

ITERIS, INC.
Form DEF 14A
November 21, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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ITERIS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS
OF ITERIS, INC.
TO BE HELD DECEMBER 15, 2016**

To the Stockholders of Iteris, Inc.:

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Iteris, Inc., a Delaware corporation, will be held on December 15, 2016 at 10:00 a.m. Pacific Time, at our principal executive offices located at 1700 Carnegie Avenue, Suite 100, Santa Ana, CA 92705, for the following purposes, as more fully described in the proxy statement accompanying this Notice:

1. To approve an amendment of the bylaws to change the size of the Board of Directors to not less than six nor more than eleven members, with the exact number to be initially set at six.
2. To elect Joe Bergera, D. Kyle Cerminara, Kevin C. Daly, Ph.D., Gerard M. Mooney, Thomas L. Thomas and Mikel H. Williams to the Board of Directors, each to hold such office until the next annual meeting of stockholders or until his successor is elected and qualified.
3. To approve the Iteris, Inc. 2016 Omnibus Incentive Plan.
4. To approve, by advisory vote, the compensation of our named executive officers, as described in the proxy statement accompanying this notice.
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017.
6. To ratify the prior grant to Joe Bergera, the Company's Chief Executive Officer, of an option to purchase 850,000 shares of Common Stock.
7. To transact any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

All stockholders of record as of the close of business on October 31, 2016 are entitled to notice of and to vote at the Annual Meeting and at any postponement(s) or adjournment(s) thereof. You are cordially invited to be present and to vote at this Annual Meeting. Whether or not you plan to attend, it is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by completing and returning the enclosed proxy card. If your shares are held in "street name" (i.e., your shares are held in the name of a brokerage firm, bank or other nominee), in lieu of a proxy card you should receive from that institution an instruction form for voting by mail and you may also be eligible to vote your shares electronically over the Internet or by telephone. Should you receive more than one proxy card or voting instruction form because your shares are held in multiple accounts or registered in different names or addresses, please sign, date and return *each* proxy card or voting instruction form to ensure that all of your shares are voted. You may revoke your proxy at any time prior to the Annual Meeting. If you attend the Annual Meeting and vote by ballot, any proxy that you previously submitted will be revoked automatically and only your vote at the Annual Meeting will be counted. For further information, please see the discussion of voting rights and proxies beginning on page 1 of the enclosed proxy statement.

Santa Ana, California
November 21, 2016

BY ORDER OF THE BOARD OF DIRECTORS

Joe Bergera
Chief Executive Officer

YOUR VOTE IS VERY IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY, COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.

ITERIS, INC.

**1700 Carnegie Avenue, Suite 100
Santa Ana, California 92705**

**PROXY STATEMENT
FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 15, 2016**

General

These proxy materials and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the Board of Directors of Iteris, Inc., a Delaware corporation ("Iteris," the "Company," "we," "our" and "us"), to be voted at the 2016 Annual Meeting of Stockholders (the "Annual Meeting") to be held on December 15, 2016 and at any adjournment(s) or postponement(s) of the meeting. The Annual Meeting will be held at 10:00 a.m. Pacific Time, at our principal executive offices located at 1700 Carnegie Avenue, Suite 100, Santa Ana, CA 92705. These proxy materials and the form of proxy are expected to be mailed to our stockholders, who are entitled to vote at the Annual Meeting, on or about November 21, 2016.

Purpose of Meeting

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice of the Annual Meeting of Stockholders and are described in more detail in this proxy statement.

Internet Availability of Materials

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 15, 2016: The proxy statement, proxy card, and Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (the "Annual Report") are available at www.edocumentview.com/ITI, or at www.envisionreports.com/ITI for registered holders (Internet voting included).

Voting Rights

The record date for determining those stockholders who are entitled to notice of, and to vote at, the Annual Meeting has been fixed as October 31, 2016. At the close of business on the record date, 32,186,185 shares of our Common Stock, par value \$0.10 per share, were outstanding and no shares of our Preferred Stock were outstanding. Each stockholder is entitled to one vote for each share of Common Stock held by such stockholder as of the record date.

The presence in person or by proxy of the holders of a majority of the outstanding shares of the Common Stock entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

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In the election of directors under Proposal Two, directors will be elected by a plurality of the common stock entitled to vote and present in person or represented by proxy at the Annual Meeting, unless cumulative voting is in effect. Pursuant to our bylaws, no stockholder is entitled to cumulate his or her votes for candidates other than those whose names have been placed in nomination prior to the commencement of voting and unless at least one stockholder has given notice prior to commencement of voting of his or her intention to cumulate votes. If any stockholder has given such notice, then each stockholder may cumulate votes by multiplying the number of shares of common stock the stockholder is entitled to vote by the number of directors to be elected. The number of cumulative votes thus determined may be voted all for one candidate or distributed among several candidates, at the discretion of the stockholder. The candidates receiving the highest number of votes, up to the number of directors to be elected, will be elected. If cumulative voting is in effect, the persons named in the accompanying proxy will vote the shares of common stock covered by proxies received by them (unless authority to vote for directors is withheld) among the named candidates as they determine.

With regard to each of the other proposals, the affirmative vote of the holders of a majority of our common stock present or represented by proxy and entitled to vote at the Annual Meeting is being sought.

If you hold your shares in "street name" (i.e., your shares are held in the name of a brokerage firm, bank or other nominee (each, a "custodian")), your custodian is considered to be the stockholder of record for purposes of voting at the Annual Meeting. Your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian is permitted to vote your shares with respect to "routine" matters, such as the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm under Proposal Five. However, if you do not give instructions to your custodian, your custodian will NOT be permitted to vote your shares with respect to "non-routine" matters. All other proposals described in this proxy statement are considered non-routine matters. Accordingly, if you do not give your custodian specific instructions for voting on each of the other proposals, then your shares will be treated as "broker non-votes" with respect to such proposal(s) and will not be voted on the proposal(s) for which you did not provide instructions.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions, and broker non-votes. Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions will be counted towards the tabulations of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes will not be counted for purposes of determining whether a proposal has been approved.

Voting

You may vote by one of the following ways: (i) by mail, (ii) electronically over the Internet or by telephone, or (iii) by ballot in person at the Annual Meeting. If you are a "registered holder" (i.e., your shares are registered in your own name through our transfer agent), you may vote by returning a completed proxy card in the enclosed postage-paid envelope or through the Internet at www.envisionreports.com/ITI. If your shares are held in "street name", in lieu of a proxy card you should receive a voting instruction form from that custodian by mail. The voting instruction form should indicate whether the custodian has a process for beneficial holders to vote over the Internet or by telephone. Stockholders who vote over the Internet or by telephone need not return a proxy card or voting instruction form by mail, but may incur costs, such as usage charges, from telephone companies or Internet service providers. If your voting instruction form does not reference Internet or telephone information, please complete and return the paper voting instruction form in the self-addressed, postage-paid envelope provided.

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If you are a registered holder, you may also vote your shares in person at the Annual Meeting. If your shares are held in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the record holder and bring it with you to the Annual Meeting. We recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

Proxies

Please use the enclosed proxy card to vote by mail. If your shares are held in street name, then in lieu of a proxy card you should receive from that custodian an instruction form for voting by mail, the Internet or by telephone. Should you receive more than one proxy card or voting instruction form because your shares are held in multiple accounts or registered in different names or addresses, please be sure to complete, sign, date, and return each proxy card or voting instruction form to ensure that all of your shares will be voted. Only proxy cards and voting instruction forms that have been signed, dated, and timely returned (or otherwise properly voted by Internet or telephone) will be counted in the quorum and voted. Properly executed proxies will be voted in the manner directed by the stockholders. If the proxy does not specify how the shares represented thereby are to be voted, the proxy will be voted (i) FOR the election of the directors proposed by our Board of Directors (the "Board") under Proposal Two and (ii) FOR the approval of each of the other proposals as described in this proxy statement and the accompanying notice.

The enclosed proxy also grants the proxy holders discretionary authority to vote on any other business that may properly come before the Annual Meeting as well as any procedural matters. We have not been notified by any stockholder of an intent to present a stockholder proposal at the Annual Meeting.

If your shares are held in your name, you may revoke or change your vote at any time before the Annual Meeting by filing a notice of revocation or another signed proxy card with a later date with our Secretary at our principal executive offices. If your shares are held in street name, you should contact the record holder to obtain instructions if you wish to revoke or change your vote before the Annual Meeting. If you attend the Annual Meeting and vote by ballot, any proxy that you submitted previously to vote the same shares will be revoked automatically and only your vote at the Annual Meeting will be counted. *Please note, however, that if your shares are held in street name, your vote in person at the Annual Meeting will not be effective unless you have obtained and present a proxy issued in your name from the record holder.* Attendance at the Annual Meeting will not, by itself, revoke a proxy.

Solicitation

The enclosed proxy is being solicited by our Board of Directors. We will bear the entire cost of proxy solicitation, including the costs of preparing, assembling, printing, and mailing this proxy statement, the proxy card, and any additional material furnished to the stockholders. Copies of the solicitation materials will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, we may reimburse such persons for their reasonable expenses in forwarding the solicitation materials to the beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by personal contact, telephone, facsimile, e-mail or any other means by our directors, officers, or employees. No additional compensation will be paid to these individuals for any such services.

In the discretion of management, we reserve the right to retain a professional firm of proxy solicitors to assist in solicitation of proxies. Although we do not currently expect to retain such a firm, we estimate that the fees of such firm would range from \$5,000 to \$20,000 plus out-of-pocket expenses, all of which would be paid by us.

PROPOSAL ONE:

APPROVAL OF AMENDMENT OF THE COMPANY'S BYLAWS

The stockholders are being asked to approve an amendment of the Company's bylaws which would reduce the minimum size of the Company's Board of Directors to six members. The Company's bylaws currently provide for a Board of not less than seven nor more than eleven members. The proposed amendment would provide for a Board of not less than six nor more than eleven members, with the exact number to be initially set at six, effective immediately upon stockholder approval of the amendment at the Annual Meeting. The Board of Directors believes that such amendment of the bylaws would provide the Board with greater flexibility in setting the size of the Board to maintain its effectiveness and operations in response to changes in circumstances.

The proposed change to the Company's bylaws would be effected by amending the first sentence of Section 1, Article III of the Company's bylaws to read as follows:

"The Board of Directors shall consist of not less than six (6) nor more than eleven (11) members, the exact number of which shall be six (6) until changed, within the limits specified above by a resolution duly adopted by the Board of Directors or by the stockholders."

If the amendment is approved, the size of the Board will be immediately set at six. However, the Board may resolve, at any time thereafter, to change the size of the Board to a different number within the allowed range of six to eleven directors, and fill any vacancies created thereby without a further vote of the stockholders. The Nominating and Corporate Governance Committee has retained a recruiting firm to conduct a national search for a qualified independent director (the "Independent Director") with relevant industry and public company experience and expertise. Once such a person is identified, the Board intends to increase the size of the Board to seven and appoint the Independent Director to fill the vacancy created from such increase.

Stockholder Approval

The affirmative vote of a majority of the common stock present or represented and entitled to vote at the Annual Meeting will be required for the approval of the amendment of the bylaws as proposed in this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote "FOR" the amendment of the Company's bylaws to revise the range in the size of the Board of Directors to not less than six nor more than eleven members.

PROPOSAL TWO:

ELECTION OF DIRECTORS

Six persons have been nominated for election at the Annual Meeting. All directors are elected annually and hold office until the next annual meeting of stockholders, and until their successors are duly elected and qualified, or until their earlier death, resignation or removal. On the recommendation of the Nominating and Corporate Governance Committee (the "NCG Committee") and pursuant to the Agreement (defined and described below), our Board of Directors selected and approved the following persons as nominees for election at the Annual Meeting: Joe Bergera, D. Kyle Cerminara, Kevin C. Daly, Ph.D., Gerard M. Mooney, Thomas L. Thomas and Mikel H. Williams. Each nominee is currently a member of our Board of Directors and has agreed to serve if elected.

On July 29, 2016, the Company entered into an agreement (the "Agreement") with D. Kyle Cerminara, RELM Wireless Corporation, Fundamental Global Investors, LLC, Fundamental Global Partners, LP, Fundamental Global Partners GP, LLC, Fundamental Global Partners Master Fund, LP, FG Partners GP, LLC, FGI Global Asset Allocation Fund, Ltd., FGI Global Asset Allocation Master Fund, LP, Tactical Capital Investments LLC, Ballantyne Strong, Inc., CWA Asset Management Group, LLC, FGI Funds Management, LLC and FGI International USVI, LLC (collectively, the "Investor Group"). Pursuant to the Agreement, and subject to the conditions set forth therein, the Company increased the size of the Board from seven to eight directors and filled the newly created vacancy on the Board by appointing Mr. Cerminara as a member of the Board, effective August 1, 2016.

In addition, the Company agreed (i) to retain a national recruiting firm to locate a qualified independent director to join the Board, subject to approval as set forth in the Agreement (the "Independent Director") and (ii) to nominate a company slate of directors for election at the Company's 2016 Annual Meeting of Stockholders (the "Annual Meeting") to consist of the following persons (the "Company Slate"): (A) the Independent Director (if such Independent Director is selected prior to the proxy statement filing for the Annual Meeting), (B) D. Kyle Cerminara, (C) the following three existing directors who were selected by the NCG Committee: Joe Bergera, Gerard M. Mooney and Mikel H. Williams, and (D) two other existing Board members to be chosen by the NCG Committee. If the Independent Director is not selected prior to the filing of the proxy statement for the Annual Meeting, then the Company will increase the size of the Board from six directors to seven directors upon the selection of the Independent Director, and will appoint the Independent Director to fill the vacancy created thereby. As of the date hereof, the Independent Director has not been identified, and the NCG Committee has selected Kevin C. Daly, Ph.D and Thomas L. Thomas as the final two director nominees for the Company Slate. As such, the remaining two existing Board members, Messrs. Char and Miner will not be standing for re-election at the Annual Meeting.

We have no reason to believe that any of the nominees on the Company Slate will be unavailable to serve. In the event any of the nominees named herein is unable to serve or declines to serve at the time of the Annual Meeting, the persons named in the enclosed proxy will exercise discretionary authority to vote for substitutes. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees named above.

Stockholder Approval

The six candidates receiving the highest number of affirmative votes, present in person or represented by proxies and entitled to vote at the Annual Meeting, will be elected as our directors. However, if cumulative voting is in effect, the proxy holders will have the right to cumulate and allocate votes among those nominees standing for election as such proxy holders in their discretion elect.

Recommendation of the Board of Directors

Our Board of Directors recommends a vote "FOR" the director nominees listed above.

Director Nominees

The table and narrative below set forth information as of October 31, 2016 regarding each director nominee, including the year they first became directors of Iteris, their business experience during at least the past five years, the public company boards they currently serve on or have served on during the past five years, and certain other biographical information and attributes that the NCG Committee determined qualify them to serve as directors. The NCG Committee believes that these persons have the following other key attributes that are important to an effective board of directors: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of experience and thought; and the commitment to devote significant time and energy to service on the Board and its committees.

Name	Age	Current Position(s) with Iteris
J. Joseph ("Joe") Bergera	53	Chief Executive Officer, President and Director
D. Kyle Cerminara	39	Director
Kevin C. Daly, Ph.D.(2)(3)(4)	72	Director
Gerard M. Mooney(2)(3)	63	Director
Thomas L. Thomas(1)(2)(4)	67	Director
Mikel H. Williams(1)(2)	59	Director

- (1) Current member of the Audit Committee
- (2) Current member of the Compensation Committee
- (3) Current member of the Nominating and Corporate Governance Committee
- (4) Current member of the Finance and Strategic Committee

Joe Bergera has served as our President and Chief Executive Officer and as a director since September 2015. Prior to joining us, Mr. Bergera served as Group Vice President, Software of Roper Technologies, Inc. (formerly, Roper Industries) since September 2011 and as President of iTradeNetwork, a Roper subsidiary, since August 2013. He was the Executive Vice President and General Manager, Tax Solutions at CCH Wolters Kluwer from March 2011 to September 2011 and served in senior executive and general manager positions with Sage Software from 2004 to March 2011, most recently as Executive Vice President, Global CRM. Mr. Bergera holds a B.A. degree in Government from Colby College, an M.B.A. from the Booth School of Business at the University of Chicago and an A.M. in Public Policy from the Harris School of Public Policy at the University of Chicago. Mr. Bergera has over 20 years of experience in technology-related companies and provides extensive management and global software and service industry knowledge to the Board.

D. Kyle Cerminara has been Chief Executive Officer, Co-Founder and Partner of Fundamental Global Investors, LLC ("FGI"), an SEC registered investment advisor that manages equity and fixed income hedge funds, since April 2012. FGI is a significant stockholder of the Company. Mr. Cerminara has also served as the Co-Chief Investment Officer of CWA Asset Management Group, LLC d/b/a Capital Wealth Advisors ("CWA"), a wealth advisor and multi-family office affiliated with FGI, since December 2012. In addition, he has served Ballantyne Strong, Inc., a holding company with diverse business activities focused on serving the cinema, retail, financial, and government markets, as a director since February 2015, as its Chairman since May 2015 and as its CEO since November 2015. Mr. Cerminara has also served on the board of directors of RELM Wireless Corporation, a publicly traded company which designs, manufactures and markets two-way land mobile radios, repeaters, base stations, and related components and subsystems, since July 2015, and on the board of directors of

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Itasca Capital, Ltd., a holding company with cash and tax assets, since June 2016. Ballantyne Strong, Inc. owns 32.1% of the outstanding capital stock of Itasca Capital. Prior to co-founding FGI and partnering with Capital Wealth Advisors, Mr. Cerminara was a Portfolio Manager at Sigma Capital Management from 2011 to 2012, a Director and Sector Head of the Financials Industry at Highside Capital Management from 2009 to 2011, and a Portfolio Manager and Director at CR Intrinsic Investors from 2007 to 2009. Before joining CR Intrinsic Investors, Mr. Cerminara was a Vice President, Associate Portfolio Manager and Analyst at T. Rowe Price from 2001 to 2007 and an Analyst at Legg Mason from 2000 to 2001. Mr. Cerminara received an MBA from the Darden School of Business at the University of Virginia and a B.S. degree in Finance and Accounting from the Smith School of Business at the University of Maryland, where he was a member of Omicron Delta Kappa, an NCAA Academic All American and Co-Captain of the men's varsity tennis team. He also completed a China Executive Residency at the Cheung Kong Graduate School of Business in Beijing, China. Mr. Cerminara holds the Chartered Financial Analyst (CFA) designation. Mr. Cerminara has served as a director of Iteris since August 2016 and brings to the Board the perspective of one of the Company's largest stockholders, as well as his extensive experience in the financial industry.

Mr. Cerminara was appointed to the Board pursuant to an Agreement dated July 29, 2016 (the "Agreement") entered into by us with Mr. Cerminara, RELM Wireless Corporation, FGI, Fundamental Global Partners, LP, Fundamental Global Partners GP, LLC, Fundamental Global Partners Master Fund, LP, FG Partners GP, LLC, FGI Global Asset Allocation Fund, Ltd., FGI Global Asset Allocation Master Fund, LP, Tactical Capital Investments LLC, Ballantyne Strong, Inc., CWA Asset Management Group, LLC, FGI Funds Management, LLC and FGI International USVI, LLC (collectively, the "Investor Group"). As of September 8, 2016, the Investor Group beneficially owned approximately 8.1% of our outstanding common stock. See also "Principal Stockholders and Common Stock Ownership of Certain Beneficial Owners and Management." Pursuant to the Agreement, we agreed to appoint Mr. Cerminara as a member of the Board, effective August 1, 2016, and nominate a slate of directors for election at the Annual Meeting consisting of the following persons: the Independent Director (if such a director is selected prior to the filing of the proxy statement for the Annual Meeting, and subject to approval as set forth in the Agreement), Joe Bergera, D. Kyle Cerminara, Gerard M. Mooney, Mikel H. Williams, and two other existing Board members chosen by the NCG Committee. The NCG Committee has retained a recruiting firm to conduct a national search for a qualified independent director with relevant industry and public company experience and expertise. Mr. Cerminara will have the right to attend meetings of the NCG Committee at which the Independent Director is considered and approved. Upon selection of the Independent Director, the size of the Board will immediately be increased from six directors to seven directors and the Board will appoint the Independent Director to fill the vacancy created from such increase.

Kevin C. Daly, Ph.D. served as our interim Chief Executive Officer from February 2015 to September 2015. Prior to his service as our interim CEO, Dr. Daly served as the CEO of Maxxess Systems, Inc., a provider of electronic security systems, from November 2005. Between August 2007 and August 2009, Dr. Daly also served as CEO of iStor Networks, Inc., a manufacturer of IP SAN storage systems. Prior to that, he served as the CEO of several technology companies, including Avamar Technologies, Inc. and ATL Products, Inc. Dr. Daly served on the board of directors of sTec, Inc., a provider of solid state disk systems, from May 2010 until the acquisition of the company in September 2013 by Western Digital Corporation. Dr. Daly received a B.S. degree in electrical engineering from the University of Notre Dame and M.S., M.A. and Ph.D degrees in engineering from Princeton University. He has served as a director of Iteris since 1993. Having served as the CEO of several technology companies and as a director of both private and public companies, Dr. Daly offers to the Board a wealth of management and leadership experience as well as an understanding of issues faced by such companies.

Gerard M. Mooney retired from International Business Machines Corporation ("IBM") in March 2014, after serving in a number of senior positions since 2000. Most recently, he served as the Vice President Strategy for IBM's Public Sector from February 2012 until his retirement, as the General Manager, Global Smarter Cities for IBM from November 2011 to February 2012, and as the General Manager, Global Government and Education for IBM from 2008 to November 2011. He served as Vice President of IBM's Venture Capital Group from 2000 to 2008. Before joining IBM, Mr. Mooney held various management positions at Hewlett-Packard Company for six years. Mr. Mooney has extensive operational and financial experience across a broad range of technology-based companies, from start-ups to large public companies, and has considerable experience with the major customers in the professional transportation market. He previously served as a member of the board of directors of the Intelligent Transportation Society of America and is also active in the intelligent search technology, cognitive intelligence, AI, data mining and visualization tools industries. Mr. Mooney currently serves as a director of inno360 and co-founder of theinnovationexchange, which offers SaaS cognitive platforms. He received a B.A. degree from Mount Saint Mary's College, an M.S. degree in Accounting from Georgetown University and an M.B.A. from Yale University. Mr. Mooney has served as a director of Iteris since September 2013 and brings to the Board of Directors extensive experience in setting and implementing strategy for both large and small technology organizations, deep category knowledge of the intelligent transportation market, and familiarity with many key customers for intelligent transportation solutions.

Thomas L. Thomas is the managing partner of T2 Partners, a private management consulting and investment business which he founded in January 2011. In addition, Mr. Thomas served as the Executive Chairman and CEO of International Decision Systems, a provider of software and solutions for the equipment finance market, from September 2009 to January 2011. From 2004 to July 2008, Mr. Thomas was the President and Chief Operating Officer of Global Exchange Services, a provider of business-to-business EDI and supply chain management solutions. Prior to that, Mr. Thomas served as the President and CEO at several software, analytics and technology companies, including HAHT Commerce, Ajuba Solutions, and Vantive Corporation, and as the First Chief Information Officer for Dell Computer Corporation and 3Com Corporation. Earlier in his career, Mr. Thomas also held various senior executive management positions at Kraft General Foods, Sara Lee Corporation and W. R. Grace. Since 2012, Mr. Thomas has served as a director of Accurate Group, which specializes in the appraisal and title services business where technology has been instrumental in redefining the transaction model for the industry. He has also served on the board of directors of infoGroup, Inc. from January 2009 to July 2010, and served as a director on the boards of a wide range of technology companies, including ATL Products, Vantive Corporation, Interwoven, iManage, FrontRange Solutions, IDS International, and Quofore International. Mr. Thomas has served as a director of Iteris since 1999 and offers to the Board of Directors valuable business, leadership and strategic insights obtained through his service as an executive and as a member of the board of directors in a variety of industries and businesses, including a number of leading technology companies, and his experience in working with companies through several stages of their development.

Mikel H. Williams has served as the Chief Executive Officer and a director of Targus Cayman Holdco Limited, a leading global supplier that designs, develops and sells products for the mobile worker, including laptop cases, docking stations and accessories for mobile electronic devices, since February 2016. Prior to that, Mr. Williams served as the Chief Executive Officer and a director of JPS Industries, Inc., a manufacturer of sheet and mechanically formed glass and aramid substrate materials for the electronics, aerospace, ballistics and general industrial applications, from May 2013 until its sale in July 2015. Mr. Williams was the President, Chief Executive Officer and a director of DDi Corp., a leading provider of time-critical, technologically advanced electronics manufacturing services, from November 2005 until its sale in May 2012. He has also served in various management positions with several companies in the technology and professional services related industries. Mr. Williams began his career with PricewaterhouseCoopers as a certified public accountant in the State of Maryland.

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Mr. Williams also serves as Chairman of the board of directors of Centrus Energy Corp. (formerly USEC Inc.). He was added to USEC's board of directors in October 2013 on the recommendation of certain holders of USEC's convertible senior notes as USEC was considering a bankruptcy restructuring, which was successfully initiated and completed in 2014. Since October 2015, Mr. Williams also serves on the board of directors of B. Riley Financial, Inc. He previously served on the boards of Lightbridge Communications Corporation until it was sold in January 2015, and Tellabs, Inc. until it was sold in December 2013. Mr. Williams received his B.S. degree from the University of Maryland in accounting and an M.B.A. from the University of Georgetown. Mr. Williams has served as a director of Iteris since April 2011 and provides the Board of Directors with operational and public company experience and valuable strategic insights through his many years of leadership positions in technology-related companies with international operations, as well as valuable knowledge and insights in finance and financial reporting matters.

Family Relationships

There are no family relationships among any of our directors, director nominees, or executive officers.

CORPORATE GOVERNANCE

Code of Ethics and Business Conduct

Our Board of Directors has adopted a Code of Ethics and Business Conduct which applies to all directors, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) and employees. The full text of our Code of Ethics and Business Conduct is available on the Investor Relations section of our website at www.iteris.com. We intend to disclose future amendments to certain provisions of the Code of Ethics and Business Conduct, and any waivers of provisions of the Code of Ethics required to be disclosed under the rules of the Securities and Exchange Commission ("SEC"), at the same location on our website.

Director Independence

Our policy is to have at least a majority of the directors qualify as "independent" under the standards established by The Nasdaq Stock Market ("Nasdaq"). The Board of Directors has determined that each of Messrs. Cerminara, Daly, Mooney, Thomas and Williams currently satisfies the requirements for "independence" under such standards, except that Dr. Daly did not qualify as an independent director while he was serving as our interim Chief Executive Officer from February 2015 to September 2015.

Board Structure

The Board does not have a policy regarding the separation of the roles of the CEO and Chairman of the Board as the Board believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the Board from time to time. However, the Board has determined that having an independent director serve as the Chairman is currently in the best interest of our stockholders in recognition of the different demands and responsibilities of the roles and to emphasize the independence of the role of Chairman. The Board also meets regularly in executive sessions.

Board Meetings and Committees

We currently have several standing committees of the Board of Directors, including the Audit Committee, the Compensation Committee, the NCG Committee, and the Finance and Strategic Committee. The Audit Committee, the Compensation Committee, and the NCG Committee each has a written charter that is reviewed annually and revised as appropriate. A copy of each committee's charter is available on the Investor Relations section of our website at www.iteris.com. The Finance and Strategic Committee was formed as a standing committee after the year ended March 31, 2016 ("Fiscal 2016").

During the Fiscal 2016, the Board of Directors and the various committees of the Board held the following number of meetings: Board of Directors four; Audit Committee seven; Compensation Committee two; and NCG Committee none (action was taken by written consent). During Fiscal 2016, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of any standing committees of the Board held while he was serving on the Board or such committee.

Audit Committee. The current members of our Audit Committee are Messrs. Miner, Thomas and Williams. The Board has determined that each member of the Audit Committee is "independent" under the standards established by Nasdaq and the SEC rules regarding audit committee memberships. The Board has identified Mr. Williams as the member of the Audit Committee who qualifies as an "audit committee financial expert" under applicable SEC rules and regulations governing the

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composition of the Audit Committee. Commencing as of the date of the 2016 Annual Meeting, the members of the Audit Committee will consist of Messrs. Daly, Mooney and Williams and Mr. Williams will become the Chairman of the Audit Committee.

The Audit Committee oversees on behalf of the Board (a) the conduct of the accounting and financial reporting processes, the audits of our financial statements and the integrity of our audited financial statements and other financial reports; (b) the performance of our internal accounting and financial controls function; (c) the engagement, replacement, compensation, qualifications, independence and performance of our independent registered public accounting firm; and (d) the portions of the Code of Ethics and Business Conduct and related policies regarding our accounting, internal accounting controls or auditing matters.

The Audit Committee meets privately with our independent registered public accounting firm, and such firm has unrestricted access to and reports directly to the Audit Committee. The Audit Committee has selected Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017 and is recommending that our stockholders ratify this appointment at the Annual Meeting.

Compensation Committee. The current members of our Compensation Committee are Messrs. Daly, Mooney, Thomas and Williams. Dr. Daly was re-appointed to this committee in November 2015 after conclusion of his service as our interim Chief Executive Officer. The Board has determined that each member of the Compensation Committee is (or was during his time of service) "independent" under the standards established by Nasdaq. Commencing as of the date of the Annual Meeting, the members of the Compensation Committee will consist of Messrs. Cerminara, Daly and Thomas, and Mr. Thomas will become the Chairman of the Compensation Committee.

The Compensation Committee (a) evaluates officer and director compensation policies, goals, plans and programs; (b) determines the cash and non-cash compensation of our "officers" as defined in the rules promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (c) reviews and makes recommendations to the Board with respect to our equity-based and other incentive compensation plans for employees; (d) evaluates the performance of our executive officers; and (e) assists the Board in evaluating potential candidates for executive officer positions and oversees management succession planning.

The Compensation Committee meets periodically to review and establish the salaries, bonuses and incentive plans for our executive officers. The committee considers a number of factors in determining the compensation plans and elements for, and the amount of each compensation element paid to, our executive officers, including publicly available data from independent outside sources, our general business conditions and objectives, and the committee's subjective determination with respect to the executive's individual contributions to such objectives. To assist the committee in its review, our Chief Executive Officer provides to the Compensation Committee his evaluations of the executives, including himself, and recommendations with respect to all executive compensation matters; however, the final decisions regarding the compensation of our executive officers are made by the Compensation Committee. Neither the Compensation Committee nor management engaged a compensation consultant to provide advice or recommendations on the amount or form of executive and director compensation during Fiscal 2016.

Nominating and Corporate Governance Committee. The current members of the NCG Committee are Messrs. Char, Daly and Mooney. Dr. Daly was re-appointed to the committee in November 2015 after conclusion of his service as our interim Chief Executive Officer. Mr. Thomas served on the NCG Committee until November 2015. The Board has determined that each member of the NCG Committee is (or was during his time of service) "independent" under the standards established by Nasdaq. Commencing as of the date of the Annual Meeting, the members of the NCG Committee will

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consist of Messrs. Daly, Mooney and Williams, and Dr. Daly will become the Chairman of the NCG Committee.

The primary purposes of the NCG Committee are to (a) identify, screen and review individuals qualified to serve as directors; (b) select or recommend to the Board of Directors the selection of nominees for election at the next annual meeting of stockholders; (c) recommend to the Board of Directors candidates to fill any vacancies on the Board; (d) oversee the implementation and monitoring the effectiveness of our corporate governance policies and developing and recommending to the Board modifications and or additions to such policies; and (e) review on a regular basis our overall corporate governance and recommend improvements when necessary.

In connection with their recommendations regarding the size and composition of the Board, the NCG Committee reviews the appropriate qualities and skills required of directors in the context of the then current make-up of the Board and the needs of the Company. This includes an assessment of each candidate's independence, personal and professional integrity, financial literacy or other professional or business experience relevant to an understanding of our business, ability to think and act independently and with sound judgment, and ability to serve the Company's and our stockholders' long-term interests. While we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the NCG Committee strives to nominate directors with a variety of complementary skills and backgrounds so that, as a group, the Board will possess the appropriate talent, skills, insight and expertise to oversee our business. These factors, and others as considered useful by the NCG Committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the NCG Committee and of the Board may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective directors. The NCG Committee generally leads the search for and selects, or recommends that the Board select, candidates for election to the Board. Consideration of new director candidates typically involves a series of committee discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to our Board typically have been suggested by other members of the Board or by our executive officers. From time to time, the NCG Committee may engage the services of a third-party search firm to identify director candidates.

The NCG Committee will consider candidates for directors recommended by our stockholders who meet the eligibility requirements for submitting stockholder proposals for inclusion in our next proxy statement. This committee will evaluate such recommendations applying its regular nominee criteria. Eligible stockholders wishing to recommend a nominee must submit such recommendation in writing to the Chair, NCG Committee, care of our corporate Secretary, by the deadline for stockholder proposals set forth in our last proxy statement, specifying the following information: (a) the name and address of the nominee, (b) the name and address of the stockholder making the nomination, (c) a representation that the nominating stockholder is a stockholder of record of our stock entitled to vote at the next annual meeting and intends to appear in person or by proxy at such meeting to nominate the person specified in the notice, (d) the nominee's qualifications for membership on the Board, (e) a resume of the candidate's business experience and educational background as well as all of the information that would be required in a proxy statement soliciting proxies for the election of the nominee as a director, (f) a description of all direct or indirect arrangements or understandings between the nominating stockholder and the nominee and any other person or persons (naming such person or persons) pursuant to whose request the nomination is being made by the stockholder, (g) all other companies to which the nominee is being recommended as a nominee for director, and (h) a signed consent of the nominee to cooperate with reasonable background checks and personal interviews, and to serve as a director, if elected. In connection with its evaluation, the NCG Committee may request additional information from the candidate or the recommending stockholder, and may request an interview with

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the candidate. The NCG Committee has the discretion to decide which individuals to recommend for nomination as directors.

No candidates for director nominations were submitted to the NCG Committee by any stockholder in connection with the election of directors at the Annual Meeting.

Finance and Strategy Committee. The current members of the Finance and Strategy Committee are Messrs. Daly, Miner and Thomas. Mr. Miner is currently serving as the Chairman of the Finance and Strategy Committee. Commencing as of the date of the Annual Meeting, the members of the Finance and Strategy Committee will consist of Messrs. Cerminara, Daly, Mooney and Thomas, and Dr. Daly will become the Chairman of the Finance and Strategy Committee. The purpose of the Finance and Strategy Committee is to assist management in identifying, evaluating and negotiating financial transactions and other strategic opportunities for the Company from time to time.

Risk Oversight Role

The Board is responsible for overseeing our risk management, but its duties in this regard are supplemented by committees of the Board. In particular, the Audit Committee focuses on financial risk, including internal controls, and is responsible for discussing with management and our independent auditors policies with respect to risk assessment and risk management, including the process by which we undertake major financial and accounting risk assessment and management. Risks related to our compensation programs are reviewed by the Compensation Committee and legal and regulatory compliance risks are reviewed by the NCG Committee. In connection with its responsibilities relating to risk assessment, our full Board periodically engages in discussions of the most significant risks that the Company is facing and how these risks are being managed.

Stockholder Communications

The Board has implemented a process by which stockholders may send written communications directly to the attention of the Board, any committee of the Board or any individual Board member, care of our corporate Secretary. The name of any specific intended Board recipient should be noted in the communication. Our corporate Secretary will be primarily responsible for collecting, organizing and monitoring communications from stockholders and, where appropriate depending on the facts and circumstances outlined in the communication, providing copies of such communications to the intended recipients. Communications will be forwarded to directors if they relate to appropriate and important substantive corporate or Board matters. Communications that are of a commercial or frivolous nature or otherwise inappropriate for the Board's consideration will not be forwarded to the Board. Stockholders who wish to communicate with the Board can write to the corporate Secretary at Iteris, Inc., 1700 Carnegie Avenue, Suite 100, Santa Ana, California 92705.

Annual Meeting Attendance

We do not have a formal policy regarding attendance by members of our Board of Directors at annual meetings of our stockholders; however, directors are encouraged to attend all such meetings. For our 2015 annual meeting of stockholders, two of our then-current directors attended such meeting. Mr. Bergera, who was appointed to the Board subsequent to that meeting, also attended the meeting.

PROPOSAL THREE:

APPROVAL OF 2016 OMNIBUS INCENTIVE PLAN

At the Annual Meeting, stockholders will be asked to consider and approve a proposal to adopt the Iteris, Inc. 2016 Omnibus Incentive Plan (the "2016 Plan") pursuant to which 3,404,771 shares of Common Stock shall be available for issuance to our officers and employees, non-employee members of our Board (or the board of our parent or subsidiary) ("non-employee directors"), as well as consultants and other independent advisors in our employ or service. The share reserve may be adjusted, and additional shares may be awarded under the 2016 Plan, as described in more detail in the section titled "Securities Subject to 2016 Plan" below. The Board adopted the 2016 Plan on August 24, 2016, subject to stockholder approval. If approved by the stockholders, the 2016 Plan will become effective as of the date of the stockholder approval (the "Plan Effective Date").

The 2016 Plan serves as the successor to our 2007 Omnibus Incentive Plan (the "Predecessor Plan"), which is expected to terminate on July 19, 2017. If the 2016 Plan is approved, no further awards shall be made under the Predecessor Plan on or after the Plan Effective Date. Each outstanding award under the Predecessor Plan shall remain outstanding under the Predecessor Plan and shall be governed solely by the terms of the documents evidencing such awards. No provision of the 2016 Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such outstanding awards under the Predecessor Plan.

Incentive compensation programs play a pivotal role in our effort to attract and retain key personnel essential to our long-term growth and financial success. For that reason, we have structured the 2016 Plan to provide flexibility in designing equity incentive programs with a broad array of equity incentives, such as stock options, stock appreciation rights, stock awards, restricted stock units, cash incentive awards, and dividend equivalents, so that we may implement competitive incentive compensation programs for our key employees and non-employee directors. Following stockholder approval of the 2016 Plan, the 2016 Plan will be the only plan under which new equity awards may be granted to our employees and other service providers, although grants may be made outside of a plan under certain circumstances. If this proposal is not approved, we would be at a disadvantage against our competitors for recruiting, retaining and motivating individuals critical to our success and could be forced to increase cash compensation, thereby reducing resources available to meet our business needs.

Overview of Equity

The Company currently has awards outstanding under two equity incentive plans, the Predecessor Plan and the 1997 Stock Incentive Plan (the "1997 Plan"). As of July 22, 2016, there were 22,500 shares of common stock subject to outstanding options under the 1997 Plan. The 1997 Plan terminated in 2007, and no further grants or awards may be made under the 1997 Plan. As of July 22, 2016, there were 3,334,500 shares subject to outstanding options under the Predecessor Plan and 172,500 shares

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subject to restricted stock units under the Predecessor Plan, as described in the table below. The total shares of the Company's common stock outstanding as of July 22, 2016 was 32,057,503.

Plans as of July 22, 2016	Shares Subject to Outstanding Stock Options(1)	Shares Subject to Outstanding Full Value Awards(2)	Shares Remaining Available for Future Grant	Total Aggregate Shares
1997 Plan	22,500			22,500
Predecessor Plan	3,334,500	172,500	834,771	4,341,771
Total (Before 2016 Plan is approved)	3,357,000	172,500	834,771	4,364,271
Shares Available for Future Grant Upon Approval of the 2016 Plan(3)			3,404,771	

- (1) As of July 22, 2016, the 3,357,000 stock options outstanding had a weighted average exercise price per share of \$2.11 and a weighted average life of 7.9 years.
- (2) Consists solely of RSUs.
- (3) This is subject to adjustment and increase as discussed in the section titled "Securities Subject to 2016 Plan" below.

Based on the Company's Common Stock outstanding as of July 22, 2016, the aggregate total 4,364,271 shares issuable under the Predecessor Plan and the 1997 Plan as set forth in the table above represents an overhang of approximately 12.0% of shares (including 834,771 shares available for future grant under the Predecessor Plan). If the 2016 Plan is approved, the additional 2,570,000 shares available for issuance (3,404,771 less 834,771 shares that would have been available under the Predecessor Plan) would increase the overhang to approximately 17.6% if shares available for future grant are expressed in stock options, or 14.3% if shares available for future grant are expressed in full-value shares. The Company calculates "overhang" as the total of (a) shares underlying outstanding awards plus shares available for issuance under future equity awards, divided by (b) the total number of shares outstanding, shares underlying outstanding awards and shares available for issuance under future equity awards.

In connection with our stock-based compensation programs, we are committed to using equity incentive awards prudently and within reasonable limits. Accordingly, we closely monitor our stock award "burn rate" each year. Our annual burn rate is determined by dividing the number of shares of our Common Stock subject to stock-based awards we grant in a calendar year by the weighted average number of our fully-diluted shares of Common Stock outstanding for that calendar year.

Fiscal Year	Stock Options Granted	RSUs Granted	Total Granted(1)	Weighted Average Common Stock Outstanding	Burn Rate
2016	1,807,500	62,500	1,870,000	32,049,000	5.8%
2015	730,000	90,000	820,000	32,595,000	2.5
2014	710,000	90,000	800,000	32,665,000	2.4
3-Year Average	1,082,500	80,833	1,163,333	32,436,333	3.6

Section 162(m) of the Internal Revenue Code

We are also asking stockholders to approve the 2016 Plan to satisfy the stockholder approval requirements of Section 162(m) of the Internal Revenue Code ("Section 162(m)"). In general, Section 162(m) places a limit on the deductibility for federal income tax purposes of the compensation paid to our Chief Executive Officer and any of our three other most highly compensated executive

officers (other than our Chief Financial Officer). Under Section 162(m), compensation paid to such persons in excess of \$1 million in a taxable year generally is not deductible. However, compensation that qualifies as "performance-based" under Section 162(m) does not count against the \$1 million deduction limitation. One of the requirements of "performance-based" compensation for purposes of Section 162(m) is that the material terms of the plan under which compensation may be paid be disclosed to and approved by our stockholders. For purposes of Section 162(m), the material terms include (a) the employees eligible to receive compensation, (b) a description of the business criteria on which the performance goals may be based and (c) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects of the 2016 Plan is discussed below, and stockholder approval of this Proposal is intended to be deemed to constitute approval of the material terms of the 2016 Plan for purposes of the stockholder approval requirements of Section 162(m). However, the plan administrator has complete discretion to determine whether or not awards under the 2016 Plan will be structured so as to comply with the applicable requirements for performance-based compensation under Section 162(m) and may make non-compliant awards as and when it believes that the circumstances and other relevant factors warrant.

Highlights of the 2016 Equity Plan

The 2016 Plan contains a number of provisions that we believe are consistent with best practices in equity compensation and which protect the stockholders' interests, as described below.

Prohibition on repricings: The 2016 Plan prohibits the reducing the exercise price in effect for outstanding options or stock appreciation rights, the cancellation and replacement of stock options or stock appreciation rights with a grant with a lower exercise price, or a cash buyout of an underwater option or stock appreciation right (except as permitted in a change in control or in the case of an adjustment event as described in the section titled "Changes in Capitalization" below).

No evergreen authorization: The 2016 Plan does not have an evergreen provision, which normally permits an automatic annual increase in the share pool without further stockholder approval.

Reasonable limit on full value awards: For purposes of calculating the shares that remain available for issuance under the 2016 Plan, grants of options and stock appreciation rights will be counted as the grant of one share for each one share actually granted, as described below. However, to protect stockholders from potentially greater dilutive effect of full value awards (i.e., awards other than options and stock appreciation rights), all grants of full value awards will be deducted from the 2016 Plan's share reserve as 1.79 shares for every one share actually granted.

No automatic vesting upon a change in control: The 2016 Plan allows for an acquiring corporation to assume outstanding awards, and if awards are assumed, they will generally not accelerate on the change in control. If awards are not assumed, the vesting of such awards will be accelerated. The plan administrator also has the discretion to take alternative actions such as accelerating the vesting of outstanding awards or requiring that participants exchange outstanding accelerated awards for cash.

Minimum vesting periods: Options and stock appreciation rights are subject to a minimum vesting period of at least one year. However, up to 5% of the available shares of Common Stock authorized for issuance under the 2016 Plan as of the Plan Effective Date may be issued pursuant to options or stock appreciation rights that vest (in full or in part) over a period of less than one year from the date of grant of the awards (the "5% Basket"). Any option or stock appreciation right granted under the 2016 Plan may vest in full or in part upon death or disability of the participant, or upon a change in control, under the terms of the 2016 Plan or the applicable award agreement, and such vesting shall not count against the 5% Basket.

No discounted stock options or stock appreciation rights: Stock options and stock appreciation rights must have an exercise price or base price at or above fair market value on the date of grant.

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Limit on director pay: The maximum aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all awards made to a non-employee director under the 2016 Plan in a single fiscal year, taken together with any cash payments (including the annual retainer and any other compensation) paid to such non-employee director in respect of such fiscal year, shall not exceed \$250,000 in total value.

No tax gross-ups: The 2016 Plan does not provide for any tax gross-ups.

No liberal change-in-control definition: The 2016 Plan defines change in control based on the consummation of the transaction rather than the announcement or stockholder approval of the transaction.

Section 162(m) deductibility: The 2016 Plan permits the plan administrator to design compensation awards that will meet the requirements of Section 162(m) at such times as the plan administrator believes that such awards are in the best interests of the Company.

Limitation on dividends and dividend equivalents: Any dividends or dividend equivalents payable in connection with a performance-based award will be subject to the same performance goal vesting restrictions as the underlying award and will not be paid until and unless such performance goals are met.

Administered by an independent committee: The 2016 Plan will be administered by our Board's Compensation Committee, which consists entirely of independent directors. Administration of the 2016 Plan may also be delegated to a Secondary Committee or, one or more officers as described in more detail below.

Summary Description of 2016 Omnibus Incentive Plan

The principal terms and provisions of the 2016 Plan are set forth below. The summary, however, is not intended to be a complete description of all the terms of the 2016 Plan and is qualified in its entirety by reference to the complete text of the 2016 Plan, filed with this Proxy Statement as Appendix A on the SEC's website at <http://www.sec.gov>. Any stockholder who wishes to obtain a copy of the actual plan document may do so upon written request to our Corporate Secretary at our principal offices at 1700 Carnegie Avenue, Suite 100, Santa Ana, CA 92705.

Types of Awards. The following types of awards may be granted under the 2016 Plan: options, stock appreciation rights, stock awards, restricted stock units, cash incentive awards and dividend equivalent rights. The principal features of each type of award are described below.

Administration. The Compensation Committee has the exclusive authority to administer the 2016 Plan with respect to awards made to our executive officers and non-employee directors and has the authority to make awards under the 2016 Plan to all other eligible individuals. However, our Board may at any time appoint a secondary committee of one (1) or more Board members to have separate but concurrent authority with the Compensation Committee to make awards under the 2016 Plan to individuals other than executive officers and non-employee directors. To the extent permitted by law, the Board or the Compensation Committee may delegate any or all of its authority to administer the 2016 Plan to one or more officers (other than with respect to grants to executive officers and non-employee directors).

The term "plan administrator," as used in this summary, will mean our Compensation Committee, the Board and any secondary committee, to the extent each such entity is acting within the scope of its administrative authority under the 2016 Plan.

Eligibility. Officers and employees, non-employee directors, as well as consultants and other independent advisors, in our employ or service or in the employ or service of our parent or subsidiary companies (whether now existing or subsequently established) are eligible to participate in the 2016

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Plan. As of October 31, 2016, approximately 440 persons (including five executive officers) and six non-employee directors were eligible to participate in the 2016 Plan.

Securities Subject to 2016 Plan. Subject to the capitalization adjustments and the add back provisions related to outstanding awards under the Predecessor Plan, each as described below, an aggregate of up to 3,404,771 shares shall be reserved for issuance under the 2016 Plan. However, such share reserve shall be reduced by one share for every one share that was subject to an option or stock appreciation right granted after July 22, 2016 and prior to the Plan Effective Date under the Predecessor Plan and 1.79 shares for every one share that was subject to an award other than an option or stock appreciation right granted after July 22, 2016 and prior to the Plan Effective Date under the Predecessor Plan (such awards granted after July 22, 2016 and prior to the Plan Effective Date under the Predecessor Plan, the "Interim Period Awards").

Shares subject to outstanding awards under the 2016 Plan and awards granted under the Predecessor Plan that expire or otherwise terminate prior to the issuance of the shares subject to those awards will be available for subsequent issuance under the 2016 Plan as follows: (a) for each share subject to an expired option or stock appreciation right, one share of Common Stock shall become available for subsequent issuance under the 2016 Plan, and (b) for each share subject to an expired award other than an option or stock appreciation right, 1.79 shares shall become available for subsequent issuance under the 2016 Plan.

Any unvested shares issued under the 2016 Plan and the Predecessor Plan for cash consideration not less than the fair market value per share on the date of grant that are subsequently repurchased by us, at a price not greater than the original issue price paid per share, pursuant to our repurchase rights under the 2016 Plan and the Predecessor Plan will be added back to the number of shares reserved for issuance under the 2016 Plan and will accordingly be available for subsequent issuance.

The number of shares of Common Stock reserved for issuance under the 2016 Plan shall be reduced on a one-for-one basis for each share subject to an option or stock appreciation right and by a fixed ratio of 1.79 shares for each share of Common Stock subject to an award other than an option or stock appreciation right.

In addition, the following share counting procedures will apply in determining the number of shares of Common Stock available from time to time for issuance under the 2016 Plan (including with respect to Interim Period Awards):

Should the exercise price of an option or any withholding taxes incurred in connection with the exercise of an option granted under the 2016 Plan or the Predecessor Plan be paid in shares of our Common Stock (whether through the withholding of a portion of the otherwise issuable shares or through tender of actual outstanding shares), then in each such case the number of shares so tendered or withheld will be added to the shares reserved for issuance under the 2016 Plan on a one-for-one basis.

Should shares of Common Stock be withheld by us, or if shares are tendered by the participant, in each case in satisfaction of the withholding taxes incurred in connection with the issuance, vesting or settlement of an award (other than an option or stock appreciation right) granted under the 2016 Plan or the Predecessor Plan, then in each case the number of shares so tendered or withheld will be added to the shares of Common Stock available for issuance under the 2016 Plan on a 1.79-for-one basis.

Upon the exercise of any stock appreciation right granted under the 2016 Plan, the share reserve will be reduced by the net number of shares subject to the award.

The maximum number of shares of Common Stock which may be issued pursuant to options intended to qualify as incentive stock options under the federal tax laws shall be limited to 3,404,771.

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The shares of Common Stock issuable under the 2016 Plan may be drawn from shares of our authorized but unissued Common Stock or from shares of our Common Stock that we acquire, including shares purchased on the open market.

Participant Award Limits. The maximum number of shares of Common Stock which may be issued pursuant to options or stock appreciation rights that are settled in shares and granted to any person under the 2016 Plan in any fiscal year shall be limited to 2,000,000 shares.

The maximum number of shares for which awards (other than options and stock appreciation rights that are settled in shares) may be granted to any person under the 2016 Plan in any fiscal year shall not exceed 2,000,000 shares (which limit shall refer to the maximum amount that can be earned) in the aggregate.

During any fiscal year no participant may be granted cash incentive awards under which a total of more than \$3,000,000 may be earned for each 12 months in the performance period.

In addition, the maximum aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all awards made to a non-employee director under the 2016 Plan in a single fiscal year, taken together with any cash payments (including the annual retainer and any other compensation) paid to such non-employee director in respect of such fiscal year, shall not exceed \$250,000 in total value.

Awards. The plan administrator has complete discretion to determine (a) which eligible individuals are to receive awards, (b) the type, size, terms and conditions of the awards to be made, (c) the time or times when those awards are to be granted, (d) the number of shares or amount of payment subject to each such award, (e) the time when the award is to become exercisable, (f) the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws, (g) the maximum term for which the award is to remain outstanding, (h) the vesting and issuance schedules applicable to the shares which are the subject of the award, (i) the cash consideration (if any) payable per share subject to the award and the form of payment in which the award is to be settled, (j) the vesting schedule for a cash incentive award and (k) with respect to performance-based awards, the performance objectives, the amount payable at one or more levels of attained performance and the payout schedule.

Stock Options. Each granted option will have an exercise price per share determined by the plan administrator, but the exercise price will not be less than one hundred percent (100%) of the fair market value of the option shares on the grant date. No granted option will have a term in excess of ten (10) years. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date or upon the achievement of pre-established performance objectives. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. The shares acquired under such immediately exercisable options will be subject to repurchase by us, at the lower of the exercise price paid per share or the fair market value per share, if the optionee ceases service prior to vesting in those shares. Payment of the exercise price may be paid in one or more of the following forms as determined by the plan administrator: cash, shares of our Common Stock, through a cashless exercise procedure pursuant to which the optionee effects a same-day exercise of the option and sale of the purchased shares through a broker in order to cover the exercise price for the purchased shares and the applicable withholding taxes and/or through a net exercise procedure pursuant to which we withhold a number of shares otherwise issuable upon exercise of the option having a value equal to the exercise price and applicable withholding taxes.

Upon cessation of service, the optionee will have a limited period of time in which to exercise his or her outstanding options to the extent exercisable for vested shares. The plan administrator will have complete discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised, provide for continued vesting during the applicable post-service exercise period and/or accelerate the exercisability or vesting of options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding.

Stock Appreciation Rights. The 2016 Plan allows the issuance of two types of stock appreciation rights:

Tandem stock appreciation rights granted in conjunction with options which provide the holders with the right to surrender the related option grant for an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the vested shares of our Common Stock subject to the surrendered option over (ii) the aggregate exercise price payable for those shares.

Stand-alone stock appreciation rights which allow the holders to exercise those rights as to a specific number of shares of our Common Stock and receive in exchange an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the shares of Common Stock as to which those rights are exercised over (ii) the aggregate exercise price in effect for those shares. The exercise price per share may not be less than the fair market value per share of our Common Stock on the date the stand-alone stock appreciation right is granted, and the right may not have a term in excess of ten (10) years.

The appreciation distribution on any exercised stock appreciation right will be paid in (i) cash, (ii) shares of our Common Stock or (iii) a combination of cash and shares of our Common Stock. Upon cessation of service with us, the holder of a stock appreciation right will have a limited period of time in which to exercise that right to the extent exercisable at that time. The plan administrator has complete discretion to extend the period following the holder's cessation of service during which his or her outstanding stock appreciation rights may be exercised, provide for continued vesting during the applicable post-service exercise period and/or accelerate the exercisability or vesting of stock appreciation rights in whole or in part. Such discretion may be exercised at any time while the stock appreciation rights remain outstanding.

Repricing. The plan administrator may not implement any of the following repricing programs (except in the case of a corporate transaction as described in the section titled "Changes in Capitalization" below, without stockholder approval): (i) the cancellation of outstanding options or stock appreciation rights in return for new options or stock appreciation rights with a lower exercise price per share, (ii) the cancellation of outstanding options or stock appreciation rights with exercise prices per share in excess of the then current fair market value per share of our Common Stock for consideration payable in cash, other awards or our equity securities (except in the event of a change in control) or (iii) the direct reduction of the exercise price in effect for outstanding options or stock appreciation rights.

Stock Awards and Restricted Stock Units. Shares of our Common Stock may be issued under the 2016 Plan subject to performance or service vesting requirements established by the plan administrator or as a fully-vested bonus for past services without any cash outlay required of the recipient. Shares of our Common Stock may also be issued under the 2016 Plan pursuant to restricted stock units which entitle the recipients to receive those shares upon the attainment of designated performance goals or the completion of a prescribed service period or upon the expiration of a designated time period following the vesting of those units, including (without limitation), a deferred distribution date following the termination of the recipient's service with us.

In order to assure that the compensation attributable to one or more cash incentive awards, stock awards or restricted stock units will qualify as performance-based compensation which will not be subject to the \$1 million limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Section 162(m), the plan administrator will have the discretionary authority to structure one or more such awards so that the shares of Common Stock subject to those awards (or cash, as applicable) will vest only upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (i) cash flow; (ii) earnings (including earnings before interest and taxes, earnings before taxes, earnings before

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interest, taxes, depreciation, amortization and charges for stock-based compensation, earnings before interest, taxes, depreciation and amortization, and net earnings); (iii) earnings per share; (iv) growth in earnings or earnings per share; (v) stock price; (vi) return on equity or average stockholder equity; (vii) total stockholder return or growth in total stockholder return either directly or in relation to a comparative group; (viii) return on capital; (ix) return on assets or net assets; (x) invested capital, required rate of return on capital or return on invested capital; (xi) revenue, growth in revenue or return on sales; (xii) income or net income; (xiii) operating income, net operating income or net operating income after tax; (xiv) operating profit or net operating profit; (xv) operating margin or gross margin; (xvi) return on operating revenue or return on operating profit; (xvii) market share, (xviii) market capitalization, (xix) application approvals, (xx) litigation and regulatory resolution goals, (xxi) implementation, completion or attainment of key projects, product sales or milestones, (xxii) budget comparisons, (xxiii) growth in stockholder value relative to the growth of a peer group or index; (xxiv) development and implementation of strategic plans and/or organizational restructuring goals; (xxv) development and implementation of risk and crisis management programs; (xxvi) improvement in workforce diversity; (xxvii) compliance requirements and compliance relief; (xxviii) productivity goals; (xxix) workforce management and succession planning goals; (xxx) economic value added (including typical adjustments consistently applied from generally accepted accounting principles required to determine economic value added performance measures); (xxxi) recruiting and maintaining personnel, employee retention, measures of customer satisfaction, employee satisfaction or staff development; (xxxii) development or marketing collaborations, formations of joint ventures or partnerships or the completion of other similar transactions intended to enhance the Company's revenue or profitability or enhance its customer base; and (xxxiii) merger and acquisitions. In addition, such performance criteria may be based upon the attainment of specified levels of the Company's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Company's business units or divisions or any parent or subsidiary. Each applicable performance goal may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned and a maximum level of performance at which an award will be fully earned. Each applicable performance goal may be structured at the time of the award to provide for appropriate adjustment for one or more of the following items: (A) asset impairments or write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; (E) the operations of any business acquired by the Company; (F) the divestiture of one or more business operations or the assets thereof; (G) the effects of any corporate transaction, such as a merger, consolidation, separation (including spin-off or other distributions of stock or property by the Company) or reorganization; (H) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events; (I) acquisitions or divestitures; (J) change in the corporate structure or capital structure of the Company; (K) an event either not directly related to the operations of the Company, parent, subsidiary, division, business segment or business unit or not within the reasonable control of management; (L) foreign exchange gains and losses; (M) a change in the fiscal year of the Company; (N) the refinancing or repurchase of bank loans or debt securities; (O) unbudgeted capital expenditures; (P) the issuance or repurchase of equity securities and other changes in the number of outstanding shares; (Q) conversion of some or all of convertible securities to common stock; (R) any business interruption event; (S) the cumulative effects of tax or accounting changes in accordance with GAAP; (T) the effect of changes in other laws or regulatory rules affecting reported results; and (U) any other adjustment consistent with the operation of the 2016 Plan.

Stockholder approval of this proposal will also constitute approval of the foregoing performance goals for purposes of establishing the vesting targets for one or more awards under the 2016 Plan that are intended to qualify as performance-based compensation under Section 162(m).

Should the participant cease to remain in service while holding one or more unvested shares or should the performance objectives not be attained with respect to one or more such unvested shares, then those shares will be immediately subject to cancellation. Outstanding restricted stock units will automatically terminate, and no shares of our Common Stock will actually be issued in satisfaction of those awards, if the performance goals or service requirements established for such awards are not attained. The plan administrator, however, will have the discretionary authority to issue shares of our Common Stock in satisfaction of one or more outstanding awards as to which the designated performance goals or service requirements are not attained. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to awards which were intended at the time of issuance to qualify as performance-based compensation under Section 162(m), except in the event of death, disability or a change in control, as described under the heading "General Provisions *Vesting Acceleration*."

Dividend Equivalent Rights. Dividend equivalent rights may be issued as stand-alone awards or in tandem with other awards made under the 2016 Plan, except that dividend equivalents may not be granted in connection with an option, stock appreciation right or cash incentive award. Each dividend equivalent right award will represent the right to receive the economic equivalent of each dividend or distribution, whether in cash, securities or other property (other than shares of our Common Stock) which is made per issued and outstanding share of Common Stock during the term the dividend equivalent right remains outstanding. Payment of the amounts attributable to such dividend equivalent rights may be made either concurrently with the actual dividend or distribution made per issued and outstanding share of our Common Stock or may be deferred to a later date. Payment may be made in cash or shares of our Common Stock, or a combination of cash and shares, as determined by the plan administrator.

Awards Granted to Employees and Directors

No awards have been granted under the 2016 Plan. Any awards following approval of this proposal shall be at the discretion of the plan administrator. Accordingly, the benefits or amounts that may be received by or allocated to each of (i) the officers listed in the Summary Compensation Table, (ii) each of the nominees for election as a director, (iii) all non-employee directors as a group, (iv) all of our present executive officers as a group, and (v) all of our employees, including all other current officers, as a group under the 2016 Plan are not determinable at this time.

New Plan Benefits

The following table shows, as to our named executive officers who are identified in the Summary Compensation Table, which appears on page 34 above and the other individuals and groups indicated, the number of shares of common stock subject to options and restricted stock units awarded under the

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Predecessor Plan between April 1, 2015 and July 22, 2016. No other type of equity award was granted during such period.

Name and Position	Number of Share Subject to Options
<i>Named Executive Officers</i>	
Joe Bergera	1,350,000
Thomas N. Blair	75,000
Todd Kreter	75,000
Ramin Massoumi	20,000
Andrew Schmidt	75,000
<i>Non-Employee Directors</i>	
D. Kyle Cerminara	
Richard Char	10,000
Kevin C. Daly, Ph.D	10,000
Gregory A. Miner	10,000
Gerard Mooney	10,000
Thomas L. Thomas	10,000
Mikel H. Williams	10,000
All current executive officers as a group (5 persons)	1,595,000
All current non-employee directors as a group (6 persons)	60,000
All employees, excluding current executive officers as a group (436 persons)	62,500

The last reported sale price of a share of our Common Stock on October 31, 2016, was \$3.46 per share. No RSUs were granted during Fiscal 2016 to the persons included in the foregoing table.

General Provisions

Minimum Vesting. No option or stock appreciation right may vest over a period of less than one year from the date of grant, except that up to 5% of the available shares of Common Stock reserved for issuance under the 2016 Plan as of the Plan Effective Date may be issued pursuant to options or stock appreciation rights that vest over a period of less than one year from the date of grant. Additionally, any option or stock appreciation right granted under the 2016 Plan may vest upon the participant's death or disability, or upon a change in control, and such vesting will not count against the 5% basket described above.

Vesting Acceleration. In the event we should experience a change in control, the following provisions will be in effect for all outstanding awards under the 2016 Plan, unless provided otherwise in an award agreement entered into with the participant:

Each outstanding award may be assumed, substituted, replaced with a cash retention program that preserves the intrinsic value of the award and provides for subsequent payout in accordance with the same vesting schedule applicable to the award or otherwise continued in effect by the successor corporation.

To the extent an award is not so assumed, substituted, replaced or continued, the award generally will automatically accelerate in full (with performance-based award vesting to be determined with reference to actual performance attained as of the change in control).

The plan administrator has complete discretion to grant one or more awards which will vest upon a change in control, whether or not such award is to be assumed or otherwise continued, or in the event the individual's service with us or the successor entity is terminated within a

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designated period following a change in control transaction in which those awards are assumed or otherwise continued in effect.

Unless the plan administrator establishes a different definition for one or more awards, a change in control will be deemed to occur for purposes of the 2016 Plan in the event (a) we are acquired by merger or asset sale or (b) there occurs any transaction (or series of related transactions within the twelve (12)-month period ending with the most recent acquisition) pursuant to which any person or group of related persons becomes directly or indirectly the beneficial owner of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of our outstanding securities or (c) there is a change in the majority of the board effected through one or more contested elections for board membership.

The plan administrator's authority above extends to any awards intended to qualify as performance-based compensation under Section 162(m), even though the accelerated vesting of those awards may result in their loss of performance-based status under Section 162(m).

Changes in Capitalization. In the event any change is made to the outstanding shares of our Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change in corporate structure effected without our receipt of consideration or should the value of our outstanding shares of Common Stock be substantially reduced by reason of a spin-off transaction or extraordinary dividend or distribution or should there occur any merger, consolidation or other reorganization, equitable adjustments will be made to: (i) the maximum number and/or class of securities issuable under the 2016 Plan; (ii) the maximum number and/or class of securities for which incentive stock options may be granted under the 2016 Plan; (iii) the maximum number and/or class of securities for which any one (1) person may be granted Common Stock-denominated awards under the 2016 Plan per calendar year; (iv) the number and/or class of securities and the exercise price per share in effect for outstanding options and stock appreciation rights; (v) the number and/or class of securities subject to each outstanding stock award, restricted stock unit, dividend equivalent right and any other award denominated in shares of our Common Stock and the consideration (if any) payable per share; and the number and/or class of securities subject to repurchase rights and the repurchase price payment per share. Such adjustments will be made in such manner as the plan administrator deems appropriate.

Valuation. The fair market value per share of our Common Stock on any relevant date under the 2016 Plan is deemed to be equal to the closing selling price per share on that date as determined by the NASDAQ Capital Market. As of October 31, 2016, the fair market value of our Common Stock determined on such basis was \$3.46 per share.

Stockholder Rights and Transferability. No optionee has any stockholder rights with respect to the option shares until such optionee has exercised the option and paid the exercise price for the purchased shares. The holder of a stock appreciation right will not have any stockholder rights with respect to the shares subject to that right unless and until such person exercises the right and becomes the holder of record of any shares of our Common Stock distributed upon such exercise. Options are not assignable or transferable other than by will or the laws of inheritance following optionee's death, and during the optionee's lifetime, the option may only be exercised by the optionee. However, the plan administrator may structure one or more non-statutory options under the 2016 Plan so that those options will be transferable during optionee's lifetime to one or more members of the optionee's family or to a trust established for the optionee and/or one or more such family members or to the optionee's former spouse, to the extent such transfer is in connection with the optionee's estate plan or pursuant to a domestic relations order. Standalone stock appreciation rights will be subject to the same transferability restrictions applicable to non-statutory options.

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A participant will have full stockholder rights with respect to any shares of Common Stock issued to him or her under the 2016 Plan, whether or not his or her interest in those shares is vested. A participant will not have any stockholder rights with respect to the shares of Common Stock subject to restricted stock units until that award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding restricted stock units, subject to such terms and conditions as the plan administrator may deem appropriate. Notwithstanding the foregoing, any dividends or dividend equivalents payable in connection with a performance-based award will be subject to the same restrictions as the underlying award and will not be paid until and unless such performance goals are met.

Special Tax Election. The plan administrator may provide one or more holders of awards under the 2016 Plan with the right to have us withhold a portion of the shares otherwise issuable to such individuals in satisfaction of the withholding taxes to which they become subject in connection with the issuance, exercise or settlement of those awards. Alternatively, the plan administrator may allow such individuals to deliver previously acquired shares of our Common Stock in payment of such withholding tax liability.

Deferral Programs. The plan administrator may structure one or more awards (other than options and stock appreciation rights) so that the participants may be provided with an election to defer the compensation associated with those awards for federal income tax purposes.

The plan administrator may also implement a non-employee director retainer fee deferral program that allows the non-employee directors the opportunity to elect to convert the Board and Board committee retainer fees to be earned for a fiscal year into restricted stock units that defer the issuance of the shares of Common Stock that vest under those units until a permissible date or event under Internal Revenue Code Section 409A.

To the extent we maintain one or more separate non-qualified deferred compensation arrangements which allow the participants the opportunity to make notional investments of their deferred account balances in shares of Common Stock, the plan administrator may authorize the share reserve under the Plan to serve as the source of any shares of Common Stock that become payable under those deferred compensation arrangements.

Amendment and Termination. Our Board may amend or modify the 2016 Plan at any time subject to stockholder approval to the extent required under applicable law or regulation or pursuant to the listing standards of the stock exchange on which our Common Stock is at the time primarily traded. Unless sooner terminated by our board of directors, the 2016 Plan will terminate on the earliest of (i) the date immediately preceding the tenth anniversary of the Plan Effective Date, (ii) the date on which all shares available for issuance under the 2016 Plan have been issued as fully-vested shares or (iii) the termination of all outstanding awards in connection with certain changes in control or ownership.

Summary of Federal Income Tax Consequences

The following is a summary of the Federal income taxation treatment applicable to us and the participants who receive awards under the 2016 Plan.

Option Grants. Options granted under the 2016 Plan may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options which

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are not intended to meet such requirements. The federal income tax treatment for the two types of options differs as follows:

Incentive Options. No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is recognized for regular tax purposes at the time the option is exercised, although taxable income may arise at that time for alternative minimum tax purposes. The optionee will recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of certain other dispositions. For Federal tax purposes, dispositions are divided into two categories: (i) qualifying, and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two (2) years after the date the option for the shares involved in such sale or disposition is granted and more than one (1) year after the date the option is exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date or (if less) the amount realized upon such sale or disposition over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain recognized upon the disposition will be a capital gain.

If the optionee makes a disqualifying disposition of the purchased shares, then we will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the amount of ordinary income recognized by the optionee as a result of the disposition. We will not be entitled to any income tax deduction if the optionee makes a qualifying disposition of the shares.

Non-Statutory Options. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the optionee.

Stock Appreciation Rights. No taxable income is recognized upon receipt of a stock appreciation right. The holder will recognize ordinary income in the year in which the stock appreciation right is exercised, in an amount equal to the excess of the fair market value of the underlying shares of Common Stock on the exercise date over the base price in effect for the exercised right, and the holder will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder in connection with the exercise of the stock appreciation right. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

Stock Awards. The recipient of unvested shares of Common Stock issued under the 2016 Plan will not recognize any taxable income at the time those shares are issued but will have to report as ordinary income, as and when those shares subsequently vest, an amount equal to the excess of (i) the fair market value of the shares on the vesting date over (ii) the cash consideration (if any) paid for the shares. The recipient may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year the unvested shares are issued an amount equal to the excess of (i) the fair market value of those shares on the issue date over (ii) the cash consideration (if any) paid for such shares. If the Section 83(b) election is made, the recipient will not recognize any additional

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income as and when the shares subsequently vest. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the recipient with respect to the unvested shares. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the recipient.

Restricted Stock Units. No taxable income is recognized upon receipt of restricted stock units. The holder will recognize ordinary income in the year in which the shares subject to the units are actually issued to the holder. The amount of that income will be equal to the fair market value of the shares on the date of issuance, and the holder will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder at the time the shares are issued. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

Cash Incentive Awards. In general, no taxable income is recognized upon receipt of cash incentive awards. The holder will recognize ordinary income in the year in which the cash incentive awards are actually paid to the participant, and the participant will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time of payment. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

Dividend Equivalent Rights. No taxable income is recognized upon receipt of a dividend equivalent right award. The holder will recognize ordinary income in the year in which a dividend or distribution, whether in cash, securities or other property, is paid to the holder. The amount of that income will be equal to the fair market value of the cash, securities or other property received, and the holder will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of the ordinary income recognized by the holder of the dividend equivalent right award at the time the dividend or distribution is paid to such holder. That deduction will be allowed for the taxable year in which such ordinary income is recognized.

Deductibility of Executive Compensation. We anticipate that any compensation deemed paid by us in connection with the exercise of non-statutory options or stock appreciation rights will qualify as performance-based compensation for purposes of Section 162(m) and will not have to be taken into account for purposes of the \$1 million limitation per covered individual on the deductibility of the compensation paid to certain of our executive officers. Accordingly, the compensation deemed paid with respect to options and stock appreciation rights granted under the 2016 Plan will remain deductible by us without limitation under Section 162(m). However, any compensation deemed paid by us in connection with shares issued under stock awards or restricted stock units will be subject to the \$1 million limitation, unless the issuance of the shares is tied to one or more of the performance milestones described above.

Accounting Treatment. Pursuant to the accounting standards under FASB Accounting Standards Codification Topic 718, we will be required to expense all share-based payments, including grants of stock options, stock appreciation rights, restricted stock, restricted stock units and all other stock-based awards under the 2016 Plan. Accordingly, stock options and stock appreciation rights which are granted to our employees and non-employee directors and payable in shares of our Common Stock will have to be valued at fair value as of the grant date under an appropriate valuation formula, and that value will then have to be charged as a direct compensation expense against our reported earnings over the designated vesting period of the award. Stock appreciation rights that are to be settled in cash will be subject to variable mark-to-market accounting until the settlement date. For shares issuable upon the vesting of restricted stock units awarded under the 2016 Plan, we will be required to amortize over the vesting period a compensation cost equal to the fair market value of the underlying shares on the date of the award. If any other shares are unvested at the time of their direct issuance, then the fair market

value of those shares at that time will be charged to our reported earnings ratably over the vesting period. Such accounting treatment for restricted stock units and direct stock issuances will be applicable whether vesting is tied to service periods or performance goals, although for performance-based awards, the grant date fair value will initially be determined on the basis of the probable outcome of performance goal attainment. The issuance of a fully-vested stock bonus will result in an immediate charge to our earnings equal to the fair market value of the bonus shares on the issuance date. Dividends or dividend equivalents paid on the portion of an award that vests will be charged against our retained earnings. If the award holder is not required to return the dividends or dividend equivalents if they forfeit their awards, dividends or dividend equivalents paid on instruments that do not vest will be recognized by us as additional compensation cost.

Finally, it should be noted that the compensation expense accruable for performance-based awards under the 2016 Plan will, in general, be subject to adjustment to reflect the actual outcome of the applicable performance goals, and any expenses accrued for such performance-based awards will be reversed if the performance goals are not met, unless those performance goals are deemed to constitute market conditions (i.e., because they are tied to the price of our common stock) under FASB Accounting Standards Codification Topic 718.

Required Vote

Provided a quorum is present, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and voting on this Proposal Three is required for approval of the adoption of the 2016 Plan. Should such approval not be obtained, then the 2016 Plan will not be implemented and awards will continue to be granted under the Predecessor Plan until its termination on July 19, 2017.

We are required to obtain stockholder approval of the 2016 Plan under the rules of The Nasdaq Stock Market. Such approval is also necessary to permit us to grant incentive stock options to employees under Section 422 of the Internal Revenue Code, and to ensure that compensation paid under the 2016 Plan is eligible for an exemption from the limits on tax deductibility imposed by Section 162(m) of the Code, which limits the deductibility of certain compensation paid to individuals who are, at the end of the tax year for which we would otherwise claim our tax deduction, our chief executive officer and our four other most highly paid executive officers.

The Board believes that the 2016 Plan is necessary for us to be able to attract and retain the services of individuals essential to our long-term growth and success.

Recommendation of the Board of Directors

THE BOARD BELIEVES THAT PROPOSAL THREE IS IN OUR BEST INTERESTS AND IN THE BEST INTERESTS OF OUR STOCKHOLDERS AND RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE 2016 OMNIBUS INCENTIVE PLAN. UNLESS OTHERWISE INDICATED THEREON, THE ACCOMPANYING PROXY WILL BE VOTED FOR APPROVAL OF THE 2016 OMNIBUS INCENTIVE PLAN. YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE 2016 OMNIBUS INCENTIVE PLAN.

PROPOSAL FOUR:

ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

In accordance with Section 14A of the Exchange Act, stockholders have the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. Commonly known as a "say-on-pay" vote, this proposal gives our stockholders the opportunity to express their views on our executive compensation policies and programs and the compensation paid to the named executive officers.

We are asking our stockholders to indicate their support of the compensation of our named executive officers, as described in this proxy statement by approving the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in the Company's proxy statement for the 2016 Annual Meeting of Stockholders pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion, is hereby approved."

The Board of Directors recommends a vote FOR approval of the advisory resolution because it believes that the Company's executive compensation policies and practices are effective in achieving the Company's goals of attracting, retaining, and motivating highly talented executives, rewarding sustained financial and operating performance, and aligning the executives' interests with those of the stockholders.

The vote on this proposal is advisory and therefore, is not binding on the Company, the Board of Directors or the Compensation Committee. Although the vote is non-binding, the Board of Directors and the Compensation Committee will review and consider the voting results in future decisions regarding executive compensation. Advisory votes on the compensation of our named executive officers are currently conducted once every three years, which was the frequency supported by a significant majority of the votes cast by stockholders (not including abstentions and broker non-votes), although the Board of Directors and the Compensation Committee may decide to hold such advisory votes more frequently in the future. Under the current policy, the next say-on-pay vote would be held at the 2019 Annual Meeting of Stockholders.

Stockholder Approval

The affirmative vote of a majority of the common stock, present or represented by proxy and entitled to vote at the Annual Meeting, will be required for approval of this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote "FOR" the advisory resolution approving the compensation of our named executive officers as disclosed in this proxy statement.

PROPOSAL FIVE:

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The accounting firm of Deloitte & Touche LLP was engaged to serve as our independent registered public accounting firm for the fiscal year ended March 31, 2016. The Audit Committee of the Board of Directors has selected that firm to continue in this capacity for the fiscal year ending March 31, 2017. We are asking our stockholders to ratify the selection by the Audit Committee of Deloitte & Touche LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending March 31, 2017 and to perform other appropriate services. Stockholder ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm is not required by our bylaws or otherwise. In the event that the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee, in its sole discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the committee feels that such a change would be in the best interests of us and our stockholders.

A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting, and that representative will have the opportunity to make a brief presentation to the stockholders if he or she so desires and is expected to be available to respond to appropriate questions from stockholders.

Stockholder Approval

The affirmative vote of a majority of the common stock, present or represented by proxy and entitled to vote at the Annual Meeting will be required for ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote "FOR" the ratification and approval of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017.

PROPOSAL SIX:

**RATIFICATION OF THE PRIOR GRANT TO THE COMPANY'S CEO OF AN OPTION
TO PURCHASE 850,000 SHARES OF COMMON STOCK**

The Iteris, Inc. 2007 Omnibus Incentive Plan (the "**Plan**") was adopted by our Board of Directors on July 19, 2007, and our stockholders voted to approve the Plan on September 21, 2007. On October 17, 2014, at the Company's 2014 Annual Meeting, our stockholders voted to approve an amendment to the Plan, which increased the number of shares reserved under the Plan by 1,500,000 (the "**2014 Amendment**"). On September 24, 2015, at the Company's 2015 Annual Meeting, our stockholders voted to approve another amendment to the Plan, which increased the number of shares reserved under the Plan by an additional 1,000,000 (the "**2015 Amendment**," and together with the 2014 Amendment, the "**Amendments**"). As of July 22, 2016, there were 3,334,500 shares of Common Stock subject to outstanding options under the Plan, 172,500 shares of Common Stock subject to restricted stock unit awards under the Plan, and 834,771 shares of Common Stock remaining available for future awards under the Plan.

Under Section 4(d) of the Plan, if the Compensation Committee of the Company's Board of Directors provides that this section applies to a particular equity award, then no Plan participant may be granted stock options or stock appreciation rights ("SARs") in any fiscal year with respect to more than 500,000 shares of Common Stock (the "**500,000 Share Limit**"). Thus, under the terms of the Plan, the Compensation Committee has the authority and discretion to award stock options or stock appreciation rights that exceed the 500,000 Share Limit.

On September 23, 2015, in connection with Mr. Bergera's appointment to serve as President and Chief Executive Officer of the Company, and pursuant to the Plan, the Compensation Committee granted Mr. Bergera an option to purchase up to 1,350,000 shares of the Company's Common Stock at an exercise price per share of \$2.38 (the "**CEO Option**"), the closing price of the Common Stock on the date of the grant of the option (collectively, the "**Option Grant**"). The CEO Option vests annually in equal installments over four years (beginning on September 23, 2015) and will expire on September 22, 2025. As of September 30, 2016, 337,500 shares of Common Stock subject to the CEO Option have vested. The purchase price for shares of Common Stock subject to the CEO Option must be paid in full at the time the CEO Option is exercised. This description of the material features of the CEO Option is subject to, and is qualified entirely by, the full text of the CEO Option, which is attached hereto as Exhibit A.

On September 15, 2016, a stockholder of the Company (the "**Plaintiff**") filed a class action and derivative action (captioned *Ionni v. Bergera, et al.*, Case No. 16-cv-00807-RGA) in the United States District Court for the District of Delaware (the "**Court**") challenging, among other things, the CEO Option (the "**Litigation**"). The complaint was filed against Joe Bergera, Richard Char, Kevin C. Daly, Gregory A. Miner, Abbas Mohaddes, Gerard M. Mooney, Thomas L. Thomas, and Mikel H. Williams (collectively, "**Individual Defendants**"). The Company was named as a Nominal Defendant (together with the Individual Defendants, the "**Defendants**"). The complaint alleges that the Individual Defendants breached their fiduciary duties by causing the Company to issue purportedly false and misleading proxy statements regarding the 500,000 Share Limit in connection with the Amendments.⁽¹⁾ Among other things, Plaintiff contends that the Proxy Statements were materially false and misleading because they affirmatively represented that, in any fiscal year, no person could receive stock options or SARs under the Plan with respect to more than 500,000 shares, but failed to disclose that the Compensation Committee had the discretion to approve an annual grant to a Plan participant in excess

(1) On September 8, 2014, Iteris filed a Schedule 14A Definitive Proxy Statement with the SEC in connection with the 2014 Annual Meeting of Stockholders; and on July 29, 2015, Iteris filed a Schedule 14A Definitive Proxy Statement with the SEC in connection with the 2015 Annual Meeting of Stockholders (collectively, the "**Proxy Statements**").

of that amount. Plaintiff further alleges that, as a result, the Amendments were not valid. Plaintiff seeks rescission of any stock options granted pursuant to the Amendments, including the CEO Option. Mr. Bergera was the only individual to receive awards covering more than 500,000 shares of Common Stock in any fiscal year pursuant to the Amendments.

The Individual Defendants have denied, and continue to deny, that they breached their fiduciary duties or engaged in any of the wrongful acts alleged in the complaint. Defendants maintain that the Proxy Statements fully disclosed all material information to the Company's stockholders, that the Amendments were properly approved by the Company's stockholders, and that all stock awards granted under the Plan, including the CEO Option, were valid. Nonetheless, to eliminate the burden, expense, and uncertainty of the Litigation, on November 8, 2016, Defendants entered into a Memorandum of Understanding (the "**MOU**") with the Plaintiff setting forth their agreement in principle to settle the Litigation, subject to final approval by the Court.⁽²⁾ Under the terms of the MOU, the Company has agreed to seek stockholder approval of the portion of the CEO Option that exceeds the 500,000 Share Limit i.e., the 850,000 shares above 500,000 shares (the "**Excess Shares**"). The Company believes that stockholder approval of the Option Grant for the Excess Shares is not required and that the entire CEO Option, including the Excess Shares, was validly and properly granted by the Compensation Committee under the terms of the Plan and the Company's bylaws and charter, and was in the best interest of the Company. Nonetheless, in order to resolve the Litigation, the Board of Directors has authorized the Company to submit this proposal to the Company's stockholders.

Stockholder Approval

The affirmative vote of a majority of the shares of Common Stock, present at the meeting in person or represented by proxy and entitled to vote at the Annual Meeting, will be required for ratification and approval of the Option Grant for the Excess Shares. The Board of Directors believes that stockholder ratification and approval of the Option Grant for the Excess Shares is the most efficient and cost-effective way of resolving the litigation and honoring the terms of Mr. Bergera's employment agreement with the Company.

If the stockholders do not ratify and approve the Option Grant for the Excess Shares by the affirmative vote of the majority of the shares of Common Stock, present and represented by proxy and entitled to vote at the Annual Meeting, then the Excess Shares will be not be issuable and the Compensation Committee will explore measures to appropriately compensate Mr. Bergera in accordance with the terms of his employment agreement with the Company, which could include the grant of a new stock option, restricted stock units or restricted stock, or the payment of cash, or a combination of the foregoing. The Board of Directors believes that such alternative measures to appropriately compensate Mr. Bergera could result in a compensation charge to the Company and less favorable accounting and tax treatment for the Company.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote "FOR" the ratification and approval of the Option Grant for the Excess Shares.

(2)

The MOU provides, among other things, that as soon as practicable, the parties will negotiate and execute an appropriate Stipulation of Settlement setting forth the full terms of the settlement for presentation to the Court; the Stipulation of Settlement is subject to final approval of the Court.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Principal Accountant Fees

Deloitte & Touche LLP was engaged by us as our principal accountant in October 2015, beginning with the review of our consolidated financial statements for the second quarter of Fiscal 2016, and rendered the audit opinion on our consolidated financial statements for Fiscal 2016.

The audit fees billed by Deloitte & Touche LLP for Fiscal 2016 totaled \$525,000. Audit fees consist of fees for professional services rendered in connection with the audit of our annual consolidated financial statements for the applicable fiscal year and review of the consolidated financial statements included in our quarterly reports on Form 10-Q and other regulatory filings for such fiscal year. There were no other fees billed to us by Deloitte & Touche LLP for Fiscal 2016.

Audit Committee Pre-Approval Policies and Procedures

All engagements for services by Deloitte & Touche LLP or other independent registered public accountants are subject to prior approval by the Audit Committee; however, de minimis non-audit services may instead be approved in accordance with applicable SEC rules. The prior approval of the Audit Committee was obtained for all services provided by Deloitte & Touche LLP for Fiscal 2016.

AUDIT COMMITTEE REPORT

The following is the report of the Audit Committee with respect to the audited consolidated financial statements for the fiscal year ended March 31, 2016 of Iteris, Inc. included in its Annual Report on Form 10-K for that year.

Review with Management

The Audit Committee has reviewed and discussed the audited consolidated financial statements with the Company's management.

Review and Discussions with Independent Registered Public Accounting Firm

The Audit Committee has discussed with the Company's independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by auditing standards set forth in AU Section 380 established by the Public Company Accounting Oversight Board ("PCAOB"), which includes, among other items, matters related to the conduct of the audit of the Company's consolidated financial statements.

The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence from the Company.

Conclusion

Based on the review and discussions referred to above in this report, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended March 31, 2016 for filing with the SEC.

Submitted by the Audit Committee
of the Board of Directors:
Gregory A. Miner
Thomas L. Thomas
Mikel H. Williams

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EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Officers

The table below sets forth certain information, as of October 31, 2016, regarding our executive officers.

Name	Age	Capacities in Which Served
Joe Bergera	53	Chief Executive Officer, President and Director
Andrew Schmidt	55	Chief Financial Officer, Vice President of Finance and Secretary
Todd Kreter	56	Senior Vice President and General Manager, Roadway Sensors
Thomas N. Blair	52	Senior Vice President, Agriculture and Weather Analytics
Ramin Massoumi	44	Senior Vice President and General Manager, Transportation Systems

The following is a brief description of the capacities in which the above persons have served the Company and their business experience during at least the past five years. The biography of Mr. Bergera appears earlier in this proxy statement. See Proposal Two: "Election of Directors."

Andrew Schmidt has served as our Vice President of Finance, Chief Financial Officer and Secretary, since March 2015. Prior to joining us, Mr. Schmidt served as the Chief Financial Officer and Corporate Secretary of Smith Micro Software, Inc., a publicly-held provider of wireless and mobility software solutions from 2005 to May 2014. Prior to joining Smith Micro, Mr. Schmidt held CFO roles for several other public companies, including Genius Products, an entertainment company, and Mad Catz Interactive, a provider of console video game accessories. He also served as Vice President (Finance) of Peregrine Systems, a publicly-held provider of enterprise level software. Mr. Schmidt holds a B.B.A. degree in Finance from the University of Texas and an M.S. degree in Accountancy from San Diego State University.

Todd Kreter has served as our Senior Vice President and General Manager, Roadway Sensors since May 2014. Mr. Kreter served as our Senior Vice President, Sensors Development and Operations from May 2009 to May 2014 and as Vice President of Engineering from November 2007 to May 2009. Prior to joining us, Mr. Kreter served in a number of executive positions at Quantum Corporation, most recently as the VP Global Services from 2004 to January 2007, where he managed the company's worldwide customer service organization. Mr. Kreter holds a B.S. degree in mechanical engineering from California State University, Fullerton.

Thomas N. Blair has served as our Senior Vice President, Agriculture and Weather Analytics (formerly, Performance Analytics) since July 2012. Prior to that, Mr. Blair served as general manager for Trimble Navigation Limited, a provider of integrated positioning, wireless, and software technology solutions, from 2007 to August 2011, and as vice president for new business development at @Road, Inc., a leading provider of mobile resource management solutions, from 2006 to 2007. He also worked as director of business and corporate development at iAnywhere Solutions, a Sybase company, from 2003 to 2006. Mr. Blair holds a B.S. degree in Management Information Systems from DeVry Institute of Technology and an M.S. degree in Computer Science from Rochester Institute of Technology.

Ramin Massoumi has served as our Senior Vice President and General Manager, Transportation Systems since March 2015. Mr. Massoumi joined Iteris in 1998 and served in a number of executive and managerial positions prior to the promotion to his current position, most recently as our Vice President of Business Development from June 2011 to March 2015. Throughout his career, his focus has been in the application of advanced technologies in the traffic management market, and has led projects throughout the United States and the Middle East. Mr. Massoumi also serves as a lecturer of upper division courses on transportation engineering, ITS and multi-modal operation at University of

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California at Irvine. Mr. Massoumi holds a B.S. degree in Civil Engineering from the University of California Irvine, an M.S. degree in Engineering from the University of California, Berkeley, and an M.B.A. from the University of Southern California.

Summary Compensation Table

The following table shows information regarding the compensation earned for the fiscal year ended March 31, 2015 ("Fiscal 2015") and Fiscal 2016 by (i) our Chief Executive Officer, (ii) our former interim Chief Executive Officer and (iii) our two most highly compensated executive officers (other than our Chief Executive Officer) who were serving as executive officers as of March 31, 2016. The officers listed below are collectively referred to as the "named executive officers" or "NEOs" in this report.

Name and Principal Position	Fiscal Year	Salary	Bonus	Option Awards(1)	Non-Equity Incentive Plan	All Other Compensation(3)	Total
					Compensation(2)	Compensation(3)	
Joe Bergera(4) Chief Executive Officer	2016	\$ 197,502	\$ 150,000(5)	\$ 1,659,150	\$ 63,080(5)	\$ 7,610	\$ 2,077,341
Kevin C. Daly, Ph.D(6) Former interim Chief Executive Officer	2016	313,881		12,381(7)		14,750(8)	341,012
	2015	47,770		10,091(7)		33,500(8)	91,361
Andrew Schmidt Chief Financial Officer	2016	325,000	32,500(9)	91,950	40,369	9,750	499,569
	2015	18,750(10)		101,821			120,571
Todd Kreter Senior Vice President	2016	250,016		91,950	85,296	7,650	434,912
	2015	250,982		53,715	105,000	7,949	417,646

- (1) The dollar amounts shown represent the grant date fair value of stock options granted during the applicable fiscal year determined pursuant to the Black-Scholes-Merton option pricing formula. For a discussion of valuation assumptions used in the calculations, see Note 11 to our consolidated financial statements in the Annual Report. See also our discussion of stock-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates" in the Annual Report. The options have an exercise price equal to the closing sales price of our common stock as of the grant date and, other than the options granted to Dr. Daly, vest in equal annual installments over four years and are not exercisable until vested. The option granted to Dr. Daly was for his service as a non-employee director of the Company and, as such, vests one year after the grant date and is immediately exercisable.
- (2) The amounts shown in this column constitute the cash bonuses paid to each named executive officer based on the attainment of certain pre-established criteria. These awards are discussed in further detail under "Plan-Based Bonuses" below.
- (3) Except as otherwise noted, represents 401(k) plan employer contributions paid by us.
- (4) Mr. Bergera was hired effective September 23, 2015 at an annual salary of \$385,000. The Fiscal 2016 salary represents the amount earned by Mr. Bergera from his hire date to the end of such fiscal year.
- (5) Pursuant to his employment agreement, Mr. Bergera was eligible for a bonus of up to \$300,000 for Fiscal 2016, of which \$150,000 was a signing bonus payable on January 31, 2016, provided that Mr. Bergera was employed by the Company as of such date, and of which the remaining \$150,000 was payable based on his attainment of certain pre-established criteria, as discussed in further detail under "Plan-Based Bonuses" below.
- (6) Dr. Daly served as our interim Chief Executive Officer from February 2015 until September 2015.
- (7) Represents the grant date fair value of the stock options granted to Dr. Daly during Fiscal 2015 and Fiscal 2016 for his service as a non-employee director of the Company prior to and subsequent to his service as our interim Chief Executive Officer.
- (8) Consists of fees that Dr. Daly earned in Fiscal 2015 and Fiscal 2016 for his service as a non-employee director of the Company prior to and subsequent to his service as our interim Chief Executive Officer.
- (9) Discretionary cash bonus.
- (10) Mr. Schmidt was hired in March 2015 at an annual salary of \$325,000. The Fiscal 2015 salary represents