

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
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**ITERIS, INC.**

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(Name of Registrant as Specified In Its Charter)

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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.**

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**ITERIS, INC.**

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

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

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**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](http://www.edocumentview.com/ITI), or at [www.envisionreports.com/ITI](http://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](http://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.

<b>Name</b>	<b>Age</b>	<b>Current Position(s) with Iteris</b>
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.

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**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](http://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](http://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
<b>Total (Before 2016 Plan is approved)</b>	<b>3,357,000</b>	<b>172,500</b>	<b>834,771</b>	<b>4,364,271</b>
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