate Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) plus (ii) the aggregate outstanding amount of all Term Loans; provided that if all of the Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of (A) such Lender's Revolving Loans, plus (B) such Lender's Term Loans, plus (C) such Lender's share of the obligations to purchase participations in Alternate Currency Loans and Letters of Credit plus (D) such Lender's share of the obligations to refund or purchase participations in Swing Line Loans, by (ii) the sum of (A) the aggregate outstanding amount of all Revolving Loans, plus (B) the aggregate outstanding amount of all Term Loans, plus (C) the aggregate outstanding amount of all Alternate Currency Loans and all Letters of Credit, plus (D) the aggregate outstanding amount of all Swing Line Loans.

"Pro Rata Term Share" means, with respect to any Lender, the percentage obtained by dividing such Lender's Term Loans by the aggregate outstanding amount of all Term Loans.

"Pro Rata Tranche A Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Tranche A Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) by (b) the Aggregate Tranche A Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement); provided that if all of the Tranche A Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Tranche A Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (i) such Lender's Tranche A Revolving Loans by (ii) the aggregate outstanding amount all Tranche A Revolving Loans.

"Pro Rata Tranche B Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Tranche B Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) by (b) the Aggregate Tranche B Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement); provided that if all of the Tranche B Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Tranche B Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of (A) such Lender's Tranche B Revolving Loans plus (B) such Lender's share of the obligations to purchase Alternate Currency Loans, by (ii) the sum of (A) the aggregate outstanding amount of all Tranche B Revolving Loans, plus (B) the aggregate outstanding amount of all Alternate Currency Loans.

"Pro Rata Tranche C Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Tranche C Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) by (b) the Aggregate Tranche C Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement); provided that if all of the Tranche C Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Tranche C Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of (A) such Lender's Tranche C Revolving Loans, plus (B) such Lender's share of the obligations to purchase participations in Letters of Credit plus (C) such Lender's share of the obligations to refund or purchase participations in Swing Line Loans by (ii) the sum of (A) the aggregate outstanding amount of all Tranche C Revolving Loans, plus (B) the aggregate outstanding amount of all Letters of Credit, plus (C) the aggregate outstanding amount of all Swing Line Loans.

"Pro Rata Tranche D Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Tranche D Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement) by (b) the Aggregate Tranche D Revolving Loan Commitment at such time (as adjusted from time to time in accordance with the provisions of this Agreement); provided that if all of the Tranche D Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Tranche D Revolving Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of (A) such Lender's Tranche D Revolving Loans plus (B) such Lender's share of the obligations to purchase Alternate Currency Loans, by (ii) the sum of (A) the aggregate outstanding amount of all Tranche D Revolving Loans, plus (B) the aggregate outstanding amount of all Alternate Currency Loans.

"Purchasers" is defined in Section 14.3(a) hereof.

"Rate Option" means the Eurocurrency Rate, the Floating Rate or the



Alternate Currency Rate, as applicable.

"Receivable(s)" means and includes all of the Company's and its Subsidiaries' presently existing and hereafter arising or acquired accounts, accounts receivable, notes receivable, and all present and future rights of the Company or its Subsidiaries, as applicable, to payment for goods sold or leased or for services rendered (except those evidenced by instruments or chattel paper), whether or not they have been earned by performance, and all rights in any merchandise or goods which any of the same may represent, and all rights, title, security and guaranties with respect to each of the foregoing, including, without limitation, any right of stoppage in transit.

"Register" is defined in Section 14.3(c) hereof.

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by and to brokers and dealers of securities for the purpose of purchasing or carrying margin stock (as defined therein).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks, non-banks and non-broker lenders for the purpose of purchasing or carrying Margin Stock applicable to member banks of the Federal Reserve System.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"Reimbursement Obligation" is defined in Section 3.7 hereof.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Contaminants through or in the air, soil, surface water or groundwater.

"Replacement Lender" is defined in Section 2.20 hereof.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation or otherwise waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days after such event occurs, provided that a failure to meet the minimum funding standards of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders hereunder whose Pro Rata Shares, in the aggregate, are at least fifty-one percent (51%).

"Requirements of Law" means, as to any Person, the charter and by-laws or other organizational or governing documents of such Person, and any law, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, Regulations T, U and X, ERISA, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, the Americans with Disabilities Act of 1990, and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or permit or environmental, labor, employment, occupational safety or health law, rule or regulation, including Environmental, Health or Safety Requirements of Law.

"Reserve Requirement" shall mean, at any time, the maximum reserve requirement, as the prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to "Eurocurrency liabilities" or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurocurrency Rate Loans is determined or category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents.

"Restricted Payment" means (a) any dividend or other distribution, direct or indirect, on account of any Equity Interests of the Company or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in the Company's or such Subsidiaries' Equity Interests other than Disqualified Stock or in options, warrants or other rights to purchase such common stock, (b)

any redemption, retirement, purchase or other acquisition for value, direct or indirect, of any Equity Interests of the Company or any of its Subsidiaries now or hereafter outstanding, other than in exchange for Equity Interests other than Disqualified Stock of the Company, and (c) any redemption, purchase, retirement, defeasance, prepayment or other acquisition for value, direct or indirect, of any Indebtedness subordinated to the Obligations.

"Revolving Credit Obligations" means, at any particular time, the sum of (a) the Tranche A Revolving Credit Obligations at such time, plus (b) the Tranche B Revolving Credit Obligations at such time, plus (c) the Tranche C Revolving Credit Obligations at such time, plus (d) the Tranche D Revolving Credit Obligations at such time.

"Revolving Loan" is defined in Section 2.1 hereof.

"Revolving Loan Commitment" means, for each Lender, the aggregate of such Lender's Tranche A Revolving Loan Commitment, such Lender's Tranche B Revolving Loan Commitment, such Lender's Tranche C Revolving Loan Commitment and such Lender's Tranche D Revolving Loan Commitment.

"Revolving Loan Termination Date" means, as the case may be, the Tranche A Revolving Loan Termination Date, the Tranche B Revolving Loan Termination Date, the Tranche C Revolving Loan Termination Date or the Tranche D Revolving Loan Termination Date.

"Sale and Leaseback Transaction" shall mean any lease, whether an operating lease or a Capitalized Lease, of any property (whether real or personal or mixed), (a) which the Company or one of its Subsidiaries sold or transferred or is to sell or transfer to any other Person, or (b) which the Company or one of its Subsidiaries intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by the Company or one of its Subsidiaries to any other Person in connection with such lease.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Security Agreements" means one or more security agreements, each in form and substance satisfactory to the Administrative Agent, executed and delivered by the Company and its Domestic Subsidiaries pursuant to or in connection with transactions contemplated by this Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Seller" means Spectra Precision Holdings, Inc. and each party to the Stock and Asset Purchase Agreement, other than the Company.

"Single Employer Plan" means a Benefit Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"Solvent" means, when used with respect to any Person, that at the time of determination:

(a) the fair value of its assets (both at fair valuation and at present fair saleable value) is equal to or in excess of the total amount of its liabilities, including, without limitation, contingent liabilities; and

(b) it is then able and expects to be able to pay its debts as they mature; and

(c) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

With respect to contingent liabilities (such as litigation, guarantees and pension plan liabilities), such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represent the amount which can be reasonably be expected to become an actual or matured liability.

"Spectra Precision Acquisition" means the acquisition made pursuant to the Stock and Asset Purchase Agreement and pursuant to which the Company purchased substantially all of the assets and all of the capital stock of the Seller and certain Subsidiaries thereof and modified the corporate structure of the Seller's European holdings for tax planning purposes and pursuant to which the Seller became a Subsidiary of the Company.

"Stock and Asset Purchase Agreement" means that certain Stock and Asset Purchase Agreement dated May 11, 2000 by and among the Company, Spectra Physics

Holdings USA, Inc., Spectra Precision AB and Spectra Precision Europe Holdings, BV, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Subordinated Seller Debt" means the Indebtedness of the Company to Spectra Physics Holdings USA, Inc., evidenced by the Seller Subordinated Note, which Indebtedness is subordinated to the Obligations.

"Subordinated Seller Note" means the \$80,000,000 promissory note issued to Spectra Physics Holdings USA, Inc. by the Company pursuant to the Stock and Asset Purchase Agreement, as amended, supplemented, amended and restated or otherwise modified from time to time in accordance with its terms.

"Subordination Agreement" means that certain Subordination Agreement (and any and all supplements thereto) executed from time to time by each Subsidiary of the Company which may now or in the future have any claim against any Loan Party and each other Subsidiary of the Company as required pursuant to Section 7.2(k) in favor of the Administrative Agent for the benefit of itself and the Holders of Obligations, in substantially the form of Exhibit G-2 attached hereto, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Subsidiary" of a Person means (a) any corporation more than fifty (50%) of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (b) any partnership, association, limited liability company, joint venture or similar business organization more than fifty percent (50%) of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" mean a Subsidiary of the Company.

"Subsidiary Borrower" means each Subsidiary of the Company (whether now existing or hereafter formed) duly designated by the Company pursuant to Section 2.24 to request Advances hereunder, which Subsidiary shall have delivered to the Administrative Agent an Assumption Letter in accordance with Section 2.24 and such other documents as may be required pursuant to this Agreement, in each case together with its respective successors and assigns, including a debtor-in-possession on behalf of such Subsidiary Borrower.

"Swing Line Bank" means BNS and its successors and assigns.

"Swing Line Commitment" means the obligation of the Swing Line Bank to make Swing Line Loans up to a maximum principal amount of \$10,000,000 at any one time outstanding.

"Swing Line Loan" means a Loan made to the Company by the Swing Line Bank pursuant to Section 2.3 hereof.

"Syndication Agent" is defined in the preamble and includes such Person's successors and assigns.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"Taxes" is defined in Section 2.15(e)(i) hereof.

"Term Loan" means the Existing Term Loans, as continued under the terms of this Agreement, in an aggregate amount on the Amendment Effective Date equal to \$32,600,000 and, collectively, all such term loans.

"Term Loan Maturity Date" means June 30, 2004.

"Termination Event" means (a) a Reportable Event with respect to any Benefit Plan; (b) the withdrawal of the Company or any member of the Controlled Group from a Benefit Plan during a plan year in which the Company or such Controlled Group member was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or the cessation of operations which results in the termination of employment of twenty percent (20%) of Benefit Plan participants who are employees of the Company or any member of the Controlled Group; (c) the imposition of an obligation on the Company or any member of the Controlled Group under Section 4041 of ERISA to provide affected parties written notice of intent to terminate a Benefit Plan in a distress termination described in Section 4041(c) of ERISA; (d) the institution by the PBGC or any similar foreign governmental authority of proceedings to terminate a Benefit Plan or Foreign Pension Plan; (e) any event or condition which constitutes grounds under Section 4042 of ERISA which are reasonably likely to lead to the termination of, or the appointment of a trustee to administer, any Benefit Plan; (f) that a foreign governmental authority shall appoint or institute proceedings to appoint a trustee to administer any Foreign Pension Plan in place of the existing administrator, or (g) the partial or complete withdrawal of the Company or any

member of the Controlled Group from a Multiemployer Plan or Foreign Pension Plan.

"Total Indebtedness" means, without duplication, (a) all Indebtedness for borrowed money of the Company and its Subsidiaries, on a consolidated basis, plus, without duplication, (b) (i) the face amount of all outstanding letters of credit (including Letters of Credit) in respect of which the Company or any Subsidiary has any actual or contingent reimbursement obligation, plus (ii) the principal amount of all Indebtedness of any Person in respect of which the Company or any Subsidiary has a Contingent Obligation, plus (iii) Indebtedness of the Company and its Subsidiaries evidenced by notes, acceptances or similar instruments, plus (iv) Capitalized Lease Obligations of the Company and its Subsidiaries, plus (v) the implied debt component of synthetic leases of which the Company or any of its Subsidiaries is lessee, plus (vi) Hedging Obligations of the Company and its subsidiaries.

"Tranche A Advance" means an Advance comprised of Tranche A Revolving Loans.

"Tranche A Revolving Credit Availability" means, at any particular time, the amount by which (a) the Aggregate Tranche A Revolving Loan Commitment at such time exceeds (b) the Dollar Amount of the Tranche A Revolving Credit Obligations outstanding at such time.

"Tranche A Revolving Credit Obligations" means, at any particular time, the sum of the outstanding principal Dollar Amount of the Tranche A Revolving Loans at such time.

"Tranche A Revolving Loan" is defined in Section 2.1 hereof.

"Tranche A Revolving Loan Commitment" means, for each Lender, the obligation of such Lender to make Tranche A Revolving Loans not exceeding the amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading "Tranche A Revolving Loan Commitment" or the signature page of the assignment and acceptance by which it became a Lender as such amount may be modified from time to time pursuant to the terms of this Agreement or to give effect to any applicable assignment and acceptance.

"Tranche A Revolving Loan Termination Date" means July 14, 2003.

"Tranche B Advance" means an Advance comprised of Tranche B Revolving Loans.

"Tranche B Revolving Credit Availability" means, at any particular time, the amount by which (a) the Aggregate Tranche B Revolving Loan Commitment at such time exceeds (b) the sum of (i) the Dollar Amount of the Tranche B Revolving Credit Obligations outstanding at such time plus (ii) the aggregate unused Alternate Currency Commitments at such time.

"Tranche B Revolving Credit Obligations" means, at any particular time, (a) the outstanding principal Dollar Amount of the Tranche B Revolving Loans at such time, plus (b) the Dollar Amount of the outstanding principal amount of the Alternate Currency Loans at such time.

"Tranche B Revolving Loan" is defined in Section 2.1 hereof.

"Tranche B Revolving Loan Commitment" means, for each Lender, the obligation of such Lender to make Tranche B Revolving Loans and to participate in Alternate Currency Loans not exceeding the amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading "Tranche B Revolving Loan Commitment" or the signature page of the assignment and acceptance by which it became a Lender as such amount may be modified from time to time pursuant to the terms of this Agreement or to give effect to any applicable assignment and acceptance.

"Tranche B Revolving Loan Termination Date" means July 14, 2003.

"Tranche C Advance" means an Advance comprised of Tranche C Revolving Loans.

"Tranche C Revolving Credit Availability" means, at any particular time, the amount by which (a) the Aggregate Tranche C Revolving Loan Commitment at such time exceeds (b) the Dollar Amount of the Tranche C Revolving Credit Obligations outstanding at such time.

"Tranche C Revolving Credit Obligations" means, at any particular time, the sum of (a) the outstanding principal Dollar Amount of the Tranche C Revolving Loans at such time, plus (b) the outstanding L/C Obligations at such time, plus (c) the outstanding principal amount of all Swing Line Loans at such time.

"Tranche C Revolving Loan" is defined in Section 2.1 hereof.

"Tranche C Revolving Loan Commitment" means, for each Lender, the obligation of such Lender to make Tranche C Revolving Loans, to purchase participations in Letters of Credit and to refund or participate in Swing Line Loans not exceeding the amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading "Tranche C Revolving Loan Commitment" or the signature page of the assignment and acceptance by which it became a Lender as such amount may be modified from time to time pursuant to the terms of this Agreement or to give effect to any applicable assignment and acceptance.

"Tranche C Revolving Loan Termination Date" means April 7, 2004.

"Tranche D Advance" means an Advance comprised of Tranche D Revolving Loans.

"Tranche D Revolving Credit Availability" means, at any particular time, the amount by which (a) the Aggregate Tranche D Revolving Loan Commitment at such time exceeds (b) the sum of (i) the Dollar Amount of the Tranche D Revolving Credit Obligations outstanding at such time plus (ii) the aggregate unused Alternate Currency Commitments at such time.

"Tranche D Revolving Credit Obligations" means, at any particular time, (a) the outstanding principal Dollar Amount of the Tranche D Revolving Loans at such time, plus (b) the Dollar Amount of the outstanding principal amount of the Alternate Currency Loans at such time.

"Tranche D Revolving Loan" is defined in Section 2.1 hereof.

"Tranche D Revolving Loan Commitment" means, for each Lender, the obligation of such Lender to make Tranche D Revolving Loans and to participate in Alternate Currency Loans not exceeding the amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading "Tranche D Revolving Loan Commitment" or the signature page of the assignment and acceptance by which it became a Lender as such amount may be modified from time to time pursuant to the terms of this Agreement or to give effect to any applicable assignment and acceptance.

"Tranche D Revolving Loan Termination Date" means April 7, 2004.

"Transferee" is defined in Section 14.5 hereof.

"Trigger Event Date" means the date on which the Company shall have demonstrated to the reasonable satisfaction of the Administrative Agent that (a) no Default or Unmatured Default then exists and (b) the Leverage Ratio of the Company and its Subsidiaries, as reflected in the financial statements delivered pursuant to Section 7.1(a)(i) and (ii) shall have been less than 2.00 for four consecutive fiscal quarters after the Closing Date.

"Type" means, with respect to any Loan, its nature as a Floating Rate Loan or a Eurocurrency Rate Loan.

"UCC" means the Uniform Commercial Code as in effect in the State of Illinois.

"Unfunded Liabilities" means (a) in the case of Single Employer Plans, the amount (if any) by which the aggregate accumulated benefit obligations exceeds the aggregate fair market value of assets of all Single Employer Plans as of the most recent measurement date for which actuarial valuations have been completed and certified to the Company, all as determined under FAS 87 using the methods and assumptions used by the Company for financial accounting purposes, and (b) in the case of Multiemployer Plans, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from all Multiemployer Plans.

"Unmatured Default" means an event which, but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (a) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (b) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled, in each case, other than director qualifying shares. Unless the context otherwise requires, "Wholly-Owned Subsidiary" means a wholly-owned subsidiary of the Company.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any accounting terms used in

this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with generally accepted accounting principles in existence as of the date hereof.

1.2 References. Any references to Subsidiaries of the Company set forth herein shall not in any way be construed as consent by the Administrative Agent or any Lender to the establishment, maintenance or acquisition of any Subsidiary, except as may otherwise be permitted hereunder.

1.3 Rounding and Other Consequential Changes. Without prejudice to any method of conversion or rounding prescribed by any legislative measures of the Council of the European Union, each reference in this Agreement to a fixed amount or to fixed amounts in a National Currency Unit to be paid to or by the Administrative Agent shall be replaced by a reference to such comparable and convenient fixed amount or fixed amounts in euro as the Administrative Agent may from time to time specify unless such National Currency Unit remains available and the Company and the Administrative Agent agree to use such National Currency Unit instead of the euro.

## ARTICLE II: LOAN FACILITIES

On the terms and subject to the conditions of this Agreement, the Lenders severally agree to the continuation and reallocation (as the case may be) of the Existing Loans and to make the Loans as set forth below.

### 2.1 Revolving Loans.

(a) Each of the parties hereto acknowledges and agrees that the Existing Revolving Loans shall continue as Revolving Loans for all purposes under this Agreement and the Loan Documents, subject to reallocation pursuant to Section 2.26.

(b) Upon the satisfaction of the conditions precedent set forth in Sections 5.1, 5.2 and 5.3, as applicable, from and including the Amendment Effective Date and prior to the applicable Revolving Loan Termination Date, each Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to make revolving loans to the Borrowers from time to time (i) in Dollars, in a Dollar Amount not to exceed such Lender's Pro Rata Tranche A Revolving Share of Tranche A Revolving Credit Availability at such time (each individually, a "Tranche A Revolving Loan" and, collectively, the "Tranche A Revolving Loans"); (ii) in Dollars or any Agreed Currency, in a Dollar Amount not to exceed such Lender's Pro Rata Tranche B Revolving Share of Tranche B Revolving Credit Availability at such time (each individually, a "Tranche B Revolving Loan" and, collectively, the "Tranche B Revolving Loans"); (iii) in Dollars, in a Dollar Amount not to exceed such Lender's Pro Rata Tranche C Revolving Share of Tranche C Revolving Credit Availability at such time (each individually, a "Tranche C Revolving Loan" and, collectively, the "Tranche C Revolving Loans"); and (iv) in Dollars or any Agreed Currency, in a Dollar Amount not to exceed such Lender's Pro Rata Tranche D Revolving Share of Tranche D Revolving Credit Availability at such time (each individually, a "Tranche D Revolving Loan", and, collectively, the "Tranche D Revolving Loans" and, together with the Tranche A Revolving Loans, the Tranche B Revolving Loans and the Tranche C Revolving Loans, the "Revolving Loans"); provided that (i) at no time shall the Dollar Amount of the Tranche A Revolving Credit Obligations exceed the Aggregate Tranche A Revolving Loan Commitment; (ii) at no time shall the Dollar Amount of the Tranche B Revolving Credit Obligations exceed the Aggregate Tranche B Revolving Loan Commitment; (iii) at no time shall the Dollar Amount of the Tranche C Revolving Credit Obligations exceed the Aggregate Tranche C Revolving Loan Commitment; (iv) at no time shall the Dollar Amount of the Tranche D Revolving Credit Obligations exceed the Aggregate Tranche D Revolving Loan Commitment; (v) at no time shall the Dollar Amount of the Revolving Credit Obligations of any Subsidiary Borrower that is a Domestic Subsidiary exceed \$40,000,000; (vi) at no time shall the aggregate Dollar Amount of the Revolving Credit Obligations of all Foreign Subsidiaries exceed \$30,000,000 and (vii) no Tranche A Revolving Loans or Tranche C Revolving Loans shall be made to any Borrower which is not organized under the laws of a jurisdiction located in the United States of America. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Revolving Loans at any time prior to the applicable Revolving Loan Termination Date. Revolving Loans shall be, at the option of the applicable Borrower, selected in accordance with Section 2.10, and shall be either Floating Rate Loans or Eurocurrency Rate Loans. On the applicable Revolving Loan Termination Date, each Borrower shall repay in full the outstanding principal balance of

Revolving Loans made to it. The Tranche A Revolving Loans shall be made by each Lender ratably in proportion to such Lender's respective Pro Rata Tranche A Revolving Share, the Tranche B Revolving Loans shall be made by each Lender ratably in proportion to such Lender's respective Pro Rata Tranche B Revolving Share, the Tranche C Revolving Loans shall be made by each Lender ratably in proportion to such Lender's respective Pro Rata Tranche C Revolving Share and the Tranche D Revolving Loans shall be made by each Lender ratably in proportion to such Lender's respective Pro Rata Tranche D Revolving Share.

(c) Making of Tranche A Revolving Loans. Promptly after receipt of the Borrowing/ Conversion/Continuation Notice under Section 2.8 in respect of Tranche A Revolving Loans, the Administrative Agent shall notify each Lender with a Tranche A Revolving Loan Commitment, of the requested Tranche A Revolving Loan. Each Lender with a Tranche A Revolving Loan Commitment shall make available its Tranche A Revolving Loan in accordance with the terms of Section 2.7. The Administrative Agent will promptly make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's office in New York, New York on the applicable Borrowing Date and shall disburse such proceeds in accordance with the applicable Borrower's disbursement instructions set forth in such Borrowing/Conversion/Continuation Notice. The failure of any Lender to deposit the amount described above with the Administrative Agent on the applicable Borrowing Date shall not relieve any other Lender of its obligations hereunder to make its Tranche A Revolving Loan on such Borrowing Date.

(d) Making of Tranche B Revolving Loans. Promptly after receipt of the Borrowing/Conversion/Continuation Notice under Section 2.8 in respect of Tranche B Revolving Loans, the Administrative Agent shall notify each Lender with a Tranche B Revolving Loan Commitment, of the requested Tranche B Revolving Loan. Each Lender with a Tranche B Revolving Loan Commitment shall make available its Tranche B Revolving Loan in accordance with the terms of Section 2.7. The Administrative Agent will promptly make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's office in New York, New York on the applicable Borrowing Date and shall disburse such proceeds in accordance with the applicable Borrower's disbursement instructions set forth in such Borrowing/Conversion/Continuation Notice. The failure of any Lender to deposit the amount described above with the Administrative Agent on the applicable Borrowing Date shall not relieve any other Lender of its obligations hereunder to make its Tranche B Revolving Loan on such Borrowing Date.

(e) Making of Tranche C Revolving Loans. Promptly after receipt of the Borrowing/Conversion/Continuation Notice under Section 2.8 in respect of Tranche C Revolving Loans, the Administrative Agent shall notify each Lender with a Tranche C Revolving Loan Commitment, of the requested Tranche C Revolving Loan. Each Lender with a Tranche C Revolving Loan Commitment shall make available its Tranche C Revolving Loan in accordance with the terms of Section 2.7. The Administrative Agent will promptly make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's office in New York, New York on the applicable Borrowing Date and shall disburse such proceeds in accordance with the applicable Borrower's disbursement instructions set forth in such Borrowing/Conversion/Continuation Notice. The failure of any Lender to deposit the amount described above with the Administrative Agent on the applicable Borrowing Date shall not relieve any other Lender of its obligations hereunder to make its Tranche C Revolving Loan on such Borrowing Date.

(f) Making of Tranche D Revolving Loans. Promptly after receipt of the Borrowing/Conversion/Continuation Notice under Section 2.8 in respect of Tranche D Revolving Loans, the Administrative Agent shall notify each Lender with a Tranche D Revolving Loan Commitment, of the requested Tranche D Revolving Loan. Each Lender with a Tranche D Revolving Loan Commitment shall make available its Tranche D Revolving Loan in accordance with the terms of Section 2.7. The Administrative Agent will promptly make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's office in New York, New York on the applicable Borrowing Date and shall disburse such proceeds in accordance with the applicable Borrower's disbursement instructions set forth in such Borrowing/Conversion/Continuation Notice. The failure of any Lender to deposit the amount described above with the Administrative Agent on the applicable Borrowing Date shall not relieve any other Lender of its obligations hereunder to make its Tranche D Revolving Loan on such Borrowing Date.

## 2.2 Term Loans.

(a) Each of the parties hereto acknowledges and agrees that the Existing Term Loans shall continue as Term Loans for all purposes under this Agreement and the Loan Documents, with each Lender's share of Term Loans being set forth opposite its name on Exhibit A to this Agreement or set forth in a Lender Assignment Agreement under the Term Loan column, as such amount may be adjusted from time to time pursuant to the terms hereof. Amounts borrowed as a Term Loan which are repaid or prepaid by the Company may not be reborrowed. The Company shall repay all outstanding principal and all accrued but unpaid interest on the Term Loan Maturity Date.

(b) Term Loan Amortization. The Term Loans shall continue to be payable in quarterly installments in the amounts and on the dates as follows:

PAYMENT DATE	AMOUNT
March 31, 2003	\$6,000,000
June 30, 2003	\$6,000,000
September 30, 2003	\$6,000,000
December 31, 2003	\$6,000,000
March 31, 2004	\$6,000,000
June 30, 2004	\$2,600,000 or such other amount as shall then be outstanding.

## 2.3 Swing Line Loans.

(a) Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 5.1, 5.2 and 5.3, as applicable, from and including the Amendment Effective Date and prior to the Tranche C Revolving Loan Termination Date, the Swing Line Bank agrees, on the terms and conditions set forth in this Agreement, to make revolving swing line loans (each, individually, a "Swing Line Loan" and collectively, the "Swing Line Loans") to the Company from time to time in Dollars; provided that at no time shall the aggregate outstanding principal amount of all Swing Line Loans exceed the Swing Line Commitment; provided, further, that, at no time shall the Dollar Amount of the Tranche C Revolving Credit Obligations exceed the Aggregate Tranche C Revolving Loan Commitment; provided, further, that at no time shall the sum of (i) the outstanding principal amount of the Swing Line Loans plus (ii) the Dollar Amount of the Swing Line Bank's Pro Rata Tranche C Revolving Share of the amount equal to the Tranche C Revolving Credit Obligations less the outstanding principal amount of Swing Line Loans, exceed the Swing Line Bank's Tranche C Revolving Loan Commitment at such time.

(b) Borrowing/Conversion/Continuation Notice; Interest Rate. The Company and/or the applicable Borrower shall deliver to the Administrative Agent and the Swing Line Bank (if the Swing Line Bank is not BNS) a Borrowing/Conversion/Continuation Notice, signed by it, not later than 12:00 noon (New York time) on the Borrowing Date of each Swing Line Loan (or at such later time as may be acceptable to the Swing Line Bank in its sole discretion), specifying (i) the applicable Borrowing Date (which date shall be a Business Day and which may be the same date as the date the Borrowing/Conversion/Continuation Notice is given, (ii) the aggregate amount of the requested Swing Line Loan, the amount of which shall be not less than \$1,000,000 and (iii) payment instructions for the disbursement of such Loans. The Swing Line Loans shall bear interest at the Floating Rate.

(c) Making of Swing Line Loans. Not later than 3:00 p.m. (New York time) on the applicable Borrowing Date, the Swing Line Bank shall make available its Swing Line Loan, in funds immediately available in New York, New York to the Administrative Agent at its address specified pursuant to Article XV. The Administrative Agent will promptly make the funds so received from the Swing Line Bank available to the Company on the Borrowing Date at the Administrative Agent's aforesaid address.

(d) Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Company on or before the seventh (7th) Business Day after the Borrowing Date for such Swing Line Loan. The Company may at any time pay, without penalty or premium, all outstanding Swing Line Loans. In addition, the Administrative Agent (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, (ii) shall at any time upon the request of the Swing Line Bank in its sole discretion, or (iii) shall on the seventh (7th) Business Day after the



Borrowing Date of any Swing Line Loan, require (by giving notice thereof to each Lender with a Tranche C Revolving Loan Commitment not later than 10:00 a.m. (New York time) one Business Day before the date of such Loan) each Lender with a Tranche C Revolving Loan Commitment (including the Swing Line Bank) to make a Tranche C Revolving Loan in the amount of such Lender's Pro Rata Tranche C Revolving Share of such Swing Line Loan, for the purpose of repaying all or any outstanding portion of such Swing Line Loan. Not later than 2:00 p.m. (New York time) on the date of any notice received pursuant to this Section 2.3(d), each Lender shall make available its required Tranche C Revolving Loan, in funds immediately available in New York to the Administrative Agent at its address specified pursuant to Article XV. Tranche C Revolving Loans made pursuant to this Section 2.3(d) shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurocurrency Rate Loans in the manner provided in Section 2.10 and subject to the other conditions and limitations therein set forth and set forth in this Article II. Unless a Lender shall have notified the Swing Line Bank, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 5.1, 5.2 and 5.3, as applicable, had not then been satisfied, such Lender's obligation to make Tranche C Revolving Loans pursuant to this Section 2.3(d) to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Administrative Agent, the Swing Line Bank or any other Person, (b) the failure to satisfy any condition set forth herein or the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the condition (financial or otherwise) of the Company, or (d) any other circumstances, happening or event whatsoever. In the event that any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.3(d), the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.3(d) or may not make any Revolving Loan required by this Section 2.3, such Lender shall be deemed, at the option of the Administrative Agent or the Swing Line Bank, to have unconditionally and irrevocably purchased from the Swing Line Bank, without recourse or warranty, an undivided interest and participation in the Swing Line Loan in the amount of such Revolving Loan, and such interest and participation shall be paid by such Lender upon demand by the Swing Line Bank together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Tranche C Revolving Loan Termination Date, the Company shall repay in full the outstanding principal balance of the Swing Line Loans.

#### 2.4 Rate Options for all Advances; Maximum Interest Periods.

The Revolving Loans and Term Loans may be Floating Rate Advances or Eurocurrency Rate Advances, or a combination thereof, selected by the Company or the applicable Borrower in accordance with Section 2.9; provided that Loans denominated in euros may not be Floating Advances. The Company or the applicable Borrower may select, in accordance with Section 2.9, Rate Options and Interest Periods applicable to portions of the Revolving Loans, Term Loans and Alternate Currency Loans; provided that there shall be no more than twelve (12) Interest Periods in effect with respect to all of the Loans at any time (unless otherwise provided in the applicable Alternate Currency Addendum with respect to Alternate Currency Loans). Each Alternate Currency Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at the Alternate Currency Rate as set forth in the applicable Alternate Currency Addendum.

#### 2.5 Optional Payments; Mandatory Prepayments.

(a) Optional Payments. The Company or the applicable Borrower may from time to time and at any time upon at least one (1) Business Day's prior written notice repay or prepay without penalty or premium all or any part of outstanding Floating Rate Advances in an aggregate minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof. Eurocurrency Rate Advances may be voluntarily repaid or prepaid prior to the last day of the applicable Interest Period, subject to the indemnification provisions contained in Section 4.4, provided that the applicable Borrower may not so prepay Eurocurrency Rate Advances unless it shall have provided at least four (4) Business Days' prior written notice to the Administrative Agent of such

prepayment. Each Subsidiary Borrower may, upon prior written notice to the Administrative Agent and to the applicable Alternate Currency Bank as prescribed in the applicable Alternate Currency Addendum and specifying that it is prepaying all or a portion of its Alternate Currency Loans, prepay its Alternate Currency Loans in whole at any time, or from time to time in part in a Dollar Amount aggregating \$5,000,000 or any larger multiple Dollar Amount of \$1,000,000 (or as otherwise specified in the applicable Alternate Currency Addendum) by paying the principal amount to be paid together with all accrued and unpaid interest thereon to and including the date of payment; provided that any such payment occurring prior to the last day of any Interest Period related to such Alternate Currency Loan shall be subject to the indemnification provisions contained in Section 4.4.

(b) Mandatory Prepayments of Loans.

(i) If at any time and for any reason (other than fluctuations in currency exchange rates) the Dollar Amount of the Tranche A Revolving Credit Obligations, the Tranche B Revolving Credit Obligations, the Tranche C Revolving Credit Obligations or the Tranche D Revolving Credit Obligations is greater than the Aggregate Tranche A Revolving Loan Commitment, the Aggregate Tranche B Revolving Loan Commitment, the Aggregate Tranche C Revolving Loan Commitment or the Aggregate Tranche D Revolving Loan Commitment, respectively, the Company shall immediately make or cause to be made a mandatory prepayment of the Tranche A Revolving Credit Obligations, the Tranche B Revolving Credit Obligations, the Tranche C Revolving Credit Obligations or the Tranche D Revolving Credit Obligations, as the case may be, in an amount equal to such excess.

(ii) On the last Business Day of each month, the Administrative Agent shall calculate the Dollar Amount of all outstanding Alternate Currency Loans, Tranche B Revolving Credit Obligations and Tranche D Revolving Credit Obligations using, for each currency, the arithmetic mean of the buy and sell spot rates of exchange of the Administrative Agent in the London interbank market (or other market where the Administrative Agent's foreign exchange operations in respect of such currency are then being conducted) and if, on such Business Day:

(A) the Dollar Amount of the Tranche B Revolving Credit Obligations exceeds one hundred percent (100%) of the Aggregate Tranche B Revolving Loan Commitment as a result of fluctuations in currency exchange rates, the Borrowers shall immediately prepay Tranche B Revolving Loans in an aggregate amount such that after giving effect thereto the Dollar Amount of the Tranche B Revolving Credit Obligations is less than or equal to the Aggregate Tranche B Revolving Loan Commitment; or

(B) the Dollar Amount of the Tranche D Revolving Credit Obligations exceeds one hundred percent (100%) of the Aggregate Tranche D Revolving Loan Commitment as a result of fluctuations in currency exchange rates, the Borrowers shall immediately prepay Tranche D Revolving Loans in an aggregate amount such that after giving effect thereto the Dollar Amount of the Tranche D Revolving Credit Obligations is less than or equal to the Aggregate Tranche D Revolving Loan Commitment; or

(C) the Dollar Amount of the aggregate outstanding principal amount of Alternate Currency Loans in the same Alternate Currency exceeds the aggregate Alternate Currency Commitments with respect thereto as a result of fluctuations in currency exchange rates, the applicable Borrowers shall on such date prepay Alternate Currency Loans in such Alternate Currency in an aggregate amount such that after giving effect thereto the Dollar amount of all Alternate Currency Loans is less than or equal to the aggregate Alternate Currency Commitments with respect thereto.

(iii) The Company shall make all mandatory prepayments required under Section 2.6.

(iv) At any time prior to the Trigger Event Date and so long

as any Term Loans are outstanding, the Company shall prepay the Term Loans in an amount equal to 100% of (A) the Net Proceeds realized upon any Asset Sale made by the Company or its Subsidiaries, (B) any insurance proceeds received by the Company or its Subsidiaries in respect of any casualty involving such Person's property and (C) any payments received by the Company or its Subsidiaries from a condemnation of such Person's property, to the extent any of the foregoing amounts are not applied (or committed to be applied) within one hundred and twenty (120) days after the consummation or receipt thereof, as applicable, to the purchase of similar assets that are not classified as current assets under Agreement Accounting Principles and are used or useful in the business of the Company or its Subsidiaries or to the repair or restoration of the Company's or its Subsidiaries' property. If the Company or the applicable Subsidiary does intend to so reinvest any such amounts, the Company shall give notice of such intent (and the amount intended to be reinvested) to the Administrative Agent upon receipt of such proceeds. Pending such reinvestment, the Company shall use such amounts to pay down the principal amount of the Revolving Loans to the extent thereof (but without a permanent reduction of the Revolving Loan Commitments). If the Company or the applicable Subsidiary does not intend to so reinvest such proceeds or if the period set forth in the immediately preceding sentence expires without the Company or such Subsidiary having reinvested such proceeds, the Company shall prepay the Term Loans (within one (1) Business Day of the expiration of said one hundred and twenty (120) day period) in an amount equal to such proceeds after giving effect to all reinvestments permitted by this subsection.

(v) At any time prior to the Trigger Event Date and so long as any Term Loans are outstanding, within ninety (90) days after the end of each fiscal year, the Company shall prepay the Term Loans in an amount equal to fifty percent (50%) of the Excess Cash Flow, if any, generated by the Company and its Subsidiaries during the immediately preceding fiscal year of the Company.

(vi) At any time prior to the Trigger Event Date and so long as any Term Loans are outstanding, if the Company or any Subsidiary shall issue new Equity Interests or receive any capital contributions other than Equity Interests issued to the Company or another Subsidiary and capital contributions received from the Company or another Subsidiary, the Company shall promptly notify the Administrative Agent of the estimated Net Proceeds of such issuance or of such capital contribution to be received in respect thereof. Promptly upon, and in no event later than one (1) Business Day after, receipt by the Company or such Subsidiary of Net Proceeds of such issuance or of such capital contribution, the Company shall prepay the Term Loans in an amount equal to 50% of such Net Proceeds or capital contribution (unless a Default or Unmatured Default shall have occurred and be continuing, in which case the Company shall prepay the Term Loans in an amount equal to 100% of such Net Proceeds or capital contribution). Notwithstanding the foregoing, in no event shall the Company's obligation to prepay the Term Loans pursuant to an issuance under this Section 2.5(b)(vi) exceed an amount equal to the Net Proceeds of such issuance less any prepayment of the Subordinated Seller Note made with respect to such issuance and required under Section 4.2 of the Subordinated Seller Note (but only to the extent otherwise permitted by the subordination provisions of the Subordinated Seller Note).

(vii) At any time prior to the Trigger Event Date and so long as any Term Loans are outstanding, the Company shall immediately prepay the Term Loans in an amount equal to 100% of the Net Proceeds of any Indebtedness issued by the Company or any Subsidiary (excluding Indebtedness permitted pursuant to Section 7.3(c)).

(viii) All of the mandatory prepayments made under Section 2.5(b)(i)-(iii) shall be applied to the Tranche A Revolving Credit Obligations, the Tranche B Revolving Credit Obligations, the Tranche C Revolving Credit Obligations or the Tranche D Revolving Credit Obligations, as applicable, first to Floating Rate Loans and to any Eurocurrency Rate Loans and Alternate Currency Loans maturing on such date and then to subsequently maturing Eurocurrency Rate Loans and Alternate Currency Loans in order of maturity.

(ix) Any prepayments pursuant to Sections 2.5(b)(iv)-(vii) shall be applied to the outstanding principal balance of the Term

Loans against all remaining scheduled principal installments in inverse order of maturity.

## 2.6 Reductions and Adjustments of Revolving Loan Commitments.

(a) The Company may permanently reduce (i) the Aggregate Tranche A Revolving Loan Commitment in whole, or in part ratably among the Lenders with a Tranche A Revolving Loan Commitment, in an aggregate minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount (unless the Aggregate Tranche A Revolving Loan Commitment is reduced in whole), (ii) the Aggregate Tranche B Revolving Loan Commitment in whole, or in part ratably among the Lenders with a Tranche B Revolving Loan Commitment, in an aggregate minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount (unless the Aggregate Tranche B Revolving Loan Commitment is reduced in whole), (iii) the Aggregate Tranche C Revolving Loan Commitment in whole, or in part ratably among the Lenders with a Tranche C Revolving Loan Commitment, in an aggregate minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount (unless the Aggregate Tranche C Revolving Loan Commitment is reduced in whole), (iv) the Aggregate Tranche D Revolving Loan Commitment in whole, or in part ratably among the Lenders with a Tranche D Revolving Loan Commitment, in an aggregate minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount (unless the Aggregate Tranche D Revolving Loan Commitment is reduced in whole) or (v) the Swing Line Commitments in whole or in part in amounts of \$1,000,000 upon at least three (3) Business Day's prior written notice to the Administrative Agent and the Swing Line Bank, which notice shall specify the amount of any such reduction; provided that (a) the amount of the Aggregate Tranche A Revolving Loan Commitment may not be reduced below the aggregate principal Dollar Amount of the outstanding Tranche A Revolving Credit Obligations, (b) the amount of the Aggregate Tranche B Revolving Loan Commitment may not be reduced below the aggregate principal Dollar Amount of the outstanding Tranche B Revolving Credit Obligations or below the aggregate amount of Alternate Currency Commitments, (c) the amount of the Aggregate Tranche C Revolving Loan Commitment may not be reduced below the aggregate principal Dollar Amount of the outstanding Tranche C Revolving Credit Obligations or below the aggregate amount of the Swing Line Commitment and (d) the amount of the Aggregate Tranche D Revolving Loan Commitment may not be reduced below the aggregate principal Dollar Amount of the outstanding Tranche D Revolving Credit Obligations or below the aggregate amount of Alternate Currency Commitments. All accrued commitment fees shall be payable on the effective date of any termination of all or any part the obligations of the Lenders to make Loans hereunder. Each Subsidiary Borrower may, upon three (3) Business Days prior written notice to the Administrative Agent and to the applicable Alternate Currency Bank, terminate entirely at any time or reduce from time to time by an aggregate amount of \$5,000,000 or any larger multiple of \$1,000,000 (or as set forth on the applicable Alternate Currency Addendum), the unused portions of the applicable Alternate Currency Commitment as specified by the applicable Subsidiary Borrower in such notice to the Administrative Agent and the applicable Alternate Currency Bank; provided that at no time shall the Alternate Currency Commitment of any Lender in respect of any Alternate Currency be reduced to an amount less than the total outstanding principal amount of all Alternate Currency Loans of such Lender made in such Alternate Currency.

(b) Any Lender (i) with a Tranche A Revolving Loan Commitment may, upon three (3) Business Day's prior written notice to the Administrative Agent and the Company, convert all of its Tranche A Revolving Loan Commitment to a Tranche C Revolving Loan Commitment and upon such conversion such Lender shall have a Tranche C Revolving Loan Commitment in an amount equal to such Lender's prior Tranche A Revolving Loan Commitment, such Lender's prior Tranche A Revolving Loan Commitment shall be permanently reduced to zero and the Aggregate Tranche A Revolving Loan Commitment shall be permanently reduced by an amount equal to such Lender's new Tranche C Revolving Loan Commitment and (ii) with a Tranche B Revolving Loan Commitment may, upon three (3) Business Day's prior written notice to the Administrative Agent and the Company, convert all of its Tranche B Revolving Loan Commitment to a Tranche D Revolving Loan Commitment and upon such conversion such Lender shall have a Tranche D Revolving Loan Commitment in an amount equal to such Lender's prior Tranche B Revolving Loan Commitment, such Lender's prior Tranche B Revolving Loan Commitment shall be permanently reduced to zero and the Aggregate Tranche B Revolving Loan Commitment shall be permanently reduced by an amount equal to such Lender's new Tranche D Revolving Loan Commitment.

(c) If any prospective Lender has indicated its desire to provide commitments (i) with respect to Tranche C Revolving Loans, the Company may, simultaneously with the execution by such prospective Lender of an Assignment Agreement pursuant to Section 14.3, permanently reduce the Aggregate Tranche A Revolving Loan Commitment ratably among the Lenders with a Tranche A Revolving Loan Commitment in an amount equal to the new Tranche C Revolving Loan Commitment of such prospective Lender with a concurrent ratable transfer of any outstanding Tranche A Revolving Loans to Tranche C Revolving Loans and (ii) with respect to Tranche D Revolving Loans, the Company may, simultaneously with the execution by such prospective Lender of an Assignment Agreement pursuant to Section 14.3, permanently reduce the Aggregate Tranche B Revolving Loan Commitment ratably among the Lenders with a Tranche B Revolving Loan Commitment in an amount equal to the new Tranche D Revolving Loan Commitment of such prospective Lender with a concurrent ratable transfer of any outstanding Tranche B Revolving Loans to Tranche D Revolving Loans.

2.7 Method of Borrowing. Not later than 2:00 p.m. (New York time) on each Borrowing Date, each Lender shall make available its Revolving Loan in immediately available funds in the applicable Agreed Currency to the Administrative Agent at its address specified on its signature page hereto or as otherwise specified pursuant to Article XV, unless the Administrative Agent has notified the Lenders that such Loan is to be made available to the applicable Borrower at the Administrative Agent's Eurocurrency Payment office, in which case each Lender shall make available its Loan or Loans, in funds immediately available to the Administrative Agent at its Eurocurrency Payment Office, not later than 12:00 noon (local time in the city of the Administrative Agent's Eurocurrency Payment Office) in the Agreed Currency designated by the Administrative Agent. The Administrative Agent will promptly make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's aforesaid address or Eurocurrency Payment Office, as applicable.

2.8 Method of Selecting Types and Interest Periods for Advances. The applicable Borrower shall select the Type of Advance and, in the case of each Eurocurrency Rate Advance, the Interest Period, Agreed Currency and/or Alternate Currency applicable to each Advance from time to time. The applicable Borrower shall give the Administrative Agent irrevocable notice in substantially the form of Exhibit B hereto (a "Borrowing/Conversion/Continuation Notice") not later than 11:00 a.m. (New York time) (a) one (1) Business Day before the Borrowing Date of each Floating Rate Advance, and (b) three (3) Business Days before the Borrowing Date for each Eurocurrency Rate Advance to be made in Dollars, and (c) four (4) Business Days before the Borrowing Date for each Eurocurrency Rate Advance to be made in any Agreed Currency other than Dollars and (d) three (3) Business Days before the Borrowing Date for each Alternate Currency Loan (or such other period as may be agreed to by the Administrative Agent and the applicable Borrower), and the applicable Borrower shall give the applicable Alternate Currency Bank irrevocable notice by 11:00 a.m. (local time) three (3) Business Days prior to the Borrowing Date for such Alternate Currency Loan (or such other period as may be agreed to by the applicable Alternate Currency Bank or specified in the applicable Alternate Currency Addendum), specifying: (i) the Borrowing Date (which shall be a Business Day) of such Advance; (ii) the aggregate amount of such Advance; (iii) the Type of Advance selected; (iv) whether the Advance will be a Tranche A Advance, a Tranche B Advance, a Tranche C Advance or a Tranche D Advance; and (v) in the case of each Eurocurrency Rate Loan, the Interest Period and Agreed Currency or Alternate Currency applicable thereto. Each Floating Rate Advance, each Alternate Currency Loan bearing a fluctuating Alternate Currency Rate and all Obligations other than Loans shall bear interest from and including the date of the making of such Advance, in the case of Loans, and the date such Obligation is due and owing in the case of such other Obligations, to (but not including) the date of repayment thereof at the Floating Rate or Alternate Currency Rate, as applicable, changing when and as such Floating Rate or Alternate Currency Rate, as applicable, changes. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Loan will take effect simultaneously with each change in the Alternate Base Rate. Changes in the rate of interest on any portion of any Alternate Currency Loan bearing a fluctuating Alternate Currency Rate will take effect simultaneously with each change in such Alternate Currency Rate. Each Eurocurrency Rate Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurocurrency Rate Advance and shall change as and when the Applicable Eurocurrency Margin changes.

2.9 Minimum Amount of Each Advance. Each Advance (other than an Advance to repay a Swing Line Loan or Reimbursement Obligation) shall be in the minimum Dollar Amount of \$5,000,000 (or the Approximate Equivalent Amount of any Agreed Currency other than Dollars or any Alternate Currency) and in Dollar Amount multiples of \$1,000,000 (or the Approximate Equivalent Amount of any Agreed Currency other than Dollars or any Alternate Currency) if in excess thereof (or

such other amounts as may be specified in the applicable Alternate Currency Addendum), provided that any Floating Rate Advance may be in the amount of the unused Aggregate Tranche A Revolving Loan Commitment, Aggregate Tranche B Revolving Loan Commitment, Aggregate Tranche C Revolving Loan Commitment or Aggregate Tranche D Revolving Loan Commitment, as the case may be.

## 2.10 Method of Selecting Types and Interest Periods for Conversion and Continuation of Advances.

(a) Right to Convert. The applicable Borrower may elect from time to time, subject to the provisions of Section 2.4 and this Section 2.10, to convert all or any part of a Loan (other than a Swing Line Loan) of any Type into any other Type or Types of Loans (other than a Swing Line Loan); provided that any conversion of any Eurocurrency Rate Advance shall be made on, and only on, the last day of the Interest Period applicable thereto.

(b) Automatic Conversion and Continuation. Floating Rate Loans shall continue as Floating Rate Loans unless and until such Floating Rate Loans are converted into Eurocurrency Rate Loans. Eurocurrency Rate Loans shall continue as Eurocurrency Rate Loans until the end of the then applicable Interest Period therefor, at which time such Eurocurrency Rate Loans shall be automatically converted into Floating Rate Loans unless the Company shall have given the Administrative Agent notice in accordance with Section 2.10(d) requesting that, at the end of such Interest Period, such Eurocurrency Rate Loans continue as a Eurocurrency Rate Loan. Unless a Borrowing/Conversion/Continuation Notice shall have timely been given in accordance with the terms of this Section 2.10, Eurocurrency Rate Advances in an Agreed Currency other than Dollars and Alternate Currency Loans shall automatically continue as Eurocurrency Rate Advances in the same Agreed Currency or Alternate Currency Loans in the same Alternate Currency, as applicable, with an Interest Period of one (1) month.

(c) No Conversion Post-Default or Post-Unmatured Default. Notwithstanding anything to the contrary contained in Section 2.10(a) or Section 2.10(b), no Loan may be converted into or continued as a Eurocurrency Rate Loan (except with the consent of the Required Lenders) when any Default or Unmatured Default has occurred and is continuing.

(d) Borrowing/Conversion/Continuation Notice. The Company shall give the Administrative Agent a Borrowing/Conversion/Continuation Notice with respect to each conversion of a Floating Rate Loan into a Eurocurrency Rate Loan or continuation of a Eurocurrency Rate Loan not later than 11:00 a.m. (New York time) (i) three (3) Business Days prior to the date of the requested conversion or continuation, with respect to any Loan to be converted or continued as a Eurocurrency Rate Loan in Dollars, (ii) four (4) Business Days prior to the date of the requested conversion or continuation with respect to any Loan to be converted or continued as a Eurocurrency Rate Loan in an Agreed Currency other than Dollars, and (iii) five (5) Business Days before the date of the requested conversion or continuation Borrowing Date with respect to the conversion or continuation of any Alternate Currency Loan (or such other period as may be agreed to by the Administrative Agent), and the applicable Subsidiary Borrower shall give the applicable Alternate Currency Bank irrevocable notice by 11:00 a.m. (local time) three (3) Business Days prior to the conversion or continuation of such Alternate Currency Loan (or such other period as may be specified in the applicable Alternate Currency Addendum), specifying: (x) the requested date (which shall be a Business Day) of such conversion or continuation; (y) the amount and Type of the Loan to be converted or continued; and (z) the amount of Eurocurrency Rate Loan(s) or Alternate Currency Loan(s), as applicable, into which such Loan is to be converted or continued, the Agreed Currency or Alternate Currency, as applicable, and the duration of the Interest Period applicable thereto.

(e) Notwithstanding anything herein to the contrary, (i) Eurocurrency Rate Advances in an Agreed Currency may be continued as Eurocurrency Rate Advances only in the same Agreed Currency, (ii) Alternate Currency Loans in an Alternate Currency may be continued as Alternate Currency Loans only in the same Alternate Currency, (iii) Tranche A Advances may only be continued as Tranche A Advances, (iv) Tranche B Advances may only be continued as Tranche B Advances, (v) Tranche C Advances may only be continued as Tranche C Advances and (vi) Tranche D Advances may only be continued as Tranche D Advances.

2.11 Default Rate. After the occurrence and during the continuance of a Default, each outstanding Loan shall bear interest at a rate equal to the rate otherwise applicable thereto (giving effect to the provisions of Section 2.15(d)(ii)) plus 2% per annum.

2.12 Method of Payment. All payments of principal, interest, fees, commissions, and other amounts payable hereunder shall be made, without setoff, deduction or counterclaim in immediately available funds to the Administrative Agent (a) at the Administrative Agent's address specified pursuant to Article XV with respect to Advances or other Obligations denominated in Dollars and (b) at the Administrative Agent's Eurocurrency Payment Office with respect to any Advance or other Obligations denominated in an Agreed Currency other than Dollars, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Company, by 1:00 p.m. (New York time) on the date when due and shall be applied ratably among the applicable Lenders with respect to any principal and interest due in connection with Loans. Each Advance shall be repaid or prepaid in the Agreed Currency in which it was made in the amount borrowed and interest payable thereon shall also be paid in such currency. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds which the Administrative Agent received at its address specified pursuant to Article XV or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. The Company authorizes the Administrative Agent to charge the account of the Company maintained with BNS for each payment of principal, interest, fees, commissions and L/C Obligations as it becomes due hereunder. Each reference to the Administrative Agent in this Section 2.12 shall also be deemed to refer, and shall apply equally, to each Issuing Bank, in the case of payments required to be made by the Company to any Issuing Bank pursuant to Article III.

All payments to be made by the Borrowers hereunder in respect of any Alternate Currency Loans shall be made in the currencies in which such Loans are denominated and in funds immediately available, at the office or branch from which the Loan was made pursuant to Section 2.20 and the applicable Alternate Currency Addendum not later than 3:00 p.m. (local time) on the date on which such payment shall become due. Promptly, and in any event within two (2) Business Days after receipt, upon receipt of any payment of principal of the Alternate Currency Loans the applicable Alternate Currency Bank shall give written notice to the Administrative Agent by telex or telecopy of the receipt of such payment.

Notwithstanding the foregoing provisions of this Section, if, after the making of any Advance in any currency other than Dollars, currency control or exchange regulations are imposed in the country which issues such Agreed Currency or Alternate Currency, as applicable, with the result that different types of such Agreed Currency or Alternate Currency, as applicable, (the "New Currency") are introduced and the type of currency in which the Advance was made (the "Original Currency") no longer exists or any Borrower is not able to make payment to the Administrative Agent for the account of the Lenders or Alternate Currency Bank, as applicable, in such Original Currency, then all payments to be made by the Borrowers hereunder in such currency shall be made to the Administrative Agent or Alternate Currency Bank, as applicable, in such amount and such type of the New Currency or Dollars as shall be equivalent to the amount of such payment otherwise due hereunder in the Original Currency, it being the intention of the parties hereto that the Borrowers take all risks of the imposition of any such currency control or exchange regulations. In addition, notwithstanding the foregoing provisions of this Section, if, after the making of any Advance in any currency other than Dollars, the applicable Borrower is not able to make payment to the Administrative Agent for the account of the Lenders or the applicable Alternate Currency Bank in the type of currency in which such Advance was made because of the imposition of any such currency control or exchange regulation, then such Advance shall instead be repaid when due in Dollars in a principal amount equal to the Dollar Amount (as of the date of repayment) of such Advance.

## 2.13 Evidence of Debt.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts (a "Loan Account") evidencing the indebtedness of the Borrowers owing to such Lender hereunder from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Register maintained by the Administrative Agent pursuant to Section 14.3(c) shall reflect (i) the date and the amount of each Loan made hereunder, the Type thereof and the Interest Period, if any, applicable thereto, (ii) the amount and the currency of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder, (iii) the effective date and amount of each Assignment Agreement delivered to and accepted by it and the parties thereto pursuant to Section 14.3, (iv) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof, and (v) all other appropriate debits and credits as provided in this Agreement, including, without

limitation, all fees, charges, expenses and interest.

(c) The entries made in the Loan Account, the Register and the other accounts maintained pursuant to subsections (a) or (b) of this Section shall be presumptively correct for all purposes, absent manifest error; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Obligations in accordance with the terms of this Agreement.

(d) Any Lender may request that the Tranche A Revolving Loans, the Tranche B Revolving Loans, the Tranche C Revolving Loans, the Tranche D Revolving Loans or the Term Loans made by it each be evidenced by a promissory note in substantially the forms of Exhibit I-1, Exhibit I-2, Exhibit I-3, Exhibit I-4 or Exhibit I-5, respectively, to evidence such Lender's Tranche A Revolving Loans, Tranche B Revolving Loans, Tranche C Revolving Loans, Tranche D Revolving Loans or Term Loans, as applicable. In such event, the applicable Borrower shall promptly prepare, execute and deliver to such Lender a promissory note for such Loans payable to the order of such Lender and in a form approved by the Administrative Agent and consistent with the terms of this Agreement. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 14.3) be represented by one or more promissory notes in such form payable to the order of the payee named therein.

2.14 Telephonic Notices. The Borrowers authorize the Lenders and the Administrative Agent to extend Loans, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the applicable Borrower. The Borrowers agree to deliver promptly to the Administrative Agent a written confirmation, signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.15 Promise to Pay; Interest and Fees; Interest Payment Dates; Interest and Fee Basis; Taxes; Loan and Control Accounts.

(a) Promise to Pay. Each Borrower unconditionally promises to pay when due the principal amount of each Loan and all other Obligations incurred by it, and to pay all unpaid interest accrued thereon, in accordance with the terms of this Agreement and the other Loan Documents.

(b) Interest Payment Dates. Interest accrued on each Floating Rate Loan and each Alternate Currency Loan bearing a fluctuating Alternate Currency Rate shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, upon any prepayment whether by acceleration or otherwise, and at maturity (whether by acceleration or otherwise). Interest accrued on each Fixed-Rate Loan shall be payable on the last day of its applicable Interest Period, on any date on which the Fixed-Rate Loan is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Fixed-Rate Loan having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest accrued on the principal balance of all other Obligations shall be payable in arrears (i) on the last day of each calendar month, commencing on the first such day following the incurrence of such Obligation, (ii) upon repayment thereof in full or in part, and (iii) if not theretofore paid in full, at the time such other Obligation becomes due and payable (whether by acceleration or otherwise).

(c) Fees.

(i) The Company shall pay to the Administrative Agent (A) for the account of the Lenders in accordance with their Pro Rata Tranche A Revolving Shares, from and after the date of this Agreement until the Tranche A Revolving Loan Termination Date, a commitment fee accruing at the rate of the then Applicable Commitment Fee Percentage on the unutilized portion of such Lender's Tranche A Revolving Loan Commitment, (B) for the account of the Lenders in accordance with their Pro Rata Tranche B Revolving Shares, from and after the date of this Agreement until the Tranche B Revolving Loan Termination Date, a commitment fee accruing at the rate of the then Applicable Commitment Fee Percentage on the unutilized portion of such Lender's Tranche B Revolving Loan (treating Alternate Currency Loans as usage), (C) for the account of the Lenders in accordance with their Pro Rata Tranche C Revolving Shares, from and after the date of this Agreement until the Tranche C Revolving Loan Termination Date, a commitment fee accruing at



the rate of the then Applicable Commitment Fee Percentage on the unutilized portion of such Lender's Tranche C Revolving Loan Commitment (treating Letters of Credit, but not Swing Line Loans, as usage) and (D) for the account of the Lenders in accordance with their Pro Rata Tranche D Revolving Shares, from and after the date of this Agreement until the Tranche D Revolving Loan Termination Date, a commitment fee accruing at the rate of the then Applicable Commitment Fee Percentage on the unutilized portion of such Lender's Tranche D Revolving Loan (treating Alternate Currency Loans as usage). The commitment fee shall be payable in arrears on each Payment Date hereafter, and, in addition, on any date on which the Tranche A Revolving Loan Commitment, the Tranche B Revolving Loan Commitment, the Tranche C Revolving Loan Commitment or the Tranche D Revolving Loan Commitment, as applicable, shall be terminated in whole or, with respect to such terminated amount, in part.

(ii) The Company agrees to pay to the Administrative Agent, for the sole account of the Administrative Agent (unless otherwise agreed between the Administrative Agent and any Lender) the fees set forth in the Original Fee Letter, payable at the times and in the amounts set forth therein.

(iii) The applicable Borrower agrees to pay to each Alternate Currency Bank, for its sole account, a fronting fee equal to 0.25% of the average daily outstanding Dollar Amount of all Alternate Currency Loans made by such Alternate Currency Bank.

(d) Interest and Fee Basis; Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage.

(i) Interest on all Fixed-Rate Loans (except as provided otherwise in the applicable Alternate Currency Addendum in the case of an Alternate Currency Loan) and fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest on all Floating Rate Loans shall be calculated for actual days elapsed on the basis of a 365-, or when appropriate 366-, day year. Interest shall be payable for the day an Obligation is incurred but not for the day of any payment on the amount paid if payment is received prior to 3:00 p.m. (local time) at the place of payment. If any payment of principal or interest on a Loan or any payment of any other Obligations shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest, fees and commissions in connection with such payment.

(ii) The Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage shall be determined from time to time on the basis of the then applicable Leverage Ratio in accordance with the following table:

LEVERAGE RATIO	APPLICABLE FLOATING RATE MARGIN	APPLICABLE EUROCURRENCY MARGIN	APPLICABLE COMMITMENT FEE PERCENTAGE
Less than 1.50	0.25%	1.25%	0.375%
1.50 or greater, but less than 2.00	0.75%	1.75%	0.375%
2.00 or greater, but less than 2.50	1.25%	2.25%	0.500%
2.50 or greater, but less than 2.75	1.75%	2.75%	0.500%
2.75 or greater, but less than 3.00	2.00%	3.00%	0.500%
3.00 or greater	2.25%	3.25%	0.500%

Upon receipt of the financial statements to be delivered by the Company in accordance with Section 7.1(a)(i) or (ii), as applicable, for any fiscal quarter or, if earlier, upon receipt of the Company's audited financial statements for any fiscal year, the Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage shall be adjusted, such adjustment being effective five (5) Business Days following the Administrative Agent's receipt of such financial statements and the compliance certificate required to be delivered in connection therewith pursuant to Section 7.1(a)(iii); provided that if the Company shall not have timely delivered its financial statements in accordance with Section 7.1(a)(i) or (ii), as applicable, then commencing on the date upon which such financial statements should have been delivered and continuing until such financial statements are actually delivered, it shall be assumed for purposes of determining the Applicable Floating

Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage that the Leverage Ratio was greater than 2.50 to 1.0. Notwithstanding the foregoing, for so long as any Default shall have occurred and be continuing, the Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage shall be the highest Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Margin set forth in the foregoing table.

(e) Taxes.

(i) Any and all payments by the Borrowers hereunder (whether in respect of principal, interest, fees or otherwise) shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings or any interest, penalties and liabilities with respect thereto but excluding, in the case of each Lender and the Administrative Agent, such taxes (including income taxes, franchise taxes and branch profit taxes) as are imposed on or measured by such Lender's or the Administrative Agent's, as the case may be, net income by the United States of America or any Governmental Authority of the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings, and liabilities which the Administrative Agent or a Lender determines to be applicable to this Agreement, the other Loan Documents, the Revolving Loan Commitments, the Loans or the Letters of Credit being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable hereunder or under the other Loan Documents to any Lender or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions or withholdings (including deductions applicable to additional sums payable under this Section 2.15(e)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the applicable Borrower shall make such deductions or withholdings, and (iii) the applicable Borrower shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law.

(ii) In addition, the Borrowers agree to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies which arise from any payment made hereunder, from the issuance of Letters of Credit hereunder, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the other Loan Documents, the Revolving Loan Commitments, the Loans or the Letters of Credit (hereinafter referred to as "Other Taxes").

(iii) The Company and each Subsidiary Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any Governmental Authority on amounts payable under this Section 2.15(e)) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days after the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor. A certificate as to any additional amount payable to any Lender or the Administrative Agent under this Section 2.15(e) submitted to the applicable Borrower and the Administrative Agent (if a Lender is so submitting) by such Lender or the Administrative Agent shall show in reasonable detail the amount payable and the calculations used to determine such amount and shall, absent manifest error, be final, conclusive and binding upon all parties hereto.

(iv) Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Company or any Subsidiary Borrower, the Company shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof.

(v) Without prejudice to the survival of any other agreement of the Company and the Subsidiary Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 2.15(e) shall survive the payment in full of all Obligations, the termination of the Letters of Credit and the termination of this Agreement.

(vi) Each Lender (including any Replacement Lender or

Purchaser) that is not created or organized under the laws of the United States of America or a political subdivision thereof (each a "Non-U.S. Lender") shall deliver to the Company and the Administrative Agent on or before the Closing Date, or, if later, the date on which such Lender becomes a Lender pursuant to Section 14.3 hereof (and from time to time thereafter upon the request of the Company or the Administrative Agent, but only for so long as such Non-U.S. Lender is legally entitled to do so), either (A) two (2) duly completed copies of either (x) IRS Form W-8BEN, or (y) IRS Form W-8ECI, or in either case an applicable successor form or (B) in the case of a Non-U.S. Lender that is not legally entitled to deliver either form listed in clause (vi)(A)(I), (I) a certificate of a duly authorized officer of such Non-U.S. Lender to the effect that such Non-U.S. Lender is not (x) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (y) a "10 percent shareholder" of the Company or any Subsidiary Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (z) a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code (such certificate, an "Exemption Certificate") and (II) two (2) duly completed copies of IRS Form W-8BEN or applicable successor form. Each such Lender further agrees to deliver to the Company and the Administrative Agent from time to time a true and accurate certificate executed in duplicate by a duly authorized officer of such Lender in a form satisfactory to the Company and the Administrative Agent, before or promptly upon the occurrence of any event requiring a change in the most recent certificate previously delivered by it to the Company and the Administrative Agent pursuant to this Section 2.15(e)(vi). Further, each Lender which delivers a form or certificate pursuant to this clause (vi) covenants and agrees to deliver to the Company and the Administrative Agent within fifteen (15) days prior to the expiration of such form, for so long as this Agreement is still in effect, another such certificate and/or two (2) accurate and complete original newly-signed copies of the applicable form (or any successor form or forms required under the Code or the applicable regulations promulgated thereunder).

Each Lender shall promptly furnish to the Company and the Administrative Agent such additional documents as may be reasonably required by any Borrower or the Administrative Agent to establish any exemption from or reduction of any Taxes or Other Taxes required to be deducted or withheld and which may be obtained without undue expense to such Lender. Notwithstanding any other provision of this Section 2.15(e), no Borrower shall be obligated to gross up any payments to any Lender pursuant to Section 2.15(e)(i), or to indemnify any Lender pursuant to Section 2.15(e)(iii), in respect of United States federal withholding taxes to the extent imposed as a result of (x) the failure of such Lender to deliver to the Company the form or forms and/or an Exemption Certificate, as applicable to such Lender, pursuant to Section 2.15(e)(vi), or (y) such form or forms and/or Exemption Certificate not establishing a complete exemption from U.S. federal withholding tax or the information or certifications made therein by the Lender being untrue or inaccurate on the date delivered in any material respect, provided that the applicable Borrower shall be obligated to gross up any payments to any such Lender pursuant to Section 2.15(e)(i), and to indemnify any such Lender pursuant to Section 2.15(e)(iii), in respect of United States federal withholding taxes if (x) any such failure to deliver a form or forms or an Exemption Certificate or the failure of such form or forms or exemption certificate to establish a complete exemption from U.S. federal withholding tax or inaccuracy or untruth contained therein resulted from a change in any applicable statute, treaty, regulation or other applicable law or any interpretation of any of the foregoing occurring after the date hereof, which change rendered such Lender no longer legally entitled to deliver such form or forms or Exemption Certificate or otherwise ineligible for a complete exemption from U.S. federal withholding tax, or rendered the information or the certifications made in such form or forms or Exemption Certificate untrue or inaccurate in any material respect, or (y) the obligation to gross up payments to any such Lender pursuant to Section 2.15(e)(i), or to indemnify any such Lender pursuant to Section 2.15(e)(iii), is with respect to a Purchaser that becomes a Purchaser as a result of an assignment made at the request of the Company.

2.16 Notification of Advances, Interest Rates, Prepayments and Aggregate Revolving Loan Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Revolving Loan Commitment reduction notice, Borrowing/Conversion/Continuation Notice, and repayment notice received by it hereunder. The Administrative Agent will notify the Company or applicable Borrower and each Lender of the interest rate and Agreed Currency applicable to each Fixed-Rate Loan promptly upon determination of such interest rate and

Agreed Currency and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.17 Lending Installations. Each Lender may book its Loans or Letters of Credit at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation. Each Lender may, by written or facsimile notice to the Administrative Agent and the Company, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments and/or payments of L/C Obligations are to be made.

2.18 Non-Receipt of Funds by the Administrative Agent. Unless a Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (a) in the case of a Lender, the proceeds of a Loan or (b) in the case of any Borrower, a payment of principal, interest fees or other Obligations to the Administrative Agent for the account of any of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the applicable Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by a Borrower, the interest rate applicable to the relevant Loan.

2.19 Termination Date. This Agreement shall be effective until the date (the "Facility Termination Date") upon which (a) all of the Obligations (other than contingent indemnity obligations) shall have been fully and indefeasibly paid and satisfied, (b) all commitments of the Lenders to extend credit hereunder have expired or have been terminated and (c) all of the Letters of Credit shall have expired, been canceled or terminated. Notwithstanding the occurrence of the Facility Termination Date, obligations of the Borrowers and other terms hereof which by the terms of this Agreement survive termination shall survive the Facility Termination Date.

2.20 Replacement of Certain Lenders. In the event a Lender ("Affected Lender") shall have: (a) failed to fund its Pro Rata Tranche A Revolving Share, Pro Rata Tranche B Revolving Share, Pro Rata Tranche C Revolving Share or Pro Rata Tranche D Revolving Share of any Advance requested by the applicable Borrower, or to make payment in respect of any Alternate Currency Loan purchased by such Lender pursuant to Section 2.21(e), which such Lender is obligated to fund under the terms of this Agreement and which failure has not been cured, (b) requested compensation from any Borrower under Sections 2.15(e), 4.1 or 4.2 to recover Taxes, Other Taxes or other additional costs incurred by such Lender which are not being incurred generally by the other Lenders except as provided under any applicable Alternate Currency Addendum, or (c) delivered a notice pursuant to Section 4.3 claiming that such Lender is unable to extend Eurocurrency Rate Loans to the Company for reasons not generally applicable to the other Lenders, then, in any such case, after the engagement of one or more "Replacement Lenders" (as defined below) by the Company and/or the Administrative Agent, the Company or the Administrative Agent may make written demand on such Affected Lender (with a copy to the Administrative Agent in the case of a demand by the Company and a copy to the Company in the case of a demand by the Administrative Agent) for the Affected Lender to assign, and such Affected Lender shall use commercially reasonable efforts to assign pursuant to one or more duly executed Assignment Agreements five (5) Business Days after the date of such demand, to one or more financial institutions that comply with the provisions of Section 14.3(a) which the Company or the Administrative Agent, as the case may be, shall have engaged for such purpose (each, a "Replacement Lender"), all of such Affected Lender's rights and obligations under this Agreement and the other Loan Documents (including, without limitation, its Revolving Loan Commitment, all Loans owing to it, all of its participation interests in existing Letters of Credit, and its obligation to participate in additional Letters of Credit and Alternate Currency Loans hereunder) in accordance with Section 14.3. The Administrative Agent is authorized to execute one or more of such assignment agreements as attorney-in-fact for any Affected Lender failing to execute and deliver the same within five (5) Business Days after the date of such demand. With respect to such assignment the Affected Lender shall be entitled to receive, in cash, all amounts due and owing to the Affected Lender hereunder or under any other Loan Document, including, without limitation, the aggregate outstanding principal amount of the Loans owed to such Lender, together with accrued interest thereon through the date of such assignment, amounts payable under Sections 2.15(e), 4.1, and 4.2 with respect to such Affected Lender and compensation payable under Section 2.15(c) in the event of any replacement of any Affected Lender under clause (b) or clause (c) of this

Section 2.20; provided that upon such Affected Lender's replacement, such Affected Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15(e), 4.1, 4.2, 4.4, and 11.6, as well as to any fees accrued for its account hereunder and not yet paid, and shall continue to be obligated under Section 12.8.

## 2.21 Alternate Currency Loans.

(a) Upon the satisfaction of the conditions precedent set forth in Article V hereof and set forth in the applicable Alternate Currency Addendum, from and including the later of the date of this Agreement and the date of execution of the applicable Alternate Currency Addendum and prior to the termination of the Aggregate Tranche B Revolving Loan Commitment or the Aggregate Tranche D Revolving Loan Commitment, as applicable (or such earlier termination date as shall be specified in or pursuant to the applicable Alternate Currency Addendum), each Alternate Currency Bank agrees, on the terms and conditions set forth in this Agreement and in the applicable Alternate Currency Addendum, to make Alternate Currency Loans under such Alternate Currency Addendum to the applicable Borrower party to such Alternate Currency Addendum from time to time in the applicable Alternate Currency, in an amount not to exceed each such Alternate Currency Bank's applicable Alternate Currency Commitment; provided that at no time shall the Dollar Amount of the Alternate Currency Loans for any specific Alternate Currency exceed the maximum amount specified as the maximum amount for such Alternate Currency in the applicable Alternate Currency Addendum other than as a result of currency fluctuations and then only to the extent permitted in Section 2.5(b)(ii) and provided, further, that at no time shall (i) the Dollar Amount of the Tranche B Revolving Credit Obligations exceed the Aggregate Tranche B Revolving Loan Commitments or (ii) the Dollar Amount of the Tranche D Revolving Credit Obligations exceed the Aggregate Tranche D Revolving Loan Commitments. Subject to the terms of this Agreement and the applicable Alternate Currency Addendum, the applicable Borrowers may borrow, repay and reborrow Alternate Currency Loans in the applicable Alternate Currency at any time prior to the termination of the Aggregate Tranche B Revolving Loan Commitment or the Aggregate Tranche D Revolving Loan Commitment, as applicable (or such earlier termination date as shall be specified in or pursuant to the applicable Alternate Currency Addendum). On the termination of the Aggregate Tranche B Revolving Loan Commitment or the Aggregate Tranche D Revolving Loan Commitment, as applicable (or such earlier termination date as shall be specified in or pursuant to the applicable Alternate Currency Addendum), the outstanding principal balance of the Alternate Currency Loans shall be paid in full by the applicable Borrower and prior to the termination of the Aggregate Tranche B Revolving Loan Commitment or the Aggregate Tranche D Revolving Loan Commitment, as applicable (or such earlier termination date as shall be specified in or pursuant to the applicable Alternate Currency Addendum) prepayments of the Alternate Currency Loans shall be made by the applicable Borrower if and to the extent required by Section 2.5(b)(ii). For the avoidance of doubt, it is understood that no Lender shall have any obligation hereunder to execute an Alternate Currency Addendum and so to become an Alternate Currency Bank.

(b) Borrowing Notice. When the applicable Borrower desires to borrow under this Section 2.21, the applicable Borrower shall deliver to the applicable Alternate Currency Bank and the Administrative Agent a Borrowing/Conversion/Continuation Notice, signed by it, as provided in Section 2.8 specifying that such Borrower is requesting an Alternate Currency Loan pursuant to this Section 2.21 and whether such borrowing shall be made as a Tranche B Revolving Loan or Tranche D Revolving Loan, and the Administrative Agent shall give prompt notice to the Lenders with a Tranche B Revolving Loan Commitment or a Tranche D Revolving Loan Commitment, as applicable, of any such request for an Alternate Currency Loan. Any Borrowing/Conversion/Continuation Notice given pursuant to this Section 2.21 shall be irrevocable.

(c) Termination. Except as otherwise required by applicable law, in no event shall any Alternate Currency Bank have the right to accelerate the Alternate Currency Loans outstanding under any Alternate Currency Addendum or to terminate its commitments (if any) thereunder to make Alternate Currency Loans prior to the stated termination date in respect thereof, except that each Alternate Currency Bank shall have such rights upon an acceleration of the Loans and a termination of the Aggregate Revolving Loan Commitments pursuant to Article IX.

(d) Statements. Each Alternate Currency Bank shall furnish to the Administrative Agent not less frequently than monthly, at the end of each calendar quarter, and at any other time at the reasonable request of the Administrative Agent, a statement setting forth the outstanding Alternate Currency Loans made and repaid during the period since the

last such report under such Alternate Currency Addendum.

(e) Risk Participation. Immediately and automatically upon the occurrence of a Default under Sections 8.1(a), (e) or (f), each Lender with a Tranche B Revolving Loan Commitment or a Tranche D Revolving Loan Commitment, as applicable, shall be deemed to have unconditionally and irrevocably purchased from the applicable Alternate Currency Bank, without recourse or warranty, an undivided interest in and participation in each Alternate Currency Loan ratably in an amount equal to such Lender's Pro Rata Tranche B Revolving Share or Pro Rata Tranche D Revolving Share, as applicable, of the amount of principal and accrued interest of such Loan, and immediately and automatically all Alternate Currency Loans shall be converted to and redenominated in Dollars equal to the Dollar Amount of each such Alternate Currency Loan determined as of the date of such conversion; provided that to the extent such conversion shall occur other than at the end of an Interest Period, the applicable Borrower shall pay to the applicable Alternate Currency Bank, all losses and breakage costs related thereto in accordance with Section 4.4. Each of the Lenders shall pay to the applicable Alternate Currency Bank not later than two (2) Business Days following a request for payment from such Alternate Currency Bank, in Dollars, an amount equal to the undivided interest in and participation in the Alternate Currency Loan purchased by such Lender pursuant to this Section 2.21(e). In the event that any Lender fails to make payment to the applicable Alternate Currency Bank of any amount due under this Section 2.21(e), the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives from such Lender an amount sufficient to discharge such Lender's payment obligation as prescribed in this Section 2.21(e) together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the applicable Alternate Currency Bank and ending on the date such obligation is fully satisfied. The Administrative Agent will promptly remit all payments received as provided above to the applicable Alternate Currency Bank. In consideration of the risk participations prescribed in this Section 2.21(e), each Lender shall receive, from the accrued interest paid for periods prior to the conversion of any Alternate Currency Loan as described above by the applicable Borrower on each Alternate Currency Loan, a fee equal to such Lender's Pro Rata Tranche B Revolving Share or Pro Rata Tranche D Revolving Share, as applicable, of the Applicable Eurocurrency Margin component of the interest accrued on such Loan, as in effect from time to time during the period such interest accrued. Such portion of the interest paid by the applicable Borrower on Alternate Currency Loans to the applicable Alternate Currency Bank shall be paid as promptly as possible by such Alternate Currency Bank to the Administrative Agent, and the Administrative Agent shall as promptly as possible convert such amount into Dollars at the spot rate of exchange in accordance with its normal banking practices and apply such resulting amount ratably among the Lenders (including the Alternate Currency Banks) in proportion to their Pro Rata Tranche B Revolving Share or Pro Rata Tranche D Revolving Share, as applicable.

(f) Other Provisions Applicable to Alternate Currency Loans. The specification of payment of Alternate Currency Loans in the related Alternate Currency at a specific place pursuant to this Agreement is of the essence. Such Alternate Currency shall, subject to Section 2.21, be the currency of account and payment of such Loans under this Agreement and the applicable Alternate Currency Addendum. Notwithstanding anything in this Agreement, the obligation of the applicable Borrower in respect of such Loans shall not be discharged by an amount paid in any other currency or at another place, whether pursuant to a judgment or otherwise, to the extent the amount so paid, on prompt conversion into the applicable Alternate Currency and transfer to such Lender under normal banking procedure, does not yield the amount of such Alternate Currency due under this Agreement or the applicable Alternate Currency Addendum. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of such Alternate Currency due under this Agreement or the applicable Alternate Currency Addendum, such Lender shall have an independent cause of action against each of the Borrowers for the currency deficit. In the event that any payment, upon conversion and transfer, results in payment in excess of the amount of such Alternate Currency due under this Agreement or the applicable Alternate Currency Addendum, such Lender shall refund such excess to the applicable Borrower.

2.22 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the "specified currency") into

another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's office in New York, New York on the Business Day preceding that on which the final, non-appealable judgment is given. The obligations of each Borrower in respect of any sum due to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or the Administrative Agent (as the case may be) may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Administrative Agent, as the case may be, in the specified currency, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Lender or the Administrative Agent, as the case may be, in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 13.2, such Lender or the Administrative Agent, as the case may be, agrees to remit such excess to such Borrower.

#### 2.23 Market Disruption; Denomination of Amounts in Dollars; Dollar Equivalent of Reimbursement Obligations.

(a) Notwithstanding the satisfaction of all conditions referred to in this Article II with respect to any Advance in any Agreed Currency other than Dollars or an Alternate Currency, as applicable, if there shall occur on or prior to the date of such Advance any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which would in the reasonable opinion of the Company, any Subsidiary Borrower, any Alternate Currency Bank, the Administrative Agent or the Required Lenders make it impracticable for the Eurocurrency Rate Loans or Alternate Currency Loans comprising such Advance to be denominated in the Agreed Currency or Alternate Currency, as applicable, specified by the applicable Borrower, then the Administrative Agent shall forthwith give notice thereof to the Company or such Borrower, the applicable Alternate Currency Bank and the Lenders, or the applicable Borrower shall give notice to the Administrative Agent, the applicable Alternate Currency Bank and the Lenders, as the case may be, and such Eurocurrency Rate Loans or Alternate Currency Loans shall not be denominated in such currency but shall be made on such Borrowing Date in Dollars, in an aggregate principal amount equal to the Dollar Amount of the aggregate principal amount specified in the related Borrowing Notice, as Floating Rate Loans, unless the applicable Borrower notifies the Administrative Agent at least one (1) Business Day before such date that (i) it elects not to borrow on such date or (ii) it elects to borrow on a date at least three (3) Business Days thereafter in a different Agreed Currency or Alternate Currency, as the case may be, in which the denomination of such Loans would in the opinion of the Administrative Agent, any Alternate Currency Bank, if applicable, and the Required Lenders be practicable and in an aggregate principal amount equal to the Dollar Amount of the aggregate principal amount specified in the related Borrowing Notice.

(b) Except as set forth in Sections 2.1, 2.5 and 2.21, all amounts referenced in this Article II shall be calculated using the Dollar Amount determined based upon the Equivalent Amount in effect as of the date of any determination thereof; provided to the extent that any Borrower shall be obligated hereunder to pay in Dollars any Advance denominated in a currency other than Dollars, such amount shall be paid in Dollars using the Dollar Amount of the Advance (calculated based upon the Equivalent Amount in effect on the date of payment thereof) and in the event that the applicable Borrower does not reimburse the Administrative Agent and the Lenders are required to fund a purchase of a participation in such Advance, such purchase shall be made in Dollars in an amount equal to the Dollar Amount of such Advance (calculated based upon the Equivalent Amount in effect on the date of payment thereof). Notwithstanding anything herein to the contrary, the full risk of currency fluctuations shall be borne by the Borrowers and the Borrowers agree to indemnify and hold harmless each Issuing Bank, the Alternate Currency Banks, the Administrative Agent and the Lenders from and against any loss resulting from any borrowing denominated in a currency other than in Dollars and for which the Lenders are not reimbursed on the day of such borrowing.

#### 2.24 Subsidiary Borrowers. The Company may at any time or from time to

time, with the consent of the Administrative Agent, add as a party to this Agreement any Wholly-Owned Subsidiary to be a "Subsidiary Borrower" hereunder by the execution and delivery to the Administrative Agent and the Lenders of (a) a duly completed Assumption Letter by such Subsidiary, with the written consent of the Company at the foot thereof and (b) such other guaranty, security and subordinated intercompany indebtedness documents (and related closing documentation) as may be reasonably required by the Administrative Agent, such documents with respect to any additional Subsidiaries to be substantially similar in form and substance to the Loan Documents executed on or about the Closing Date by or in respect of the Subsidiaries parties hereto as of the Closing Date. Upon such execution, delivery and consent such Subsidiary shall for all purposes be a party hereto as a Subsidiary Borrower as fully as if it had executed and delivered this Agreement. So long as the principal of and interest on any Advances made to any Subsidiary Borrower under this Agreement shall have been paid in full, all Letters of Credit issued for the account of such Subsidiary Borrower have expired or been returned and terminated and all other obligations of such Subsidiary Borrower under this Agreement shall have been fully performed, the Company may, by not less than five (5) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), terminate such Subsidiary Borrower's status as a "Subsidiary Borrower".

2.25 Security. All Obligations of the Borrowers under this Agreement and all other Loan Documents shall be secured in accordance with the Collateral Documents.

2.26 Assignment and Reallocation of Existing Commitments and Existing Loans. Each of the parties hereto severally and for itself agrees that on the Amendment Effective Date, each Existing Lender hereby irrevocably sells, transfers, conveys and assigns, without recourse, representation or warranty (except as expressly set forth herein), to each Lender that is not an Existing Lender, and each such Lender hereby irrevocably purchases from such Existing Lender, a portion of the rights and obligations of such Existing Lender under the Existing Credit Agreement and each other Loan Document in respect of its Existing Loans and Commitments under (and as defined in) the Existing Credit Agreement such that, after giving effect to the foregoing assignment and delegation, each Lender's Revolving Loan Commitments and portion of the Existing Loans for the purposes of this Agreement and each other Loan Document will be as set forth opposite such Person's name on Exhibit A to this Agreement.

(a) Each Existing Lender hereby represents and warrants to each Lender, that immediately before giving effect to the provisions of this Section, (i) such Existing Lender is the legal and beneficial owner of the portion of its rights and obligations in respect of its Existing Loans being assigned to each Lender as set forth above; and (ii) such rights and obligations being assigned and sold by such Existing Lender are free and clear of any adverse claim or encumbrance created by such Existing Lender.

(b) Each of the Lenders hereby acknowledges and agrees that (i) other than the representations and warranties contained above, no Lender nor the Administrative Agent has made any representations or warranties or assumed any responsibility with respect to (A) any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement, the Existing Credit Agreement or any other Loan Document or (B) the financial condition of any Borrower or the performance by any Borrower of the Obligations; (ii) it has received such information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; and (iii) it has made and continues to make its own credit decisions in taking or not taking action under this Agreement, independently and without reliance upon the Administrative Agent or any other Lender.

(c) The Borrowers, each of the Lenders and the Administrative Agent also agree that each of the Lenders shall, as of the Amendment Effective Date, have all of the rights and interests as a Lender in respect of the Loans purchased and assumed by it, to the extent of the rights and obligations so purchased and assumed by it.

(d) Each Lender which is purchasing any portion of the Existing Loans shall deliver to the Administrative Agent immediately available funds in the full amount of the purchase made by it and the Administrative Agent shall, to the extent of the funds so received, disburse such funds to the Existing Lenders that are making sales and assignments in the amount of the portions so sold and assigned.

### ARTICLE III: THE LETTER OF CREDIT FACILITY

3.1 Obligation to Issue Letters of Credit. Subject to the terms and conditions of this Agreement and in reliance upon the representations,



warranties and covenants of the Company herein set forth, each Issuing Bank hereby agrees to issue for the account of the Company or any Subsidiary Borrower through such Issuing Bank's branches as it and the Company may jointly agree, one or more Letters of Credit denominated in Dollars in accordance with this Article III, from time to time during the period, commencing on the Amendment Effective Date and ending on the Business Day prior to the termination of the Aggregate Tranche C Revolving Loan Commitment.

3.2 Transitional Provision. Schedule 3.2 contains a schedule of certain letters of credit issued for the account of the Company and its Subsidiaries prior to the Amendment Effective Date. From and after the Amendment Effective Date, such letters of credit shall be deemed to be Letters of Credit issued pursuant to this Article III.

3.3 Types and Amounts. No Issuing Bank shall have any obligation to and no Issuing Bank shall:

(a) issue (or amend) any Letter of Credit if on the date of issuance (or amendment), before or after giving effect to the Letter of Credit requested hereunder, (i) the amount of the Tranche C Revolving Credit Obligations at such time would exceed the Aggregate Tranche C Revolving Loan Commitment at such time, or (ii) the aggregate outstanding amount of the L/C Obligations would exceed \$25,000,000; or

(b) issue (or amend) any Letter of Credit which has an expiration date later than the date which is the earlier of one (1) year after the date of issuance thereof or the Tranche C Revolving Loan Termination Date; provided that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (not to extend beyond the Tranche C Revolving Loan Termination Date) with the consent of the applicable Issuing Bank.

3.4 Conditions. In addition to being subject to the satisfaction of the conditions contained in Sections 5.1, 5.2 and 5.3, the obligation of an Issuing Bank to issue any Letter of Credit is subject to the satisfaction in full of the following conditions:

(a) the Company shall have delivered to the applicable Issuing Bank (at such times and in such manner as such Issuing Bank may reasonably prescribe) and the Administrative Agent, a request for issuance of such Letter of Credit in substantially the form of Exhibit C hereto (each such request a "Request For Letter of Credit"), duly executed application for such Letter of Credit, and such other documents, instructions and agreements as may be required pursuant to the terms thereof (all such applications, documents, instructions, and agreements being referred to herein as the "L/C Documents"), and the proposed Letter of Credit shall be reasonably satisfactory to such Issuing Bank as to form and content; and

(b) as of the date of issuance no order, judgment or decree of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain the applicable Issuing Bank from issuing such Letter of Credit and no law, rule or regulation applicable to such Issuing Bank and no request or directive (whether or not having the force of law) from a Governmental Authority with jurisdiction over such Issuing Bank shall prohibit or request that such Issuing Bank refrain from the issuance of Letters of Credit generally or the issuance of that Letter of Credit.

3.5 Procedure for Issuance of Letters of Credit.

(a) Subject to the terms and conditions of this Article III and provided that the applicable conditions set forth in Sections 5.1, 5.2 and 5.3 hereof have been satisfied, the applicable Issuing Bank shall, on the requested date, issue a Letter of Credit on behalf of the Company or a Subsidiary Borrower, as applicable in accordance with such Issuing Bank's usual and customary business practices and, in this connection, such Issuing Bank may assume that the applicable conditions set forth in Sections 3.3(b), 3.4(b) and 5.3 hereof have been satisfied unless it shall have received notice to the contrary from the Administrative Agent or a Lender or has knowledge that the applicable conditions have not been met.

(b) Promptly, and in any event not more than one (1) Business Day following the date of issuance of any Letter of Credit, the applicable Issuing Bank shall give the Administrative Agent written or telex notice, or telephonic notice confirmed promptly thereafter in writing, of the issuance of a Letter of Credit (provided that the failure to provide such notice shall not result in any liability on the part of such Issuing Bank), and the Administrative Agent shall promptly give notice to the Lenders of each such issuance.

(c) No Issuing Bank shall extend or amend any Letter of Credit unless the requirements of this Section 3.5 are met as though a new Letter of Credit was being requested and issued.

3.6 Letter of Credit Participation. On the Amendment Effective Date, with respect to the Letters of Credit identified on Schedule 3.2, and immediately upon the issuance of each Letter of Credit hereunder, each Lender shall be deemed to have automatically, irrevocably and unconditionally purchased and received from the applicable Issuing Bank an undivided interest and participation in and to such Letter of Credit, the obligations of the Company in respect thereof, and the liability of such Issuing Bank thereunder (collectively, an "L/C Interest") in the amount available for drawing under such Letter of Credit multiplied by such Lender's Pro Rata Tranche C Revolving Share.

### 3.7 Reimbursement Obligation.

(a) The Company agrees unconditionally, irrevocably and absolutely to pay immediately to the Administrative Agent, for the account of the Lenders with Tranche C Revolving Loan Commitments, the amount of each advance drawn under or pursuant to a Letter of Credit or an L/C Draft related thereto (such obligation of the Company to reimburse the Administrative Agent for an advance made under a Letter of Credit or L/C Draft being hereinafter referred to as a "Reimbursement Obligation" with respect to such Letter of Credit or L/C Draft), each such reimbursement to be made by the Company no later than the Business Day on which the applicable Issuing Bank makes payment of each such L/C Draft or, if the Company shall have received notice of a Reimbursement Obligation later than 12:00 noon (New York time), on any Business Day or on a day which is not a Business Day, no later than 12:00 noon (New York time), on the immediately following Business Day or, in the case of any other draw on a Letter of Credit, the date specified in the demand of such Issuing Bank. If the Company at any time fails to repay a Reimbursement Obligation pursuant to this Section 3.7, the Issuing Bank shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender and the Company shall be deemed to have requested to borrow Tranche C Revolving Loans from the Lenders with Tranche C Revolving Loan Commitments, as of the date of the advance giving rise to the Reimbursement Obligation, equal to the amount of the unpaid Reimbursement Obligation. Such Tranche C Revolving Loans shall be made as of the date of the payment giving rise to such Reimbursement Obligation, automatically, without notice and without any requirement to satisfy the conditions precedent otherwise applicable to an Advance of Tranche C Revolving Loans.

(b) Each Lender with a Tranche C Revolving Loan Commitment shall upon any notice pursuant to Section 3.7(a) make available to the Administrative Agent for the account of the relevant Issuing Bank an amount in Dollars and in immediately available funds equal to its Pro Rata Tranche C Revolving Share of the amount of the drawing, whereupon such Lenders shall (subject to Section 3.7(d)) each be deemed to have made a Revolving Loan constituting a Floating Rate Advance, the proceeds of which Advance shall be used to repay such Reimbursement Obligation. If any Lender so notified fails to make available to the Administrative Agent for the account of the Issuing Bank the amount of such Lender's Pro Rata Tranche C Revolving Share of the amount of the drawing by no later than 2:00 p.m. (New York time) on the date of the advance giving rise to the Reimbursement Obligation, then interest shall accrue on such Lender's obligation to make such payment, from such date to the date such Lender makes such payment, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time during such period. The Administrative Agent will promptly give notice of the occurrence of the draw, but failure of the Administrative Agent to give any such notice in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligations under this Section 3.7.

(c) Each Lender's obligation in accordance with this Agreement to make the Tranche C Revolving Loans, as contemplated by this Section 3.7, as a result of a drawing under a Letter of Credit, shall be absolute and unconditional and without recourse to the Issuing Banks and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender may have against an Issuing Bank, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Unmatured Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(d) If, for any reason, the Company fails to repay a Reimbursement Obligation on the day such Reimbursement Obligation arises and, for any reason, the Lenders are unable to make or have no obligation to make Revolving Loans, then such Reimbursement Obligation shall bear interest from and after such day, until paid in full, at the interest rate applicable to a Floating Rate Advance.

3.8 Letter of Credit Fees. The Company agrees to pay:

(a) quarterly, in arrears, to the Administrative Agent for the ratable benefit of the Lenders with a Tranche C Revolving Loan Commitment a letter of credit fee at a rate per annum equal to the Applicable L/C Fee Percentage on the average daily outstanding amount available for drawing under all Letters of Credit;

(b) quarterly, in arrears, to the applicable Issuing Bank, a letter of credit fronting fee in an amount agreed to between the Company and the applicable Issuing Bank on the average daily outstanding face amount available for drawing under all Letters of Credit issued by such Issuing Bank; and

(c) to the applicable Issuing Bank, all reasonable and customary fees and other issuance, amendment, document examination, negotiation and presentment expenses and related charges in connection with the issuance, amendment, presentation of L/C Drafts, and the like customarily charged by such Issuing Banks with respect to standby letters of credit.

3.9 Issuing Bank Reporting Requirements. In addition to the notices required by Section 3.5(b), each Issuing Bank shall, no later than the tenth (10th) Business Day following the last day of each month, provide to the Administrative Agent, upon the Administrative Agent's request, schedules, in form and substance reasonably satisfactory to the Administrative Agent, showing the date of issue, account party, amount, expiration date and the reference number of each Letter of Credit issued by it outstanding at any time during such month and the aggregate amount paid by the Company during such month. In addition, upon the request of the Administrative Agent, each Issuing Bank shall furnish to the Administrative Agent copies of any Letter of Credit and any application for or reimbursement agreement with respect to a Letter of Credit to which the Issuing Bank is party and such other documentation as may reasonably be requested by the Administrative Agent. Upon the request of any Lender, the Administrative Agent will provide to such Lender information concerning such Letters of Credit.

3.10 Indemnification; Exoneration.

(a) In addition to amounts payable as elsewhere provided in this Article III, the Company hereby agrees to protect, indemnify, pay and save harmless the Administrative Agent, each Issuing Bank and each Lender from and against any and all liabilities and costs which the Administrative Agent, such Issuing Bank or such Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit other than, in the case of the applicable Issuing Bank, as a result of its gross negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, or (ii) the failure of the applicable Issuing Bank to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Authority (all such acts or omissions herein called "Governmental Acts").

(b) As among the Company, the Lenders, the Administrative Agent and the Issuing Banks, the Company assumes all risks of the acts and omissions of, or misuse of such Letter of Credit by, the beneficiary of any Letters of Credit. In furtherance and not in limitation of the foregoing, subject to the provisions of the Letter of Credit applications and Letter of Credit reimbursement agreements executed by the Company at the time of request for any Letter of Credit, neither the Administrative Agent, any Issuing Bank nor any Lender shall be responsible (in the absence of gross negligence or willful misconduct of such party in connection therewith, as determined by the final judgment of a court of competent jurisdiction): (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of

a Letter of Credit to comply duly with conditions not expressly provided on the face of such Letter of Credit and required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, or other similar form of teletransmission or otherwise; (v) for errors in interpretation of technical trade terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of the Administrative Agent, the Issuing Banks and the Lenders, including, without limitation, any Governmental Acts. None of the above shall affect, impair, or prevent the vesting of any Issuing Bank's rights or powers under this Section 3.10.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Issuing Bank under or in connection with the Letters of Credit or any related certificates shall not, in the absence of gross negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, put the applicable Issuing Bank, the Administrative Agent or any Lender under any resulting liability to the Company or relieve the Company of any of its obligations hereunder to any such Person.

(d) Without prejudice to the survival of any other agreement of the Company hereunder, the agreements and obligations of the Company contained in this Section 3.10 shall survive the payment in full of principal and interest hereunder, the termination of the Letters of Credit and the termination of this Agreement.

3.11 Cash Collateral. Notwithstanding anything to the contrary herein or in any application for a Letter of Credit, after the occurrence and during the continuance of a Default, the Company shall, on the Business Day that it receives the Administrative Agent's demand, deliver to the Administrative Agent for the benefit of the Lenders and the Issuing Banks, cash, or other collateral of a type satisfactory to the Required Lenders, having a value, as determined by such Lenders, equal to one hundred percent (100%) of the aggregate Dollar Amount of the outstanding L/C Obligations. In addition, if the Tranche C Revolving Credit Availability is at any time less than the Dollar Amount of all contingent L/C Obligations outstanding at any time, the Company shall deposit cash collateral with the Administrative Agent in Dollars in an amount equal to one-hundred five percent (105%) of the Dollar Amount by which such L/C Obligations exceed such Tranche C Revolving Credit Availability. Any such collateral shall be held by the Administrative Agent in a separate account appropriately designated as a cash collateral account in relation to this Agreement and the Letters of Credit and retained by the Administrative Agent for the benefit of the Lenders and the Issuing Banks as collateral security for the Company's obligations in respect of this Agreement and each of the Letters of Credit and L/C Drafts. Such amounts shall be applied to reimburse the Issuing Banks for drawings or payments under or pursuant to Letters of Credit or L/C Drafts, or if no such reimbursement is required, to payment of such of the other Obligations as the Administrative Agent shall determine. If no Default shall be continuing, amounts remaining in any cash collateral account established pursuant to this Section 3.11 which are not to be applied to reimburse an Issuing Bank for amounts actually paid or to be paid by such Issuing Bank in respect of a Letter of Credit or L/C Draft, shall be returned to the Company within one (1) Business Day (after deduction of the Administrative Agent's expenses incurred in connection with such cash collateral account).

#### ARTICLE IV: CHANGE IN CIRCUMSTANCES

4.1 Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) adopted after the date of this Agreement or any interpretation or application thereof by any Governmental Authority charged with the interpretation or application thereof, or the compliance of any Lender therewith, subjects any Lender or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from any Borrower (excluding taxation of the overall net income of any Lender or taxation of a similar basis, which are governed by Section 2.14(e)), or changes the basis of taxation of payments to any Lender in respect of its Revolving Loan Commitment, Loans, its L/C Interests, the Letters of Credit or other amounts due it hereunder, or imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurocurrency Rate Loans)

with respect to its Revolving Loan Commitment, Loans, L/C Interests or the Letters of Credit, or imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining its Revolving Loan Commitment, Loans, the L/C Interests or the Letters of Credit or reduces any amount received by any Lender or any applicable Lending Installation in connection with its Revolving Loan Commitment, Loans or Letters of Credit, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Revolving Loan Commitment, Loans or L/C Interests held or interest received by it or by reference to the Letters of Credit, by an amount deemed material by such Lender; and the result of any of the foregoing is to increase the cost to that Lender of making, renewing or maintaining its Revolving Loan Commitment, Loans, L/C Interests, or Letters of Credit or to reduce any amount received under this Agreement, then, within fifteen (15) days after receipt by the Company or any other Borrower of written demand by such Lender pursuant to Section 4.5, the applicable Borrowers shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender reasonably determines is attributable to making, funding and maintaining its Loans, L/C Interests, Letters of Credit and its Revolving Loan Commitment.

4.2 Changes in Capital Adequacy Regulations. If a Lender determines (a) the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a "Change" (as defined below), and (b) such increase in capital will result in an increase in the cost to such Lender of maintaining its Revolving Loan Commitment, Loans, L/C Interests, the Letters of Credit or its obligation to make Loans hereunder, then, within fifteen (15) days after receipt by the Company or any other Borrower of written demand by such Lender pursuant to Section 4.5, the applicable Borrowers shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender reasonably determines is attributable to this Agreement, its Revolving Loan Commitment, its Loans, its L/C Interests, the Letters of Credit or its obligation to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the "Risk-Based Capital Guidelines" (as defined below) excluding, for the avoidance of doubt, the effect of any phasing in of such Risk-Based Capital Guidelines or any other capital requirements passed prior to the date hereof, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

4.3 Availability of Types of Advances. If (a) any Lender determines that maintenance of its Eurocurrency Rate Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or (b) the Required Lenders determine that (i) deposits of a type, currency or maturity appropriate to match fund Fixed-Rate Advances are not available or (ii) the interest rate applicable to a Fixed-Rate Advance does not accurately reflect the cost of making or maintaining such an Advance, then the Administrative Agent shall suspend the availability of the affected Type of Advance and, in the case of any occurrence set forth in clause (a), require any Advances of the affected Type to be repaid or converted into another Type.

4.4 Funding Indemnification. If any payment of a Fixed-Rate Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment, or otherwise, or a Fixed-Rate Advance is not made on the date specified by the applicable Borrower for any reason other than default by the Lenders, the Borrowers shall indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed-Rate Advance or Swing Line Loan, as applicable.

4.5 Lender Statements; Survival of Indemnity. If reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Fixed-Rate Loans to reduce any liability of any Borrower to such Lender under Sections 4.1 and 4.2 or to avoid the unavailability of a Type of Advance under Section 4.3, so long as such designation is not, in such Lender's judgment, disadvantageous to such Lender. Any demand for compensation pursuant to this Article IV shall be in writing and shall state the amount due, if any,

under Section 4.1, 4.2 or 4.4 and shall set forth in reasonable detail the calculations upon which such Lender determined such amount. Such written demand shall be rebuttably presumed correct for all purposes. Determination of amounts payable under such Sections in connection with a Fixed-Rate Loan shall be calculated as though each Lender funded its Fixed-Rate Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the Fixed-Rate applicable to such Loan, whether in fact that is the case or not. The obligations of the Company and the other Borrowers under Sections 4.1, 4.2 and 4.4 shall survive payment of the Obligations and termination of this Agreement.

#### ARTICLE V: CONDITIONS PRECEDENT

5.1 Effectiveness. The amendment and restatement of the Existing Credit Agreement (and the obligations of the Lenders to continue the Existing Loans as Loans under this Agreement) shall become effective when the Company has furnished to the Administrative Agent each of the following, with sufficient copies for the Lenders, and the other conditions set forth below have been satisfied:

(a) Copies of the Certificate of Incorporation or equivalent document of each of the Loan Parties, together with all amendments thereto, and, to the extent applicable, a certificate of good standing, in each case certified by the appropriate governmental officer in its jurisdiction of incorporation.

(b) Copies, certified by the Secretary or Assistant Secretary of each of the Loan Parties of their respective Board of Directors' resolutions authorizing the execution of the Loan Documents.

(c) An incumbency certificate, executed by the Secretary or Assistant Secretary of each of the Loan Parties, which shall identify by name and title and bear the signature of the officers of the applicable Loan Party authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Lenders shall be entitled to rely until informed of any change in writing by the applicable Loan Party.

(d) A certificate, in form and substance satisfactory to the Administrative Agent, executed by the chief financial officer of the Company, stating that on the Amendment Effective Date, all the representations and warranties of the Loan Parties in the Loan Documents are true and correct (unless such representation and warranty is made as of a specific date, in which case, such representation and warranty shall be true as of such date) and no Default or Unmatured Default has occurred and is continuing.

(e) A reaffirmation of the Guaranty, in form and substance satisfactory to the Administrative Agent, dated as of the Amendment Effective Date, executed by the Secretary or Assistant Secretary of each Subsidiary Borrower that is a Domestic Subsidiary and each other Domestic Subsidiary of the Company as required pursuant to Section 7.2(k).

(f) Written opinions of the Loan Parties' United States counsel, and, if applicable, foreign counsel, addressed to the Administrative Agent and the Lenders, in form and substance satisfactory to the Administrative Agent.

(g) Such other documents as the Administrative Agent or its counsel or the Required Lenders may have reasonably requested.

(h) There shall not have occurred a material adverse change since December 31, 2001 in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole.

(i) The Administrative Agent, Lenders and/or their Affiliates shall have received all fees and expenses, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw, required to be paid on or before the Amendment Effective Date.

5.2 Initial Advance to Each New Subsidiary Borrower. No Lender shall be required to make an Advance hereunder or purchase participations in Letters of Credit or Alternate Currency Loans hereunder, no Swing Line Bank shall be required to make any Swing Line Loans hereunder, and no Alternate Currency Bank shall be required to make any Alternate Currency Loans, in each case, to or for the account of a new Subsidiary Borrower added after the Amendment Effective Date unless the Company has furnished or caused to be furnished to the Administrative Agent with sufficient copies for the Lenders:

(a) The Assumption Letter executed and delivered by such Subsidiary Borrower and containing the written consent of the Company thereon, as contemplated by Section 2.24.

(b) Copies, certified by the Secretary, Assistant Secretary, Director or Officer of the Subsidiary Borrower, of its Board of Directors' resolutions approving the Assumption Letter.

(c) An incumbency certificate, executed by the Secretary, Assistant Secretary, Director or Officer of the Subsidiary Borrower, which shall identify by name and title and bear the signature of the officers of such Subsidiary Borrower authorized to sign the Assumption Letter and the other documents to be executed and delivered by such Subsidiary Borrower hereunder, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Company.

(d) An opinion of counsel to such Subsidiary Borrower, in form and substance satisfactory to the Administrative Agent.

(e) Guaranty documentation and contribution agreement documentation from such Subsidiary Borrower in form and substance satisfactory to the Administrative Agent.

(f) With respect to the initial Advance made to any Subsidiary Borrower organized under the laws of England and Wales, the Administrative Agent shall have received originals and/or copies, as applicable, of all filings required to be made and such other evidence as the Administrative Agent may require establishing to the Administrative Agent's satisfaction that each Lender and Issuing Bank is entitled to receive payments under the Loan Documents without deduction or withholding of any English taxes or with such deductions and withholding of English taxes as may be acceptable to the Administrative Agent.

5.3 Each Advance and Each Letter of Credit. The Lenders shall not be required to make any Loan, or issue any Letter of Credit, unless on the applicable Borrowing Date, or in the case of a Letter of Credit, the date on which the Letter of Credit is to be issued:

(a) There exists no Default or Unmatured Default and no Default or Unmatured Default would result after giving effect to the making of any Loan or issuance of any Letter of Credit;

(b) All of the representations and warranties contained in Article VI are true and correct as of such Borrowing Date (unless such representation and warranty is made as of a specific date, in which case, such representation and warranty shall be true as of such date);

(c) (i) The Tranche A Revolving Credit Obligations do not, and after making such proposed Advance would not, exceed the Aggregate Tranche A Revolving Loan Commitment, (ii) the Tranche B Revolving Credit Obligations do not, and after making such proposed Advance would not, exceed the Aggregate Tranche B Revolving Loan Commitment, (iii) the Tranche C Revolving Credit Obligations do not, and after making such proposed Advance or issuing such Letter of Credit would not, exceed the Aggregate Tranche C Revolving Loan Commitment and (iv) the Tranche D Revolving Credit Obligations do not, and after making such proposed Advance would not, exceed the Aggregate Tranche D Revolving Loan Commitment; and

(d) the Administrative Agent has received a timely Borrowing Notice with respect to the applicable Loan.

Each Borrowing/Conversion/Continuation Notice with respect to a new Advance and the letter of credit application with respect to each Letter of Credit or Letter of Credit amendment shall constitute a representation and warranty by the Company that the conditions contained in Sections 5.3(a), (b) and (c) have been satisfied.

#### ARTICLE VI: REPRESENTATIONS AND WARRANTIES

In order to induce the Administrative Agent and the Lenders to enter into this Agreement, to continue the Existing Loans hereunder and to make the Loans and the other financial accommodations to the Borrowers and to issue the Letters of Credit described herein, each of the Borrowers represents and warrants as follows to each Lender and the Administrative Agent as of the date of this Agreement, giving effect to the consummation of the transactions contemplated by the Loan Documents, and thereafter on each date as required by Sections 5.2 and 5.3:

6.1 Organization; Corporate Powers. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to do so would not have a Material Adverse Effect.

6.2 Authorization and Validity. Each of the Loan Parties has the requisite power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by each of the Loan Parties of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents to which it is a party constitute legal, valid and binding obligations of each of the Loan Parties enforceable against each of the Loan Parties in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

6.3 No Conflict; Government Consent. Neither the execution and delivery by the Loan Parties of the Loan Documents, nor the consummation of the transactions contemplated thereby, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's articles of incorporation or by-laws or other constitutive documents and agreements or the provisions of any material indenture, instrument or agreement to which the Company or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the property of the Company or any of its Subsidiaries pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize any Loan Party, or is required to be obtained by any Loan Party in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

6.4 Financial Statements. Each of the consolidated financial statements of the Company and its Subsidiaries for the fiscal years ended January 2, 1998, January 1, 1999 and December 31, 1999 were prepared in accordance with Agreement Accounting Principles and fairly present the consolidated financial condition and operations of the Company and its Subsidiaries at such dates and the consolidated results of their operations for the periods then ended.

6.5 Material Adverse Change. Since December 31, 2001, there has occurred no change in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the Company, or the Company and its Subsidiaries taken as a whole, or any other event which has had or could reasonably be expected to have a Material Adverse Effect.

6.6 Taxes. The Company and the Subsidiaries have filed all United States federal tax returns and all other material tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of any taxes or other governmental charges are adequate.

6.7 Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of the Borrowers, threatened against or affecting the Company or any of its Subsidiaries (a) challenging the Spectra Precision Acquisition or the validity or enforceability of any material provision of the Loan Documents or (b) which could reasonably be expected to have a Material Adverse Effect. There is no material loss contingency within the meaning of Agreement Accounting Principles which has not been reflected in the consolidated financial statements of the Company or prepared and delivered pursuant to Section 7.1(a) for the fiscal period during which such material loss contingency was incurred. Neither the Company nor any of its Subsidiaries is subject to or in default with respect to any final judgment, writ, injunction, restraining order or order of any nature, decree, rule or regulation of any court or Governmental Authority which could reasonably be expected to have a Material Adverse Effect.

6.8 Subsidiaries. Schedule 6.8 hereto contains an accurate list of all of the Subsidiaries of the Company in existence on the Amendment Effective Date, setting forth their respective jurisdictions of formation and the percentage of their respective capital stock owned directly or indirectly by the Company or other Subsidiaries. All of the issued and outstanding Capital Stock of such



Subsidiaries have been duly authorized and issued and are fully paid and non-assessable. Except as set forth on Schedule 6.8, no authorized but unissued or treasury shares of capital stock of any Subsidiary are subject to any option, warrant, right to call or commitment of any kind or character. Except as set forth on Schedule 6.8, neither the Company nor any Subsidiary has any outstanding stock or securities convertible into or exchangeable for any shares of its capital stock, or any right issued to any Person (either preemptive or other) to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to any of its capital stock or any stock or securities convertible into or exchangeable for any of its capital stock other than as expressly set forth in the certificate or articles of incorporation of the Company or such Subsidiary. Neither the Company nor any Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or any convertible securities, rights or options of the type described in the preceding sentence except as otherwise set forth on Schedule 6.8. Except as set forth on Schedule 6.8, as of the date hereof the Company does not own or hold, directly or indirectly, any capital stock or equity security of, or any equity or partnership interest in any Person other than such Subsidiaries.

6.9 ERISA. As at December 31, 1999 the Unfunded Liabilities of all Single Employer Plans did not in the aggregate exceed \$5,000,000. Each Plan complies and has been maintained in all material respects with all applicable requirements of law and regulations. No Reportable Event has occurred with respect to any Single Employer Plan having any Unfunded Liability which has or may reasonably be expected to result in a liability to the Company in excess of \$10,000,000. Neither the Company nor any other members of the Controlled Group has terminated any Single Employer Plan without in each instance funding all vested benefit obligations thereunder. Each member of the Controlled Group has fulfilled its minimum funding obligations with respect to each Multiemployer Plan. No Termination Event has occurred or is reasonably expected to occur. There are no material actions, suits or claims (other than routine claims for benefits) pending or, to the knowledge of the Company or its Subsidiaries, threatened with respect to any Plan or Multiemployer Plan.

6.10 Accuracy of Information. None of the (a) information, exhibits or reports furnished or to be furnished by the Company or any Subsidiary to the Administrative Agent or to any Lender in connection with the negotiation of the Loan Documents, or (b) representations or warranties of the Company or any Subsidiary contained in this Agreement, the other Loan Documents or any other document, certificate or written statement furnished to the Administrative Agent or the Lenders by or on behalf of the Company or any Subsidiary for use in connection with the transactions contemplated by this Agreement, contained, contains or will contain any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. The pro forma financial information contained in such materials is based upon good faith estimates and assumptions believed by the Company to be reasonable at the time made. There is no fact known to the Company (other than matters of a general economic nature) that has had or could reasonably be expected to have a Material Adverse Effect and that has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated by this Agreement. No information, exhibit or report furnished by the Company or any Subsidiary to any Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

6.11 Regulation U. Margin Stock constitutes less than 25% of those assets of the Company and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

6.12 Material Agreements. Neither the Company nor any of its Subsidiaries is a party to any Contractual Obligation the performance of which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to any charter or other restriction in any constitutive agreement or document affecting its business, properties, financial condition, prospects or results of operations which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation to which it is a party, which default could reasonably be expected to have a Material Adverse Effect.

6.13 Compliance With Laws. The Company and its Subsidiaries have complied with all Requirements of Law except to the extent that such non-compliance could not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has received any notice to the

effect that its operations are not in material compliance with any Requirements of Law or the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

6.14 Ownership of Properties. On the Amendment Effective Date, the Company and its Subsidiaries have good title, free of all Liens, to all of the properties and assets reflected in its December 31, 2001 audited financial statements as owned by it (other than properties and assets disposed of in the ordinary course of business since such date), except Liens permitted under Section 7.3(c).

6.15 Statutory Indebtedness Restrictions. Neither the Company nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, or the Investment Company Act of 1940, or any other federal or state statute or regulation which limits its ability to incur indebtedness or its ability to consummate the transactions contemplated hereby.

6.16 Environmental Matters. Each of the Company and its Subsidiaries is in compliance with all Environmental, Health or Safety Requirements of Laws in effect in each jurisdiction where it is presently doing business and as to which the failure to so comply, in the aggregate for all such failures, would reasonably be likely to subject the Company to liability that would have a Material Adverse Effect. Neither the Company nor any Subsidiary is subject to any liability under the Environmental, Health or Safety Requirements of Laws in effect in any jurisdiction where it is presently doing business that could reasonably be expected to have a Material Adverse Effect. As of the date hereof, neither the Company nor any Subsidiary has received any:

(a) notice from any Governmental Authority by which any of the Company's or such Subsidiary's present or previously-owned or leased property has been identified in any manner by any such Governmental Authority as a hazardous substance disposal or removal site, "Super Fund" clean-up site or candidate for removal or closure pursuant to any Environmental, Health or Safety Requirements of Law; or

(b) notice of any Lien arising under or in connection with any Environmental, Health or Safety Requirements of Law that has attached to any of the Company's or such Subsidiary's owned or leased property or any revenues of the Company's or such Subsidiary's owned or leased property; or

(c) communication, written or oral, from any Governmental Authority concerning action or omission by the Company or such Subsidiary in connection with its ownership or leasing of any property resulting in the release of any hazardous substance resulting in any violation of any Environmental, Health or Safety Requirements of Law;

where the effect of which, in the aggregate for all such notices and communications, could reasonably be expected to have a Material Adverse Effect.

6.17 Insurance. The properties and assets and business of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Subsidiaries of the Company, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and are similarly situated.

6.18 Labor Matters. As of the Amendment Effective Date, no labor disputes, strikes or walkouts affecting the operations of the Company or any of its Subsidiaries, are pending, or, to the Company's knowledge, threatened, planned or contemplated which could reasonably be expected to have a Material Adverse Effect.

6.19 Solvency. After giving effect to (i) the extensions of credit made hereunder on the Closing Date or such other date as Loans requested hereunder were made, (ii) the other transactions contemplated by this Agreement and the other Loan Documents, including the Spectra Precision Acquisition, and (iii) the payment and accrual of all transaction costs with respect to the foregoing, the Company and its Subsidiaries are Solvent.

6.20 Default. No Default or Unmatured Default has occurred and is continuing.

6.21 Foreign Employee Benefit Matters.

(a) Each Foreign Employee Benefit Plan is in compliance in all material respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for

such Plan;

(b) the aggregate of the accumulated benefit obligations under all Foreign Pension Plans does not exceed to any material extent the current fair market value of the assets held in the trusts or similar funding vehicles for such Plans;

(c) with respect to any Foreign Employee Benefit Plan (other than a Foreign Pension Plan), reasonable reserves have been established in accordance with prudent business practice or where required by ordinary accounting practices in the jurisdiction in which such Plan is maintained; and (d) there are no material actions, suits or claims (other than routine claims for benefits) pending or, to the knowledge of the Company and its Subsidiaries, threatened against the Company or any Subsidiary of it or any member of its Controlled Group with respect to any Foreign Employee Benefit Plan.

6.22 Acquisition Documents. The Acquisition Documents as originally executed and delivered by the parties thereto have not been amended, waived, supplemented or modified without the consent of the Administrative Agent. The representations and warranties of the Company set forth therein and, to the knowledge of the Company, the representations and warranties of the other parties set forth therein are true and correct in all material respects as of the date thereof. On the date of this Agreement, neither the Company nor any other party to any of the Acquisition Documents is in default in the performance of or compliance with any provisions under the Acquisition Documents. The Spectra Precision Acquisition (other than certain modifications to the corporate structure of the Seller's European holdings in a manner acceptable to the Administrative Agent) has been consummated in accordance with applicable laws and regulations.

6.23 Collateral Documents. All representations and warranties of the Borrowers contained in the Collateral Documents are true and correct.

6.24 Security. The provisions of the Collateral Documents are effective to create and give the Administrative Agent, for the benefit of the Lenders, as security for the repayment of the obligations secured thereby, a legal, valid, perfected and enforceable Lien (which priority is subject only to prior Liens permitted by such agreements) upon all right, title and interest of the Company and its Subsidiaries in any and all of the Collateral described therein. The Mortgages, upon their execution and delivery, will be effective to create and give the Administrative Agent, for the benefit of the Lenders, as security for repayment of the obligations to be secured thereby, a legal, valid, perfected and enforceable Lien (which priority will be subject only to prior Liens permitted by such mortgages) upon all right, title and interest of the Borrowers in the Collateral described therein. The Pledge Agreement is effective to create and give the Administrative Agent, for the benefit of the Lenders, as security for the repayment of the obligations secured thereby, a legal, valid, perfected and enforceable first priority Lien upon and security interest in the capital stock pledged thereby.

6.25 Subordinated Seller Debt. Each Borrower incurring the same has the corporate power and authority to incur the Indebtedness evidenced by the Subordinated Seller Debt. The subordination provisions of the Subordinated Seller Debt will be enforceable against the holders of the Subordinated Seller Debt by any Holder of Obligations which has not effectively waived the benefits thereof. All Obligations, including the Obligations to pay principal of and interest on the Loans, constitute senior Indebtedness entitled to the benefits of subordination created by the Subordinated Seller Debt. The Borrowers acknowledge that the Administrative Agent and each Lender are entering into this Agreement and are extending the Aggregate Revolving Loan Commitment and Term Loans in reliance upon the subordination provisions of the Subordinated Seller Note and this Section 6.25.

6.26 Subsidiaries. Except as set forth on Schedule 6.8, each Subsidiary of the Company is a Wholly-Owned Subsidiary.

6.27 Representations and Warranties of each Subsidiary Borrower. Each Subsidiary Borrower further represents and warrants to the Administrative Agent and the Lenders that:

(a) Organization and Corporate Powers. Such Subsidiary Borrower (i) is a company duly formed and validly existing and in good standing under the laws of the state or country of its organization (such jurisdiction being hereinafter referred to as the "Home Country"); (ii) has the requisite power and authority to own its property and assets and to carry on its business substantially as now conducted except where the failure to have such requisite authority would not have a material adverse effect on such Subsidiary Borrower; and (iii) has the requisite power and authority and legal right to execute and deliver any Alternate Currency Addendum to which it is a party and each other Loan

Document to which it is a party and the performance by it of its obligations thereunder have been duly authorized by proper corporate proceedings.

(b) Binding Effect. Each Loan Document, including, without limitation, any Alternate Currency Addendum, executed by such Subsidiary Borrower is the legal, valid and binding obligations of such Subsidiary Borrower enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

(c) No Conflict; Government Consent. Neither the execution and delivery by such Subsidiary Borrower of the Loan Documents to which it is a party, nor the consummation by it of the transactions therein contemplated to be consummated by it, nor compliance by such Subsidiary Borrower with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Subsidiary Borrower or any of its Subsidiaries or such Subsidiary Borrower's or any of its Subsidiaries' memoranda or articles of association or the provisions of any indenture, instrument or agreement to which such Subsidiary Borrower or any of its Subsidiaries is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any lien in, of or on the property of such Subsidiary Borrower or any of its Subsidiaries pursuant to the terms of any such indenture, instrument or agreement in any such case which violation, conflict, default, creation or imposition could reasonably be expected to have a material adverse effect on such Subsidiary Borrower. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental agency is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

(d) Filing. To ensure the enforceability or admissibility in evidence of this Agreement and each Loan Document to which such Subsidiary Borrower is a party (including, without limitation, any Alternate Currency Addendum) in its Home Country, it is not necessary that this Agreement or any other Loan Document to which such Subsidiary Borrower is a party or any other document be filed or recorded with any court or other authority in its Home Country or that any stamp or similar tax be paid to or in respect of this Agreement or any other Loan Document of such Subsidiary Borrower. The qualification by any Lender or the Administrative Agent for admission to do business under the laws of such Subsidiary Borrower's Home Country does not constitute a condition to, and the failure to so qualify does not affect, the exercise by any Lender or the Administrative Agent of any right, privilege, or remedy afforded to any Lender or the Administrative Agent in connection with the Loan Documents to which such Subsidiary Borrower is a party or the enforcement of any such right, privilege, or remedy against such Subsidiary Borrower. The performance by any Lender or the Administrative Agent of any action required or permitted under the Loan Documents will not (i) violate any law or regulation of such Subsidiary Borrower's Home Country or any political subdivision thereof, (ii) result in any tax or other monetary liability to such party pursuant to the laws of such Subsidiary Borrower's Home Country or political subdivision or taxing authority thereof (provided that, should any such action result in any such tax or other monetary liability to the Lender or the Administrative Agent, the Borrowers hereby agree to indemnify such Lender or the Administrative Agent, as the case may be, against (x) any such tax or other monetary liability and (y) any increase in any tax or other monetary liability which results from such action by such Lender or the Administrative Agent and, to the extent the Borrowers make such indemnification, the incurrence of such liability by the Administrative Agent or any Lender will not constitute a Default) or (iii) violate any rule or regulation of any federation or organization or similar entity of which the such Subsidiary Borrower's Home Country is a member.

(e) No Immunity. Neither such Subsidiary Borrower nor any of its assets is entitled to immunity from suit, execution, attachment or other legal process. Such Subsidiary Borrower's execution and delivery of the Loan Documents to which it is a party constitute, and the exercise of its rights and performance of and compliance with its obligations under such Loan Documents will constitute, private and commercial acts done and performed for private and commercial purposes.

(f) Application of Representations and Warranties. It is understood and agreed by the parties hereto that the representations and warranties of

each Subsidiary Borrower (other than any Subsidiary Borrower that shall be a Subsidiary Borrower as of the Amendment Effective Date) in this Section 6.27 shall only be applicable to such Subsidiary Borrower on and after the date of its execution of an Assumption Letter and, if applicable, an Alternate Currency Addendum.

## ARTICLE VII: COVENANTS

The Company covenants and agrees that so long as any Revolving Loan Commitments are outstanding and thereafter until payment in full of all of the Obligations (other than contingent indemnity obligations) and termination of all Letters of Credit, unless the Required Lenders shall otherwise give prior written consent:

7.1 Reporting. The Company shall:

(a) Financial Reporting. Furnish to the Administrative Agent and the Lenders:

(i) Quarterly Reports. As soon as practicable and in any event within forty-five (45) days after the end of the first three quarterly periods of each of its fiscal years, for itself and the Subsidiaries, consolidated and consolidating unaudited balance sheets as at the end of each such period and consolidated and consolidating statement of income and consolidated and consolidating statement of changes in owners' equity, and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, presented on the same basis as described in Section 7.1(a)(ii) and on a comparative basis with the statements for such period in the prior fiscal year of the Company.

(ii) Annual Reports. As soon as practicable, and in any event within ninety (90) days after the end of each of its fiscal years, (a) an audit report, certified (as to consolidated, but not consolidating statements) by internationally recognized independent certified public accountants, prepared in accordance with generally accepted accounting principles, on a consolidated and consolidating basis for itself and the Subsidiaries, including balance sheets as of the end of such period, related statement of income and consolidated and consolidating statement of changes in owners' equity, and a statement of cash flows, which audit report shall be unqualified and shall state that such financial statements fairly present the consolidated financial position of the Company and its Subsidiaries as at the dates indicated and the results of operations and cash flows for the periods indicated in conformity with generally accepted accounting principles and that the examination by such accountants in connection with such consolidated and consolidating financial statements has been made in accordance with generally accepted auditing standards and (b) projected balance sheets, statements of income and cash flows for each fiscal year through the Termination Date, prepared in accordance with generally accepted accounting principles, on a consolidated basis, together with the appropriate supporting details and a statement of underlying assumptions, all in form similar to those delivered to the Lenders prior to the Closing Date.

(iii) Officer's Certificate. Together with each delivery of any financial statement (a) pursuant to clauses (i) and (ii) of this Section 7.1(a), an Officer's Certificate of the Company, substantially in the form of Exhibit E attached hereto and made a part hereof, stating that as of the date of such Officer's Certificate no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof and (b) pursuant to clauses (i) and (ii) of this Section 7.1(a), a compliance certificate, substantially in the form of Exhibit F attached hereto and made a part hereof, signed by the Company's chief financial officer, chief accounting officer or treasurer, setting forth calculations for the period then ended for Section 2.5(b), if applicable, which demonstrate compliance, when applicable, with the provisions of Sections 7.3(a) through (h), Section 7.3(p) and Section 7.4, and which calculate the Leverage Ratio for purposes of determining the then Applicable Floating Rate Margin, Applicable Eurocurrency Margin and Applicable Commitment Fee Percentage.

(b) Notice of Default. Promptly upon any of the chief executive officer, chief operating officer, chief financial officer, treasurer, controller or other executive officer of the Company obtaining actual knowledge (i) of any condition or event which constitutes a Default or Unmatured Default, (ii) that any Lender or Administrative Agent has given any written notice to any Authorized Officer with respect to a claimed Default or Unmatured Default under this Agreement, or (iii)

that any Person has given any written notice to any Authorized Officer or any Subsidiary of the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 8.1(d), the Company shall deliver to the Administrative Agent and the Lenders an Officer's Certificate specifying (A) the nature and period of existence of any such claimed default, Default, Unmatured Default, condition or event, (B) the notice given or action taken by such Person in connection therewith, and (C) what action the Company has taken, is taking or proposes to take with respect thereto.

(c) Lawsuits. (i) Promptly upon the Company obtaining actual knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration, by or before any Governmental Authority, against or affecting the Company or any of its Subsidiaries or any property of the Company or any of its Subsidiaries not previously disclosed pursuant to Section 6.7, which action, suit, proceeding, governmental investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, governmental investigations or arbitrations arising out of the same general allegations or circumstances which expose, in the Company's reasonable judgment, the Company or any of its Subsidiaries to liability in an amount aggregating \$5,000,000 or more (exclusive of claims covered by insurance policies of the Company or any of its Subsidiaries unless the insurers of such claims have disclaimed coverage or reserved the right to disclaim coverage on such claims), give written notice thereof to the Administrative Agent and the Lenders and provide such other information as may be reasonably available to enable each Lender and the Administrative Agent and its counsel to evaluate such matters; and (ii) in addition to the requirements set forth in clause (i) of this Section 7.1(c), upon request of the Administrative Agent or the Required Lenders, promptly give written notice of the status of any action, suit, proceeding, governmental investigation or arbitration covered by a report delivered pursuant to clause (i) above and provide such other information as may be reasonably available to it to enable the Required Lenders and the Administrative Agent and its counsel to evaluate such matters.

(d) ERISA Notices. Deliver or cause to be delivered to the Administrative Agent and the Lenders, at the Company's expense, the following information and notices as soon as reasonably possible, and in any event:

(i) within ten (10) Business Days after the Company or any member of the Controlled Group obtains knowledge that a Termination Event has occurred or a lawsuit involving a Plan or Multiemployer Plan has been filed, in each case which could reasonably be expected to subject the Company to liability in excess of \$5,000,000, a written statement of the chief financial officer, treasurer or designee of the Company describing such Termination Event and the action, if any, which the member of the Controlled Group has taken, is taking or proposes to take with respect thereto, and when known, any action taken or threatened by the IRS, DOL or PBGC with respect thereto;

(ii) within ten (10) Business Days after the Company or any of its Subsidiaries obtains knowledge that a material prohibited transaction (defined in Sections 406 of ERISA and Section 4975 of the Code) has occurred, a statement of the chief financial officer, treasurer or designee of the Company describing such transaction and the action which the Company or such Subsidiary has taken, is taking or proposes to take with respect thereto;

(iii) within ten (10) Business Days after the Company or any of its Subsidiaries receives notice of any unfavorable determination letter from the IRS regarding the qualification of a Plan under Section 401(a) of the Code, copies of each such letter;

(iv) within ten (10) Business Days after the filing thereof with the IRS, a copy of each funding waiver request filed with respect to any Benefit Plan and all communications received by the Company or a member of the Controlled Group with respect to such request;

(v) within ten (10) Business Days after receipt by the Company or any member of the Controlled Group of the PBGC's intention to terminate a Benefit Plan or to have a trustee appointed to administer a Benefit Plan, copies of each such notice;

(vi) within ten (10) Business Days after the Company or any member of the Controlled Group fails to make a required installment or any other required payment under Section 412 of the Code on or before the due date for such installment or payment, a notification of such failure;

(vii) within ten (10) Business Days after the establishment of any Foreign Employee Benefit Plan or the commencement of, or obligation to commence, contributions to any Foreign Employee Benefit Plan to which the Company or any Subsidiary was not previously contributing, where the aggregate annual contributions to such Plan(s) resulting therefrom are or could reasonably be expected to be in excess of \$5,000,000, notification of such establishment, commencement or obligation to commence and the amount of such contributions; and

For purposes of this Section 7.1(d), the Company, any of its Subsidiaries and any member of the Controlled Group shall be deemed to know all facts known by the administrator of any Plan which is a Single Employer Plan.

(e) Labor Matters. Notify the Administrative Agent and the Lenders in writing, promptly upon an Authorized Officer learning of (i) any material labor dispute to which the Company or any of its Subsidiaries may become a party, including, without limitation, any strikes, lockouts or other disputes relating to such Persons' plants and other facilities and (ii) any material Worker Adjustment and Retraining Notification Act liability incurred with respect to the closing of any plant or other facility of the Company or any of its Subsidiaries.

(f) Other Indebtedness. Deliver to the Administrative Agent (i) a copy of each regular report, notice or communication regarding potential or actual defaults (including any accompanying officer's certificate) delivered by or on behalf of the Company to the holders of Indebtedness for money borrowed with an aggregate outstanding principal amount in excess of \$10,000,000 pursuant to the terms of the agreements governing such Indebtedness, such delivery to be made at the same time and by the same means as such notice of default is delivered to such holders, and (ii) a copy of each notice or other communication received by the Company from the holders of Indebtedness for money borrowed with an aggregate outstanding principal amount in excess of \$10,000,000 regarding potential or actual defaults pursuant to the terms of such Indebtedness, such delivery to be made promptly after such notice or other communication is received by the Company.

(g) Other Reports. Deliver or cause to be delivered to the Administrative Agent and the Lenders copies of (i) all financial statements, reports on Form S-1, 8-K, 10-K or 10-Q and non-routine notices, if any, sent or made available generally by the Company to its securities holders or filed with the Commission by the Company, and (ii) all notifications received from the Commission by the Company or its Subsidiaries pursuant to the Securities Exchange Act of 1934 and the rules promulgated thereunder other than routine reminders or notices that do not relate to specific violations of rules promulgated by the Commission. The Company shall include the Administrative Agent and the Lenders on its standard distribution lists for all press releases made available generally by the Company or any of the Company's Subsidiaries to the public concerning material developments in the business of the Company or any such Subsidiary.

(h) Environmental Notices. As soon as possible and in any event within fifteen (15) days after receipt by the Company, deliver to the Administrative Agent and the Lenders a copy of (i) any notice or claim to the effect that the Company or any of its Subsidiaries is or may be liable to any Person as a result of the Release by the Company, any of its Subsidiaries, or any other Person of any Contaminant into the environment, and (ii) any notice alleging any violation of any Environmental, Health or Safety Requirements of Law by the Company or any of its Subsidiaries if, in either case, such notice or claim relates to an event which could reasonably be expected to subject the Company and each of its Subsidiaries to liability individually or in the aggregate in excess of \$10,000,000.

(i) Other Information. Promptly upon receiving a request therefor from the Administrative Agent, prepare and deliver to the Administrative Agent and the Lenders such other information with respect to the Company or any of its Subsidiaries, as from time to time may be reasonably requested by the Administrative Agent.

## 7.2 Affirmative Covenants.

(a) Corporate Existence, Etc. Subject to Section 7.3(i), the Company shall, and shall cause each of its Subsidiaries to, at all times maintain its corporate existence and preserve and keep, or cause to be preserved and kept, in full force and effect its rights and franchises material to its businesses except where, in the case of Subsidiaries which are not Subsidiary Borrowers, failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Corporate Powers; Conduct of Business. The Company shall, and shall cause each of its Subsidiaries to, qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified and where the failure to be so qualified will have or could reasonably be expected to have a Material Adverse Effect.

(c) Compliance with Laws, Etc. The Company shall, and shall cause its Subsidiaries to, (a) comply with all Requirements of Law and all restrictive covenants affecting such Person or the business, prospects, properties, assets or operations of such Person, and (b) obtain as needed all permits necessary for its operations and maintain such permits in good standing unless failure to comply or obtain such permits could not reasonably be expected to have a Material Adverse Effect.

(d) Payment of Taxes and Claims; Tax Consolidation. The Company shall pay, and cause each of its Subsidiaries to pay, (i) all material taxes, assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and (ii) all claims (including, without limitation, claims for labor, services, materials and supplies) for material sums which have become due and payable and which by law have or may become a Lien (other than a Lien permitted by Section 7.3(c)) upon any of the Company's or such Subsidiary's property or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no such taxes, assessments and governmental charges referred to in clause (i) above or claims referred to in clause (ii) above (and interest, penalties or fines relating thereto) need be paid if being contested in good faith by appropriate proceedings diligently instituted and conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with Agreement Accounting Principles shall have been made therefor.

(e) Insurance. The Company will maintain, and will cause to be maintained on behalf of each of its Subsidiaries, insurance coverage by financially sound and reputable insurance companies or associations, against such casualties and contingencies, of such types and in such amounts as are customary for companies engaged in similar businesses and owning and operating similar properties, it being understood that the Company and its Subsidiaries may self-insure against hazards and risks with respect to which, and in such amounts, as the Company in good faith determines prudent and consistent with sound financial practice, and as are customary for companies engaged in similar businesses and owning and operating similar properties. The Company shall furnish to any Lender upon request full information as to the insurance carried.

(f) Inspection of Property; Books and Records; Discussions. The Company shall permit and cause each of the Company's Subsidiaries to permit, any authorized representative(s) designated by either the Administrative Agent or the Required Lenders to visit and inspect, for a reasonable purpose, any of the properties of the Company or any of its Subsidiaries, to examine, audit, check and make copies of their respective financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby (including, without limitation, in connection with environmental compliance, hazard or liability), and to discuss their affairs, finances and accounts with their officers and their independent certified public accountants, all upon reasonable notice and at such reasonable times during normal business hours, as often as may be reasonably requested. The Company shall keep and maintain, and cause each of the Company's Subsidiaries to keep and maintain proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities.

(g) ERISA Compliance. The Company shall, and shall cause each of the Company's Subsidiaries to, establish, maintain and operate all Plans (and, to the extent it is within the power of the Company or a Subsidiary, all Multiemployer Plans) to comply in all material respects with the provisions of ERISA, the Code, all other applicable laws, and the regulations and interpretations thereunder and the respective requirements of the governing documents for such Plans.

(h) Maintenance of Property. The Company shall cause all property used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and



working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times and except to the extent that the failure to so maintain such property could not be reasonably expected to have a Material Adverse Effect.

(i) Environmental Compliance. The Company shall, and shall cause each of the Company's Subsidiaries to comply with, all Environmental, Health or Safety Requirements of Law, except where noncompliance could not reasonably be expected to have a Material Adverse Effect.

(j) Use of Proceeds. The Borrowers shall use the proceeds of the Advances to make payments on the Seller Subordinated Note (subject to the provisions of this Agreement and the subordination provisions of the Seller Subordinated Note) and to provide funds for the additional working capital needs and other general corporate purposes of the Company and its Subsidiaries, including, without limitation, the financing of Permitted Acquisitions. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to make any Acquisition other than a Permitted Acquisition made pursuant to Section 7.3(g).

(k) Subsidiary Guarantees; Subsidiary Subordination Agreement. The Company will:

(i) cause each Subsidiary Borrower that is a Domestic Subsidiary and each Domestic Subsidiary that has assets with a book value in excess of \$10,000,000 to execute the Guaranty (and from and after the Amendment Effective Date cause each other Subsidiary Borrower that is a Domestic Subsidiary and each other Domestic Subsidiary which has such assets to execute and deliver to the Administrative Agent, within ten (10) days after becoming a Subsidiary Borrower or another Domestic Subsidiary which has such assets, as applicable, an assumption or joinder agreement pursuant to which it agrees to be bound by the terms and provisions of the Guaranty (whereupon such Subsidiary shall become a "Guarantor" under this Agreement)) and cause such Guarantors to execute and deliver to the Administrative Agent such Collateral Documents as the Administrative Agent may require;

(ii) in the event that at any time the book value of the assets of all Domestic Subsidiaries which are not Guarantors exceeds the lesser of (a) twelve percent (12%) of the Consolidated Net Assets of the Company and its Subsidiaries at such time and (b) \$25,000,000, within ten (10) days thereafter cause one or more of such Subsidiaries to execute and deliver to the Administrative Agent an assumption or joinder agreement pursuant to which it or they agree to be bound by the terms and provisions of the Guaranty (whereupon each such Subsidiary shall become a "Guarantor" under this Agreement) such that, after giving effect thereto, the book value of the assets of all Domestic Subsidiaries which are not Guarantors does not exceed the lesser of (a) twelve percent (12%) of the Consolidated Net Assets of the Company and its Subsidiaries at such time and (b) \$25,000,000, and cause such Guarantors to execute and deliver to the Administrative Agent such Collateral Documents as the Administrative Agent may require;

(iii) cause each Subsidiary, before it makes a loan to any of the Borrowers, to execute the Subordination Agreement (and from and after the Amendment Effective Date cause each other Subsidiary to execute and deliver to the Administrative Agent, within ten (10) days after becoming a Subsidiary, as applicable, an assumption or joinder agreement pursuant to which it agrees to be bound by the terms and provisions of the Subordination Agreement);

(iv) deliver and cause such Subsidiaries to deliver corporate resolutions, opinions of counsel, and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent; and

(v) cause each Subsidiary to be a Wholly-Owned Subsidiary, except as set forth on Schedule 6.8.

(l) Foreign Employee Benefit Compliance. The Company shall, and shall cause each of its Subsidiaries and each member of its Controlled Group to, establish, maintain and operate all Foreign Employee Benefit Plans to comply in all material respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for such Plans, except for failures to comply which, in the

aggregate, would not be reasonably expected to subject the Company or any of its Subsidiaries to liability, individually or in the aggregate, in excess of \$5,000,000.

(m) Subordinated Seller Debt. The Company shall, and shall cause each of its Subsidiaries to, comply at all times with each covenant contained in the documents evidencing the Subordinated Seller Debt and shall not permit any potential or actual defaults to occur with respect to the Seller Subordinated Debt.

### 7.3 Negative Covenants.

(a) Sales of Assets. The Company shall not, nor shall it permit any Subsidiary to, sell or otherwise dispose of any Receivables, with or without recourse or consummate any Asset Sale, except:

(i) transfers of assets to the Company, between the Company and any Guarantor which is a Domestic Subsidiary or between any such Guarantors; and

(ii) sales, assignments, transfers, lease conveyances or other dispositions of other assets if such transaction (a) is for not less than fair market value (as determined in good faith by the Company's chief financial officer), and (b) when combined with all such other transactions (each such transaction being valued at book value) and all Sale and Leaseback Transactions (each such Sale and Leaseback Transaction being valued at book value) during the period from the Closing Date to the date of such proposed transaction, represents the disposition of not greater than ten percent (10%) of the Company's Consolidated Net Assets at the end of the fiscal year immediately preceding that in which such transaction is proposed to be entered into.

(b) Liens. The Company shall not, nor shall it permit any Subsidiary to, directly or indirectly create, incur, assume or permit to exist a Lien on or with respect to the Capital Stock of any Subsidiary of the Company. In addition, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any of their respective other property or assets except:

(i) Permitted Existing Liens;

(ii) Customary Permitted Liens;

(iii) Liens with respect to Equipment acquired by the Company or any of its Subsidiaries after the date hereof pursuant to a Permitted Acquisition (and not created in contemplation of such acquisition); provided that such Liens shall extend only to the property so acquired;

(iv) Liens securing Indebtedness of a Subsidiary to the Company or to another Wholly-Owned Subsidiary;

(v) Liens securing Indebtedness permitted under Section 7.3(c)(vii); and

(vi) Additional Liens; provided that the Indebtedness secured thereby does not exceed in the aggregate \$10,000,000 (less the amount of any Indebtedness secured by Liens permitted under clause (v)).

(c) Indebtedness. The Company shall not, nor shall it permit any Subsidiary to, cause or permit, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(i) the Obligations;

(ii) the Subordinated Seller Debt;

(iii) Permitted Existing Indebtedness;

(iv) Indebtedness arising from intercompany loans and advances from the Company or any Domestic Subsidiary to any Subsidiary, provided that (A) such intercompany Indebtedness shall not be evidenced by any note or similar instrument; (B) the Company and each applicable Subsidiary shall record all intercompany transactions on their respective books and records in a manner satisfactory to the Administrative Agent; (C) the obligations of each Subsidiary with

respect to any such intercompany loans shall be subordinated to any obligations of such Subsidiary hereunder in a manner satisfactory to the Administrative Agent; (D) no Default or Unmatured Default would occur and be continuing after giving effect to any such proposed intercompany loan; (E) the aggregate Dollar Amount outstanding of such intercompany loans owing by Foreign Subsidiaries other than loans pursuant to the Spectra Precision Acquisition shall not exceed \$30,000,000 at any time and (F) other than loans pursuant to the Spectra Precision Acquisition, such intercompany loans shall be made in the ordinary course of business, consistent with past practices and the proceeds of such loans shall be used to fund operating expenses of the applicable Subsidiary;

(v) Contingent Obligations to the extent permitted under Section 7.3(d);

(vi) Hedging Obligations to the extent permitted under Section 7.3(n);

(vii) Indebtedness with respect to Capital Lease Obligations and purchase money Indebtedness with respect to real or personal property in an aggregate amount not to exceed \$10,000,000;

(viii) Indebtedness incurred for the purpose of refinancing any of the Indebtedness permitted under clause (iii); and

(ix) additional unsecured Indebtedness in an aggregate amount at any time outstanding not exceeding \$50,000,000 (less any Indebtedness described in clause (vii) above) of which not more than \$25,000,000 may be incurred by Subsidiaries which are not Subsidiary Borrowers or Guarantors.

(d) Contingent Obligations. The Company shall not, nor shall it permit any Subsidiary to, directly or indirectly create or become or be liable with respect to any Contingent Obligation, except: (i) recourse obligations resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (ii) Permitted Existing Contingent Obligations; (iii) obligations, warranties, guaranties and indemnities, not relating to Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business and not for the benefit of or in favor of an Affiliate of the Company or such Subsidiary; (iv) Contingent Obligations of the Subsidiaries of the Company under the Guaranty to which they are a party, (v) obligations arising under or related to the Loan Documents; (vi) Contingent Obligations in respect of the Subordinated Seller Debt or other Indebtedness permitted by Section 7.3(c) above, and (vii) additional Contingent Obligations in an aggregate amount not to exceed in the aggregate five percent (5%) of Consolidated Net Worth at any one time outstanding.

(e) Restricted Payments. The Company shall not, nor shall it permit any Subsidiary to, make or declare any Restricted Payments (other than Restricted Payments by a Subsidiary to the Company) except that (i) the Company may make prepayments of the Seller Subordinated Note from the proceeds of equity offerings as required by Section 4.2 of the Seller Subordinated Note (but only to the extent otherwise permitted by the subordination provisions of the Seller Subordinated Note); (ii) so long as no Default or Unmatured Default then exists, the Company may repurchase shares from its employees, officers or directors pursuant to any vesting provisions with respect thereto; and (iii) so long as no Default or Unmatured Default then exists, the Company may make Restricted Payments not to exceed, for any fiscal year, an aggregate amount equal to twenty-five percent (25%) of Net Income for the previous fiscal year.

(f) Conduct of Business; Subsidiaries; Acquisitions. The Company shall not, nor shall it permit any Subsidiary to, engage in any business other than the businesses engaged in by the Company on the date hereof and any business or activities which are similar, related or incidental thereto or logical extensions thereof. The Company shall not create, acquire or capitalize any Subsidiary after the date hereof unless (i) no Default or Unmatured Default shall have occurred and be continuing or would result therefrom; (ii) after such creation, acquisition or capitalization, all of the representations and warranties contained herein shall be true and correct in all material respects (unless such representation and warranty is made as of a specific date, in which case, such representation or warranty shall be true as of such date); and (iii) after such creation, acquisition or capitalization the Company shall be in compliance with the terms of Section 7.2(k). The Company shall not make any Acquisitions, other than Acquisitions meeting the following requirements (each such Acquisition constituting

a "Permitted Acquisition"):

(i) no Default or Unmatured Default shall have occurred and be continuing or would result from such Acquisition or the incurrence of any Indebtedness in connection therewith;

(ii) the purchase is consummated pursuant to a negotiated acquisition agreement on a non-hostile basis and approved by the target company's board of directors (and shareholders, if necessary) prior to the consummation of the Acquisition;

(iii) if the purchase price payable in respect to any such Acquisition (including, without limitation, cash or stock (other than Equity Interests (other than Disqualified Stock) of the Company) consideration paid and Indebtedness or other liabilities assumed) exceeds \$25,000,000, prior to each such Acquisition, the Company shall have delivered to the Administrative Agent and the Lenders a certificate from one of the Authorized Officers, demonstrating that after giving effect to such Acquisition, on a pro forma basis in respect of each such Acquisition as if the Acquisition and such incurrence of Indebtedness had occurred on the first day of the twelve-month period ending on the last day of the Company's most recently completed fiscal quarter, the Company would have been in compliance with the financial covenants in Section 7.4 and not otherwise in Default;

(iv) if the purchase price for the Acquisition (excluding consideration in the form of the Company's Equity Interests (other than Disqualified Stock)) exceeds, together with all other Permitted Acquisitions permitted under this Section 7.3(f) during the same fiscal year, \$25,000,000 (the "Permitted Acquisition Basket") (including the incurrence or assumption of any Indebtedness in connection therewith), the Required Lenders shall have consented to such Acquisition;

(v) the businesses being acquired shall be similar to that of the Company and its Subsidiaries as of the Closing Date, related or incidental thereto or logical extensions thereof; and

(vi) such Acquisition shall be structured as an asset acquisition, as an acquisition of one hundred percent (100%) of the outstanding voting equity securities of the target company or as a merger permitted hereby.

(g) Investments. Neither the Company nor any of its Subsidiaries shall purchase or acquire, or make any commitment therefor, any Equity Interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of the Company, except for:

(i) Investments by the Company or any Subsidiary in any Wholly-Owned Subsidiary which is a Guarantor;

(ii) Investments incurred in order to consummate Permitted Acquisitions otherwise permitted herein;

(iii) Loans giving rise to Indebtedness permitted by Section 7.3(c)(iv);

(iv) Advances to employees for business expenses not to exceed \$1,000,000 in the aggregate outstanding at any one time;

(v) other loans to employees in the ordinary course of business and consistent with past practices, not to exceed \$5,000,000 in the aggregate outstanding at any one time;

(vi) Investments in Cash Equivalents;

(vii) Permitted Existing Investments; and

(viii) other Investments in an aggregate amount not to exceed the sum of (A) \$20,000,000 (based on the initial amount invested) plus (B) proceeds (net of the initial amount invested) from Investments permitted hereunder.

(h) Transactions with Shareholders and Affiliates. Neither the Company nor any of its Subsidiaries shall directly or indirectly enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of

any service) with, or make loans or advances to, any Affiliate of the Company which is not its Wholly-Owned Subsidiary, on terms that are less favorable to the Company or any of its Subsidiaries, as applicable, than those that might be obtained in an arm's length transaction at the time from Persons who are not such a holder or Affiliate, except for Restricted Payments permitted by Section 7.3(f).

(i) Restriction on Fundamental Changes. Neither the Company nor any of its Subsidiaries shall enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of the Company's consolidated business or property (each such transaction a "Fundamental Change"), whether now or hereafter acquired, except (i) Fundamental Changes permitted under Sections 7.3(a), 7.3(b) or 7.3(f), (ii) a Subsidiary of the Company may be merged into or consolidated with the Company or any Wholly-Owned Subsidiary of the Company (in which case the Company or such Wholly-Owned Subsidiary shall be the surviving corporation); provided that if the predecessor Subsidiary was a Guarantor, the surviving Subsidiary, if applicable, shall be a Guarantor hereunder, (iii) any liquidation of any Subsidiary of the Company into the Company or another Subsidiary of the Company, as applicable, and (iv) the Company may merge with any other Person, or any Subsidiary of the Company may consolidate or merge with any other Person, provided that (A) no Default or Unmatured Default shall exist immediately before or after giving effect to such Fundamental Change, (B) in the case of any merger of the Company, the Company is the surviving corporation in such merger and such merger is with a Person in a line of business substantially similar to that of the Company and its Subsidiaries as of the Closing Date or any business or activities which are similar, related or incidental thereto or logical extensions thereof, and (C) in the case of any merger or consolidation of any Subsidiary of the Company, the surviving corporation in such Fundamental Change is or becomes as a result thereof a Wholly-Owned Subsidiary of the Company and if the predecessor Subsidiary was a Guarantor, the surviving Subsidiary shall be a Guarantor hereunder, and (D) such transaction is with a Person in a line of business substantially similar to or related to that of the Company and its Subsidiaries as of the Closing Date or is a logical extension thereof.

(j) Margin Regulations. Neither the Company nor any of its Subsidiaries, shall use all or any portion of the proceeds of any credit extended under this Agreement to purchase or carry Margin Stock.

(k) ERISA.

(i) The Company shall not:

(A) engage, or permit any of its Subsidiaries to engage, in any material prohibited transaction described in Sections 406 of ERISA or 4975 of the Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL;

(B) permit to exist any accumulated funding deficiency (as defined in Sections 302 of ERISA and 412 of the Code), with respect to any Benefit Plan, whether or not waived;

(C) fail, or permit any Controlled Group member to fail, to pay timely required material contributions or annual installments due with respect to any waived funding deficiency to any Benefit Plan;

(D) terminate, or permit any Controlled Group member to terminate, any Benefit Plan which would result in any material liability of the Company or any Controlled Group member under Title IV of ERISA;

(E) fail to make any material contribution or payment to any Multiemployer Plan which the Company or any Controlled Group member may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto;

(F) permit any unfunded liabilities with respect to any Foreign Pension Plan except to the extent that any such unfunded liabilities are being funded by annual contributions made by the Company or any member of its Controlled Group and such annual contributions are not less than the minimum amounts, if any, required under applicable local law;

(G) fail, or permit any of its Subsidiaries or Controlled

Group members to fail, to pay any required contributions or payments to a Foreign Pension Plan on or before the due date for such required installment or payment;

(H) fail, or permit any Controlled Group member to fail, to pay any required material installment or any other payment required under Section 412 of the Code on or before the due date for such installment or other payment; or

(I) amend, or permit any Controlled Group member to amend, a Plan resulting in a material increase in current liability for the plan year such that the Company or any Controlled Group member is required to provide security to such Plan under Section 401(a)(29) of the Code.

(ii) For purposes of this Section 7.3(k), "material" means any noncompliance or basis for liability which could reasonably be expected to subject the Company or any of its Subsidiaries to liability, individually or in the aggregate, in excess of \$5,000,000.

(l) Certain Documents. Neither the Company nor any of its Subsidiaries shall amend, modify or otherwise change any of the terms or provisions of (i) the Acquisition Documents, or of any of their respective constituent documents as in effect on the date hereof in any manner materially adverse to the interests of the Lenders or (ii) the documents evidencing the Subordinated Seller Debt.

(m) Fiscal Year. Neither the Company nor any of its consolidated Subsidiaries shall change its fiscal year for accounting or tax purposes from a period consisting of the twelve-month period ending on Friday nearest to December 31 of each year, except as required by Agreement Accounting Principles or by law and disclosed to the Lenders and the Administrative Agent.

(n) Hedging Obligations. The Company shall not and shall not permit any of its Subsidiaries to enter into any interest rate, commodity or foreign currency exchange, swap, collar, cap or similar agreements evidencing Hedging Obligations, other than interest rate, foreign currency or commodity exchange, swap, collar, cap or similar agreements entered into by the Company or its Subsidiaries pursuant to which the Company or its Subsidiaries has hedged its actual or anticipated interest rate, foreign currency or commodity exposure. Such permitted hedging agreements entered into by the Company or its Subsidiaries and any Lender or any Affiliate of any Lender are sometimes referred to herein as "Hedging Agreements".

(o) Capital Expenditures. The Company shall not, and shall not permit any of its Subsidiaries to, make Capital Expenditures in any fiscal year to the extent that during any fiscal year the aggregate amount of Capital Expenditures for the Company and its Subsidiaries would exceed \$15,000,000, excluding any amount attributable to a Permitted Acquisition (the "Capital Expenditures Limit"). Notwithstanding the foregoing, in the event that the Company and its Subsidiaries do not expend the entire Capital Expenditures Limit for any fiscal year, the Company and its Subsidiaries may carry forward to the immediately succeeding fiscal year the unutilized portion of such Capital Expenditures Limit.

(p) Restrictive Agreements. Other than (x) the Subordinated Seller Note, (y) customary provisions in licenses or similar agreements that restrict the ability of the Company or its Subsidiaries to assign, transfer, license or sublicense any intellectual property subject to such license or agreement and (z) negative pledge provisions in Equipment financing agreements which restrict only Liens on the Equipment subject to such agreement together with any accessions, additions, replacements or proceeds of such Equipment, the Company shall not, nor shall it permit any of its Subsidiaries to, enter into any indenture, agreement, instrument or other arrangement which directly or indirectly prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the ability of the Company or any Subsidiary to create Liens upon their assets securing the Obligations of or any Subsidiary to (i) pay dividends or make other distributions or Restricted Payments (A) on its Capital Stock or (B) with respect to any other interest or participation in, or measured by, its profits, (ii) make loans or advances to or other investments in the Company or any Subsidiary, (iii) repay loans or advances from the Company or any Subsidiary or (iv) transfer any of its properties to the Company or any Subsidiary.

(a) Minimum Fixed Charge Coverage Ratio. The Company shall maintain as of the end of each fiscal quarter set forth below a Fixed Charge Coverage Ratio for the four fiscal quarter period then ending of not less than the ratio set forth below opposite such period:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2002 through June 30, 2003	1.10:1.00
September 30, 2003 and thereafter	1.20:1.00

(b) Maximum Leverage Ratio. The Company shall at all times during the periods specified below maintain a Leverage Ratio for the four fiscal quarter period then ending of not greater than the ratio set forth below opposite such period:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2002 through June 30, 2003	2.00:1.00
September 30, 2003 and thereafter	1.75:1.00

(c) Minimum Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth at any time to be less than the sum of (i) 85% of Consolidated Net Worth on June 28, 2002 plus (ii) fifty percent (50%) of Net Income (if positive) calculated separately for each subsequent quarterly accounting period, in each case, excluding changes in cumulative foreign exchange translation adjustment, plus (iii) the aggregate amount of all Equity Interests issued after June 28, 2002.

#### ARTICLE VIII: DEFAULTS

8.1 Defaults. Each of the following occurrences shall constitute a Default under this Agreement:

(a) Failure to Make Payments When Due. The Company or any Subsidiary Borrower shall (i) fail to pay when due any of the Obligations consisting of principal with respect to any Loan or (ii) shall fail to pay within five (5) Business Days of the date when due any of the other Obligations under this Agreement or the other Loan Documents.

(b) Breach of Certain Covenants. The Company or any Subsidiary Borrower shall fail duly and punctually to perform or observe any agreement, covenant or obligation binding on it under:

(i) Sections 7.1(b), 7.1(c), 7.1(f), 7.2(j), 7.2(k), 7.2(m), 7.3 or 7.4 or

(ii) any section of this Agreement or any other Loan Document not covered by Section 8.1(a), 8.1(b)(i) or 8.1(m) and such failure shall continue unremedied for thirty (30) days after the occurrence thereof.

(c) Breach of Representation or Warranty. Any representation or warranty made or deemed made by the Company or any Subsidiary Borrower to the Administrative Agent or any Lender herein or by the Company or any Subsidiary Borrower or any of their Subsidiaries in any of the other Loan Documents or in any statement or certificate or information at any time given by any such Person pursuant to any of the Loan Documents shall be false in any material respect on the date as of which made or deemed made.

(d) Default as to Other Indebtedness. The Company or any of its Subsidiaries shall fail to pay when due (i) any Subordinated Seller Debt or (ii) any Indebtedness in excess of \$5,000,000 (any such Indebtedness being "Material Indebtedness"); or the Company or any of its Subsidiaries shall fail to perform (beyond the applicable grace period with respect thereto, if any) any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of the Company or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof.

(e) Involuntary Bankruptcy; Appointment of Receiver, Etc.

(i) An involuntary case shall be commenced against the Company

or any of the Company's Subsidiaries and the petition shall not be dismissed, stayed, bonded or discharged within forty-five (45) days after commencement of the case; or a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company or any of the Company's Subsidiaries in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state, local or foreign law.

(ii) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Company or any of the Company's Subsidiaries or over all or a substantial part of the property of the Company or any of the Company's Subsidiaries shall be entered; or an interim receiver, trustee or other custodian of the Company or any of the Company's Subsidiaries or of all or a substantial part of the property of the Company or any of the Company's Subsidiaries shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the property of the Company or any of the Company's Subsidiaries shall be issued and any such event shall not be stayed, dismissed, bonded or discharged within forty-five (45) days after entry, appointment or issuance.

(f) Voluntary Bankruptcy; Appointment of Receiver, Etc. The Company or any of the Company's Subsidiaries shall (i) commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (ii) consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, (iii) consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property, (iv) make any assignment for the benefit of creditors or (v) take any corporate action to authorize any of the foregoing.

(g) Judgments and Attachments. Any money judgment(s) writ or warrant of attachment, or similar process against the Company or any Domestic Subsidiary or any of their respective assets involving in any single case or in the aggregate an amount in excess of \$5,000,000 is or are entered and shall remain undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days or in any event later than fifteen (15) days prior to the date of any proposed sale thereunder.

(h) Dissolution. Any order, judgment or decree shall be entered against the Company or any Domestic Subsidiary decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of forty-five (45) days; or the Company or any Domestic Subsidiary shall otherwise dissolve or cease to exist except as specifically permitted by this Agreement.

(i) Termination Event. Any Termination Event occurs which the Required Lenders believe is reasonably likely to subject the Company to liability in excess of \$5,000,000. The Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate \$10,000,000.

(j) Waiver of Minimum Funding Standard. If the plan administrator of any Plan applies under Section 412(d) of the Code for a waiver of the minimum funding standards of Section 412(a) of the Code and the Administrative Agent or the Required Lenders believe the substantial business hardship upon which the application for the waiver is based could reasonably be expected to subject either the Company or any Controlled Group member to liability in excess of \$5,000,000.

(k) Change of Control. A Change of Control shall occur.

(l) Guarantor Revocation. Any Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor shall fail to comply with any of the terms or provisions of any Guaranty to which it is a party, or any Guarantor shall deny that it has any further liability under any Guaranty to which it is a party, or shall give notice to such effect; in each case other than a Guarantor's ceasing to be a Subsidiary Borrower pursuant to Section 2.23 hereof or the disposition of such Guarantor in any transaction permitted by Section 7.3(b) hereof.

(m) Collateral Documents. Any Collateral Documents shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document, or any "Default" or "Unmatured Default" shall occur under and



as defined in any Collateral Document or shall deny, or give notice to such effect, that it has any further liability under such Collateral Document or any Collateral Document shall for any reason fail to create a valid and perfected, first priority security interest in any collateral purported to be covered thereby, except as permitted by the terms of such Collateral Document.

A Default shall be deemed "continuing" until cured or until waived in writing in accordance with Section 9.2.

#### ARTICLE IX: ACCELERATION, DEFAULTING LENDERS; WAIVERS, AMENDMENTS AND REMEDIES

9.1 Termination of Revolving Loan Commitments; Acceleration. If any Default described in Section 8.1(e) or 8.1(f) occurs with respect to the Company or any Subsidiary Borrower, the obligations of the Lenders to make Loans (including, without limitation, Alternate Currency Loans) hereunder and the obligation of any Issuing Banks to issue Letters of Credit hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Lender. If any other Default occurs, the Required Lenders, or the Administrative Agent acting at the direction of the Required Lenders may terminate or suspend the obligations of the Lenders to make Loans (including, without limitation, Alternate Currency Loans) hereunder and the obligation of the Issuing Banks to issue Letters of Credit hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrowers expressly waive.

9.2 Amendments. Subject to the provisions of this Article IX, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or waiving any Default or Unmatured Default hereunder; provided that no such supplemental agreement shall, without the consent of each Lender directly affected thereby:

(a) Postpone or extend the Revolving Loan Termination Date, the Term Loan Maturity Date or any other date scheduled for any payment of principal of, or interest on, the Loans, the Reimbursement Obligations or any fees or other amounts payable to such Lender (except with respect to a waiver of the application of the default rate of interest pursuant to Section 2.12 hereof).

(b) Reduce the principal amount of any Loans or L/C Obligations, or reduce the rate or extend the time of payment of interest or fees thereon.

(c) Reduce the percentage specified in the definition of Required Lenders or any other percentage of Lenders hereunder specified to be the applicable percentage in this Agreement to act on specified matters or amend the definitions of "Required Lenders", "Pro Rata Revolving Share", "Pro Rata Share", "Pro Rata Term Share", "Pro Rata Tranche A Revolving Share", "Pro Rata Tranche B Revolving Share", "Pro Rata Tranche C Revolving Share" or "Pro Rata Tranche D Revolving Share".

(d) Increase the amount of the Revolving Loan Commitment of any Lender hereunder.

(e) Permit the Company or any Subsidiary Borrower to assign its rights under this Agreement or any Guaranty.

(f) Release the Company or any Guarantor from any of its obligations under the Guaranty set forth in Article X hereof or any other Guaranty.

(g) Amend this Section 9.2.

(h) Release all or a substantial portion of the collateral pledged pursuant to the Collateral Documents (except as expressly provided therein).

(i) Amend the definition of "Trigger Event Date".

No amendment of any provision of this Agreement relating to (a) the Administrative Agent shall be effective without the written consent of the Administrative Agent, (b) any Issuing Bank shall be effective without the written consent of such Issuing Bank and (c) any Swing Line Loan shall be effective without the written consent of the Swing Line Bank. The Administrative

Agent may waive payment of the fee required under Section 14.3(b) without obtaining the consent of any of the Lenders.

9.3 Preservation of Rights. No delay or omission of the Lenders or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan or the issuance of a Letter of Credit notwithstanding the existence of a Default or the inability of the Company or any other Borrower to satisfy the conditions precedent to such Loan or issuance of such Letter of Credit shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the requisite number of Lenders required pursuant to Section 9.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Lenders until the Obligations have been paid in full.

#### ARTICLE X: GUARANTY

10.1 Guaranty. For valuable consideration, the receipt of which is hereby acknowledged, and to induce the Lenders to make advances to each Subsidiary Borrower and to make, issue and participate in Letters of Credit, Swing Line Loans and Alternate Currency Loans, the Company hereby absolutely and unconditionally guarantees prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of any and all existing and future obligations including without limitation the Obligations, of each Subsidiary Borrower to the Administrative Agent, the Lenders, the Swing Line Bank, the Issuing Lenders, the Alternate Currency Banks, or any of them, under or with respect to the Loan Documents or under or with respect to any Hedging Agreement entered into in connection with this Agreement, whether for principal, interest, (including interest accruing after the commencement of any bankruptcy insolvency or similar proceeding whether or not allowed as a claim in such proceeding) fees, expenses or otherwise (collectively, the "Guaranteed Obligations", and each such Subsidiary Borrower being an "Obligor" and collectively, the "Obligors").

10.2 Waivers. The Company waives notice of the acceptance of this guaranty and of the extension or continuation of the Guaranteed Obligations or any part thereof. The Company further waives presentment, protest, notice of notices delivered or demand made on any Obligor or action or delinquency in respect of the Guaranteed Obligations or any part thereof, including any right to require the Administrative Agent and the Lenders to sue any Obligor, any other guarantor or any other Person obligated with respect to the Guaranteed Obligations or any part thereof, or otherwise to enforce payment thereof against any collateral securing the Guaranteed Obligations or any part thereof. The Administrative Agent and the Lenders shall have no obligation to disclose or discuss with the Company their assessments of the financial condition of the Obligors.

10.3 Guaranty Absolute. This guaranty is a guaranty of payment and not of collection, is a primary obligation of the Company and not one of surety, and the validity and enforceability of this guaranty shall be absolute and unconditional irrespective of, and shall not be impaired or affected by any of the following: (a) any extension, modification or renewal of, or indulgence with respect to, or substitutions for, the Guaranteed Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, or any collateral; (c) any waiver of any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto or with respect to any collateral; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any collateral, any other guaranties with respect to the Guaranteed Obligations or any part thereof, or any other obligation of any Person with respect to the Guaranteed Obligations or any part thereof; (e) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to any collateral; (f) the application of payments received from any source to the payment of obligations other than the Guaranteed Obligations, any part thereof or amounts which are not covered by this guaranty even though the Administrative Agent and the Lenders might lawfully have elected to apply such payments to any part or all of the Guaranteed Obligations or to amounts which are not covered by this guaranty; (g) any change in the ownership of any Obligor or the insolvency, bankruptcy or any other change in the legal status of any Obligor; (h) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Guaranteed Obligations; (i) the

failure of the Company or any Obligor to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Guaranteed Obligations or this guaranty, or to take any other action required in connection with the performance of all obligations pursuant to the Guaranteed Obligations or this guaranty; (j) the existence of any claim, setoff or other rights which the Company may have at any time against any Obligor, or any other Person in connection herewith or an unrelated transaction; (k) the Administrative Agent's or any Lender's election, in any case or proceeding instituted under chapter 11 of the Bankruptcy Code, of the application of section 1111(b)(2) of the Bankruptcy Code; (l) any borrowing, use of cash collateral, or grant of a security interest by the Company, as debtor in possession, under section 363 or 364 of the United States Bankruptcy Code; (m) the disallowance of all or any portion any Lender's claims for repayment of the Guaranteed Debt under section 502 or 506 of the United States Bankruptcy Code; or (n) any other circumstances, whether or not similar to any of the foregoing, which could constitute a defense to a guarantor; all whether or not the Company shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (n) of this paragraph. It is agreed that the Company's liability hereunder is several and independent of any other guaranties or other obligations at any time in effect with respect to the Guaranteed Obligations or any part thereof and that the Company's liability hereunder may be enforced regardless of the existence, validity, enforcement or non-enforcement of any such other guaranties or other obligations or any provision of any applicable law or regulation purporting to prohibit payment by any Obligor of the Guaranteed Obligations in the manner agreed upon between the Obligor and the Administrative Agent and the Lenders.

10.4 Acceleration. The Company agrees that, as between the Company on the one hand, and the Lenders and the Administrative Agent, on the other hand, the obligations of each Obligor guaranteed under this Article X may be declared to be forthwith due and payable, or may be deemed automatically to have been accelerated, as provided in Section 9.1 hereof for purposes of this Article X, notwithstanding any stay, injunction or other prohibition (whether in a bankruptcy proceeding affecting such Obligor or otherwise) preventing such declaration as against such Obligor and that, in the event of such declaration or automatic acceleration, such obligations (whether or not due and payable by such Obligor) shall forthwith become due and payable by the Company for purposes of this Article X.

10.5 Marshaling; Reinstatement. None of the Lenders nor the Administrative Agent nor any Person acting for or on behalf of the Lenders or the Administrative Agent shall have any obligation to marshal any assets in favor of the Company or against or in payment of any or all of the Guaranteed Obligations. If the Company, any other Borrower or any other guarantor of all or any part of the Guaranteed Obligations makes a payment or payments to any Lender or the Administrative Agent, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to such Borrower, the Company, such other guarantor or any other Person, or their respective estates, trustees, receivers or any other party, including, without limitation, the Company, under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the part of the Guaranteed Obligations which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

10.6 Subrogation. Until the irrevocable payment in full of the Obligations and termination of all commitments which could give rise to any Guaranteed Obligation, the Company shall have no right of subrogation with respect to the Guaranteed Obligations, and hereby waives any right to enforce any remedy which the Administrative Agent and/or the Lenders now has or may hereafter have against the Company, any endorser or any other guarantor of all or any part of the Guaranteed Obligations, and the Company hereby waives any benefit of, and any right to participate in, any security or collateral given to the Administrative Agent and/or the Lenders to secure payment of the Guaranteed Obligations or any part thereof or any other liability of any Obligor to the Administrative Agent and/or the Lenders.

10.7 Termination Date. Subject to Section 10.5 this guaranty shall continue in effect until the later of (a) the Facility Termination Date, and (b) the date on which this Agreement has otherwise expired or been terminated in accordance with its terms and all of the Guaranteed Obligations have been paid in full in cash.

#### ARTICLE XI: GENERAL PROVISIONS

11.1 Survival of Representations. All representations and warranties of the Company contained in this Agreement shall survive delivery of this Agreement and the making of the Loans herein contemplated so long as any principal,

accrued interest, fees, or any other amount due and payable under any Loan Document is outstanding and unpaid (other than contingent reimbursement and indemnification obligations) and so long as the Revolving Loan Commitments have not been terminated.

11.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Company or any other Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

11.3 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

11.4 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrowers, the Administrative Agent and the Lenders and supersede all prior agreements and understandings among the Borrowers, the Administrative Agent and the Lenders relating to the subject matter thereof other than the New Fee Letter.

11.5 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other Lender (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Any obligation of "the Borrowers" hereunder shall be joint and several obligation of the Borrowers. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

#### 11.6 Expenses; Indemnification.

(a) Expenses. The Borrowers shall reimburse the Administrative Agent for any reasonable costs and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees and time charges of attorneys and paralegals for the Administrative Agent, Issuing Banks, Swing Line Bank and Alternative Currency Banks) paid or incurred by the Administrative Agent in connection with the preparation, negotiation, execution, delivery, syndication, review, proposed or completed amendment, waiver or modification, and administration of the Loan Documents. The Borrowers also agree to reimburse the Administrative Agent, each Alternate Currency Bank, each Arranger and each of the Lenders for any costs and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees and time charges of attorneys and paralegals for the Administrative Agent, each Alternate Currency Bank, each Arranger and each Lender, which attorneys and paralegals may be employees of the Administrative Agent, such Alternate Currency Bank, such Arranger, or the Lenders) paid or incurred by the Administrative Agent, the Alternate Currency Banks, the Arrangers or any Lender in connection with the collection of the Obligations and enforcement of the Loan Documents. The Administrative Agent shall provide the Borrowers with a detailed statement of all reimbursements requested under this Section 11.6(a).

(b) Indemnity. The Borrowers hereby further agree to indemnify the Administrative Agent, the Arrangers, the Alternate Currency Banks, the Issuing Banks and each and all of the Lenders and each of their respective Affiliates, and each of the Administrative Agent's, Arrangers', Alternate Currency Bank's, Issuing Bank's, Lender's and Affiliate's directors, officers, employees, attorneys and agents (all such persons, "Indemnitees") against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not such Indemnitee is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the Spectra Precision Acquisition, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification.

(c) Waiver of Certain Claims. The Borrowers further agree to assert no claim against any of the Indemnitees on any theory of liability seeking consequential, special, indirect, exemplary or punitive damages.

(d) Survival of Agreements. The obligations and agreements of the Borrowers under this Section 11.6 shall survive the termination of this Agreement.

11.7 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders.

11.8 Accounting. Except with respect to the pricing grid calculations in Section 2.15 and the financial covenant calculations in Section 7.4, both of which shall be made in accordance with Agreement Accounting Principles as in effect on the date hereof, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with generally accepted accounting principles as in effect from time to time, consistently applied.

11.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

11.10 Nonliability of Lenders. The relationship between the Borrowers and the Lenders and the Administrative Agent shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender shall have any fiduciary responsibilities to the Borrowers or the Guarantors. Neither the Administrative Agent nor any Lender undertakes any responsibility to any Borrower or Guarantor to review or inform any Borrower or Guarantor of any matter in connection with any phase of the Borrowers' business or operations.

11.11 GOVERNING LAW. ANY DISPUTE BETWEEN ANY BORROWER AND THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY OTHER HOLDER OF OBLIGATIONS ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (BUT WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

11.12 CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL.

(a) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (b), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN NEW YORK, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (a) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(b) OTHER JURISDICTIONS. EACH BORROWER AGREES THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY OTHER HOLDER OF OBLIGATIONS SHALL HAVE THE RIGHT TO PROCEED AGAINST EACH BORROWER OR ITS RESPECTIVE PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER ANY BORROWERS (2) IN ORDER TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON OR (3) FORECLOSE ON COLLATERAL LOCATED IN SUCH JURISDICTION. EACH BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE UNRELATED COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO REALIZE ON ANY SECURITY FOR THE OBLIGATIONS OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. EACH BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (b).

(c) VENUE. EACH BORROWER IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith IN ANY JURISDICTION SET FORTH ABOVE.

(d) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL

WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF SECTION 11.6 AND THIS SECTION 11.12, WITH ITS COUNSEL.

11.13 Other Transactions. Each of the Administrative Agent, the Arrangers, the Lenders, the Issuing Banks, the Swing Line Bank and the Borrowers acknowledge that the Administrative Agent and the Lenders (or Affiliates of the Administrative Agent and the Lenders) may, from time to time, effect transactions for their own accounts or the accounts of customers, and hold positions in loans or options on loans of the Company, the Company's Subsidiaries and other companies that may be the subject of this credit arrangement and nothing in this Agreement shall impair the right of any such Person to enter into any such transaction (to the extent it is not expressly prohibited by the terms of this Agreement) or give any other Person any claim or right of action hereunder as a result of the existence of the credit arrangements hereunder, all of which are hereby waived. In addition, certain Affiliates of one or more of the Lenders are or may be securities firms and as such may effect, from time to time, transactions for their own accounts or for the accounts of customers and hold positions in securities or options on securities of the Company, the Company's Subsidiaries and other companies that may be the subject of this credit arrangement and nothing in this Agreement shall impair the right of any such Person to enter into any such transaction (to the extent it is not expressly prohibited by the terms of this Agreement) or give any other Person any claim or right of action hereunder as a result of the existence of the credit arrangements hereunder, all of which are hereby waived. Other business units affiliated with the Administrative Agent may from time to time provide other financial services and products to the Company and its Subsidiaries.

## ARTICLE XII: THE ADMINISTRATIVE AGENT

12.1 Appointment; Nature of Relationship. BNS is appointed by the Lenders as the Administrative Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article XII. Notwithstanding the use of the defined term "Administrative Agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Holder of Obligations by reason of this Agreement and that the Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not assume any fiduciary duties to any of the Holders of Obligations, (ii) is a "representative" of the Holders of Obligations within the meaning of Section 9-105 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders, for itself and on behalf of its Affiliates as Holders of Obligations, agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Holder of Obligations waives.

12.2 Powers. The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action hereunder or under any of the other Loan Documents except any action specifically provided by the Loan Documents required to be taken by the Administrative Agent.

12.3 General Immunity. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Company, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is found in a final judgment by a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of such Person.

12.4 No Responsibility for Loans, Creditworthiness, Recitals, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into,

or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document; (c) the satisfaction of any condition specified in Article V, except receipt of items required to be delivered solely to the Administrative Agent; (d) the existence or possible existence of any Default or (e) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith. The Administrative Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or in any of the other Loan Documents, or for the execution, effectiveness, genuineness, validity, legality, enforceability, collectibility, or sufficiency of this Agreement or any of the other Loan Documents or the transactions contemplated thereby, or for the financial condition of any guarantor of any or all of the Obligations, the Company or any of its Subsidiaries.

12.5 Action on Instructions of Lenders. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all owners of Loans and on all Holders of Obligations. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

12.6 Employment of Agents and Counsel. The Administrative Agent may execute any of its duties as the Administrative Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any other Loan Document.

12.7 Reliance on Documents; Counsel. The Administrative Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent.

12.8 The Administrative Agent's, Issuing Banks', Swing Line Bank's and Alternate Currency Banks' Reimbursement and Indemnification.

(a) The Lenders agree to reimburse and indemnify the Administrative Agent ratably in proportion to their respective Pro Rata Shares (i) for any expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (ii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents; provided that no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of the Administrative Agent.

(b) The Lenders with a Revolving Loan Commitment agree to reimburse and indemnify the Administrative Agent, the Issuing Banks, the Swing Line Bank and the Alternate Currency Banks ratably in proportion to their respective Pro Rata Revolving Shares (i) any amounts not reimbursed by any Borrower for which the Administrative Agent, the Issuing Banks, the Swing Line Bank and the Alternate Currency Banks are entitled to reimbursement by any Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent, any Issuing Bank, the Swing Line Bank or any Alternate Currency Bank on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by

or asserted against the Administrative Agent, any Issuing Bank, the Swing Line Bank or any Alternate Currency Bank in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents; provided that no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of the Administrative Agent, the applicable Issuing Bank, the Swing Line Bank or the applicable Alternate Currency Bank.

12.9 Rights as a Lender. With respect to its Revolving Loan Commitment, Loans made by it, Swing Line Loans made by it and Letters of Credit issued by it, the Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender or Issuing Bank and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders", "Swing Line Bank", "Issuing Bank" or "Issuing Banks" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Company or any of its Subsidiaries in which such Person is not prohibited hereby from engaging with any other Person.

12.10 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arrangers or any other Lender and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arrangers or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

12.11 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrowers and the Lenders, a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty days after the retiring Administrative Agent's giving notice of resignation, then the retiring Administrative Agent may appoint, on behalf of the Borrowers and the Lenders, a successor Administrative Agent. Such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$500,000,000. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article XII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents.

12.12 No Duties Imposed Upon Syndication Agent, Documentation Agent or Arrangers. None of the Persons identified on the cover page to this Agreement, the signature pages to this Agreement or otherwise in this Agreement as a "Syndication Agent", "Documentation Agent" or "Arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, (a) expressly granted indemnification rights and (b) if such Person is a Lender, those applicable to all Lenders as such. Without limiting the foregoing, none of the Persons identified on the cover page to this Agreement, the signature pages to this Agreement or otherwise in this Agreements as a "Syndication Agent", "Documentation Agent" or "Arranger" shall have or be deemed to have any fiduciary duty to or fiduciary relationship with any Lender. In addition to the agreements set forth in Section 12.10, each of the Lenders acknowledges that it has not relied, and will not rely, on any of the Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

12.13 Collateral Agent. The Lenders agree that the Administrative Agent may, on their behalf, appoint a Collateral Agent under the Mortgages with respect to real estate located in the State of Ohio and related title insurance, surveys and other documentation. All references to the "Administrative Agent" in Article XII shall also be deemed to be references to the Collateral Agent.



13.1 Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Default occurs and is continuing, any Indebtedness from any Lender to the Company or any other Borrower (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due.

13.2 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Sections 4.1, 4.2 or 4.4 and payments expressly hereunder provided to be distributed on other than a pro rata basis or payments made and distributed in accordance with Section 2.12) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligation or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to the obligations owing to them. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

13.3 Application of Payments. The Administrative Agent shall apply all payments and prepayments in respect of any Obligations in the following order: first, to pay interest on and then principal of any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the applicable Borrower and to pay any Swing Line Loan, Alternate Currency Loan or Reimbursement Obligation that has not been paid; second, to the ratable payment of the Obligations then due and payable; and third, to the ratable payment of all other Obligations.

13.4 Relations Among Lenders. The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Administrative Agent) authorized to act for, any other Lender.

#### ARTICLE XIV: BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

14.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrowers and the Lenders and their respective successors and assigns, except that (a) no Borrower shall have any right to assign its rights or obligations under the Loan Documents without the consent of all of the Lenders, and any such assignment in violation of this Section 14.1(a) shall be null and void, and (b) any assignment by any Lender must be made in compliance with Section 14.3 hereof. Notwithstanding clause (b) of this Section 14.1 or Section 14.3, (i) any Lender may at any time, without the consent of any Borrower or the Administrative Agent (unless a Default or Unmatured Default has occurred and is continuing, in which case the consent of the Administrative Agent shall be required, which consent shall not unreasonably be withheld), assign all or any portion of its rights under this Agreement to a Federal Reserve Bank and (ii) any Lender which is a fund or commingled investment vehicle that invests in commercial loans in the ordinary course of its business may at any time, without the consent of any Borrower or the Administrative Agent (unless a Default or Unmatured Default has occurred and is continuing, in which case the consent of the Administrative Agent shall be required, which consent shall not unreasonably be withheld), pledge or assign all or any part of its rights under this Agreement to a trustee or other representative of holders of obligations owed or securities issued by such Lender as collateral to secure such obligations or securities; provided that no such assignment or pledge shall release the transferor Lender from its obligations hereunder. The Administrative Agent may treat each Lender as the owner of the Loans made by such Lender hereunder for all purposes hereof unless and until such Lender complies with Section 14.3 hereof in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Administrative Agent. Any assignee or transferee of a Loan, Revolving Loan Commitment, L/C Interest or any other interest of a lender under the Loan Documents agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of any Loan, shall be conclusive and binding on any subsequent owner, transferee or assignee of such Loan.

#### 14.2 Participations.

(a) Permitted Participants; Effect. Subject to the terms set forth in this Section 14.2, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one

or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Revolving Loan Commitment of such Lender, any L/C Interest of such Lender or any other interest of such Lender under the Loan Documents on a pro rata or non-pro rata basis. Notice of such participation to the Administrative Agent shall be required prior to any participation becoming effective with respect to a Participant which is not a Lender or an Affiliate thereof. Upon receiving said notice, the Administrative Agent shall record the participation in the Register it maintains. Moreover, notwithstanding such recordation, such participation shall not be considered an assignment under Section 14.3 of this Agreement and such Participant shall not be considered a Lender. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of all Loans made by it for all purposes under the Loan Documents, all amounts payable by the applicable Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the applicable Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents except that, for purposes of Article IV and Section 9.2 hereof, the Participants shall be entitled to the same rights as if they were Lenders.

(b) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan, Letter of Credit or Revolving Loan Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable pursuant to the terms of this Agreement with respect to any such Loan or Revolving Loan Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Revolving Loan Commitment.

#### 14.3 Assignments.

##### (a) Permitted Assignments.

(i) Any Lender (each such assigning Lender under this Section 14.3 being an "Assigning Lender") may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities (other than the Company or any of its Affiliates) ("Purchasers") all or a portion of its rights and obligations under this Agreement (including, without limitation, its Tranche A Revolving Loan Commitment, its Tranche B Revolving Loan Commitment, its Tranche C Revolving Loan Commitment, its Tranche D Revolving Loan Commitment, any Loans owing to it, all of its participation interests in existing Letters of Credit, Swing Line Loans and Alternate Currency Loans, and its obligation to participate in additional Letters of Credit, Swing Line Loans and Alternate Currency Loans hereunder) in accordance with the provisions of this Section 14.3. Such assignment shall be substantially in the form of Exhibit D hereto and shall not be permitted hereunder unless such assignment is either for all of such Assigning Lender's rights and obligations under the Loan Documents or, without the prior written consent of the Administrative Agent and the Company, involves loans and commitments as a consequence of which neither the Assigning Lender nor the Purchaser will have a Revolving Loan Commitment or Term Loans, as applicable, of less than \$5,000,000; provided that the foregoing restrictions with respect to such Revolving Loan Commitments or Term Loans having a minimum aggregate amount (A) shall not apply to any assignment between Lenders, or to an Affiliate or Approved Fund of any Lender, and (B) in any event may be waived by the Administrative Agent. The written consent of the Administrative Agent, and, prior to the occurrence of a Default, the Company (which consent, in each such case, shall not be unreasonably withheld), shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate or Approved Fund of such Lender.

(ii) Notwithstanding anything to the contrary contained herein, any Lender (each such Lender, a "Granting Bank") may grant to a special purpose funding vehicle (each such special purpose funding vehicle, a "SPC"), identified as such in writing from time to time by the applicable Granting Bank to the Administrative Agent and the Company, the option to provide to the Company and the other Borrowers all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the applicable Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a

commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the applicable Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by any SPC hereunder shall utilize the Revolving Loan Commitment of the applicable Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or other similar payment obligation under this Agreement (all liability for which shall remain with the applicable Granting Bank). All notices hereunder to any Granting Bank or the related SPC, and all payments in respect of the Obligations due to such Granting Bank or the related SPC, shall be made to such Granting Bank. In addition, each Granting Bank shall vote as a Lender hereunder without giving effect to any assignment under this Section 14.3(a)(ii), and not SPC shall have any vote as a Lender under this Agreement for any purpose. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereto. In addition, notwithstanding anything to the contrary contained in this Section 14.3, any SPC may (A) with notice to, but without the prior written consent of, the Company and the Administrative Agent and without paying any processing or administrative fee therefor, assign all or a portion of its interest in any Advances to the Granting Bank or to any financial institutions (consented to by the Company and the Administrative Agent in accordance with the terms of Section 14.3(a)(i)) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (B) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 14.3(a)(ii) may not be amended without the written consent of each SPC affected thereby.

(b) Effect; Effective Date. Upon (i) delivery to the Administrative Agent and the Alternate Currency Banks of a notice of assignment, substantially in the form attached as Appendix I to Exhibit D hereto (a "Notice of Assignment"), together with any consent required by Section 14.3(a) hereof, (ii) payment of a \$3,500 fee by the assignee or the assignor (as agreed) to the Administrative Agent for processing such assignment, and (iii) the completion of the recording requirements in Section 14.3(c), such assignment shall become effective on the later of such date when the requirements in clauses (i), (ii), and (iii) are met or the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Revolving Loan Commitment, Loans and L/C Obligations under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by any Borrower, the Lenders, the Alternate Currency Banks or the Administrative Agent shall be required to release the Assigning Lender with respect to the percentage of the Aggregate Revolving Loan Commitment, Loans and Letter of Credit, Swing Line Loans and Alternate Currency Loan participations assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 14.3(b), the Assigning Lender, the Administrative Agent, the Alternate Currency Banks and the Borrowers shall make appropriate arrangements so that, to the extent notes have been issued to evidence any of the transferred Loans, replacement notes are issued to such Assigning Lender and new notes or, as appropriate, replacement notes, are issued to such Purchaser, in each case in principal amounts reflecting their Revolving Loan Commitment, as adjusted pursuant to such assignment. Notwithstanding anything to the contrary herein, no Borrower shall, at any time, be obligated to pay under Section 2.14(e) to any Lender that is a Purchaser, assignee or transferee any sum in excess of the sum which such Borrower would have been obligated to pay to the Lender that was the Assigning Lender, assignor or transferor had such assignment or transfer not been effected.

(c) The Register. Notwithstanding anything to the contrary in this Agreement, each Borrower hereby designates the Administrative Agent, and the Administrative Agent hereby accepts such designation, to serve as such Borrower's contractual representative solely for purposes of this Section 14.3(c). In this connection, the Administrative Agent shall maintain at its address referred to in Section 15.1 a copy of each assignment delivered to and accepted by it pursuant to this Section 14.3 and a register (the "Register") for the recordation of the names and addresses of the Lenders, the Revolving Loan Commitment of each Lender, the principal amount of and interest on the Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this Section 14.3. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company and each of its Subsidiaries, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

14.4 Confidentiality. Subject to Section 14.5, the Administrative Agent and the Lenders and their respective representatives shall hold all nonpublic information obtained pursuant to the requirements of this Agreement and identified as such by the Company or any other Borrower in accordance with such Person's customary procedures for handling confidential information of this nature and in accordance with safe and sound commercial lending or investment practices and in any event may make disclosure reasonably required by a prospective Transferee in connection with the contemplated participation or assignment or as required or requested by any Governmental Authority or any securities exchange or similar self-regulatory organization or representative thereof or pursuant to a regulatory examination or legal process, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor. In no event shall the Administrative Agent or any Lender be obligated or required to return any materials furnished by the Company; provided that each prospective Transferee shall be required to agree that if it does not become a participant or assignee it shall return all materials furnished to it by or on behalf of the Company in connection with this Agreement.

14.5 Dissemination of Information. Each Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the Company and its Subsidiaries; provided that prior to any such disclosure, such prospective Transferee shall agree to preserve in accordance with Section 14.4 the confidentiality of any confidential information described therein.

#### ARTICLE XV: NOTICES

15.1 Giving Notice. Except as otherwise permitted by Section 2.10(d) with respect to Borrowing/Conversion/Continuation Notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Documents shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

15.2 Change of Address. The Borrowers, the Administrative Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

15.3 Authority of Company. Each of the Subsidiary Borrowers, by its execution hereof or of an Assumption Letter (a) irrevocably authorizes the Company, on behalf of such Subsidiary Borrower, to give and receive all notices under the Loan Documents and to make all elections under the Loan Documents and to give all Borrowing/Conversion/Continuation Notices on its behalf, (b) agrees to be bound by any such notices or elections and (c) agrees that the Administrative Agent and Lenders may rely upon any such policies or elections as if they had been given or made by such Subsidiary Borrower.

#### ARTICLE XVI: COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties

hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Administrative Agent and the Lenders and each party has notified the Administrative Agent by telex or telephone, that it has taken such action.

IN WITNESS WHEREOF, the Company, the Subsidiary Borrowers, the Lenders and the Administrative Agent have executed this Agreement as of the date first above written.

TRIMBLE NAVIGATION LIMITED, as the Company

By: /s/ Mary Ellen Genovese

-----  
Name: Mary Ellen Genovese  
Title: CFO and Asst. Secretary

Address: 645 North Mary Avenue  
Sunnyvale, CA 94086

Attention: Mary Ellen Genovese  
Telephone No.: (408) 481-7856  
Facsimile No.: (408) 481-2996

THE BANK OF NOVA SCOTIA, as Administrative Agent, Issuing Bank,  
Swing Line Bank, Alternate Currency Bank, Arranger and Lender

By:/s/ Liz Hanson

-----  
Name: Liz Hanson  
Title: Director

Address:                   The Bank of Nova Scotia  
                              580 California Street, Suite 2100  
                              San Francisco, CA 94104

Attention:               Liz Hanson  
Telephone No.:       (415) 616-4153  
Facsimile No.:       (415) 397-0791

FLEET NATIONAL BANK, as Syndication Agent and Lender

By:/s/ Lee A. Merkly-Raymond

-----  
Name: Lee A. Merkle-Raymond  
Title: Director

Address: 100 Federal Street  
Boston, MA 02110

Attention: Chris Mathon  
Telephone No.: (617) 434-5726  
Facsimile No.: (617) 434-0382



BANK of AMERICA, N.A., as Documentation Agent and as Lender

By:/s/ John C. Plecque

-----  
Name: John C. Plecque  
Title: Senior Vice President  
Credit Products Officer

Address: 530 Lytton Avenue, 2nd Floor  
Palo Alto, CA 94301

Attention: John C. Plecque  
Telephone No.: (650) 853-4475  
Facsimile No.: (650) 853-4529

ERSTE BANK, NEW YORK BRANCH, as Lender

By:/s/ Robert J. Wagman

-----  
Name: Robert J. Wagman  
Title: Vice President

By:/s/ John Fay

-----  
Name: John Fay  
Title: Vice President

Address:                   280 Park Avenue  
                              West Building  
                              New York, NY 10017  
Attention:                 Robert J. Wagman  
Telephone No.:           (212) 984-5633  
Facsimile No.:           (212) 986-5627

WELLS FARGO BANK, as Lender

By:/s/ Jill B. Ta

-----

Name: Jill B. Ta

Title: Vice President

Address: 400 Hamilton Avenue  
Palo Alto, CA 94301  
Attention: Jill B. Ta  
Telephone No.: (650) 855-6629  
Facsimile No.: (650) 328-0814

NORDEA BANK FINLAND PLC, NEW YORK BRANCH, as Lender

By: /s/ Ulf Forsstrom

-----  
Name: Ulf Forsstrom  
Title: Vice President

By:/s/ Leena Parker

-----  
Name: Leena Parker  
Title: Vice President

Address: 437 Madison Avenue  
New York, NY 10022  
Attention: Ulf Forsstrom  
Telephone No.: (212) 318-9302  
Facsimile No.: (212) 421-4420

BANK OF THE WEST, as Lender

By:/s/ Tien Lim

-----

Name: Tien Lim

Title: Assistant Vice President

Address: 220 Almaden Blvd., 2nd Floor  
San Jose, CA 95113

Attention: Tien Lim

Telephone No.: (408) 299-1630

Facsimile No.: (408) 292-4092

NATIONAL CITY BANK OF KENTUCKY, as Lender

By:/s/ Tom Gurbach

-----

Name: Tom Gurbach

Title: Vice President

Address: 1900 East 9th Street  
Locator 2077  
Cleveland, OH 44114

Attention: Tom Gurbach  
Telephone No.: (216) 222-9324  
Facsimile No.: (216) 222-0003

IBM CREDIT CORPORATION, as Lender

By: /s/

Name:

Title:

Address: North Castle Drive  
Armonk, NY 10504

Attention: Ronald J. Bachner

Telephone No.: (914) 765-6068

Facsimile No.: (914) 765-6271

UNION BANK OF CALIFORNIA, N.A., as Lender

By:/s/ Allan B. Miner

-----

Name: Allan B. Miner  
Title: Vice President

Address: 99 Almaden Blvd., Suite 200  
San Jose, CA 95113  
Attention: Al Miner  
Telephone No.: (408) 279-7742  
Facsimile No.: (408) 280-7163



EXHIBIT A

LOAN COMMITMENTS AND AMOUNTS

Amount of	
Amount of	
Amount of	
Amount of	
Tranche A	
Tranche B	
Tranche C	
Tranche D	
Revolving	
Revolving	
Revolving	
Revolving	
Loan Loan	
Loan Loan	
Total	
Commitment/	
Commitment	
Commitment	
Commitment	
Commitment	
Term Loans	
Loans	
Lender - - -	
- - - - The	
Bank of	
Nova Scotia	
\$0-\$0	
\$6,500,000	
\$8,500,000	
\$4,238,000	
\$19,238,000	
Fleet	
National	
Bank \$0-\$0	
\$3,625,000	
\$9,875,000	
\$4,401,000	
\$17,901,000	
Bank of	
America,	
N.A. \$0-\$0	
\$7,500,000	
\$7,500,000	
\$4,075,000	
\$19,075,000	
National	
City Bank	
of Kentucky	
\$0-\$0	
\$3,750,000	
\$3,750,000	
\$2,445,000	
\$9,945,000	
Kentucky	
Bank of the	
West	
\$1,910,377	
\$1,066,514	
\$0-\$0	
\$2,445,000	
\$5,421,891	
Nordea Bank	
Finland	
PLC, New	
York Branch	
\$0-\$0	
\$3,750,000	
\$3,750,000	
\$2,445,000	
\$9,945,000	
Wells Fargo	
Bank \$0-\$0	
\$3,750,000	
\$3,750,000	

~~\$2,445,000~~  
~~\$9,945,000~~  
Erste Bank,  
New York  
Branch \$0  
\$0  
~~\$2,500,000~~  
~~\$2,500,000~~  
~~\$1,630,000~~  
~~\$6,630,000~~  
Union Bank  
of  
California,  
N.A. \$0 \$0  
~~\$6,125,000~~  
~~\$8,875,000~~  
\$0  
~~\$15,000,000~~  
ABN-AMRO  
Bank N.V.  
\$0  
~~\$1,086,611~~  
~~\$0 \$0~~  
~~\$4,401,000~~  
~~\$5,487,611~~  
IBM Credit  
Corporation  
~~\$12,500,000~~  
~~\$0 \$0 \$0~~  
~~\$4,075,000~~  
~~\$16,575,000~~  
TOTAL  
~~\$12,500,000~~  
~~\$1,500,000~~  
~~\$37,500,000~~  
~~\$48,500,000~~  
~~\$32,600,000~~  
~~\$132,600,000~~  
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Table of Contents  
(continued)  
-vi-  
Table of Contents

-i-

ARTICLE I: DEFINITIONS.....	2
1.1 Certain Defined Terms.....	2
1.2 References.....	33
1.3 Rounding and Other Consequential Changes.....	33
ARTICLE II: LOAN FACILITIES.....	33
2.1 Revolving Loans.....	33
2.2 Term Loans.....	36
2.3 Swing Line Loans.....	36
2.4 Rate Options for all Advances; Maximum Interest Periods.....	38
2.5 Optional Payments; Mandatory Prepayments.....	38
2.6 Reductions and Adjustments of Revolving Loan Commitments.....	41
2.7 Method of Borrowing.....	43
2.8 Method of Selecting Types and Interest Periods for Advances.....	43
2.9 Minimum Amount of Each Advance.....	44
2.10 Method of Selecting Types and Interest Periods for Conversion and Continuation of Advances.....	44
2.11 Default Rate.....	46
2.12 Method of Payment.....	46
2.13 Evidence of Debt.....	47
2.14 Telephonic Notices.....	48
2.15 Promise to Pay; Interest and Fees; Interest Payment Dates; Interest and Fee Basis; Taxes; Loan and Control Accounts.....	48
2.16 Notification of Advances, Interest Rates, Prepayments and Aggregate Revolving Loan Commitment Reductions.....	53
2.17 Lending Installations.....	54
2.18 Non-Receipt of Funds by the Administrative Agent.....	54
2.19 Termination Date.....	54
2.20 Replacement of Certain Lenders.....	54
2.21 Alternate Currency Loans.....	55
2.22 Judgment Currency.....	58
2.23 Market Disruption; Denomination of Amounts in Dollars; Dollar Equivalent of Reimbursement Obligations.....	58
2.24 Subsidiary Borrowers.....	59
2.25 Security.....	60
2.26 Assignment and Reallocation of Existing Commitments and Existing Loans.....	60

ARTICLE III: THE LETTER OF CREDIT FACILITY.....	61
3.1 Obligation to Issue Letters of Credit.....	61
3.2 Transitional Provision.....	61
3.3 Types and Amounts.....	61
3.4 Conditions.....	62
3.5 Procedure for Issuance of Letters of Credit.....	62
3.6 Letter of Credit Participation.....	63
3.7 Reimbursement Obligation.....	63
3.8 Letter of Credit Fees.....	64
3.9 Issuing Bank Reporting Requirements.....	64
3.10 Indemnification; Exoneration.....	65
3.11 Cash Collateral.....	66
ARTICLE IV: CHANGE IN CIRCUMSTANCES.....	66
4.1 Yield Protection.....	66
4.2 Changes in Capital Adequacy Regulations.....	67
4.3 Availability of Types of Advances.....	68
4.4 Funding Indemnification.....	68
4.5 Lender Statements; Survival of Indemnity.....	68
ARTICLE V: CONDITIONS PRECEDENT.....	69
5.1 Effectiveness.....	69
5.2 Initial Advance to Each New Subsidiary Borrower.....	70
5.3 Each Advance and Each Letter of Credit.....	70
ARTICLE VI: REPRESENTATIONS AND WARRANTIES.....	71
6.1 Organization; Corporate Powers.....	71
6.2 Authorization and Validity.....	71
6.3 No Conflict; Government Consent.....	72
6.4 Financial Statements.....	72
6.5 Material Adverse Change.....	72
6.6 Taxes.....	72
6.7 Litigation and Contingent Obligations.....	73
6.8 Subsidiaries.....	73
6.9 ERISA.....	73
6.10 Accuracy of Information.....	74
6.11 Regulation U.....	74
6.12 Material Agreements.....	74
6.13 Compliance With Laws.....	74
6.14 Ownership of Properties.....	75
6.15 Statutory Indebtedness Restrictions.....	75
6.16 Environmental Matters.....	75
6.17 Insurance.....	75
6.18 Labor Matters.....	76

6.19 Solvency.....	76
6.20 Default.....	76
6.21 Foreign Employee Benefit Matters.....	76
6.22 Acquisition Documents.....	76
6.23 Collateral Documents.....	76
6.24 Security.....	76
6.25 Subordinated Seller Debt.....	77
6.26 Subsidiaries.....	77
6.27 Representations and Warranties of each Subsidiary Borrower.....	77
ARTICLE VII: COVENANTS.....	79
7.1 Reporting.....	79
7.2 Affirmative Covenants.....	83
7.3 Negative Covenants.....	86
7.4 Financial Covenants.....	94
ARTICLE VIII: DEFAULTS.....	94
8.1 Defaults.....	94
ARTICLE IX: ACCELERATION, DEFAULTING LENDERS; WAIVERS, AMENDMENTS AND REMEDIES.....	97
9.1 Termination of Revolving Loan Commitments; Acceleration.....	97
9.2 Amendments.....	97
9.3 Preservation of Rights.....	98
ARTICLE X: GUARANTY.....	99
10.1 Guaranty.....	99
10.2 Waivers.....	99
10.3 Guaranty Absolute.....	99
10.4 Acceleration.....	100
10.5 Marshaling; Reinstatement.....	100
10.6 Subrogation.....	101
10.7 Termination Date.....	101
ARTICLE XI: GENERAL PROVISIONS.....	101
11.1 Survival of Representations.....	101
11.2 Governmental Regulation.....	101
11.3 Headings.....	101
11.4 Entire Agreement.....	101
11.5 Several Obligations; Benefits of this Agreement.....	102
11.6 Expenses; Indemnification.....	102
11.7 Numbers of Documents.....	103
11.8 Accounting.....	103
11.9 Severability of Provisions.....	103
11.10 Nonliability of Lenders.....	103
11.11 Governing Law.....	103

11.12 Consent to Jurisdiction; Service of Process; Jury Trial.....	103
11.13 Other Transactions.....	105
ARTICLE XII: THE ADMINISTRATIVE AGENT.....	105
12.1 Appointment; Nature of Relationship.....	105
12.2 Powers.....	106
12.3 General Immunity.....	106
12.4 No Responsibility for Loans, Creditworthiness, Recitals, Etc.....	106
12.5 Action on Instructions of Lenders.....	106
12.6 Employment of Agents and Counsel.....	107
12.7 Reliance on Documents; Counsel.....	107
12.8 The Administrative Agent's, Issuing Banks', Swing Line Bank's and Alternate Currency Banks' Reimbursement and Indemnification.....	107
12.9 Rights as a Lender.....	108
12.10 Lender Credit Decision.....	108
12.11 Successor Administrative Agent.....	108
12.12 No Duties Imposed Upon Syndication Agent, Documentation Agent or Arrangers.....	109
12.13 Collateral Agent.....	109
ARTICLE XIII: SETOFF; RATABLE PAYMENTS.....	109
13.1 Setoff.....	109
13.2 Ratable Payments.....	109
13.3 Application of Payments.....	110
13.4 Relations Among Lenders.....	110
ARTICLE XIV: BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS.....	110
14.1 Successors and Assigns.....	110
14.2 Participations.....	111
14.3 Assignments.....	111
14.4 Confidentiality.....	114
14.5 Dissemination of Information.....	114
ARTICLE XV: NOTICES.....	115
15.1 Giving Notice.....	115
15.2 Change of Address.....	115
15.3 Authority of Company.....	115
ARTICLE XVI: COUNTERPARTS.....	115

May 8, 2002

Solectron Federal Systems, Inc.  
Attention: Kiran Patel  
Executive Vice President, Corporate Development  
Chief Financial Officer  
847 Gibraltar Drive  
Milpitas, CA 95035  
Via Fed-Ex

Re: Supply Agreement

Dear Mr. Patel,

Pursuant to Section 26.2 of the Supply Agreement dated August 13, 1999 between Solectron Federal Systems, Inc., Solectron Corporation and Trimble Navigation Limited ("Trimble"), Trimble hereby exercises its option to extend the term of the Agreement for an additional period of one year.

Very truly yours,

Trimble Navigation Limited

/s/ Irwin L. Kwatek  
Irwin L. Kwatek  
Vice President and General Counsel

Cc: Solectron Corporation  
Attn: Corporate Legal Department  
847 Gibraltar Drive  
Milpitas, CA 95035

EXHIBIT 21.1  
 TRIMBLE NAVIGATION LIMITED  
 LIST OF SUBSIDIARIES OF REGISTRANT

Name of Subsidiary	Jurisdiction of Incorporation
Trimble Navigation Australia Pty Limited	Australia
Spectra Precision Pty Ltd.	Australia
Trimble Austria Ges.mbH	Austria
Trimble Belgium BVBA	Belgium
Trimble Brasil Limitada	Brazil
Datacom Software Limited	California
Jamestown Manufacturing Corporation	California
Trimble Export Limited	California
Trimble Navigation International Limited	California
Trimble Specialty Products, Inc.	California
TR Navigation Corporation	California
Trimble Canada Ltd.	Canada
Trimble Navigation Technology (Shanghai) Co. Ltd.	China
SPHM Inc.	Delaware
Trimble Middle East WLL	Egypt
Trimble France S.A.S.	France
Trimble GmbH	Germany
Trimble Holdings GmbH	Germany
Trimble Kaiserslautern GmbH	Germany
Trimble terraSat GmbH	Germany
ZSP Geodetic Systems GmbH	Germany
Trimble Italia SRL	Italy
Trimble Navigation Italia s.r.l	Italy
Trimble Japan K.K.	Japan
Spectra Precision de Mexico, SA de CV	Mexico
Trimble Mexico S de RL	Mexico
Trimble Europe B.V.	Netherlands
Trimble Navigation New Zealand Limited	New Zealand
Datacom Software Research Limited	New Zealand
Tripod Data Systems	Oregon
Trimble Navigation Singapore PTE Limited	Singapore
Trimble International Holdings S.L.	Spain
Trimble Navigation Iberica S.L.	Spain
Spectra Precision Scandinavia AB	Sweden
Trimble AB	Sweden
TNL Flight Services, Inc	Texas
Trimble Navigation Europe Limited	United Kingdom





EXHIBIT 23.1  
TRIMBLE NAVIGATION LIMITED

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-37384, 33-39647, 33-45167, 33-45604, 33-46719, 33-50944, 33-57522, 33-62078, 33-78502, 33-84362, 33-91858, 333-04670, 333-28429, 333-53703, 333-84949, 333-38264, 333-65758, 333-65760, and 333-97979) pertaining to the 1983 Stock Option Plan, the Trimble Navigation Savings and Retirement Plan, the 1990 Director Stock Option Plan, the "Position for Us for Progress" 1992 Employee Stock Bonus Plan, the 1992 Management Discount Stock Option Plan, the 1993 Stock Option Plan, C. Trimble Non-statutory Option Plan, and the 2002 Stock Option Plan and the related Prospectuses, of our report dated January 24, 2003 with respect to the consolidated financial statements and schedule of Trimble Navigation Limited included in the Annual Report (Form 10-K) for the year ended January 3, 2003.

/s/ Ernst & Young LLP

March 4, 2003  
Palo Alto, California

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended January 3, 2002 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) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven W. Berglund

-----  
Steven W. Berglund  
Chief Executive Officer

March 6, 2003

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended January 3, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mary Ellen Genovese, 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 her knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) 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/ Mary Ellen Genovese  
-----  
Mary Ellen Genovese  
Chief Financial Officer

March 7, 2003

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.