

ITERIS HOLDINGS INC
Form DEF 14A
July 29, 2004

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
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ITERIS HOLDINGS, INC.

(Name of Registrant as Specified in Its Charter)

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

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ITERIS HOLDINGS, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held September 10, 2004**

To the Stockholders of Iteris Holdings, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Iteris Holdings, Inc., a Delaware corporation, will be held on Friday, September 10, 2004 at 10:00 a.m., Pacific Time, at the principal executive offices of Iteris Holdings located at 1515 South Manchester Avenue, Anaheim, California 92802 for the following purposes, as more fully described in the proxy statement accompanying this Notice:

1. To elect nine directors to serve on the Board of Directors of Iteris Holdings three directors by the holders of the Class A common stock and six directors by the holders of the Class A common stock and the holders of the Class B common stock, voting together as a single class.
2. To approve the amendment and restatement of the certificate of incorporation of Iteris Holdings to: (a) automatically convert each outstanding share of Class B common stock into 1.1 shares of Class A common stock and remove the ability to issue any further shares of Class B common stock; (b) change the voting rights of the Class A common stock from one-tenth of one vote per share to one vote per share on all matters to be addressed by the stockholders; (c) change the name of the Class A common stock to "Common Stock;" and (d) change the name of Iteris Holdings to "Iteris, Inc."
3. To ratify the appointment of Ernst & Young LLP as the independent auditors of Iteris Holdings for the fiscal year ending March 31, 2005.
4. To transact any other business which may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

The Board of Directors has fixed the close of business on July 26, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation or adjournment thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the principal executive offices of Iteris Holdings.

We cordially invite all stockholders to attend the 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," that is, 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.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ GREGORY A. MINER

Anaheim, California
August 6, 2004

Gregory A. Miner
Chief Executive Officer, Chief Financial Officer,
and Assistant Secretary

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

ITERIS HOLDINGS, INC.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD SEPTEMBER 10, 2004

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 Holdings, Inc., a Delaware corporation ("Iteris Holdings" or the "Company"), to be voted at the Annual Meeting of Stockholders to be held on September 10, 2004 (the "Annual Meeting") and any adjournment or postponement of the meeting. The Annual Meeting will be held at 10:00 a.m., Pacific Time, at the Company's principal executive offices located at 1515 South Manchester Avenue, Anaheim, California 92802. These proxy materials and the form of proxy were first mailed to the Company's stockholders on or about August 6, 2004.

The mailing address of the Company's principal executive offices is 1515 South Manchester Avenue, Anaheim, California 92802.

Purpose of Meeting

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

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 July 26, 2004. At the close of business on the record date, 24,762,636 shares of the Company's Class A common stock, par value \$0.10 per share, and 922,067 shares of the Company's Class B common stock, par value \$0.10 per share, were outstanding. The Company's Class A common stock and Class B common stock are collectively referred herein to as the "common stock."

Holders of the Class A common stock are entitled to elect 25% of the Board rounded up to the nearest whole number, or three directors. The holders of the Class A common stock and the holders of the Class B common stock, voting together as a single class, will be entitled to elect the balance of the Board, or six directors. Directors will be elected by a plurality of the voting power of the class or classes, as the case may be, of common stock entitled to vote and present in person or represented by proxy at the Annual Meeting, unless cumulative voting is in effect. With respect to the election of directors and when voting together as a single class, the holders of Class A common stock are entitled to one-tenth of one vote per share held and the holders of Class B common stock are entitled to one vote per share held.

Pursuant to the bylaws of Iteris Holdings, no stockholder is entitled to cumulate his or her votes (as described above) 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 the 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 votes of each class of common stock the stockholder is entitled to vote by the number of directors to be elected by such class. 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 by each class of common stock, will be elected. If cumulative voting is in effect, the persons named in the accompanying proxy will vote

the shares of each class of the common stock covered by proxies received by them (unless authority to vote for directors is withheld) among the named candidates as they determine.

Except as described above for the election of directors, holders of each class of common stock will vote at the Annual Meeting as a single class on all matters, with each holder of shares of Class A common stock entitled to one-tenth of one vote per share held and each holder of shares of Class B common stock entitled to one vote per share held. Proposals 2 and 3 require the approval of the affirmative vote of a majority of the voting power of the common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Proposal 2 also requires the approval of the affirmative vote of a majority of the Class B common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter.

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. All votes will be tabulated by the inspectors of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Broker non-votes occur when brokers who hold stock in "street name" return proxy cards stating that they do not have authority to vote the stock which they hold on behalf of beneficial owners. 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.

Proxies

Please use the enclosed proxy card to vote by mail. If your shares are held in "street name," that is, 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, 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 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 FOR the election of the directors proposed by the Board unless the authority to vote for the election of any director is withheld and, if no contrary instructions are given, the proxy will be voted FOR the approval of Proposals 2 and 3 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 meeting as well as any procedural matters. We have not been notified by any stockholder of his or her 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 the Company's Secretary, at the Company's principal executive offices at 1515 South Manchester Avenue, Anaheim, California 92802. 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.

Voting Electronically via the Internet or Telephone

A large number of banks and brokerage firms are participating in the ADP Investor Communication Services online program. This program provides eligible stockholders who receive a paper copy of the proxy statement the opportunity to vote over the Internet or by telephone. 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. 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.

Solicitation

The enclosed proxy is being solicited by the Company's Board of Directors. The Company will bear the entire cost of proxy solicitation, including 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, the Company 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 telephone, facsimile or any other means by the Company's directors, officers or employees. No additional compensation will be paid to these individuals for any such services.

In the discretion of management, the Company reserves the right to retain a professional firm of proxy solicitors to assist in solicitation of proxies. Although the Company does not currently expect to retain such a firm, it estimates 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 the Company.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

Nine directors are to be elected at the Annual Meeting and hold office until their successors are duly elected and qualified at the next annual meeting of stockholders. Holders of Class A common stock are entitled to elect three of the nine directors to be elected at the Annual Meeting, and the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect the other six directors. The three candidates receiving the highest number of affirmative votes of shares of Class A common stock, present in person or represented by proxies and entitled to vote at the Annual Meeting, will be elected as directors of Iteris Holdings, and the six candidates receiving the highest number of affirmative votes of shares of Class A common stock and shares of Class B common stock, voting together as a single class, present in person or represented by proxies and entitled to vote at the Annual Meeting, will be elected directors of Iteris Holdings. When voting together as a single class, the holders of Class A common stock are entitled to one-tenth of one vote per share held and the holders of Class B common stock are entitled to one vote per share held. If cumulative voting is in effect, however, the proxy holders of each class of common stock will have the right to cumulate and allocate votes among those nominees standing for election with respect to such class of common stock as such proxy holders in their discretion elect.

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Messrs. Hernandez, Johnson and Marwitz will stand for election by the holders of Class A common stock, and Messrs. Daly, Miner, Seazholtz, Slutzky, Thomas and Wright will stand for election by the holders of Class A common stock and Class B common stock, voting together as a single class.

Information with Respect to Nominees

The following table sets forth certain information concerning the nominees for directors of Iteris Holdings as of July 1, 2004.

Nominees for Election

Name	Age	Current Positions with Iteris Holdings and its Subsidiaries	Iteris Holdings Director Since
Kevin C. Daly, Ph.D.(2)(3)	59	Director of Iteris Holdings	1993
Gary Hernandez	44	Director of Iteris, Inc.	N/A
John E. "Jack" Johnson	57	Vice President of Iteris Holdings Director, President and Chief Executive Officer of Iteris, Inc. Director of Meyer, Mohaddes Associates, Inc.	N/A
Dr. Hartmut Marwitz		Director of Iteris, Inc.	N/A
Gregory A. Miner	49	Chief Executive Officer, Chief Financial Officer, Director and Assistant Secretary of Iteris Holdings Chairman of the Board and Assistant Secretary of Iteris, Inc. Director, Chief Financial Officer and Secretary of Meyer, Mohaddes Associates, Inc.	1998
John W. Seazholtz(1)(2)	67	Director of Iteris Holdings	1998
Joel Slutzky(3)	65	Chairman of the Board of Iteris Holdings Director of Meyer, Mohaddes Associates, Inc. Director of Iteris, Inc.	1969
Thomas L. Thomas(1)(2)(3)	55	Director of Iteris Holdings	1999
Paul E. Wright(1)(3)	73	Director of Iteris Holdings Director of Iteris, Inc.	1993

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.

Kevin C. Daly, Ph.D. has served as a director of Iteris Holdings since 1993. Since July 2002, Dr. Daly has been the Chief Executive Officer of Avamar Technologies, Inc., a provider of high availability storage software solutions. Dr. Daly was previously Chief Technical Officer of

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Quantum Corporation's Storage Solutions Group from October 2001 to July 2002 and, prior to that, he was Chief Executive Officer of ATL Products, Inc. from its foundation in 1993 until 2001. Dr. Daly also served as Chief Technical Officer of Iteris Holdings from 1985 until ATL's separation from Iteris Holdings in an initial public offering in 1997. Prior to joining Iteris Holdings, Dr. Daly was Director of the Control

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and Dynamics Division of the Charles Stark Draper Laboratory at MIT from 1974 through 1985. Dr. Daly is also a member of the Board of Directors of Danka Business Systems PLC.

Gary Hernandez has been a director of Iteris, Inc. since January 1999. Mr. Hernandez has been a partner in the law firm of Sonnenschein, Nath and Rosenthal since December 1997. From December 1995 to December 1997, Mr. Hernandez was a partner in the law firm of Long & Levit. Mr. Hernandez served as Deputy Insurance Commissioner of California from April 1991 to November 1995. Mr. Hernandez received his B.A. degree from the University of California, Berkeley and his J.D. degree from the University of California, Davis.

John E. "Jack" Johnson has served as a Vice President of Iteris Holdings since 1986 and has served as the President, Chief Executive Officer and a director of Iteris, Inc. since December 1999. Prior to that, he served as the General Manager of the Odetics ITS division (now Iteris, Inc.) from 1996 to 1998, prior to its incorporation. From 1990 to 1996, Mr. Johnson served as the General Manager of the Iteris Holdings Customer Service division. Mr. Johnson served in various other capacities with Iteris Holdings since joining Iteris Holdings in 1974, including the Vice President and General Manager of the Omutec division from 1986 to 1990, the Director of Contracts for the Space division of Iteris Holdings from 1980 to 1986, the Controller of Infodetics, a former subsidiary of Iteris Holdings, from 1975 to 1980 and the Controller of Iteris Holdings from 1974 to 1975. The Company has indicated that Mr. Johnson will become the Company's Chief Executive Officer upon completion of the roll-up merger of Iteris, Inc. into the Company, replacing Mr. Miner, who will succeed Mr. Slutzky as Chairman of the Board of the Company. Prior to joining Iteris Holdings, Mr. Johnson served as a certified public accountant with Peat Marwick.

Dr. Hartmut Marwitz has served as a director of Iteris, Inc. since 1999 and has served as the Vice-President of Engineering Mercedes-Benz Trucks of DaimlerChrysler in Germany since 1995. Previously, Dr. Marwitz served with Daimler-Benz AG as Director of Truck Powertrain Testing. Furthermore, Dr. Marwitz has broad experiences in the field of passenger car development. Before joining Daimler-Benz AG, Dr. Marwitz worked as Senior Manager for Rheinmetall in the field of Special Machinery Development in Germany and Spain. Dr. Marwitz holds an Engineering Degree in Mechanical Engineering and a Doctoral Degree in Experimental Mechanics from the Technical University of Munich, Germany. Since 2003, Dr. Marwitz has held an honorary professorship as the Chair of Machine and Design at the Institute of Machine Design and Automotive Engineering at the Technical University of Karlsruhe (Germany).

Gregory A. Miner has served as the Chief Executive Officer of Iteris Holdings since February 2002, as a director since 1998, as a Vice President and Chief Financial Officer since he joined Iteris Holdings in January 1994, and as the Assistant Secretary since May 2004. Since December 2003, Mr. Miner has also served as the Chairman of the Board of Iteris, Inc. From 1998 to 2002, Mr. Miner also served as the Company's Chief Operating Officer. Mr. Miner served as the Vice President and Chief Financial Officer of ATL Products, Inc., a former subsidiary of Iteris Holdings, from 1994 to 1998. Mr. Miner has also served in various capacities for the other subsidiaries of Iteris Holdings from time to time. From December 1984 until joining Iteris Holdings, Mr. Miner served as the Vice President, Chief Financial Officer and a Director of Laser Precision Corporation, a manufacturer of telecommunications test equipment. Mr. Miner is a Certified Public Accountant and from 1979 to 1984, was employed by Deloitte Haskins and Sells (now known as Deloitte & Touche LLP) in various capacities, the most recent of which was Audit Manager.

John W. Seazholtz has served as a director of Iteris Holdings since May 1998. From May 1998 to April 2000, Mr. Seazholtz served as the President and Chief Executive Officer of Telesoft America, Inc. He retired in April 1998 as the Chief Technology Officer of Bell Atlantic after 36 years of service with that company and its predecessor. Mr. Seazholtz was a senior officer of Bell Atlantic since 1986, serving in various positions, including the positions of Vice President, Operations and Engineering, Vice

President, Marketing, Vice President of New Services, and Vice President, Technology and Information Systems. Mr. Seazholtz currently serves as the Chairman of the Board of Westell Technologies, Inc. and is a member of the Board of Directors of Advanced Switching Communications, Inc.

Joel Slutzky has served as the Chairman of the Board of Directors since he co-founded Iteris Holdings in 1969. Mr. Slutzky served as the Company's Chief Executive Officer of Iteris Holdings from 1975 to February 2002 and as the Chairman of the Board of Iteris, Inc. until December 2003. Mr. Slutzky also served on the Board of ATL Products, Inc. and in various capacities for other subsidiaries of Iteris Holdings from time to time. Mr. Slutzky currently serves on the Board of Directors for of the American Electronics Association, KOCE, Future Scientists and Engineers of America, and the Orange County Business Council Workforce Task Group. Mr. Slutzky is also the Chairman of Project Tomorrow, an organization focused on improving Kindergarten through 12th grade science education in Orange County, California.

Thomas L. Thomas has served as a director of Iteris Holdings since May 1999. From January 2000 to September 2001, he also served as the Chairman of the Board of Mariner Networks, Inc. Mr. Thomas served as the Chairman of the Board, President and Chief Executive Officer of HAHT Commerce, a provider of software applications that enable companies to use the Internet to conduct business, from February 2000 to February 2004 when HAHT Commerce was sold to Global Exchange Services. Mr. Thomas currently serves as a consultant to the Chief Executive Officer of Global Exchange Services. A veteran Silicon Valley executive, Mr. Thomas was previously the President and Chief Executive Officer of Ajuba Solutions, a provider of B2B integration solution software, which was sold to Interwoven in October 2000. From April 1999 until January 2000, he served as the President, Chief Executive Officer and Chairman of the Board of Vantive Corporation, a customer relationship management software vendor which was acquired by Peoplesoft in January 2000. Prior to that, from September 1995 to April 1999, Mr. Thomas served as the Senior Vice President of e-Business and Information Services and Chief Information Officer at 3Com Corporation. From 1993 to 1995, Mr. Thomas served as a Vice President and the Chief Information Officer of Dell Computer Corporation. From 1987 to 1993, he served as the Vice President of Management Information Systems at Kraft General Foods, and at Sara Lee Corporation from 1981 to 1987. Mr. Thomas also serves on the Board of Directors of iManage, Inc.

Paul E. Wright has served as a director of Iteris Holdings since June 1993 and as a director of Iteris, Inc. since January 1999. Mr. Wright is the President of Wright Associates Engineering and Business Consultants, a company he formed in 1997. From 1988 until his retirement in 1997, Mr. Wright served as the Chairman of Chrysler Technologies Corp., the aerospace and defense electronics subsidiary of Chrysler Corporation. From 1986 to 1988, Mr. Wright served as the President and Chief Operating Officer of Fairchild Industries, Inc. Prior to joining Fairchild, he was employed for 28 years by RCA Corporation, where he last served as the Senior Vice President, responsible for planning RCA's merger into General Electric Corporation.

All directors are elected annually and hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified. All of the nominees have indicated that they are willing to continue to serve as directors. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for an additional nominee who shall be designated by the current Board of Directors. As of the date of this proxy statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as director.

Board Meetings and Committees

The Board of Directors held five meetings during the fiscal year ended March 31, 2004. All of the directors attended or participated in at least 75% of the aggregate number of meetings of the Board of Directors. Each director (excluding Mr. Thomas) attended at least 75% of the aggregate number of

meetings of those committees of the Board of Directors on which such person served, which were held during such period.

Iteris Holdings currently has three standing committees the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

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

The current members of the Company's Audit Committee are Messrs. Seazholtz, Thomas and Wright, all of whom are "independent" under the SEC rules and the current AMEX listing standards regarding audit committee membership. The Board has identified Mr. Wright as the member of the Audit Committee who qualifies as an "audit committee financial expert" under applicable SEC rules and regulations governing the composition of the Audit Committee. The Audit Committee held six meetings during the fiscal year ended March 31, 2004.

The Audit Committee meets privately with the independent auditors of Iteris Holdings, and the independent auditors have unrestricted access to and report directly to the Audit Committee. The Audit Committee has selected Ernst & Young LLP as Iteris Holdings' independent auditors for the fiscal year ending March 31, 2005 and is recommending that the stockholders of Iteris Holdings ratify this appointment at the Annual Meeting.

The Board of Directors initially adopted the Audit Committee Charter in 2000 and approved an amended and restated Audit Committee Charter in July 2002. The Board subsequently further amended and restated the Audit Committee Charter in March 2004, a copy of which is included as an Appendix to this proxy statement. A copy of the current charter is available on the investor relations section of our website at www.iteris.com. The Audit Committee Charter is reviewed annually and revised as appropriate.

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 the "executive officers" of the Company 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 the Company's equity-based and other incentive compensation plans for employees; (d) evaluates the performance of the Company's executive officers; (e) assists the Board in evaluating potential candidates for executive officer positions with the Company and oversee management succession planning; and (f) produces the Committee report required by the applicable rules and regulations of the SEC and other regulatory bodies for inclusion in the Company's annual proxy statement. A copy of the current Compensation Committee Charter is available on the investor relations section of our website at www.iteris.com. The Compensation Committee Charter is reviewed annually and revised as appropriate.

The current members of the Company's Compensation are Messrs. Daly, Seazholtz and Thomas. The Compensation Committee held one meeting during the fiscal year ended March 31, 2004.

Nominating and Corporate Governance Committee. The primary purposes of the Nominating and Corporate Governance Committee are to: (a) identify, screen and review individuals qualified to serve as directors of the Company; (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

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Directors candidates to fill any vacancies on the Board; (d) oversee the implementation and monitoring the effectiveness of the Company's corporate governance policies and developing and recommending to the Board modifications and or additions to such policies; and (e) reviewing on a regular basis the overall corporate governance of the Company and recommending improvements when necessary.

The Board of Directors adopted and approved a written charter for the Nominating and Corporate Governance Committee in March 2004. A copy of such charter is attached to this proxy statement as an appendix and is available on the investor relations section of our website at www.iteris.com. The Nominating and Corporate Governance Committee Charter is reviewed annually and revised as appropriate.

The Nominating and Corporate Committee held no meetings during the fiscal year ended March 31, 2004 because the members of such committee were not designated until after the end of such fiscal year. The current members of the Nominating and Corporate Committee are Messrs. Daly, Slutzky, Thomas and Wright.

The Nominating and Corporate Governance Committee will consider candidates for directors recommended by stockholders of Iteris Holding who meet the eligibility requirements for submitting stockholder proposals for inclusion in the Company's 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, Nomination Committee, care of the Corporate Secretary of the Company, by the deadline for stockholder proposals set forth in the Company's 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 the Company's 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 of the Company, if elected.

In connection with its evaluation, the Nominating and Corporate Governance Committee may request additional information from the candidate or the recommending stockholder, and may request an interview with the candidate. The Nominating and Corporate Governance Committee has the discretion to decide which individuals to recommend for nomination as directors.

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

Compensation of Directors

Directors who are not employees of Iteris Holdings or one of its subsidiaries receive an annual fee of \$12,000 per year, paid quarterly, in addition to \$1,500 for each Board meeting attended in person and \$250 for each telephone conference Board meeting. All directors are reimbursed for their out-of-pocket expenses incurred in attending meetings of the Company's Board of Directors and its committees.

Non-employee directors are also eligible to receive periodic option grants pursuant to the Automatic Option Grant Program under the Company's 1997 Stock Incentive Plan. Under this plan, each non-employee director receives an option to purchase 20,000 shares of Class A common stock upon his initial appointment to the Board of Directors and an additional option to purchase 5,000 shares of Class A common stock on the date of each annual meeting after his appointment. Each option granted to non-employee directors under the Automatic Option Grant Program will have an exercise price equal to the fair market value of the Class A common stock on the grant date and will have a maximum term of ten years, subject to earlier termination following the optionee's cessation of service as a Board member.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED ABOVE. PROXIES RETURNED TO ITERIS HOLDINGS WILL BE VOTED "FOR" EACH NOMINEE UNLESS OTHERWISE INSTRUCTED IN WRITING ON SUCH PROXY.

PROPOSAL NO. 2

**APPROVAL OF THE AMENDMENT AND RESTATEMENT
OF THE COMPANY'S CERTIFICATE OF INCORPORATION**

The Company currently has two classes of common stock outstanding Class A common stock and Class B common stock. The rights, preferences and privileges of each class of common stock are identical in all respects except for voting and conversion rights. Currently, the holders of the Class A common stock are entitled to elect 25% of the Board of Directors rounded up to the nearest whole number, or three directors, and the holders of the Class A common stock and the Class B common stock, voting together as a single class, are entitled to elect the balance of the Board, or six directors. On all other matters to be addressed by a stockholder vote, the holders of Class A common stock have one-tenth of one vote per share held and the holders of Class B common stock have one vote per share held. In addition, each share of Class B common stock is currently convertible into one share of Class A common stock at the option of the holder of such Class B common stock. Holders of each class of common stock vote together as a single class on all other matters, unless otherwise required by law.

As of July 26, 2004, there were outstanding 24,762,636 shares of Class A common stock held by 513 stockholders of record and 922,067 shares of Class B common stock held by 94 stockholders of record. As of July 26, 2004, the outstanding Class B common stock represented approximately 4% of the Company's shares of outstanding common stock and approximately 27% to the total voting power of the outstanding common stock. Given the relatively few number of shares of Class B common stock currently remaining outstanding, the Board has determined that it is in the best interest of the Company and its stockholders to eliminate the extra class of common stock to simplify its capital structure and to reduce the expenses and confusion associated with maintaining two separate classes of common stock. The Company proposes to convert each outstanding share of Class B common stock into 1.1 shares of Class A common stock and to make other conforming changes to the Company's certificate of incorporation to provide that the Class A common stock, as the remaining class of common stock, be renamed "Common Stock" and that the voting rights of such shares be changed to one vote per share.

Iteris Holdings also currently intends to consolidate and merge with its subsidiary, Iteris, Inc., with Iteris Holdings as the surviving corporation in the merger. The Company currently holds more than 90% of the outstanding capital stock of Iteris, Inc. The roll-up transaction is anticipated to be completed within the next six months and is subject to the approval of the California Department of Corporations. In connection with of the merger of Iteris, Inc. into Iteris Holdings, the Company wishes to change the Company's corporate name from "Iteris Holdings, Inc." to "Iteris, Inc." in order to aid in communicating the completion of the consolidation of the two companies and to highlight the focus of the Company's business.

The stockholders are being asked to approve the amendment and restatement of the Company's certificate of incorporation to:

(a) automatically convert each outstanding share of Class B common stock into 1.1 shares of Class A common stock and remove the ability to issue any further shares of Class B common stock; (b) change the voting rights of the Class A common stock from one-tenth of one vote per share to one vote per share on all matters to be addressed by the stockholders; (c) change the name of the Class A common stock to "Common Stock;" and (d) change the name of Iteris Holdings to "Iteris, Inc." The Board of Directors has determined that the proposed amendment and restatement of the Company's certificate of incorporation is in the best interests of the Company and its stockholders.

Stockholder Approval

The affirmative vote of (a) a majority of the voting power of the Class A common stock and Class B common stock of Iteris Holdings, voting together as a single class, present or represented and entitled to vote at the Annual Meeting, and (b) a majority of the of the Class B common stock of Iteris Holdings present or represented and entitled to vote at the Annual Meeting, will be required for the approval of the amendment and restatement of the certificate of incorporation as proposed in Proposal 2.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE AMENDMENT AND RESTATEMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO (A) AUTOMATICALLY CONVERT EACH OUTSTANDING SHARE OF CLASS B COMMON STOCK INTO 1.1 SHARES OF CLASS A COMMON STOCK AND REMOVE THE ABILITY OF THE COMPANY TO ISSUE ANY FURTHER SHARES OF CLASS B COMMON STOCK; (B) CHANGE THE VOTING RIGHTS OF THE CLASS A COMMON STOCK FROM ONE-TENTH OF ONE VOTE PER SHARE TO ONE VOTE PER SHARE ON ALL MATTERS TO BE ADDRESSED BY THE STOCKHOLDERS; (C) CHANGE THE NAME OF THE CLASS A COMMON STOCK TO "COMMON STOCK;" AND (D) CHANGE THE NAME OF THE COMPANY TO "ITERIS, INC."

PROPOSAL NO. 3

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The accounting firm of Ernst & Young LLP served as the Company's independent auditors for the fiscal year ended March 31, 2004. The Audit Committee of the Board of Directors has selected that firm to continue in this capacity for the fiscal year ending March 31, 2005. The Company is asking the stockholders to ratify the selection by the Audit Committee of Ernst & Young LLP as the independent auditors of Iteris Holdings to audit the Company's consolidated financial statements for the fiscal year ending March 31, 2005 and to perform other appropriate services. Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent auditors is not required by the Company's bylaws or otherwise. In the event that the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the committee feels that such a change would be in the best interests of the Company and its stockholders.

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

Stockholder Approval

The affirmative vote of a majority of the voting power of the Class A common stock and Class B common stock of Iteris Holdings, voting together as a single class, present or represented and entitled to vote at the Annual Meeting, will be required for ratification of the selection of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending March 31, 2005.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE RATIFICATION AND APPROVAL OF THE SELECTION OF ERNST & YOUNG LLP AS THE INDEPENDENT AUDITORS OF ITERIS HOLDINGS FOR THE FISCAL YEAR ENDING MARCH 31, 2005.

FEES PAID TO INDEPENDENT AUDITORS

Fees Billed to the Company by Ernst & Young LLP During the Fiscal Year Ended March 31, 2004

The following table presents the aggregate fees billed for the indicated services performed by Ernst & Young LLP during the fiscal years ended March 31, 2003 and 2004:

	Year Ended March 31,	
	2003	2004
Audit Fees	\$ 228,000	\$ 325,000
Audit Related Fees	64,000	69,000
Tax Fees	59,000	62,000
All Other Fees		
Total Fees	\$ 351,000	\$ 456,000

Audit Fees. Audit fees consist of fees billed by Ernst & Young for professional services rendered in connection with the audit of Iteris Holdings' annual consolidated financial statements and review of those consolidated financial statements included in Iteris Holdings' quarterly reports on Forms 10-Q.

Audit-Related Fees. Audit-related fees consist of fees billed for professional services that are reasonably related to the performance of the audit or review of our consolidated financial statements but are not reported under "Audit Fees." Such fees include, among other things, internal control reviews and assistance with meeting the requirements of the Sarbanes-Oxley Act, acquisition or asset sale-related work and certain consultations concerning financial accounting and reporting standards.

Tax Fees. Tax fees consist of fees billed for professional services for tax compliance, which include the preparation of federal, state and international tax returns, and fees billed for tax consultations, including federal, state and international tax advice, tax planning and assistance with tax audits.

All Other Fees. There were no other fees billed to Iteris Holdings by Ernst & Young LLP during the fiscal years ended March 31, 2003 and 2004.

Determination of Independence

The Audit Committee of the Board of Directors has determined that the provision by Ernst & Young LLP of the non-audit services described above is compatible with maintaining the independence of Ernst & Young LLP.

**PRINCIPAL STOCKHOLDERS AND COMMON STOCK OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of July 1, 2004, the number and percentage ownership of the Class A common stock and Class B common stock of Iteris Holdings by (i) all persons known to Iteris Holdings to beneficially own more than 5% of either class of outstanding common stock (based upon reports filed by such persons with the SEC), (ii) each of the Named Executive Officers in the Summary Compensation Table which appears elsewhere herein, (iii) each director of Iteris Holdings, and (iv) all executive officers and directors of Iteris Holdings as a group. To the knowledge of Iteris Holdings, except as otherwise indicated, each of the persons named in this table has sole voting and investment power with respect to the common stock shown as beneficially owned, subject to community property and similar laws, where applicable.

Name and Address of Beneficial Owner(1)	Class A Common Stock		Class B Common Stock		Total Percent of Voting Power(2)
	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class(2)	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class(2)	
Austin W. Marx and David M. Greenhouse	4,930,253(4)	19.0%			14.0%
Bryant R. Riley	3,617,509(5)	13.9			10.3
Potomac Capital	1,287,937(6)	5.1			3.7
DaimlerChrysler Ventures GmbH	1,219,445	4.9			3.6
Gerald A. Weber	414,841(7)	1.7	187,885	20.4%	6.7
Gregory A. Miner	758,036(8)	3.0			2.3
John E. Johnson	128,978(9)	*			*
Hugo Fruehauf	33,785(10)	*			*
Gary W. Smith	96,454(11)	*	295	*	*
Joel Slutzky	1,777,508(12)	7.1	261,666(12)	28.4	12.9
Kevin C. Daly, Ph.D.	360,632(13)	1.5			1.1
Crandall L. Gudmundson	126,432(14)	*	69,743	7.6	2.4
Jerry F. Muench	122,558(15)	*	61,537(16)	6.7	2.4
John W. Seazholtz	75,047(17)	*			*
Thomas L. Thomas	46,500(18)	*			*
Paul E. Wright	79,794(19)	*	5,000	*	*
All executive officers and directors as a group (17 persons)	4,514,539(20)	17.7%	398,241	43.2%	24.4%

*

Represents less than 1%.

(1)

The address for Gerald A. Weber is 222 North LaSalle, Suite 899, Chicago, Illinois 60601. The address for Messrs. Marx and Greenhouse is 153 E. 53rd St., 51st Floor, New York, New York 10022. The address for Mr. Fruehauf is 1585 S. Manchester Avenue, Anaheim, California 92802. The address for Bryant R. Riley is 11550 Santa Monica Blvd., Suite 750, Los Angeles, CA 90025. The address of all other persons named in the table is 1515 South Manchester Avenue, Anaheim, California 92802.

(2)

Based on 24,762,636 shares of the Class A common stock and 922,067 shares of Class B common stock outstanding as of July 1, 2004. Shares of each class of common stock subject to options or warrants which are exercisable within 60 days of July 1, 2004 are deemed to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage of any other person. Other than as described in the preceding sentence, shares issuable

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upon exercise of outstanding options and warrants are not deemed to be outstanding for purposes of this calculation. In general, each holder of shares of Class A common stock is entitled to one-tenth of one vote per share held and each holder of shares of Class B common stock is entitled to one vote per share held.

- (3) In addition to the shares held in the individual's name, this column also includes shares held for the benefit of the named person under the Company's 401(k) and Stock Ownership Plan.
- (4) Includes 1,250,000 shares issuable upon exercise of warrants that were issued to Special Situations Cayman Fund, L.P., Special Situations Fund III, L.P. and Special Situations Private Equity Fund, L.P. (collectively, the "Special Situations Funds"). Pursuant to a Schedule 13D/A filed on April 8, 2004 with the SEC, Messrs. Marx and Greenhouse reported that they had shared voting power and shared dispositive power over the shares of common stock (including the 1,250,000 shares issuable upon exercise of warrants) held by the Special Situations Funds. Messrs. Marx and Greenhouse are the controlling principals of AWM Investment Company, Inc. ("AWM"), the general partner of Special Situations Cayman Fund, L.P. AWM is the general partner of MGP Advisers Limited Partnership, the general partner of Special Situations Fund III, L.P. In addition, Messrs. Marx and Greenhouse are members of MG Advisers L.L.C., the general partner of Special Situations Private Equity Fund, L.P.
- (5) Includes (i) 969,529 shares issuable upon conversion of convertible debentures held by him, his children, and SACC Partners L.P. and (ii) 221,731 shares issuable upon exercise of warrants held by him, his children, B. Riley & Co., Inc. and SACC Partners L.P. that are currently exercisable. Mr. Riley owns all of the outstanding shares of B. Riley & Co., Inc., an NASD member broker-dealer. Mr. Riley also manages and owns all of the outstanding membership interests of Riley Investment Management LLC ("RIM"), a California registered investment adviser. RIM is the investment adviser to and general partner of SACC Partners L.P.. Mr. Riley disclaims beneficial ownership of the shares held for his children's accounts.
- (6) Includes 304,708 shares issuable upon conversion of convertible debentures held by Potomac Capital Partners, LP and Potomac Capital International Ltd. and 128,021 shares issuable upon exercise of warrants held by Potomac Capital Partners, LP, Potomac Capital International Ltd. and Pleiades Investment Partners-R, LP that are currently exercisable. The voting power over the shares are shared by Potomac Capital Management LLC, Potomac Capital Management Inc. and Paul J. Solit. Potomac Capital Management Inc. is the Investment Manager of a managed account of Pleiades Investment Partners-R, LP. Paul J. Solit is the President and sole owner of Potomac Capital Management Inc. Potomac Capital Management LLC is the General Partner of Potomac Capital Partners LP. Mr. Paul J. Solit is the Managing Member of Potomac Capital Management LLC. Potomac Capital Management Inc. is the Investment Manager of Potomac Capital International Ltd., an international business company formed under the laws of the British Virgin Islands. Paul J. Solit is a Director of Potomac Capital International Ltd.
- (7) Other than 3,000 shares held by him as an individual, all of such shares are owned beneficially of record by various trusts with respect to which Mr. Weber serves as trustee or co-trustee. Mr. Weber shares investment and voting power as to 35,333 shares of Class A common stock and 48,049 shares of Class B common stock. Mr. Weber exercises sole investment and voting power over the remaining 379,508 shares of Class A common stock and 139,836 shares of Class B common stock. The shares shown include an aggregate of 370,508 shares of Class A common stock and 139,836 shares of Class B common stock held in trust for the benefit of the children and relatives of Mr. Slutzky, as to which shares Mr. Slutzky has no investment or voting power and disclaims any beneficial ownership.
- (8) Includes (i) 13,850 shares issuable upon conversion of convertible debentures held by Mr. Miner's IRA, (ii) 19,834 shares issuable upon exercise of warrants held by Mr. Miner's IRA that are

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currently exercisable, (iii) 19,230 shares held by Mr. Miner's wife's IRA and (iv) 311,000 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004. Also includes 72,223 unvested shares of Class A common stock held by Mr. Miner that are subject to a repurchase right by Iteris Holdings, which right lapses over time as the shares vest.

- (9) Includes (i) 27,700 shares issuable upon conversion of convertible debentures held by Mr. Johnson's IRA, (ii) 6,335 shares issuable upon exercise of warrants held by Mr. Johnson's IRA which are currently exercisable, and (iii) 12,000 shares issuable upon exercise of options held by Mr. Johnson that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (10) Mr. Fruehauf resigned from his positions with Iteris Holdings effective as of May 9, 2003.
- (11) Includes 45,000 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004. Mr. Smith resigned from his positions with Iteris Holdings effective September 30, 2003.
- (12) Includes 160,000 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004. Excludes 370,508 shares of Class A common stock and 139,836 shares of Class B common stock held in trust for the benefit of the children and relatives of Mr. Slutzky as to which Mr. Slutzky has no investment or voting power and disclaims any beneficial ownership. See note 7.
- (13) Includes (i) 100 shares held by Dr. Daly's spouse, (ii) 329,032 shares held by a trust to which Dr. Daly serves as a trustee, and (iii) 15,500 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (14) Includes 4,500 shares held by Mr. Gudmundson's IRA and 15,500 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (15) Includes 31,114 shares held by Mr. Muench's spouse and 15,500 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (16) Includes 23,235 shares held by Mr. Muench's spouse.
- (17) Includes 31,500 shares issuable upon exercise of options held by Mr. Seazholtz that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (18) Includes 27,500 shares issuable upon exercise of options held by Mr. Thomas that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (19) Includes 30,500 shares issuable upon exercise of options held by Mr. Wright that are currently exercisable or will become exercisable within 60 days after July 1, 2004.
- (20) Includes (i) 83,100 shares issuable upon conversion of convertible debentures, (ii) 35,670 shares issuable upon exercise of warrants that are currently exercisable, and (iii) 688,000 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2004.

EQUITY COMPENSATION PLANS

The following table summarizes, as of March 31, 2004, the status of the Company's compensation plans under which equity securities are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available under Equity Compensation Plans (excluding some securities reflected in first column)
<i>Equity Compensation Plans Approved by Security Holders</i>			
1997 Stock Incentive Plan	1,132,101	\$ 2.98	518,499
<i>Equity Compensation Plans Not Approved by Security Holders</i>			
None			
Total	1,132,101	\$ 2.98	518,499

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Officers

The following table sets forth certain information regarding all executive officers of Iteris Holdings as of July 1, 2004.

Name	Age	Capacities in Which Served
Gregory A. Miner	49	Chief Executive Officer, Chief Financial Officer, Director and Assistant Secretary of Iteris Holdings Chairman of the Board and Assistant Secretary of Iteris, Inc. Director, Chief Financial Officer and Secretary of Meyer, Mohaddes Associates, Inc.
John E. Johnson	57	Vice President of Iteris Holdings Director, President and Chief Executive Officer of Iteris, Inc. Director of Meyer, Mohaddes Associates
Rick Crawshaw	49	Vice President of Iteris, Inc.
Greg McKhann	41	Senior Vice President of Iteris, Inc.
Francis Memole	46	Senior Vice President of Iteris, Inc.
James S. Miele	36	Secretary and Controller of Iteris Holdings Controller of Iteris, Inc.
Abbas Mohaddes	47	Assistant Secretary of Iteris Holdings Executive Vice President and Secretary of Iteris, Inc. Director of Meyer, Mohaddes Associates

Stephen Edward Rowe Senior Vice President of Iteris, Inc.

The following is a brief description of the capacities in which each of the executive officers has served during the past five years. The biographies of Messrs. Miner and Johnson appears earlier in this proxy statement. See "Election of Directors."

Richard D. Crawshaw has served as the Vice President of Engineering of Iteris, Inc. since January 1999. Prior to that, he served as the Director of Engineering of Iteris, Inc. from January 1998 to December 1998, and as a Product Manager of Iteris, Inc. from November 1995 to December 1997. Prior to joining Iteris, Mr. Crawshaw worked as a Senior Software Engineer at Hewlett Packard.

Gregory McKhann has served as a Senior Vice President of Iteris, Inc. since March 2004 after serving as its Vice President and General Manager of Roadway Sensors with Iteris, Inc. since June 2000, its Vice President, Strategic Business Development from October 1999 to May 2000 and its Marketing Director from July 1997 to October 1999. Prior to joining Iteris, Mr. McKhann served as a Business Development Manager at Rockwell International from 1990 to 1997. While at Rockwell, Mr. McKhann developed a joint business relationship between Rockwell and Honeywell and was a founding member of Rockwell Transportation Systems business. Prior to 1990, Mr. McKhann held a variety of Engineering and Project Management positions at Rockwell International.

Francis Memole has served as a Senior Vice President of Iteris, Inc. since March 2004 and a Vice President of Vehicle Sensors of Iteris, Inc. since December 1998. From June 1997 to December 1998, Mr. Memole served as the Marketing Director of Iteris, Inc. Prior to joining Iteris, Inc., he was one of the founding members of the Rockwell Transportation Systems business at Rockwell International. At Rockwell, Mr. Memole started two new business initiatives, which now include key aspects of Iteris, including Transportation Systems and In-Vehicle Systems.

James S. Miele has served as the Controller of Iteris Holdings since October 2003, as the Secretary of Iteris Holding since March 2004 and as the Controller of Iteris, Inc since April 2001. Prior to that, from October 1998 to June 2000, Mr. Miele served as an audit manager at Ernst & Young LLP, supervising financial statement audits for a variety of public and privately held companies. Mr Miele also served in Ernst & Young's Assurance and Advisory Business Services group from 1994 to 1998. Mr. Miele is a Certified Public Accountant and holds a B.S. degree in Accounting from San Diego State University.

Abbas Mohaddes has served as an Assistant Secretary of Iteris Holding since May 2004, the Secretary of Iteris, Inc. since September 2001, and the Executive Vice President of Iteris, Inc since March 2004. Prior to that, he served as the Senior Vice President and Director of Transportation Systems of Iteris, Inc. from May 2000 to March 2004 and as Vice President and Deputy Director of Transportation Systems of Iteris, Inc. since joining Iteris in October 1998. Mr. Mohaddes has also serves as President and CEO of Meyer, Mohaddes Associates, Inc. ("MMA") an ITS and transportation firm that he co-founded in 1991 and was acquired by Iteris, Inc. in October 1998. Prior to establishing MMA, he was a principal and southern California director of operations for DKS Associates, a consulting firm from 1986 to 1990. Mr. Mohaddes is a nationally recognized expert in ITS and has published over 20 articles and made over 50 presentations at ITS Transportation engineering professional societies. In addition, he co-authored the "*Traffic Control Systems Handbook*" for the Federal Highway Administration. Mr. Mohaddes is a founding member of ITS America. Mr. Mohaddes holds a B.S. degree in Civil Engineering and a M.S. degree in Transportation Engineering from the University of Nebraska.

Stephen Edward Rowe has served as a Senior Vice President of Iteris, Inc. since January 1999. Between June 1997 and January 1999, he served as the Director of Transportation Systems business unit and Vice President of the Odetics ITS Division prior to its incorporation as Iteris, Inc. From 1996 to 1997, he founded and was the Chief Executive Office of Gardner-Rowe Systems. From 1993 to 1995, he founded and was the President of S.E. Rowe and Associates. Mr. Rowe served as the General Manager of the Los Angeles Department of Transportation between 1987 and 1993 and has also served for two terms on the Board of Directors of ITS America.

Officers serve at the discretion of the Board of Directors.

Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning the compensation earned by the Chief Executive Officer and each of the four other most highly compensated executive officers of Iteris Holdings whose total cash salary and bonus during the fiscal year ended March 31, 2004 exceeded \$100,000 (collectively, the "Named Executive Officers") for each of the three fiscal years ended March 31, 2002, 2003 and 2004.

SUMMARY COMPENSATION TABLE

Name and Principal Positions with Iteris Holdings	Fiscal Year	Annual Compensation		Long-Term Compensation Awards		All Other Compensation (\$)(3)
		Salary\$(1)	Bonus(\$)	Restricted Stock(\$)	Securities Underlying Options #(2)	
Gregory A. Miner	2004	261,602		\$ 65,000	200,000	\$ 7,848
Chief Executive Officer, Chief Financial Officer, Assistant Secretary and Director	2003	284,169			310,000(4)	5,671
	2002	217,200				4,830
John E. Johnson(5)	2004	225,373				6,761
Vice President and Director Nominee	2003	202,086			12,000(6)	4,263
	2002	185,958	21,000			4,164
Hugo Fruehauf(7)	2004	26,157				785
Former Vice President	2003	158,004			12,000(6)	4,741
	2002	172,206				5,100
Gary Smith(8)	2004	98,947				1,973
Former Vice President, Controller and Secretary	2003	108,199			45,000(6)	3,056
	2002	115,235				2,881

- (1) Represents all amounts earned from Iteris Holdings and its subsidiaries during the fiscal years shown, including amounts deferred under the Executive Deferral Plan and the Iteris Holdings 401(k) and Stock Ownership Plan.
- (2) Consists of options granted pursuant to Iteris Holdings' 1994 Long-Term Equity Incentive Plan and 1997 Stock Incentive Plan entitling the holder to purchase shares of Class A common stock of Iteris Holdings.
- (3) Consists solely of the matching contribution of Iteris Holdings to the respective accounts of the Named Executive Officers under the Iteris Holdings 401(k) and Stock Ownership Plan.
- (4) Includes 110,000 shares underlying the regrant option issued in May 2002 to replace options cancelled in November 2001. See "2001 Option Exchange Program."
- (5) Does not include an option granted to Mr. Johnson to purchase up to 40,000 shares of common stock of Iteris, Inc. in the year ended March 31, 2002. Mr. Johnson is also the Chief Executive Officer of Iteris, Inc.
- (6) Consists of shares underlying regrant options issued in May 2002 to replace options cancelled in November 2001. See "2001 Option Exchange Program."
- (7) Mr. Fruehauf resigned from his positions with Iteris Holdings and its subsidiaries effective as of May 9, 2003.
- (8) Mr. Smith resigned from his positions with Iteris Holdings and its subsidiaries effective as of September 30, 2003.

Option Grants in Last Fiscal Year

The following table provides information regarding option grants made to our Named Executive Officers during the fiscal year ended March 31, 2004. No stock appreciation rights were granted to any of the Named Executive Officers during such fiscal year.

Individual Grants				
Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal 2003	Exercise Price Per Share(2)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)