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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **December 4, 2013**

ITERIS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-08762
(Commission File Number)

95-2588496
(IRS Employer Identification No.)

1700 Carnegie Avenue, Suite 100, Santa Ana, California 92705
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(949) 270-9400**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 4, 2013, Iteris, Inc. (the “Company”) announced that it appointed Walter J. McBride, age 61, to serve as the Company’s Vice President of Finance, Chief Financial Officer and Secretary, effective December 3, 2013. A copy of the press release issued by the Company regarding Mr. McBride’s appointment is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Prior to joining the Company, from October 2012, Mr. McBride was a financial advisor at Orange County Financial Services LLC, using his many years of financial and business experience to help technology and Cleantech companies in Southern California. From October 2011 until the acquisition of the company by DTS, Inc. in July 2012, he served as the Chief Financial Officer, Treasurer and Secretary of SRS Labs, Inc., a leader in audio signal processing and enhancement technology using innovative software solutions. Mr. McBride served as the Chief Financial Officer of Synthetic Genomics, Inc., a company dedicated to developing and commercializing genomic driven solutions to address global energy and environmental challenges, from 2008 until March 2011 and as the Executive Vice President and Chief Financial Officer of Capstone Turbine Corporation, a designer and manufacturer of microturbine technology for stationary power generation, cogeneration and hybrid electric vehicles, from 2005 to 2008. Prior to that, Mr. McBride served as the Chief Financial Officer and in various senior executive management positions with several private and public companies. Mr. McBride holds a Bachelor of Science degree in Accounting and Finance from The Ohio State University and a Master of Science degree in Computer Systems Management from Rochester Institute of Technology.

In connection with his hire, the Company and Mr. McBride executed an offer letter dated November 26, 2013, pursuant to which he will receive an annual base salary of approximately \$328,000 and a bonus of \$40,000 if he is employed and in good standing as of the end of the Company’s current fiscal year. For subsequent fiscal years, Mr. McBride will be eligible to participate in the Company’s executive bonus plan as then in effect, provided that the bonus potential for the fiscal year ending March 31, 2015 is intended to be 50% of his base salary, subject to approval of the Compensation Committee of the Company’s Board of Directors (the “Board”) and the performance criteria established with respect to such target bonus. Subject to approval by the Compensation Committee, Mr. McBride will also receive an option grant under the Company’s 2007 Omnibus Incentive Plan, as amended, to purchase up to 100,000 shares of the Company’s common stock, which option will vest in four equal annual installments.

The Company and Mr. McBride also entered into a Change in Control Agreement dated December 3, 2013 (the “Change in Control Agreement”). Pursuant to the terms of the agreement, in the event he resigns for Good Reason or the Company terminates his employment without Cause within 12 months following a Change in Control (as such capitalized terms are defined in the Change in Control Agreement), Mr. McBride will receive a lump sum payment equal to the sum of (i) his annual base salary as then in effect and (ii) a bonus equal to 50% of the average annual target bonus established for him by the Board or the Compensation Committee for the two fiscal years preceding the year of termination. In the event he has not been employed by the Company for a period long enough to determine such an average, then the bonus shall be equal to 50% of the target bonus established for him by the Board or the Compensation Committee for the year in which the termination occurs. In addition, Mr. McBride will be entitled to receive reimbursement for the cost of COBRA coverage for a period of up to twelve months following such termination.

The foregoing descriptions of the offer letter and Change in Control Agreement are not complete and are subject to, and qualified in their entirety by, the full text of such documents, a copy of each of which is attached hereto as an exhibit and the terms of which are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed or furnished as a part of this report.

Exhibit No.	Description
10.1	Offer Letter dated November 26, 2013 by and between Iteris, Inc. and Walter J. McBride
10.2	Change in Control Agreement dated December 3, 2013 by and between Iteris, Inc. and Walter J. McBride
99.1	Press Release dated December 4, 2013

SIGNATURE

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

Dated: December 4, 2013

ITERIS, INC.,
a Delaware corporation

By: /S/ ABBAS MOHADDES
Abbas Mohaddes
Chief Executive Officer and President

EXHIBIT INDEX

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99.1	Press Release dated December 4, 2013



November 26, 2013

Mr. Walter J. McBride
116 Via Toluca
San Clemente, CA 92672

Dear Chuck:

Thank you for your interest in joining Iteris, Inc. as our Vice President, Finance and Chief Financial Officer starting on December 3, 2013, or on another mutually agreed upon date. This letter will confirm the details of our offer.

- In your position as our Vice President of Finance and Chief Financial Officer you will be reporting to Abbas Mohaddes, our President and CEO. Your initial monthly base rate of pay will be \$27,333.34 (equivalent to approximately \$328,000/year); this position is classified as exempt. We are paid on a bi-weekly basis.
 - In this role you will be responsible for directing our overall financial operations. Responsibilities will include strategic and operating planning, financial forecasting, mergers and acquisition, etc. You will oversee all financial functions including accounting, budget, credit, insurance, tax, and treasury; you will also be responsible for supervising our IT group.
 - Provided that you are still employed in good standing by Iteris as of March 31, 2014, you will be entitled to a cash bonus in the amount of \$40,000. Such payment will likely occur in June or July of 2014. Thereafter, you will be eligible to participate in our executive bonus plan of the Company then in effect and to receive any bonus compensation at the sole discretion of the Board of the Company's Compensation Committee. The term "Target Bonus" shall mean the bonus potential established for your position by the Board or a committee thereof for the applicable fiscal year; provided however, the Target Bonus for the fiscal year ending March 31, 2015 is intended to be equal to fifty percent (50%) of your base salary subject to approval of the Board's Compensation Committee and the set performance criteria. You will not be eligible for any bonus for any year in the event that your employment terminates at any time on or before the end of the fiscal year.
 - Abbas will make a recommendation to the Compensation Committee to award you 100,000 shares of Iteris stock. Iteris' regular four (4) year vesting schedule will be applied to these shares. Abbas will also recommend that the Compensation Committee approve that vesting of the options accelerate upon termination without Cause or for Good Reason within one year following a Change in Control, with such terms defined in the award agreements and subject to the 2007 Omnibus Incentive Plan.
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As an Iteris associate, you will be eligible to participate in our benefits program. Benefits (which may require contribution and/or co-pays) currently include the following pursuant to the terms and conditions of the applicable Summary Plan Description (you should refer to the Summary Plan Descriptions for information and the terms of such Plans themselves govern):

- Health insurance coverage including medical, dental and vision
- Group life and disability insurance
- Paid holidays and Christmas shutdown period
- Personal time off (PTO) of 20 days per year with the time accrued each pay period (earned at 6.15 hours each pay period) and subject to a maximum accrual cap of 320 hours (40 days)
- Educational reimbursement plan
- Computer purchase assistance
- 401(k) Plan

Please refer to the enclosed summary of benefits for more information on these and other benefits. In all instances the terms of the plans themselves (not a description or summary of them) will govern.

As for the legal aspects of this letter:

1. There are, of course, no guarantees on the benefit plans continuing in their present coverage or benefit levels.
2. Iteris is an at will employer and as such, we reserve the right to terminate your employment at any time.
3. This offer is conditional and subject to you successfully passing a post-employment offer screening for illegal substances, at our expense, and if applicable, a physical directly related to the job requirements. Please contact Sandy Metzger at 949-270-9653 for an appointment with a clinic in your area.
4. As a condition of employment, you agree to abide by Iteris' rules and regulations concerning the terms of your employment, including a mandatory arbitration clause regarding any controversy over the termination of your employment. That policy is set forth on the attached Arbitration Agreement which requires your signature.

Chuck, we see exciting growth opportunities with Iteris and we are all looking forward to your joining the team.

Please sign this letter and the attached agreement and return via e-mail or fax (949) 270-9406. This offer expires at the end of the day, Wednesday, November 27, 2013. Feel free to contact Abbas or me if you need any further information or have any questions.

Sincerely,

/s/ Cathy Steger

Cathy Steger

Director, Human Resources

Iteris, Inc.

Accepted: /S/ WALTERJ. MCBRIDE

Date: 11-26-13

Anticipated Start Date: 12-3-13

CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (the “**Agreement**”) is entered into as of December 3, 2013 (the “**Effective Date**”) by and between Iteris, Inc., a Delaware corporation (the “**Company**”), and Walter J. McBride, an individual (the “**Executive**”).

1. **Term.** The term of the Agreement shall be for a period of three (3) years measured from the Effective Date (the “**Term**”). Notwithstanding anything contained herein, the parties agree that the Executive’s employment with the Company shall be on an “at-will” basis, which means that notwithstanding the provisions of this Agreement, either the Executive or the Company may terminate the employment relationship at any time, for any or no reason, with or without Cause (as defined below). Nothing contained in this Agreement shall impact the at-will nature of Executive’s employment with the Company.

2. **Termination without Cause or Resignation for Good Reason Following a Change in Control.**

2.1 **CIC Termination Benefits.** If, during the twelve (12)-month period following a Change in Control (as defined below), the Executive voluntarily resigns for Good Reason (as defined below) or the Company terminates Executive’s employment for any reason other than for Cause (as defined below), then the Company shall pay to the Executive the following compensation and benefits (the “**CIC Termination Benefits**”), subject to the conditions set forth in Section 3, which CIC Termination Benefits shall be in addition to the Separation Benefits set forth in Section 2.2:

(a) **Severance Payment.** A lump sum payment equal to the sum of (i) Executive’s annual base salary as in effect as of the date Executive’s employment with the Company ceases for any reason or without reason (the “**Termination Date**”), plus (ii) the Separation Bonus (as defined below). Subject to Section 5.2 below, the lump sum payment required by this Section shall be paid no later than thirty (30) days following the Termination Date.

(b) **Separation Bonus.** A lump sum payment equal to fifty percent (50%) of the average annual Target Bonus established by the Board or the Compensation Committee for the Executive for the two fiscal years preceding the year in which Executive’s employment was terminated (or in which Executive resigns for Good Reason) following a Change in Control (the “**Separation Bonus**”). In the event Executive has not been employed by the Company for a period long enough to have had a Target Bonus established for the two fiscal years prior to his termination, then the Separation Bonus shall be equal to fifty (50%) of the Target Bonus established by the Board or the Compensation Committee for the Executive for the year in which Executive’s employment was terminated. Subject to Section 5.2 below, the lump sum payment required by this Section shall be paid no later than thirty (30) days following the Termination Date.

(c) COBRA Reimbursement. In the event that the Executive properly and timely elects to continue health benefit coverage under the Consolidated Omnibus Budget Reconciliation Act (“**COBRA**”) after the Termination Date and the Company received from Executive of a copy of such election and proof of Executive’s timely payment of each COBRA premium, the Company shall promptly reimburse Executive for the amount of each such premium paid by Executive. Such COBRA premium reimbursements will be paid by the Company for coverage until the earlier of (i) the first twelve (12) months of COBRA continuation, or (ii) such time as Executive subsequently becomes covered by another group health plan. Executive agrees to notify the Company immediately if he becomes covered by another group health plan.

(d) No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in Section 2.1 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Termination Date.

2.2 Separation Benefits. In addition to the CIC Termination Benefits, in the event the Company terminates Executive’s employment with the Company prior to the expiration of the Term for any reason or in the event the Executive resigns from the Company voluntarily, then the Company shall also pay to Executive the following: (a) Executive’s unpaid Annual Salary that has been earned through the Termination Date; (b) Executive’s accrued but unused vacation; (c) any accrued but unpaid expenses incurred in connection with Executive’s duties at the Company in accordance with the Company’s expense reimbursement policies then in effect, (d) such vested accrued benefits, and other benefits and/or payments, if any, as to which the Executive (and his eligible dependents) may be entitled under, and in accordance with the terms and conditions of, the employee benefit arrangements, plans and programs of the Company as of the Termination Date (including, for example, the presentment of the right to continue health benefit coverage under COBRA, as applicable), but not including any severance pay plan; and (e) any other payments as may be required under applicable law. The benefits provided under subsections (a) through (e) of this Section 2.2 are collectively referred to as the “**Separation Benefits**.”

2.3 Withholdings. The Company shall deduct and withhold from any compensation payable to Executive hereunder (including but not limited to, any payments or benefits under Sections 2.1 and 2.2), any and all applicable Federal, State and local income and employment withholding taxes and any other amounts the Company determines are required to be deducted or withheld by the Company under applicable statutes, regulations, ordinances or orders governing or requiring the withholding or deduction of amounts otherwise payable as compensation or wages to employees.

2.4 Definitions.

(a) Cause. For purposes of this Agreement, “**Cause**” shall mean any of the following: (i) Executive’s misappropriation of the Company’s funds or property, or any attempt by Executive to secure any personal profit related to the business or business opportunities of the Company without the informed, written approval of the Audit Committee of the Company’s Board of Directors; (ii) any unauthorized use or disclosure by Executive of confidential information or trade secrets of the Company (or any parent or subsidiary of the Company); (iii) Executive’s gross negligence or reckless misconduct in the performance of Executive’s duties;

(iv) Executive's failure to perform, or continuing neglect in the performance of, duties lawfully assigned to Executive by the Board, provided that the Company shall have provided Executive with written notice of such failure or neglect and the Executive has been afforded at least ten (10) Business days to cure such failure or neglect; (v) Executive's conviction of, or plea of nolo contendere to, any felony or misdemeanor involving moral turpitude or fraud, or of any other crime involving material harm to the standing or reputation of the Company; (vi) any other willful misconduct by Executive that the Board determines in good faith has had a material adverse effect upon the business or reputation of the Company; (vii) any other material breach or violation by the Executive of this Agreement, the Company's written code of conduct, written code of ethics or other written policy of the Company; provided, however, that the Company shall have provided the Executive with written notice that such actions are occurring and the Executive has been afforded at least ten (10) Business days to cure. Notwithstanding the foregoing, in subparagraphs (iv) and (vii), (A) the cure period shall not apply to violations of the Company's code of conduct, written code of ethics or prohibition against unlawful harassment, and (B) such cure period shall only apply to breaches, violations, failures or neglect that in the Board's sole judgment are capable of or amenable to such cure.

(b) Good Reason. For the purposes of this Agreement, "**Good Reason**" shall mean Executive's voluntary resignation upon any of the following events without Executive's written consent: (i) a material reduction in the Executive's authority, duties or responsibilities (and not simply a change in title or reporting relationships); (ii) a material reduction by the Company in the Executive's compensation (for avoidance of doubt, a five percent (5%) reduction in Executive's base salary shall constitute a material reduction in Executive's compensation); (iii) a relocation of the Executive's principal place of work to a location that would increase the Participant's one-way commute from his or her personal residence to the new principal place of work by more than thirty (30) miles; or (iv) any breach by the Company of its obligations under this Agreement that results in a material negative change to Executive. Notwithstanding the foregoing, "Good Reason" shall only be found to exist if the Executive provides written notice (each, a "**Good Reason Notice**") to the Company identifying and describing the event resulting in Good Reason within ninety (90) days of the initial existence of such event, the Company does not cure such event within thirty (30) days following receipt of the Good Reason Notice from the Executive and the Executive terminates his employment during the ninety (90)-day period beginning ninety (90) days after the Executive's delivery of the Good Reason Notice.

(c) Change in Control. For the purposes of this Agreement, a "**Change in Control**" shall mean any of the following transactions effecting a change in ownership or control of the Company that also qualifies as a "change in control event" (as defined in Treasury Regulation Section 1.409A-3(i)(5)):

(i) a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization more than fifty (50%) of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity.

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(iii) the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by or in under common control with, the Company), of "beneficial ownership" as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), of securities of the Company representing more than fifty (50%) of the total combined voting power represented by the Company's then outstanding voting securities. For purposes of this subsection, the term "**person**" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an associate benefit plan of the Company or of a parent or subsidiary and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Notwithstanding anything to the contrary contained herein, a Change in Control be not be deemed to occur in connection with any underwritten public offering of the Company's securities.

3. Condition to CIC Termination Benefits - General Release. Notwithstanding any provision to the contrary in this Agreement, the Company's obligation to pay or provide the Executive with the CIC Termination Benefits, as applicable, shall be conditioned on and subject to the Executive's executing and not revoking a waiver and general release in a form acceptable to the Company in its sole discretion (the "**Release**"). The Company shall provide the Release to the Executive within seven (7) days following the Termination Date. In order to receive the CIC Termination Benefits, as applicable, the Executive will be required to sign and deliver the Release to the Company within twenty-one (21) days after the date it is provided to him, and not revoke it on or before the seventh (7th) day following the date on which the Release is signed by him (the "**Final Revocation Date**"). Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of the Executive's execution of the Release, directly or indirectly, result in the Executive designating the calendar year of payment of an amount that is subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), and the regulations issued thereunder ("**Section 409A**"), and if a payment that is subject to execution of the release and is subject to Section 409A could be made in more than one taxable year, payment shall be made in the later taxable year to the extent required to comply with Section 409A.

4. Confidentiality, Non-Solicitation; Non-Disparagement and Cooperation.

4.1 Confidentiality. The Company and the Executive acknowledge that the services to be performed for the Company by the Executive are unique and extraordinary and, as a result of such employment, the Executive shall be in possession of Confidential Information relating to the business practices of the Company and its subsidiaries and affiliates (collectively, the "**Company Group**"). The term "**Confidential Information**" shall mean any and all information (oral and written) relating to the Company Group, or any of their respective activities, or of the clients, customers, acquisition targets, investment models or business practices of the Company Group, other than such information which (i) is generally available to the public or within the relevant trade or industry, other than as the result of breach of the provisions of this Section, or

(ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena or other process of law. The Executive shall not, during his employment nor at any time thereafter (except as may be required in the course of the performance of his duties hereunder and except with respect to any litigation or arbitration involving this Agreement, including the enforcement hereof), directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any Confidential Information acquired by the Executive during, or as a result of, his employment with the Company, without the prior written consent of the Company. The confidentiality obligations contained in this Section shall be in addition to any other confidentiality agreement entered into between the Company and Executive.

4.2 Non-Solicitation. The Executive shall not, except in the furtherance of the Executive's duties to the Company, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, during the Term (except in the good faith performance of his duties) and for a period of one (1) year thereafter, solicit, aid or induce any employee, representative or agent of the Company Group to leave such employment or retention or to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company Group, or take any action to materially assist or aid any other person, firm, corporation or other entity in identifying, hiring or soliciting any such employee, representative or agent.

4.3 Non-Disparagement. At no time during or within three (3) years after Executive's cessation of employment for any reason shall the Executive, directly or indirectly, disparage the Company Group or any of the Company Group's past or present employees, officers, directors, attorneys, products or services. Notwithstanding the foregoing, nothing in this Section shall prevent the Executive from making any truthful statement to the extent (a) necessary to rebut any untrue public statements made about him; (b) necessary with respect to any litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; (c) required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with jurisdiction over such person; or (d) made as good faith competitive statements in the ordinary course of business.

4.4 Cooperation. Upon the receipt of reasonable notice from the Company (including the Company's outside counsel), the Executive agrees that while employed by the Company and thereafter, the Executive will respond and provide information with regard to matters of which the Executive has knowledge as a result of the Executive's employment with the Company, and will provide reasonable assistance to the Company Group and their respective representatives in defense of any claims that may be made against the Company Group (or any member thereof), and will provide reasonable assistance to the Company Group in the prosecution of any claims that may be made by the Company Group (or any member thereof), to the extent that such claims may relate to matters related to the Executive's period of employment with the Company (or any predecessors). If the Executive is required to provide any services pursuant to this Section following the cessation of his employment, then the Company: (i) shall promptly compensate the Executive for all time actually incurred in these activities at an hourly rate of pay equal to the Executive's most recent annual Base Salary divided by 2080 hours; and (ii) shall promptly reimburse the Executive for reasonable out-of-pocket travel, lodging, communication and duplication expenses incurred in connection with the performance of such services and in accordance with the Company's business expense reimbursement policies.

4.5 Injunctive Relief; Interpretation. Without intending to limit the remedies available to the Company, the Executive acknowledges that a breach of any of the covenants contained in this Section 4 may result in the material and irreparable injury to the Company, or their respective affiliates or subsidiaries, for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such breach or threat: (a) the Company shall be entitled to a temporary restraining order and/or a preliminary or permanent injunction restraining the Executive from engaging in activities prohibited by this Section 4; and (ii) any remaining CIC Termination Benefits due to the Executive under Section 2, respectively, shall be forfeited. If for any reason it is held that the restrictions under this Section 4 are not reasonable or that consideration therefor is inadequate, such restrictions shall be interpreted or modified to include as much of the duration or scope of identified in this Section as will render such restrictions valid and enforceable.

4.6 Return of Company Property. Upon the cessation of Executive's employment for any reason or without reason, all Company Group property that is in the possession of the Executive shall be promptly returned to the Company, including, without limitation, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists, supplier lists and any other materials that contain Confidential Information which are in the possession of the Executive, including all copies thereof. Anything to the contrary notwithstanding, the Executive shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

5. Section 409A.

5.1 Interpretation. It is intended that the provisions of this Agreement comply with the requirements of Section 409A or an exemption therefrom and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The severance compensation payable under this Agreement is intended to be exempt from Section 409A under the "short-term deferral" exception or the "separation pay" exception. Distributions upon termination of employment may only be made upon a "separation from service," as required by Section 409A. For purposes of Section 409A, each payment under this Agreement shall be treated as a separate payment. In no event may the Employee, directly or indirectly, designate the calendar year of a payment. If any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A, the Company shall, upon the specific request of the Executive, use its reasonable business efforts to in good faith reform such provision to comply with Section 409A; provided, that to the maximum extent practicable, the original intent and economic benefit to the Executive and the Company of the applicable provision shall be maintained, but the Company shall have no obligation to make any changes that could create any additional economic cost or loss of benefit to the Company. Notwithstanding the foregoing, the Company shall not have any liability with regard to any failure of this Agreement to comply with Section 409A so long as it has acted in good faith with regard to compliance therewith.

5.2 Section 409A Delay. If required by Section 409A (but only to the extent so required), notwithstanding anything to the contrary in this Agreement, the CIC Termination Benefits to be made to Executive shall be paid or provided no sooner than the first day of the seventh month following the Executive's termination date.

5.3 Reimbursements and In-Kind Benefits. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

6. Section 280G of the Code.

6.1 Maximum Benefit. In the event that any payment or benefit, either cash or non-cash, that the Executive has the right to receive from the Company pursuant to this Agreement or otherwise (including, but not limited to, accelerated vesting or payment of any deferred compensation, options, restricted stock or any benefits payable to Executive under any plan for the benefit of employees) (the "**Covered Payments**") would constitute a "parachute payment" (as defined in Section 280G of the Code), then such payments or other benefits shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment" under Section 280G of the Code.

6.2 Order of Reductions. Any such reduction shall be made in accordance with Section 409A and the following:

(a) the Covered Payments that do not constitute nonqualified deferred compensation subject to Section 409A shall be reduced first;
and

(b) all other Covered Payments shall then be reduced as follows: (A) cash payments shall be reduced before non-cash payments; and (B) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

6.3 Recalculation. If, notwithstanding the initial application of this Section 6, the Internal Revenue Service determines that all or any portion of any Covered Payment constitutes an excess parachute payment (as defined in Section 280G(b) of the Code), this Section 6 will be reapplied based on the Internal Revenue Service's determination, and the Executive will be required to promptly repay the portion of the Covered Payments required to avoid imposition of an excise tax under Section 4999 of the Code together with interest at the applicable federal rate (as defined in Section 7872(f)(2)(A) of the Code) from the date of the Executive's receipt of the excess payments until the date of repayment).

6.4 Determinations. Any determination required under this Section 6 shall be made by the Company in its sole discretion.

7. Miscellaneous.

7.1 Notices. Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Company at its principal executive office to the attention of the Secretary, and to the Executive at the address last reflected on the Company's payroll records, or such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be deemed given only when received, but if the Executive is no longer employed by the Company or a subsidiary, such notice shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section.

7.2 Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

7.3 Binding Effect; Benefits. The Executive may not delegate his duties or assign his rights hereunder. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

7.4 Entire Agreement. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and shall supersede any and all previous agreements, arrangements or understandings between the Company and the Executive. This Agreement may be amended at any time by mutual written agreement of the parties hereto. In the case of any conflict between any express term of this Agreement and any statement contained in any plan, program, arrangement, employment manual, memo or rule of general applicability of the Company, this Agreement shall control.

7.5 Governing Law and Jurisdiction. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of California. The Company and Executive unconditionally consent to submit to the exclusive jurisdiction of any court, Federal or State, within the State of California having subject matter jurisdiction over any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts), and further agree that service of any process, summons, notice or document by registered mail to the address set forth below shall be effective service of process for any action, suit or proceeding brought against the Company or the Executive, as the case may be, in any such court.

7.6 Remedies. All rights and remedies provided pursuant to this Agreement or by law shall be cumulative, and no such right or remedy shall be exclusive of any other. A party may pursue any one or more rights or remedies hereunder or may seek damages or specific performance in the event of another party's breach hereunder or may pursue any other remedy by law or equity, whether or not stated in this Agreement.

7.7 Survivorship. Except as otherwise expressly set forth in this Agreement, the respective rights and obligations of the parties shall survive Executive's cessation of employment to the extent necessary to carry out the intentions of the parties as embodied in this Agreement. This Agreement shall continue in effect until there are no further rights or obligations of the parties outstanding hereunder and shall not be terminated by either party without the express prior written consent of both parties, except as otherwise expressly set forth in this Agreement.

7.8 No Waiver. The waiver by either party of a breach of any provision of this Agreement shall not operate as, or be construed as, a waiver of any later breach of that provision.

7.9 Taxes. Except as otherwise specifically provided herein, each party agrees to be responsible for its own taxes and penalties.

7.10 Counterparts. This Agreement may be executed in counterparts (including by fax or pdf) which, when taken together, shall constitute one and the same agreement of the parties.

7.11 Representation of Executive. **Executive represents and warrants to the Company that Executive read and understands this Agreement, has had the opportunity to consult with independent counsel of his choice prior to agreeing to the terms of this Agreement and is entering into the Agreement, knowingly, willingly and voluntarily. The parties agree that this Agreement shall not be construed for or against either party in any interpretation thereof.**

[End of Text - Signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

ITERIS, INC.

By: /S/ ABBAS MOHADDES
Abbas Mohaddes,
Chief Executive Officer

/S/ WALTER J. MCBRIDE
WALTER J. MCBRIDE



**For Release 5:30 a.m. PST
December 4, 2013**

Iteris Appoints Walter McBride as Chief Financial Officer

SANTA ANA, Calif. — December 4, 2013 — Iteris, Inc. (NYSE MKT: ITI), a leader in providing intelligent traffic management information solutions, has appointed Walter “Chuck” McBride as chief financial officer, effective December 3, 2013.

Mr. McBride joins Iteris after serving as the CFO for SRS Labs, Inc., a publicly traded audio technology engineering company, from 2011 to 2012. While at SRS, Mr. McBride played an instrumental role in strategic and operational planning, international and domestic compliance, and mergers and acquisitions. SRS was purchased by DTS, Inc. in July 2012 at a significant premium and Mr. McBride directed the successful merger and acquisition process.

Prior to SRS, Mr. McBride served as a CFO for various publicly traded technology products and services companies, including Capstone Turbine, a micro turbine technology solutions company; First Consulting Group, a healthcare IT services and consulting company; and Emulex Corporation, a high-speed computer networking products company. He has also served in various senior financial positions for private companies, such as CFO of Synthetic Genomics and CFO of Kistler Aerospace Corporation.

“Chuck brings to Iteris over 30 years of exceptional financial leadership and a proven track record of helping companies increase shareholder value,” said Abbas Mohaddes, president and CEO of Iteris. “He has extensive experience across both public and private technology companies and demonstrated his management abilities in a variety of high-level financial and operational roles. Chuck has the full confidence of our board, and he shares our vision of growing Iteris into a highly profitable, go-to market leader in the intelligent traffic management market.”

“I am excited to be joining the team at Iteris and believe the company is well positioned to grow its market-leading position in intelligent traffic management,” said Chuck McBride, CFO of Iteris. “I am impressed with Iteris’ advanced technologies and team of professionals, who I look forward to working with”

Mr. McBride is also a member of Financial Executives International and serves on the board of directors for CleanTECH San Diego. He earned a Bachelor of Science degree in Accounting and Finance from The Ohio State University and a Master’s degree in Computer Systems Management from Rochester Institute of Technology in New York. Additionally, he completed his director training and certification program at UCLA, Anderson School of Management.

About Iteris, Inc.

Iteris, Inc. is a leader in providing intelligent information solutions to the traffic management market. The company is focused on the development and application of advanced technologies and software-based information systems that reduce traffic congestion, provide measurement, management, and predictive traffic analytics, and improve the safety of surface transportation systems. By combining its unique IP, products, decades of expertise in traffic management, and information technologies, Iteris offers a broad range of Intelligent Transportation System (ITS) solutions to customers worldwide. The firm is headquartered in Santa Ana, California, with offices nationwide and in the Middle East. For more information, please call 1-888-329-4483 or visit www.iteris.com. Also visit the company on Facebook, Twitter, and YouTube.

Contact:

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