

GAYLORD CHARLES H JR  
Form 4  
August 03, 2009

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
GAYLORD CHARLES H JR

2. Issuer Name and Ticker or Trading Symbol  
ITRON INC /WA/ [ITRI]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
2111 N MOLTER ROAD  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
08/03/2009

Director  10% Owner  
 Officer (give title below)  Other (specify below)

LIBERTY LAKE, WA 99019

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	08/03/2009		P	250 <sup>(1)</sup> A	\$ 53.1467	2,853	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

Edgar Filing: GAYLORD CHARLES H JR - Form 4

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
--	--	--------------------------------------	--	--------------------------------	---	--	---	--	--

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GAYLORD CHARLES H JR 2111 N MOLTER ROAD LIBERTY LAKE, WA 99019		X		

## Signatures

MariLyn R. Blair, attorney-in-fact for Mr. Gaylord 08/03/2009

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Shares purchased pursuant to 10b5-1 Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e airborne program that's been going on for a while. That's the way that program will just keep getting incremented. It never will be the one major contract, and it will keep getting dropped as they call it, additional delivery orders, probably be more yet this year and we just keep going that way.

<Q>: Okay. What is going on with Guardrail? Is apparently money in it this year and the budget proposal has a fair amount of money for Guardrail?

### Gary Yancey – Applied Signal Technology – Chairman, CEO

Right now, the Army has issued a request for information to industry that we've responded and we're also working with some primes to respond as a team to them and we responded directly to the Army as I know many other companies have, and that's all activity that is happening. There's speculation that some moneys will be diverted to the program this year to do something and the something, of course, is probably increase the comment capabilities.

<Q>: Okay, thanks. On the \$4 million that you just mentioned that's in the unbilled, when you get to bill that, is there cost associated with that or has the cost already been...

**Jim Doyle – Applied Signal Technology – CFO**

The revenue's all been recognized, Steve, and the corresponding costs.

<Q>: This is just to get the cash out?

**Jim Doyle – Applied Signal Technology – CFO**

It's just to get the cash, yes. So it's all tied up in that roughly \$26 million of unbilled. I'm sorry, you don't see that on the press release version of the balance sheet. The balance sheet shows roughly \$48.5 million in accounts receivable and roughly \$26 million of that is unbilled accounts receivable and that will show up in the 10-Q.

<Q>: Okay. Thanks. The proposal you mentioned for the Navy, is that the unmanned undersea.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Yes, it is.

<Q>: So that again, you don't expect to see any contract award during the current fiscal year?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

No, the Navy is, originally were targeting for this year, but they've already announced that that's going to slip into '07.

**Operator**

Thank you. Our next question is coming from Mr. James McIlree with Unterberg Towbin. Please proceed with your question.

<Q>: Hey, guys, it's Christine Bae for Jim. Are there any major programs that you can talk about that you guys are chasing now.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

No. I'm trying to think, obviously the Navy one that we just discussed. We're starting in the pre-proposal activity on that program now so that's consuming quite a bit of our current investment. We still are responding to some delivery orders, more delivery orders, on that airborne program, they're millions each, and so not real large. And we're in very early phases on a couple of classified programs that won't, that ultimately be large but they will start out in almost a steady pace, so it's on the very leading edge of chasing larger, those larger programs.

<Q>: Any update on JTWR or any of those?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

No, there really isn't. There's some that FOCOM is testing. Some of the units are being procured by other government agencies, and we're working closely with FOCOM. We're opening a small office down in Tampa next to their headquarters to have some technical staff there and be able to do some quick response, engineering and training for them, and hopefully train them more in the usage of COMINT equipment to see if they would finally open their wallets, I guess, and we'll open our order books.

<Q>: Is there any update or change on ELINT revenue timing, when that investment's going to come to fruition?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

We really don't expect any measurable revenue to start until '07. We have a number of initiatives that will be proposed later in the year with the ELINT capability that, in some cases, we've got signed teaming agreements with companies, with primes, most all of them we would be a subcontractor, and so there's a lot of good opportunities firming up, but it wouldn't really generate any revenue this year.

<Q>: Working capital usage looked kind of high this quarter, some of it from the pre-contract costs, but also from a reduction in accounts payable quarter over quarter. Was Q4 abnormally high or is this abnormally low?

**Jim Doyle – Applied Signal Technology – CFO**

As far as accounts payable, Christy?

<Q>: Yes.

**Jim Doyle – Applied Signal Technology – CFO**

It tends to be higher. If you look at it historically, there's a couple of things that are there in accounts payable. It's -- we have our product orders going through, and so we're paying vendors that support us on the product side, and then we have a lot of subcontracted cost that will come in at the end of the year and so that will increase AP significantly. I think it's just more than end of the year phenomenon with the good fourth quarter revenue and paying our material suppliers for our products, and then paying our subcontractors on our bigger projects.

<Q>: What was CapEx and depreciation in the quarter?

**Jim Doyle – Applied Signal Technology – CFO**

Depreciation and amortization in the quarter was roughly \$1.3 million. CapEx spending, I don't have that in front of me. We target around 3% of revenue. So I think, I'm going to guess here, I think for the quarter, CapEx spending was \$900,000 to \$1 million.

<Q>: And this quarter is FAS 123 hit \$1.1 million? Is that indicative for the rest of the year?

**Jim Doyle – Applied Signal Technology – CFO**

We estimate that the compensation expense to -- the expense to -- to reduce operating income on a range of about 25 to 35%. So I'd say that \$1.1 million is probably indicative of about what that expense would be for the year. It's hard to say, because if we were to grant additional options during the year, that expense will increase. It's probably a reasonable estimate.

<Q>: Okay, thanks a lot.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Thank you.

**Operator**

Our next question is coming from Mr. Jay Meier with MJSK Equity Research.

<Q>: Thanks. Hi, Jim. Hi, Gary. Two quick questions. Jim, can you go over those receivables, that receivables breakdown again. I wasn't writing fast enough?

**Jim Doyle – Applied Signal Technology – CFO**

You mean accounts receivable? It's roughly \$48.5 million was the total accounts receivable at the end of the quarter. And of that, roughly \$26 million was unbilled. The rest was billed AR. And of that \$26 million in unbilled, roughly \$4 million of that 26 was, we could not bill for costs incurred in FY '05, and now that we -- we now have the approval to go ahead and bill at our higher '05 rates, and we're in the process of billing that \$4 million now.

<Q>: Okay. And as far as the cost imbalance that fell into '06 from '05, the rate variance, can you discuss that once again?

**Jim Doyle – Applied Signal Technology – CFO**

The indirect rate variance at the end of '05, the \$4 million, the \$5 million that we had?

<Q>: Yes.

**Jim Doyle – Applied Signal Technology – CFO**

What happened there was -- there was a total of approximately \$5 million of unfavorable rate variance at the end of '05. We had reserved roughly \$750,000 of profit at the end of the third quarter. We didn't think the rate variance would be as high as \$5 million by the end of '04 when we did the reserve at the end of the third quarter of '05. So we've reserved profit of roughly \$750,000 at the end of third quarter, and the variance came in at about, unfavorable variance of about \$5 million. Roughly 80% of our contracts were from cost reimbursable programs so we were able to collect roughly 80% of that \$5 million, or \$4 million, and then the other million was absorbed through our fixed price contracts. In other words, that was a loss to profit. However, we had reserved \$750K of that in the third quarter, and then the \$250K was a profit impact in the fourth quarter.

<Q>: Okay. All right. Getting back to somebody's previous question about your growth rates, we've often talked about 20 some percent growth over the long term, yet Q1 is showing remarkable deceleration year-over-year. Would you expect to make up that difference over the course of the year? Do you still think you could hit a 20% growth rate over '05?

**Jim Doyle – Applied Signal Technology – CFO**

Jay, some of our -- we missed our own internal plan for the quarter, and some of that was tied up in some of our subcontracted efforts. We were just lagging behind a lot there, and we anticipate that that will be made up during the year.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Well, yes, a little bit of it was the delay in some of these Army orders caused us not to be able to go ahead and pass the subcontractor because we had internal work that needed to be done and some of those orders got delayed some so there was a little impact to that, and of course, there was the pre-contract costs of \$2.5 million. If there hadn't had been some delays in the government, it would have been that much higher. If you had looked at effectively \$2.5 million more that was in the quarter, then I don't know exactly what that comes out percent-wise, but I think this represented 11% growth, right?

<Q>: Yes.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

So...

<Q>: The question is are you going to make it up in Q2, Q3, Q4, or are we looking at an '07 makeup for some of that?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

I don't know how you mean an '07 makeup. Makeup to what Jay?

<Q>: Partly covering some of the revenue slippage?

**Jim Doyle – Applied Signal Technology – CFO**

As far as the \$2.5 million that was pre-contract costs, we anticipate that will all be made up during fiscal 2006. As far as some of the subcontractor costs that I was talking about, we also anticipate that will be made up in '06.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Most all of it be '06. By the way, just for grins, if that pre-contract costs had all been in the revenue that would have

represented a year-over-year growth of 20%, but again, so I think it's all in the cards of those kinds of numbers, but to your question that I now understand, I think most all that slippage will be made up in '06.

<Q>: Okay. Sorry for being confusing.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

I'm just easily confused.

<Q>: So as we look at your statements about book to bill ratios for the year still being one plus, and we're still looking at some volatility in these numbers, back end of the year, we're kind of back end loading the year a little bit, but would you expect to see Q4 bookings play out the same way Q4 bookings did in '05, explosive?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Well, you know, that's kind of our typical profile. Maybe it was -- I'm just trying to think if it was any more explosive than other times, but, yes, Q4, I think probably through the history of the Company, has been the strongest, and notably stronger, or notably strongest quarter in bookings.

<Q>: Okay. Very good. Thanks.

**Operator**

Our next question is coming from Mr. Chris Donaghey with Suntrust Robinson Humphrey. Please state your question.

<Q>: Hi, good evening, guys. Hey, Jim, I just want to close the loop on the \$4 million. So this is the \$4 million rate variance that you're talking about was the \$4 million that was booked as revenue in 4Q '05, but you're just now receiving the cash. So there's no revenue impact to that \$4 million.

**Jim Doyle – Applied Signal Technology – CFO**

That's correct. That \$4 million was -- it showed up on the balance sheet at the end of '05 in unbilled accounts receivable, and so it's been sitting there through the first quarter. It's just a cash impact.

<Q>: Okay. And second of all, you now have a, already a new \$3.4 million rate variance...

**Jim Doyle – Applied Signal Technology – CFO**

Unfavorable, yes.

<Q>: ...coming into 2006.

**Jim Doyle – Applied Signal Technology – CFO**

Yes.

<Q>: And again, I don't know if this math is going to be right or not, but so that -- so your current expense rate, \$9 million this quarter, and typically, I think your SG&A and R&D typically run about 25% of revenue. If you back all of those numbers out, and again assuming 84% of your business is the cost plus, I was sort of getting to a back of the envelope revenue number of around \$40 million or so as an internal forecast. Is that pretty close?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

It is close to the back of the envelope.

**Jim Doyle – Applied Signal Technology – CFO**

What we -- for our Q1?

<Q>: Right. I don't know. We can pursue this off-line. I was just trying to back into...

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

I think you're in there pretty close, yes.

<Q>: Okay. Second of all, if you can just address for us in this quarter how your legacy markets behaved versus the new markets that DTI brought to you, some of the MASINT applications, I think you already talked a little bit about expectations for ELINT, but just the general market dynamics for what's going on in ELINT right now as well would be helpful.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Okay, if I understood the first part, you're just kind of wondering how the sensor processing market is bearing versus the traditional COMINT. I'd probably characterize them -- and I'm going to talk very qualitatively here because I'm not just talking in terms of bookings and once again, that can be pretty lumpy. I'd probably characterize them as at least similar. What we're seeing is the more and more opportunities for government agencies are looking at the fusion of signal intelligence-type information along with the sensor information for a more complete mission as you're maybe doing overflights with the manned or unmanned vehicles, maybe use imagery to help trigger where you would be trying to perform COMINT or ELINT, or a combination thereof, so that's why earlier we kind of said, well, we don't really look at them separate always, because the fact that we have the combination of capabilities now, and we'll have all three by the end of this summer when our ELINT investment is realized in our first product, the fact that we have all three capabilities is opening up some new areas that we never would have seen before so they kind of feed each other, if you like, in that respect, but I think if you try to look at each individual market, we've got probably equal size opportunities in both the fusion area -- I'm sorry, the sensor area and COMINT. ELINT, there's a large number of opportunities out there. The problem on some of the ELINT programs that are big enough to, they're always the ones that like to slip to the right so then you get into a little more of the issue of how do you, now some of our waiting probabilities that we're putting on early, trying to take into account that we could be wrong about when a contract would be initiated, so I think that and still a little more INFINT to really be able to know, but it's all tasting right, and -- well, actually, I have a problem with my taste right now, but it's also smelling right, fortunately, too, so I think it will probably lend itself as probably as strong a marketplace. I definitely look at the sensor area and the COMINT area as equally strong marketplaces.

**Operator**

Our next question is coming from Mr. Mike Lewis with BB&T Capital Markets. Please state your question.

<Q>: Jim, were product revenues in the quarter in the \$4 to \$5 million range?

**Jim Doyle – Applied Signal Technology – CFO**

Yes.

<Q>: Okay. Was this in line...

**Jim Doyle – Applied Signal Technology – CFO**

No, about \$5 million.

<Q>: It was about \$5 million. Okay. Was this in line or below -- I know you just said the whole quarter came in a little bit below your internal plan. But was this in line?

**Jim Doyle – Applied Signal Technology – CFO**

It was close. I think it was...

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Unfortunately, that's not one that we normally track. We can get it, but that isn't one we look at weekly, Mike, so it's not quite as easy to...

**Jim Doyle – Applied Signal Technology – CFO**

I think, as I recall, I think it was a little bit behind, maybe half million to a million behind where we thought.

<Q>: Okay. And Gary, with a book to bill in '06 of a little bit above one times, the expectation is a little bit more than \$200 million, is that still in the works for bookings.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Whose expectations?

<Q>: Well, mine.

**Jim Doyle – Applied Signal Technology – CFO**

Okay. Well, I don't know. Let me ask the question then. Is that still in the works? Well, we do definitely expect a book to bill north of 1, and as you know, we don't really give guidance for the year so that would probably be getting a little closer to giving the guidance.

<Q>: But it sounds about right.

**Jim Doyle – Applied Signal Technology – CFO**

Sounds like 200.

<Q>: Okay. All right. Thanks, guys.

**Jim Doyle – Applied Signal Technology – CFO**

Thank you.

**Operator**

Our next question is coming from Mr. Myles Walton with CIBC World Markets.

<Q>: Thanks. Just a quick follow-up. You guys have in the past been acquisitive but now that DTI's in the mix, that 20 to 25% growth target, is that still organic or do you think of that as being your business growth rate?

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

We look at it as business growth rate. We don't have that fine a detail in a five-year-type forecast to know that. What I will say is that the five-year forecast right now doesn't necessarily show that we have some new area that we're trying to enter. And when we put together a plan a couple of years ago, we looked at the forecast just with basically providing COMINT capabilities and said we would like to bump that more, and the way we'd like to try to bump that more, is to diversify a bit, but very related to the defense electronics area. That's what got the ELINT area and the sensor processing area going. We wanted to be aggressive with that, so we felt that we should try a first and do an acquisition to have a catalyst for that area. We still don't at all consider ourselves an external growth model at all, and so I would -- I would be more apt to call it organic, and organic could end up having another acquisition in a year or two, just organic, or it could be organic, it will change a little bit again and we will be adding some other kind of capability.

<Q>: Okay, that's great. And then just the last one. On the pre-contract costs, I guess, Gary, in the comments in the press release, it sounded like some of that was almost predetermined by the bookings moving into the first quarter. Is that the case? Did you see it coming?

Explanation of Responses:



**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Well, no, we didn't see -- but, you're right, it's a case and we didn't necessarily see that coming, and it was -- it was probably a fifth of it or so. It was about that. Then the other, we were seeing it coming more, and we actually -- we watch that real close before we'll take on pre-contract costs in most all cases, we'll make sure that we have written agreements between us and our customers that it's going to happen. Now, these written agreements aren't legal obligations completely but the government treats it pretty seriously. If a government knowingly lets a contractor work on an effort, especially when it's a continuation of a contract effort and it's a funding issue, they take it very seriously if they knowingly let the contractor keep working, that they owe the contractor the money.

<Q>: All right. Great. Thanks.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Thank you.

**Operator**

Thank you. Our next question is coming from Mr. David Gremmels with Thomas Weisel Partners. Please proceed with your question.

<Q>: Thanks. I'll apologize in advance for asking one more unfavorable variance question.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

They are unfavorable questions.

<Q>: But historically, when this unfavorable variance has developed, it's grown across the year and then absorbed in Q4. This time it jumped higher in Q1. But if I understand it correctly, it looks like the factors contributing to this are temporary. So is it safe to assume that your expectation is that this variance would reverse by the end of Q2?

**Jim Doyle – Applied Signal Technology – CFO**

It won't all reverse by the end of Q2, David.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

It's not uncommon to have the variance growing in the earlier part of the year. As Jim said, it just bounced, it grew more than we'd expected. It's our anticipation that it's early enough in the year and we've looked at the elements enough that through controls of spending as he said earlier, and the revenue growth that we were expecting throughout the year, that we've got very high probability of closing it by the end of the year which is why we didn't take any reserve.

<Q>: Okay. Then on the Army airborne program, just wondering given the delay in the orders here, does that have any impact on the -- I think the first delivery was planned for the middle part of the year.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

It's probably a month or two slip, and that -- we have an associate contractor there, too, and they are having a little bit of problems, and with this slippage, it probably drove us a month or two -- I mean, obviously, we're all anxious to have a first delivery. We are having good airborne testing going on right now, flight testing going on and getting some pretty good results, so we're making pretty fair progress but it might be a month or two slip for that first delivery.

<Q>: Maybe out in the fall now.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Well, yes, September, you know, kind of -- I'll split the difference with you between summer and fall.

<Q>: Okay, and then last one for Jim. I was hoping to get the operating cash flow number if you have that.

**Jim Doyle – Applied Signal Technology – CFO**

Yes. Operating cash flow, for the quarter, we used cash of about \$10 million, \$10.3 million.

<Q>: Okay. Thank you.

**Jim Doyle – Applied Signal Technology – CFO**

You bet, David.

**Operator**

Thank you. Our next question is coming from Mr. James McIlree with Unterberg Towbin.

<Q>: It's Christine again. Could you go over one more time how these pre-contract costs work? Do they impact the income statement, too?

**Jim Doyle – Applied Signal Technology – CFO**

No, not -- they are -- the costs are deferred, and they're, we accumulate them in prepaid and other current assets on the balance sheet. And so assuming a contract or contract modification comes along, then those costs will -- that cost and associated revenue will be recognized on the income statement, and they'll be -- those costs on the balance sheet will be credited for that amount.

<Q>: Okay. Gotcha. Thanks.

**Gary Yancey – Applied Signal Technology – Chairman, CEO**

Have we ran out of questions?

**Operator**

Yes, gentlemen, there are no further questions at this time.

**Jim Doyle – Applied Signal Technology – CFO**

Well, as Jim would say, gentlemen, who walked in the room? Well, very good. These were very good questions. Appreciate the interest. Stay tuned, and we'll keep trying to manage the Company and keep it healthy and growing. Thank you very much.

**Operator**

Thank you. This concludes today's teleconference. We thank you for your participation, and you may disconnect your lines at this time.