

ITRON INC /WA/
Form 424B5
August 02, 2006
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Registration No. 333-133026

PROSPECTUS SUPPLEMENT

(To Prospectus dated April 6, 2006)

\$300,000,000

2.50% Convertible Senior Subordinated Notes due 2026

NOTES

- Ø We are offering \$300 million aggregate principal amount of our 2.50% convertible senior subordinated notes due 2026. The notes will mature on August 1, 2026.
- Ø We will pay 2.50% interest per annum on the principal amount of the notes, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2007. Interest will accrue on the notes from and including August 4, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be. Commencing with the six-month period beginning August 1, 2011, and for each six-month period thereafter, we will, on the interest payment date for such interest period, pay contingent interest to the holders of the notes under certain circumstances and in amounts described in this prospectus supplement. For U.S. federal income tax purposes, we will treat, and each holder of the notes will agree under the indenture to treat, the notes as contingent payment debt instruments governed by special tax rules and to be bound by our application of those rules to the notes. See Important United States federal income tax consequences.

CONVERSION

- Ø The notes will be convertible into cash or, at our option, cash and shares of our common stock based on an initial conversion rate, subject to adjustment, of 15.3478 shares per \$1,000 principal amount of notes (which represents an initial conversion price of approximately \$65.16 per share), in certain circumstances. In addition, following a make-whole fundamental change that occurs prior to August 1, 2011, we will, at our option, increase the conversion rate for a holder who elects to convert its notes in connection with such make-whole fundamental change, in certain circumstances.
- Ø Holders may convert their notes prior to stated maturity only under the following circumstances: (1) during any calendar quarter after the calendar quarter ending September 30, 2006, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 120% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the note measurement period) in which the average trading price per \$1,000 principal amount of notes was equal to or less than 98% of the average conversion value of the notes during the note measurement period; (3) upon the occurrence of specified corporate transactions; (4) if we have called the notes for redemption; and (5) at any time from, and including, July 1, 2011 to, and including, August 1, 2011 and at any time on or after August 1, 2024. Upon conversion, we will deliver cash equal to the lesser of the aggregate principal amount of the notes to be converted and the total conversion obligation. We will deliver, at our option, cash, or shares of our common stock or a combination of cash and shares of our common stock for the remainder, if any, of the conversion obligation. The conversion obligation is based on the sum of the daily settlement amounts described in this prospectus supplement for the 20 consecutive trading days that begin on, and include, the second trading day after the day the notes are tendered for conversion.

REDEMPTION AND REPURCHASE

- Ø On or after August 1, 2011, we may from time to time at our option redeem the notes, in whole or in part, for cash, at a redemption price equal to 100% of the principal amount of the notes we redeem, plus any accrued and unpaid interest to, but excluding, the redemption date.
- Ø On each of August 1, 2011, August 1, 2016 and August 1, 2021, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.
- Ø Holders may require us to repurchase all or a portion of their notes upon a fundamental change, as described in this prospectus supplement, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

FUTURE SUBSIDIARY GUARANTEES

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Ø As of the issue date of the notes, the notes will not be guaranteed by any of our subsidiaries. However, our obligations under the notes will be unconditionally guaranteed, jointly and severally, on an unsecured senior subordinated basis by any future subsidiaries that guarantee our obligations under our 7.75% senior subordinated notes due 2012 or any future senior subordinated indebtedness. Provided that we do not issue any other senior subordinated indebtedness guaranteed by any of our subsidiaries, any guarantees of the notes will terminate at such time as our 7.75% senior subordinated notes have been paid in full.

RANKING

Ø The notes will be our unsecured senior subordinated obligations and will be subordinate in right of payment to all of our existing and future senior indebtedness (including our senior secured credit facility), structurally subordinate to all of the existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (including trade payables), equal in right of payment to all of our existing and future unsecured senior subordinated indebtedness (including our 7.75% senior subordinated notes due 2012), and senior in right of payment to any of our future subordinated indebtedness.

Ø As of June 30, 2006, we had no senior indebtedness outstanding, and we had the ability to borrow approximately \$32.5 million under our senior secured credit facility, all of which would be secured by substantially all of our assets; total senior subordinated indebtedness of approximately \$124.3 million; and our non-guarantor operating subsidiaries had approximately \$32.6 million of liabilities to which the notes and any guarantees of the notes would be structurally subordinate.

USE OF PROCEEDS

Ø We intend to use the net proceeds from this offering to acquire or invest in businesses, products or technologies that are complementary to our own, and for general corporate purposes, including capital expenditures and working capital.

LISTING

Ø The notes will not be listed on any securities exchange or quoted in any automated quotation system.

Ø Our common stock is listed on the Nasdaq Global Select Market under the ticker symbol ITRI. On July 31, 2006, the last reported sale price of our common stock on the Nasdaq Global Select Market was \$46.54 per share.

See **Risk Factors** beginning on page S-12 of this prospectus supplement to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	100%	\$ 300,000,000
Underwriting discounts and commissions	2.375%	\$ 7,125,000
Proceeds, before expenses, to us	97.625%	\$ 292,875,000

We have granted to the underwriters the option to purchase, during the 13-day period beginning with the initial issuance of the notes, up to an additional \$45 million aggregate principal amount of notes to cover over-allotments, if any.

We expect that the notes will be ready for delivery in book-entry-form only through The Depository Trust Company on or about August 4, 2006.

UBS Investment Bank

Canaccord Adams

First Albany Capital

Wells Fargo Securities

The date of this prospectus supplement is July 31, 2006

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus supplement, the accompanying prospectus and any such free writing prospectus. We are not making an offer to sell the notes in any jurisdiction where the offer or sale of the notes is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus or the documents incorporated therein by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

When used in this prospectus supplement, except where the context otherwise requires, the terms we, us and our refer to Itron, Inc. and its subsidiaries.

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Prospectus

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Prospectus summary

This summary highlights selected information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The following summary is qualified in its entirety by the more detailed information included elsewhere in this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus, including Risk Factors beginning on page S-12 and the financial statements and the notes to those statements and the other information incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

THE COMPANY

We are a leading technology and knowledge provider to the global energy and water industries. We have provided handheld computer meter data collection systems since our founding in 1977, automatic meter reading (AMR) since 1986 and electricity meters since July 1, 2004. Our solutions are comprised of hardware, software and services that integrate the creation, measurement, collection, management, application and forecasting of data, providing a platform for utilities to share and apply critical knowledge throughout the utility and with other market participants, including end-users. Nearly 3,000 utilities worldwide rely on our technology to deliver the knowledge they require to optimize the delivery and use of energy and water.

We provide our customers with industry-leading solutions for electricity metering, meter data collection, energy and water information management, demand side management and response, load forecasting, analysis and consulting services, distribution system design and optimization, web-based workforce automation, commercial and industrial (C&I) customer care and residential energy and water management. Our products and services help reduce costs, increase efficiency and reliability, reduce risk, enhance regulatory and safety compliance, optimize asset utilization and improve customer service. We have two operating groups (Hardware Solutions and Software Solutions) and three operating segments. Software Solutions is a single segment, whereas Hardware Solutions is comprised of two segments, Meter Data Collection and Electricity Metering.

Our principal offices are located at 2818 North Sullivan Road, Spokane Valley, Washington 99216, and our telephone number is (509) 924-9900.

GROWTH AND ACQUISITION STRATEGY

Our strategy combines the strengths of our technologies and services with our industry and customer relationships to provide solutions that make the delivery and use of energy and water more efficient, reliable and cost-effective. Our growth strategy includes elements of organic growth as well as growth through acquisitions. Our acquisition efforts target businesses that are complementary to our current businesses of metering, AMR and software addressing domestic and international electricity, water and gas industries. Our plan to grow is focused in the following areas:

Migrate our customers to higher forms of automation.

- Ø Electromechanical meters comprise the majority of the estimated 133 million residential electricity meters in the United States and Canada. We believe utilities will increasingly consider upgrading to new metering technologies such as solid-state meters with integrated AMR technology in order to reduce costs and gain operating efficiencies.

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- Ø Similarly, we seek to migrate customers from their current meter reading technology to more advanced technologies that deliver cost savings and operational efficiencies. With only 25% to 30% of the estimated 300 million meters in the United States and Canada equipped with AMR capabilities as of December 31, 2005, we believe there are significant opportunities for growth.

Provide software tools that maximize the value of data collected by utilities and other market participants.

- Ø Our software solutions help maximize the value of data utilities collect and help optimize performance of their delivery systems and people. We expect to continue to broaden our solutions portfolio through internal development, partnering and acquisitions. We are further integrating our various solutions for metering, data collection, data management, operational analysis and forecasting in order to reach an expanded group of departments within each utility we serve. We also sell our software products to additional market participants, including generators, regulators, market operators and end-use customers. Our software platforms are compatible with many different meter types and collection systems, enabling us to sell software to utilities that may not use our hardware.

Further develop markets beyond North America.

- Ø In electricity metering, we focus on regions that operate on American National Standards Institute (ANSI) standards primarily areas in the Caribbean, Central and South America. We are also investing in technologies that allow us to expand to countries using International Electric Commission standards a market that represents more than 75% of the world.

- Ø Outside the United States and Canada, there has been minimal penetration of AMR technology, yet utilities in international markets face the need for cost and operational efficiencies. We have developed technology at different radio frequencies to leverage opportunities in Australia, Europe, Japan, Mexico, and the Middle East where we already have a significant base of handheld meter reading customers.

- Ø In addition to adapting our existing technology to international markets, many of these same markets represent attractive acquisition opportunities for metering, AMR and software where we believe either new technology or market presence would foster growth for us.

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The offering

Issuer	Itron, Inc.
Notes	\$300 million aggregate principal amount of 2.50% convertible senior subordinated notes due August 1, 2026. We have granted to the underwriters an option to purchase up to \$45 million aggregate principal amount of additional notes.
Maturity	The notes will mature on August 1, 2026, unless earlier redeemed, repurchased or converted.
Interest payment dates	We will pay 2.50% interest per annum on the principal amount of the notes, payable semiannually in arrears on February 1 and August 1 of each year, starting on February 1, 2007, to holders of record at the close of business on the preceding January 15 and July 15, respectively. Interest will accrue on the notes from and including August 4, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.
Contingent interest	Contingent interest will accrue on the notes during each six-month period from and including an interest payment date to, but excluding, the next interest payment date, commencing with the six-month period beginning August 1, 2011, if the average trading price of the notes for the five consecutive trading day period (the measurement period) preceding the first day of such six-month period equals 120% or more of the principal amount of the notes. The rate of contingent interest payable in respect of any such six-month interest period will equal 0.19% (0.38% per year payable semi-annually) of the average trading price of the notes over the measurement period that triggered the contingent interest payment.
Future Subsidiary Guarantees	As of the issue date of the notes, the notes will not be guaranteed by any of our subsidiaries. However, our obligations under the notes will be unconditionally guaranteed, jointly and severally, on an unsecured senior subordinated basis by any future subsidiaries that guarantee our obligations under our 7.75% senior subordinated notes due 2012 or any future senior subordinated

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indebtedness. Our 7.75% senior subordinated notes are required to be guaranteed by our existing and future domestic subsidiaries, other than immaterial subsidiaries, however as of the issue date of the notes the only guarantors of the senior subordinated notes are certain non-operating subsidiaries which will not guarantee the notes. Provided that we do not issue any other senior subordinated indebtedness guaranteed by any of our subsidiaries, any guarantees of the notes will terminate at such time as our 7.75% senior subordinated notes have been paid in full.

Any subsidiary guarantees will be subordinate in right of payment to all of that subsidiary guarantor's existing and future senior indebtedness (including any guarantees of our senior secured credit facility), equal in right of payment to all existing and future unsecured senior subordinated indebtedness of that subsidiary (including any guarantees of our 7.75% senior subordinated notes due 2012), and senior in right of payment to any subordinated indebtedness of that subsidiary.

Ranking

The notes will be our unsecured senior subordinated obligations and will be subordinate in right of payment to all of our existing and future senior indebtedness (including our senior secured credit facility), structurally subordinate to all of the existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (including trade payables), equal in right of payment to all of our existing and future unsecured senior subordinated indebtedness (including our 7.75% senior subordinated notes due 2012), and senior in right of payment to any of our future subordinated indebtedness.

As of June 30, 2006, we had no senior indebtedness outstanding, and we had the ability to borrow approximately \$32.5 million under our senior credit facility, all of which would be secured by substantially all of our assets; total senior subordinated indebtedness of approximately \$124.3 million; and our non-guarantor operating subsidiaries had approximately \$32.6 million of liabilities to which the notes and any guarantees of the notes would be structurally subordinate.

See Description of notes Ranking.

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Conversion rights

The notes will be convertible into cash or, at our option, cash and shares of our common stock, without par value per share, based on an initial conversion rate, subject to adjustment, of 15.3478 shares per \$1,000 principal amount of notes (which represents an initial conversion price of approximately \$65.16 per share), only in the following circumstances and to the following extent:

- Ø the notes will be convertible during any calendar quarter after the calendar quarter ending September 30, 2006, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 120% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter;
- Ø the notes will be convertible during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the "note measurement period") in which the average trading price per \$1,000 principal amount of notes was equal to or less than 98% of the average conversion value of the notes during the note measurement period;
- Ø the notes will be convertible if we make certain distributions on our common stock or engage in certain transactions;
- Ø the notes will be convertible if we call the notes for redemption; and
- Ø the notes will be convertible at any time from, and including, July 1, 2011 to, and including, August 1, 2011 and at any time on or after August 1, 2024.

Upon conversion, holders will receive, per \$1,000 principal amount being converted, a "settlement amount" that is equal to the sum of the "daily settlement amounts" for each of the 20 trading days during the "cash settlement averaging period."

See "Description of notes" "Conversion rights."

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The cash settlement averaging period with respect to any note means the 20 consecutive trading-day period that begins on, and includes, the second trading day after the day the notes are tendered for conversion.

The daily settlement amount for a given trading day consists of:

Ø cash equal to the lesser of \$50 and the daily conversion value (we refer to this cash amount as the daily principal return); and

Ø to the extent the daily conversion value exceeds \$50, a number of whole shares of our common stock equal to the daily share amount, subject to our right to deliver cash in lieu of all or a portion of such shares, as described under Description of notes Conversion rights Payment upon conversion.

The daily share amount on a given trading day means the excess of the daily conversion value over \$50, divided by the closing sale price of our common stock on that trading day.

The daily conversion value on a given trading day means one-twentieth of the product of the conversion rate of the notes in effect on that trading day and the closing sale price of our common stock on that trading day.

See Description of notes Conversion rights Payment upon conversion.

A holder that surrenders notes for conversion in connection with a make-whole fundamental change that occurs before August 1, 2011 may in certain circumstances be entitled to an increased conversion rate. See Description of notes Conversion rights Adjustment to the conversion rate upon the occurrence for a make-whole fundamental change. However, in lieu of increasing the conversion rate applicable to those notes, we may in certain circumstances elect to adjust the conversion rate and our related conversion obligation so that the notes will be convertible into shares of the acquiring company's common stock, provided, however, that the principal return due upon conversion will continue to be payable in cash and the remainder of the

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conversion obligation, if any, will be payable, at our option, in cash, shares of the acquiring company's common stock or a combination of cash and shares of the acquiring company's common stock. See Description of notes Conversion rights Fundamental changes involving an acquisition of us by a public acquirer.

Sinking fund

None.

Redemption of notes at our option

On or after August 1, 2011, we may from time to time at our option redeem the notes, in whole or in part, at a redemption price in cash equal to 100% of the principal amount of the notes we redeem, plus any accrued and unpaid interest to, but excluding, the redemption date. See Description of notes Redemption of notes at our option.

Purchase of notes by us at the option of the holder

On each of August 1, 2011, August 1, 2016 and August 1, 2021, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date. See Description of notes Purchase of notes by us at the option of the holder.

Right of holder to require us to repurchase notes if a fundamental change occurs

If a fundamental change, as described in this prospectus supplement, occurs, holders may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. See Description of notes Holders may require us to repurchase their notes upon a fundamental change.

Events of default

If an event of default on the notes has occurred and is continuing, the principal amount of the notes plus any accrued and unpaid interest may become immediately due and payable. These amounts automatically become due and payable upon certain events of default. See Description of notes Events of default.

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Important United States federal income tax consequences

We and each holder of notes will agree to treat the notes, for United States federal income tax purposes, as debt instruments that are subject to the Treasury regulations that govern contingent payment debt instruments and to be bound by our applications of such regulations to the notes, including our determination that the rate at which interest will be deemed to accrue for United States federal income tax purposes will be 7.375% compounded semi-annually. Accordingly, taxable U.S. holders will recognize taxable income significantly in excess of cash received while the notes are outstanding. In addition, taxable U.S. holders will recognize ordinary income upon a sale, exchange, conversion, redemption, or repurchase of the notes at a gain. See Important United States federal income tax consequences.

Use of proceeds

The net proceeds to us from this offering are expected to be approximately \$292,375,000 (or approximately \$336,306,250 if the underwriters exercise in full their option to purchase additional notes). We intend to use the net proceeds from this offering to acquire or invest in businesses, products or technologies that are complementary to our own, and for general corporate purposes, including capital expenditures and working capital. Pending such uses, we will invest the proceeds in short-term, investment-grade securities, certificates of deposit or guaranteed obligations of the United States or other governments or their agencies. See Use of proceeds.

DTC eligibility

The notes will be issued in book-entry-only form and will be represented by one or more global certificates, without interest coupons, deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in the notes will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, holders may not exchange interests in their notes for certificated securities. See Description of notes Form, denomination and registration of notes.

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Listing

Our common stock is traded on the Nasdaq Global Select Market under the symbol ITRI. We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system.

Risk factors

Investment in the notes involves risks. You should carefully consider the information under Risk Factors and all other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus before investing in the notes.

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The following summary historical consolidated financial data for the six month periods ended June 30, 2006 and June 30, 2005 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements incorporated by reference in this prospectus supplement. The summary financial data for each of the years in the three year period ended December 31, 2005 are derived from, and are qualified by reference to, our audited consolidated financial statements incorporated by reference in this prospectus supplement. This summary data should be read in conjunction with our audited consolidated financial statements and related notes, our unaudited condensed consolidated financial statements and related notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006, incorporated by reference herein. Our unaudited condensed consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of our financial condition and results of operations for such periods. The summary consolidated financial data for the interim six month periods are not necessarily indicative of the results that can be expected for a full fiscal year.

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004(1)	2005	2005	2006
(in thousands, except per share amounts)					
Consolidated Statement of Operations Data:					
Revenues	\$ 316,965	\$ 399,194	\$ 552,690	\$ 251,593	\$ 319,363
Cost of revenues	173,411	228,525	319,069	143,856	183,557
Gross profit	143,554	170,669	233,621	107,737	135,806
Operating income	21,694	3,962	46,238	16,084	36,648
Net income (loss)	\$ 10,478	\$ (5,257)	\$ 33,061	\$ 10,130	\$ 17,273
Net income (loss) per share					
Basic	\$ 0.51	\$ (0.25)	\$ 1.41	\$ 0.46	\$ 0.68
Diluted	\$ 0.48	\$ (0.25)	\$ 1.33	\$ 0.43	\$ 0.66
Shares used in per share calculations					
Basic	20,413	20,922	23,394	22,135	25,237
Diluted	21,740	20,922	24,777	23,677	26,216

	As of June 30, 2006	
	Actual	As Adjusted(2)
(in thousands)		
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 46,587	\$ 338,962
Working capital	136,058	428,433
Total assets	613,971	913,971
Total liabilities	250,889	550,889
Total shareholders' equity	363,082	363,082

- (1) The Consolidated Statement of Operations Data for the year ended December 31, 2004 include the operating activities of our Electricity Metering acquisition from July 1, 2004 through December 31, 2004.
- (2) Adjusted to give effect to the offering of the notes (assuming no exercise of the underwriters' over-allotment option and not giving effect to conversion of the notes) and after deducting underwriting discounts and commissions and our estimated offering expenses.

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	Year Ended December 31,			Six Months Ended, June 30,	
	2003	2004	2005	2005	2006
	(in thousands)				
Other Financial Data:					
Cash provided by operating activities	\$ 10,256	\$ 53,055	\$ 79,617	\$ 36,589	\$ 56,771
Cash used in investing activities	(85,179)	(267,101)	(30,571)	(2,156)	(20,754)
Cash provided (used) by financing activities	48,599	219,430	(27,032)	(36,099)	(23,068)
Capital expenditures	\$ 9,630	\$ 12,788	\$ 31,973	\$ 5,276	\$ 14,420

Ratio of Earnings to Fixed Charges

	Year Ended December 31,					Six Months Ended June 30,
	2001	2002	2003	2004	2005	2006
Ratio of earnings to fixed charges (1)	4.6	5.7	4.4	n/a (2)	2.3	4.0

- (1) Computed by dividing (i) earnings before taxes, less equity in affiliates, plus fixed charges by (ii) fixed charges, which consist of interest on indebtedness and amortization of debt issuance costs plus that portion of lease rental expense representative of the interest factor.
- (2) Due to our loss in 2004, the ratio coverage was less than 1:1. Additional earnings of \$9.4 million would have been needed to achieve a coverage of 1:1.

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Risk factors

Your investment in the notes involves certain risks. Before deciding to invest, you should consider carefully, among other matters, the following discussion of risks and other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

If any of these risks are realized, our business, prospects, financial condition, results of operations and ability to service debt could be materially adversely affected.

RISK FACTORS RELATED TO OUR BUSINESS

We are dependent on the utility industry, which has experienced volatility in capital spending.

We derive the majority of our revenues from sales of products and services to the utility industry. Purchases of our products may be deferred as a result of many factors including mergers and acquisitions, regulatory decisions, weather conditions, rising interest rates, utility specific financial situations and general economic downturns. We have experienced, and may in the future experience, variability in operating results, on both an annual and a quarterly basis, as a result of these factors.

Utility industry sales cycles can be lengthy and unpredictable.

Sales cycles with customers in the utility industry, both domestic and foreign, are generally long and unpredictable due to customers' budgeting, purchasing and regulatory processes that can take up to several years to complete. Our utility customers typically issue requests for quotes and proposals, establish evaluation committees, review different technical options with vendors, analyze performance and cost/benefit justifications and perform a regulatory review, in addition to applying the normal budget approval process within a utility.

Our quarterly results may fluctuate substantially.

We have experienced variability of quarterly results, including losses, and believe our quarterly results will continue to fluctuate as a result of many factors, including costs related to acquisitions, in-process research and development (IPR&D) and intangible amortization expenses, stock-based compensation, legal activity, unexpected warranty liabilities, restructuring charges, size and timing of significant customer orders, FCC or other governmental actions, the gain or loss of significant customers, timing and levels of new product developments, shifts in product or sales channel mix, increased competition and pricing pressure and general economic conditions affecting enterprise spending for the utility industry.

A significant portion of our revenues are generated from a limited number of customers.

Historically, our revenues have been concentrated with a limited number of customers, which change over time. One customer, Progress Energy, represented 21% of revenues for the six months ended June 30, 2006. The ten largest customers accounted for approximately 42% of revenues for the same period. The ten largest customers accounted for 26%, 30% and 35% of revenues for the years ended 2005, 2004 and 2003, respectively. No customer represented more than 10% of total company revenues in 2005, 2004 or 2003. From time to time, we are dependent on large, multi-year contracts that are subject to cancellation or rescheduling by our customers due to many factors, such as extreme,

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Risk factors

unexpected weather conditions or possible acts of terrorism. Cancellation or postponement of one or more of these significant contracts could have a material adverse effect on us. For example, in 2003, we had a large electric utility reschedule approximately \$8 million of shipments booked for 2003 to 2004 due to the utility's need to divert capital spending in order to rebuild critical infrastructure as a result of damage caused by a hurricane. In addition, if a large customer contract is not replaced upon its expiration with a new large contract, our business could be negatively affected.

Our acquisitions of, and investments in, third parties carry risks.

We have acquired seven companies since December 31, 2001 and recorded acquisition investments of approximately \$8 million as of June 30, 2006, \$256 million in 2004 and \$71 million in 2003. We expect to complete additional acquisitions and investments in the future both foreign and domestic. There are no assurances, however, that we will be able to successfully identify suitable candidates or negotiate appropriate acquisition terms. In order to finance future acquisitions, we may need to raise additional funds through public or private financings, and there are no assurances that we would be able to do so on acceptable terms. Acquisitions and investments involve numerous risks such as the diversion of senior management's attention, unsuccessful integration of the acquired entity's personnel, operations, technologies and products, lack of market acceptance of new services and technologies, difficulties in operating businesses in foreign legal jurisdictions, changes in the legal and regulatory environment or a shift in industry dynamics that negatively impacts the forecasted demand for the new products. Impairment of an investment or goodwill and intangible assets may result if these risks materialize. There can be no assurances that an acquired business will perform as expected, accomplish our strategic objective or generate significant revenues, profits or cash flows. In addition, acquisitions and investments in third parties may involve the assumption of obligations or significant one-time write-offs. Charges associated with acquisitions have included IPR&D expense, such as the \$6.4 million incurred in the fourth quarter of 2004 associated with our Electricity Metering acquisition. In addition, we have incurred impairments and write-offs of minority interest investments.

We depend on our ability to develop new products.

Our future success will depend, in part, on our ability to continue to design and manufacture new competitive products and to enhance and sustain our existing products, including to address technological advances, changing customer requirements, international market acceptance and other factors in the markets in which we sell our products. This product development will require continued investment in order to maintain our market position. We have made, and expect to continue to make, substantial investments in technology development. However, we may experience unforeseen problems in the development or performance of our technologies or products. In addition, we may not meet our product development schedules. Finally, we may not achieve market acceptance of our new products and solutions.

We are facing increasing competition.

We face competitive pressures from a variety of companies in each of the markets we serve. Some of our present and potential future competitors have, or may have, substantially greater financial, marketing, technical or manufacturing resources, and in some cases, greater name recognition and experience than we have. Some competitors may enter markets we serve and sell products at low prices in order to obtain market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products and services than we can. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is

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possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. In connection with our Electricity Metering acquisition and as an accommodation to concerns raised by the Federal Trade Commission (FTC) regarding competition, we completed an agreement with Hunt Technologies, Inc., another AMR vendor, to license some of our electric meter module technology and certain other technology. Also to accommodate the FTC, we assigned to Neptune Technology Group Holdings, Inc. certain provisions of a 1995 license to make devices capable of receiving and reading transmissions from R-300 and electric AMR modules. The licenses are fully paid and expired in April 2006. We cannot be certain that these agreements will not materially affect our future sales growth at some point. Other companies may also produce products that are equal or superior to our products, which could reduce our market share, reduce our overall sales and require us to invest additional funds in new technology development. We may also have to adjust the prices of some of our products to stay competitive. If we cannot compete successfully against current or future competitors, this will have a material adverse effect on our business, financial condition, results of operations and cash flow.

We are affected by availability and regulation of radio spectrum.

A significant number of our products use radio spectrum and in the United States are subject to regulation by the FCC. Licenses for radio frequencies must be obtained and periodically renewed. Licenses granted to us or our customers may not be renewed on acceptable terms, if at all. The FCC may adopt changes to the rules for our licensed and unlicensed frequency bands that are incompatible with our business. In the past, the FCC has adopted changes to the requirements for equipment using radio spectrum, and it is possible that the FCC or Congress will adopt additional changes.

We have committed, and will continue to commit, significant resources to the development of products that use particular radio frequencies. Action by the FCC could require modifications to our products. The inability to modify our products to meet such requirements, the possible delays in completing such modifications and the cost of such modifications all could have a material adverse effect on our future financial condition and results of operations.

Our radio-based products currently employ both licensed and unlicensed radio frequencies. There must be sufficient radio spectrum allocated by the FCC for our intended uses. As to the licensed frequencies, there is some risk that there may be insufficient available frequencies in some markets to sustain our planned operations. The unlicensed frequencies are available for a wide variety of uses and may not be entitled to protection from interference by other users who operate in accordance with FCC rules. The unlicensed frequencies are also often the subject of proposals to the FCC requesting a change in the rules under which such frequencies may be used, including a currently pending notice of proposed rulemaking. If the unlicensed frequencies become unacceptably crowded, restrictive or subject to changed rules governing their use, our business could be materially adversely affected.

We are also subject to regulatory requirements in foreign markets that vary by country. In those jurisdictions, licenses are generally required to operate a radio transmitter and such licenses may be for a fixed term and must be periodically renewed. In some jurisdictions, the rules permit certain low power devices to operate on an unlicensed basis. Most of our AMR modules and AMR-equipped electronic residential electricity meters are devices that transmit information back to handheld, mobile or fixed network AMR reading devices in unlicensed bands pursuant to rules regulating such use. To the extent we wish to introduce products designed for use in the United States or another country into a new market, such products may require significant modification or redesign in order to meet frequency requirements and other regulatory specifications. Further, in some countries, limitations on frequency availability or the cost of making necessary modifications may preclude us from selling our products in those countries.

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We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, re-engineer, or rebrand certain products or packaging, any of which could affect our business, financial condition and results of operations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees, expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, financial condition and results of operations.

If our products infringe the intellectual property rights of others, we may be required to indemnify our customers for any damages they suffer. We generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend a protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

We may be unable to adequately protect our intellectual property.

While we believe that our patents, trademarks and other intellectual property have significant value, it is uncertain that this intellectual property, or any intellectual property acquired or developed by us in the future, will provide meaningful competitive advantages. There can be no assurance that our patents or pending applications will not be challenged, invalidated or circumvented by competitors or that rights granted thereunder will provide meaningful proprietary protection. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To combat infringement or unauthorized use, we may need to commence litigation, which can be expensive and time-consuming. In addition, in an infringement proceeding a court may decide that a patent or other intellectual property right of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology or other intellectual property right at issue on the grounds that it is non-infringing or the legal requirements for an injunction have not been met. Policing unauthorized use of our intellectual property is difficult and expensive, and we cannot provide assurance that we will be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as do the laws of the United States.

We may face warranty exposure that exceeds our recorded liability.

We provide product warranties for varying lengths of time. In anticipation of warranty expenses, we establish allowances for the estimated liability associated with product warranties and product-failure related costs. However, these warranty and related product-failure allowances may be inadequate due to undetected product defects, unanticipated component failures, as well as changes in various estimates for material, labor and other costs we may incur to replace projected product failures. Therefore, we may incur additional warranty and related expenses in the future with respect to new or established products. In 2004 and 2003, we incurred approximately \$2.6 million and \$12.3 million, respectively, of warranty expense that had not previously been anticipated for a specific product failure that resulted from a defective component provided by a supplier.

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Our key manufacturing facilities are concentrated.

A substantial portion of our revenues is derived from the sale of electricity meters, which we manufacture in our Oconee facility, and from the sale of AMR meter modules, which we manufacture in our Waseca facility. In the event of a significant interruption in production at either of our manufacturing facilities, considerable time and effort could be required to establish alternative production lines, which would have a material adverse effect on our business, financial condition and results of operation.

A number of key personnel are critical to the success of our business.

Our success depends in large part on the efforts of our highly qualified technical and management personnel in all disciplines. The loss of one or more of these employees and the inability to attract and retain qualified replacements could have a material adverse effect on our business.

We depend on certain key vendors.

Certain of our products, subassemblies and system components are procured from limited sources. Our reliance on such limited sources involves certain risks, including the possibility of shortages and reduced control over delivery schedules, manufacturing capability, quality and costs. Any adverse change in the supply of, or price for, these components could adversely affect our business, financial condition and results of operations. In addition, we depend on a small number of contract manufacturing vendors for a large portion of our low-volume manufacturing business and all of our repair services for our domestic handheld meter reading units. If any of these vendors should become unable to perform their responsibilities, our operations could be materially disrupted.

We are subject to international business uncertainties.

We conduct operations outside the United States. International sales and operations may be subject to risks such as the imposition of government controls, political instability, terrorist activities, restrictions on the import or export of critical technology, currency exchange rate fluctuations, adverse tax burdens, availability of qualified third-party financing, generally longer collection periods, trade restrictions, changes in tariffs, difficulties in staffing and managing foreign operations, potential insolvency of international dealers, burdens of complying with different permitting standards and a wide variety of foreign laws and obstacles to the repatriation of earnings and cash. Fluctuations in the value of the U.S. dollar may impact our ability to compete in international markets. International expansion and market acceptance depend on our ability to modify our technology to take into account such factors as the applicable regulatory and business environment, labor costs and other economic conditions. In addition, the laws of certain countries do not protect our products or technology to the same extent as do the laws of the United States. There can be no assurance that these factors will not have a material adverse effect on our future international sales and, consequently, on our business, financial condition and results of operations.

We are subject to regulatory compliance.

We are subject to various governmental regulations including those related to occupational safety and health, labor and wage practices and regulations regarding the performance of certain engineering services. Failure to comply with current or future regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations or other actions, which could materially and adversely affect our business, financial condition and results of operations.

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We may incur liabilities arising from the use of hazardous materials.

Our business and our facilities are subject to a number of federal, state and local laws, regulations and ordinances governing, among other things, the storage, discharge, handling, emission, generation, manufacture, disposal, remediation of, or exposure to toxic or other hazardous substances and certain waste products. Many of these environmental laws and regulations subject current or previous owners or operators of land to liability for the costs of investigation, removal or remediation of hazardous materials. In addition, these laws and regulations typically impose liability regardless of whether the owner or operator knew of, or was responsible for, the presence of any hazardous materials and regardless of whether the actions that led to the presence were conducted in compliance with the law. In the ordinary course of our business, we use metals, solvents and similar materials, which are stored on site. The wastes created by the use of these materials is transported off site on a regular basis by unaffiliated waste haulers. Many environmental laws and regulations (most notably, the federal Superfund law and its state counterparts) require generators of waste to take remedial actions at, or in relation to, the off site disposal location even if the disposal was conducted in compliance with the law. The requirements of these laws and regulations are complex, change frequently and could become more stringent in the future. Failure to comply with current or future environmental regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations or other actions, which could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that a claim, investigation or liability will not arise with respect to these activities, or that the cost of complying with governmental regulations in the future, will not have a material adverse effect on us.

With respect to our Oconee facility, certain environmental remedial activities are required pursuant to a consent agreement between Schlumberger (and various related parties), from whom we purchased our Electricity Metering operations in July 2004, and the South Carolina Department of Health and Environmental Control (SCDHEC). Prior remedial activities also were undertaken at this site under the aegis of the United States Environmental Protection Agency. The consent agreement with the SCDHEC requires Schlumberger to investigate and remediate groundwater and related soil and surface water contamination and releases of any hazardous waste or hazardous constituents that present an actual or potential threat to human health and the environment. Under the terms of our Electricity Metering acquisition, Schlumberger agreed to complete all remedial obligations associated with the consent agreement, and agreed to indemnify us for all costs incurred as a result of any releases and generation or transportation of hazardous materials prior to the acquisition. Although we expect Schlumberger to comply with the terms of the consent agreement and the acquisition, there is a risk that such remediation will interfere with our future use of the Oconee property, or if Schlumberger does not comply, the remediation responsibility would transfer to us. In addition, in connection with the Oconee operations, we have been named a potentially responsible party for the Thermal Kern Superfund site. We believe that our liability for this site should be indemnified by Schlumberger; however, as of this date, Schlumberger has not agreed to assume or accept such liability, and we may be required to incur costs relating to this cleanup as a result.

We also could face costs and liabilities in connection with product take-back legislation. The European Union has enacted the Waste Electrical and Electronic Equipment Directive, which makes producers of certain types of electrical equipment financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. The deadline for the individual member states of the EU to enact the directive in their respective countries was August 13, 2004 (such legislation, together with the directive is referred to as the WEEE Legislation). Producers participating in the market became financially responsible for implementing their responsibilities under the WEEE Legislation beginning in

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August 2005. Implementation in certain EU member states may be delayed into 2006. Similar legislation has been or may be enacted in other jurisdictions, including the United States, Canada, Mexico, China and Japan. Our potential liability resulting from the WEEE and similar legislations could become substantial.

Our senior secured credit facility and the indenture related to our existing senior subordinated notes limit our ability and the ability of most of our subsidiaries to take certain actions.

Our senior secured credit facility and our 7.75% senior subordinated notes due 2012, among other things, place restrictions on our ability and the ability of our restricted subsidiaries to, among other things:

Ø incur more debt;

Ø pay dividends and make distributions;

Ø make certain investments;

Ø redeem or repurchase capital stock;

Ø create liens;

Ø enter into transactions with affiliates;

Ø enter into sale lease-back transactions;

Ø merge or consolidate; and

Ø transfer or sell assets.

Our senior secured credit facility also contains other customary covenants, including requiring us to meet specified financial ratios and financial tests. Our ability to borrow under our senior secured credit facility will depend on the satisfaction of these covenants. Events beyond our control can affect our ability to meet those covenants.

Our failure to comply with obligations under the indenture or the senior secured credit facility may result in declaration of an event of default. An event of default, if not cured or waived, may permit acceleration of such indebtedness. In addition, indebtedness under other instruments (such as the notes) that contain cross-default or cross-acceleration provisions also may be accelerated and become due and payable. We cannot be certain we will be able to remedy any such defaults. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to borrow sufficient funds to replace the accelerated indebtedness on terms favorable to us or at all. In addition, in the case of an event of default under our secured indebtedness such as our senior secured credit facility, the lenders may be permitted to foreclose on our assets securing that indebtedness.

Our ability to service our indebtedness is dependant on our ability to generate cash, which is influenced by many factors beyond our control.

Our ability to make payments on or refinance our indebtedness, fund planned capital expenditures and continue research and development will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

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RISKS RELATED TO AN INVESTMENT IN THE NOTES

We have a significant amount of debt. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

We have a significant amount of debt and substantial debt service requirements. As of June 30, 2006, we had approximately \$124.3 million of outstanding debt, and, after giving effect to this offering, we would have had approximately \$424.3 million of outstanding debt (\$469.3 million, if the underwriters exercise their over-allotment option in full). In addition, \$32.5 million is available for future borrowings under our senior secured credit facility, and we are permitted under the terms of our debt agreements to incur substantial additional debt.

This level of debt could have significant consequences on our future operations, including:

- Ø making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;
- Ø resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable and, in the case of an event of default under our secured debt, such as our senior secured credit facility, could permit the lenders to foreclose on our assets securing that debt;
- Ø reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- Ø subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our senior secured credit facility;
- Ø limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- Ø placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

The notes and any guarantees of the notes will be subordinated to all of our and any guarantor s, respectively, senior debt and will rank equal in right of payment with our existing senior subordinated notes and any guarantees thereof by the note guarantors.

The notes and any guarantees of the notes will be contractually subordinated to all of our and any guarantor s, respectively, existing and future senior debt and will rank equal in right of payment with our existing senior subordinated notes and any guarantees thereof by the note guarantors. As a result, upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or any similar proceeding relating to us or our property, the holders of our senior debt will be entitled to be paid in full in cash before any payment may be made with respect to the notes and any guarantees of the notes, and the notes and any guarantees of the notes will be required to share any remaining assets available for distribution with holders of other senior subordinated indebtedness, including our existing senior subordinated notes. In addition, all payments on the notes will be blocked in the event of a payment default on our designated senior debt and may be blocked for up to 179 of 360 consecutive days in the event of certain non-payment defaults on our designated senior debt. The obligations of any subsidiary

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guarantors of the notes under their subsidiary guarantees will be subordinated, to the same extent as our obligations in respect of the notes, to the prior payment in full in cash of all senior debt of that subsidiary guarantor, which will include our indebtedness under our senior secured credit facility and any guarantee by that subsidiary guarantor of any of our other senior debt.

Our assets remaining after payment of our senior debt may be insufficient to repay the notes (which such remaining assets would be shared with holders of other senior subordinated indebtedness, including our existing senior subordinated notes). As of June 30, 2006, we had no senior indebtedness outstanding, and \$32.5 million was available for future borrowings under our senior secured credit facility. We and any subsidiary guarantors are permitted under the terms of our debt agreements to incur substantial additional debt, all of which could be senior debt, in the future.

The notes and any guarantees of the notes will not be secured by any of our or any subsidiary guarantor's assets, and our and any subsidiary guarantor's secured debt will have claims with respect to our and any subsidiary guarantor's assets superior to the notes.

The notes and any guarantees of the notes will not be secured by any of our assets. However, the indebtedness we incur under our senior secured credit facility is secured by substantially all of our and any guarantors' assets. As of June 30, 2006, we had no senior indebtedness outstanding, and \$32.5 million was available for future borrowings under our senior secured credit facility. In addition, future indebtedness that we incur may be secured by our and any guarantors' assets. If we or any guarantors of the notes become insolvent or are liquidated, or if payment of any secured indebtedness is accelerated, the holders of the secured indebtedness will be entitled to exercise the remedies available to secured lenders under applicable law, including the ability to foreclose on and sell the assets securing such indebtedness in order to satisfy such indebtedness. In any such case, any remaining assets may be insufficient to repay the notes.

The notes and any guarantees of the notes will be structurally subordinated to indebtedness of any of our subsidiaries that are not required to guarantee the notes.

As of the issue date of the notes, the notes will not be guaranteed by any of our subsidiaries. However, our obligations under the notes will be unconditionally guaranteed, jointly and severally, on an unsecured senior subordinated basis by any future subsidiaries that guarantee our obligations under our 7.75% senior subordinated notes due 2012 or any future senior subordinated indebtedness. Our 7.75% senior subordinated notes are required to be guaranteed by our existing and future domestic subsidiaries, other than immaterial subsidiaries, however as of the issue date of the notes the only guarantors of the senior subordinated notes are certain non-operating subsidiaries which will not guarantee the notes. Provided that we do not issue any other senior subordinated indebtedness guaranteed by any of our subsidiaries, any guarantees of the notes will terminate at such time as our 7.75% senior subordinated notes have been paid in full. As of June 30, 2006, our operating subsidiaries that are not required to guarantee the notes had approximately \$32.6 million of liabilities outstanding. Upon any distribution to creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to any of our subsidiaries that are not required to guarantee the notes or their property, the creditors of that subsidiary will be entitled to be paid in full before the subsidiary will be able to distribute any assets to us to satisfy our obligations, including our obligations under the notes. The assets of that subsidiary may not be sufficient to pay all of its creditors, in which case holders of the notes would not be entitled to receive any payments on their notes from the assets of that subsidiary. In addition, our subsidiaries that are not required to guarantee the notes may, from time to time, be subject to certain contractual or other restrictions on their ability to make distributions or loans to us, which in turn could adversely affect our ability to make payments on the notes. We cannot assure you that our subsidiaries will have the ability to make distributions or loans to us.

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We may be unable to pay interest on the notes, repurchase the notes for cash when required by the holders, including following a fundamental change, or to pay the cash portion of the conversion value upon conversion of any notes by the holders.

The notes bear interest semi-annually at a rate of 2.50% per year, and in certain circumstances, we are required to pay contingent interest to holders of the notes. Holders of the notes have the right to require us to repurchase the notes on August 1, 2011, August 1, 2016 and August 1, 2021 or upon the occurrence of a fundamental change prior to maturity as described under Description of notes Purchase of notes by us at the option of the holder and Holders may require us to repurchase their notes upon a fundamental change. Moreover, upon conversion of the notes, we are required to settle a portion of the conversion value in cash. Our existing debt agreements contain, and any of our future debt agreements may contain, similar repurchase and cash settlement provisions. We may not have sufficient funds to make the required cash payment upon conversion or to purchase or repurchase the notes in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to pay cash upon conversion or to purchase or repurchase the notes in cash may be limited by law or the terms of agreements relating to our debt outstanding at the time. However, if we fail to pay interest on the notes, repurchase or purchase the notes or pay cash upon conversion as required by the indenture, it would constitute an event of default under the indenture governing the notes, which, in turn, would constitute an event of default under our senior secured credit facility and could cause an event of default under our other debt agreements. An event of default under our senior secured credit facility or our other debt agreements would permit the lenders to accelerate the repayment of such indebtedness, and we may not have sufficient funds to repay such indebtedness and the notes, and we may not be able to find alternative financing on acceptable terms, if at all. In addition, in the case of an event of default under our secured indebtedness such as our senior secured credit facility, the lenders may be permitted to foreclose on our assets securing that indebtedness.

The make whole amount payable on notes converted in connection with certain fundamental changes may not adequately compensate you for the lost option time value of your notes as a result of such transaction.

If certain transactions that constitute a fundamental change occur prior to August 1, 2011, under certain circumstances, we will increase, for the time period described herein, the conversion rate by a number of additional shares for any conversions of notes in connection with such transaction. The number of additional shares will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our common stock in the transaction constituting a fundamental change, as described below under Description of notes Conversion rights Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change. Although the number of additional shares is designed to compensate you for the lost option time value of your notes as a result of such transaction, the make whole amount is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if such transaction occurs on or after August 1, 2011, or if the price of our common stock on the conversion date is less than \$46.54 or greater than \$200.00, the conversion rate will not be increased. Moreover, in no event will the total number of shares of common stock issuable upon conversion as a result of this adjustment exceed 21.4869 per \$1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rate set forth under Description of notes Conversion rights The increase in the conversion rate. Our obligation to increase the conversion rate in connection with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

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Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you have the right to convert your notes or require us to offer to repurchase the notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the notes or enabling you to convert your notes. In the event of any such transaction, the holders would not have the right to convert their notes or require us to repurchase their notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

Under certain circumstances, a court could cancel the obligations under any guarantees of the notes.

Under federal bankruptcy law and comparable provisions of state and federal nonbankruptcy fraudulent transfer laws, under certain circumstances a court could avoid (i.e., cancel) a guarantee, and order the return of any payments made thereunder to the guarantor or to a fund for the benefit of its other creditors.

A court might take these actions if it found that when the guarantor entered into its guarantee (or, in some jurisdictions, when payments became due on its guarantee), (i) it received less than reasonably equivalent value or fair consideration for its guarantee, and (ii) any of the following conditions was then satisfied:

- Ø the guarantor was insolvent or rendered insolvent by reason of incurring its obligations under its guarantee or granting a security interest in its assets;
- Ø the guarantor was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- Ø the guarantor intended to incur, or believed (or reasonably should have believed) that it would incur, debts beyond its ability to pay as those debts matured.

In applying these factors, a court would likely find that a subsidiary guarantor did not receive fair consideration or reasonably equivalent value for its guarantee, except to the extent that it benefited directly or indirectly from the notes' issuance. The determination of whether a subsidiary was or was rendered insolvent would vary depending on the law of the jurisdiction being applied. Generally, an entity would be considered insolvent if the sum of its debts (including contingent or unliquidated debts) is greater than all of its property at a fair valuation or if the present fair salable value of its assets is less than the amount that will be required to pay its probable liability on its existing debts (including contingent or unliquidated debts) as they become absolute and matured.

A court might also avoid a guarantor's guarantee if the court concluded that the guarantor entered into the guarantee with actual intent to hinder, delay, or defraud creditors. If a court avoided a guarantor's guarantee, you would no longer have a claim against that subsidiary, and the claims of creditors of the subsidiary generally would be entitled to payment in full before the subsidiary paid any dividends or made any distributions to us for the purpose of our satisfying any claims under the notes.

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Risk factors

There is currently no public market for the notes, and an active trading market may not develop for the notes. The failure of a market to develop for the notes could adversely affect the liquidity and value of your notes.

The notes are a new issue of securities, and there is no existing market for the notes. Moreover, the notes will not be listed on any securities exchange or quoted on any automated quotation system. A market may not develop for the notes, and there can be no assurance as to the liquidity of any market that may develop for the notes. If an active, liquid market does not develop for the notes, the market price and liquidity of the notes may be adversely affected. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our common stock, our ability to register the resale of the notes and the shares of common stock issuable upon conversion of the notes, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

The conditional conversion feature of the notes could result in your receiving less than the value of the common stock into which a note is convertible.

Prior to August 1, 2024, the notes are convertible into shares of our common stock only if specified conditions are met. If these conditions are not met, you will not be able to convert your notes, and you may not be able to receive the value of the common stock into which the notes would otherwise be convertible.

Upon conversion of the notes, we will pay a settlement amount consisting of cash and, at our option, cash or shares of our common stock or a combination of cash and shares of our common stock, if any, based upon a specified observation period, and you may receive less proceeds than expected because the value of our common stock may decline after you exercise your conversion right.

The conversion value that you will receive upon conversion of your notes is based on a daily conversion value, as described in this prospectus supplement, calculated on a proportionate basis for each day of the relevant 20 trading-day observation period. Generally, we will satisfy our conversion obligation to holders by paying cash equal to the principal amount of a note and by delivering, at our option, cash or shares of our common stock or a combination of cash and shares of our common stock, based on a daily conversion value calculated on a proportionate basis for each day of the 20 trading-day observation period. Accordingly, upon conversion of a note, holders might not receive any shares of our common stock, or they might receive fewer shares of common stock relative to the conversion value of the note as of the conversion date. In addition, because of the 20 trading-day observation period, settlement will be delayed until at least the 23rd trading day following the related conversion date. See Description of notes. In addition, upon conversion of the notes, you may receive less proceeds than expected because the price of our common stock may decrease (or not appreciate as much as you may expect) between the conversion date and the day the settlement amount of your notes is determined.

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Risk factors

The notes do not restrict our ability to take certain actions that could negatively impact holders of the notes.

We are not restricted under the terms of the notes from incurring additional debt, including secured debt. In addition, the limited covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due. Certain of our other debt instruments may, however, restrict these and other actions.

The price of our common stock, and therefore of the notes, may fluctuate significantly, and this may make it difficult for you to resell the notes or common stock issuable upon conversion of the notes when you want or at prices you find attractive.

The price of our common stock on the Nasdaq Global Select Market constantly changes. During 2005, the closing sale price of our common stock ranged from \$21.50 to \$53.61, and during the first two quarters of 2006, the closing sale price of our common stock ranged from \$40.04 to \$72.81. The closing sale price on July 31, 2006 was \$46.54. We expect that the market price of our common stock will continue to fluctuate. In addition, because the notes are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- Ø quarterly variations in our operating results;
- Ø operating results that vary from the expectations of management, securities analysts and investors;
- Ø changes in expectations as to our future financial performance;
- Ø announcements of innovations, new products and technology, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- Ø the operating and securities price performance of other companies that investors believe are comparable to us;
- Ø future sales of our equity or equity-related securities;
- Ø changes in general conditions in our industry and in the economy, the financial markets and the domestic or international political situation;
- Ø developments or disputes (including lawsuits);
- Ø departures of key personnel; and

Ø regulatory considerations.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results.

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Risk factors

Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock and the value of the notes and our ability to raise funds in new stock offerings.

Future sales of substantial amounts of our common stock or equity-related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and the value of the notes and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock or the value of the notes.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have rights with respect to our common stock only if you convert your notes, which you are permitted to do only in limited circumstances described herein. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of our common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

The conversion rate of the notes may not be adjusted for all dilutive events, including third-party tender or exchange offers that may adversely affect the trading price of the notes or the common stock issuable upon conversion of the notes.

The conversion rate of the notes is subject to adjustment upon certain events, including the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, cash dividends and issuer tender or exchange offers as described under [Description of notes](#) [Conversion rights](#) [Adjustments to the conversion rate](#). The conversion rate will not be adjusted for certain other events, such as third-party tender or exchange offers, that may adversely affect the trading price of the notes or the common stock issuable upon conversion of the notes.

In addition, in no event will the conversion rate be adjusted to an amount that exceeds 21.4869 shares per \$1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rate. See [Description of notes](#) [Conversion rights](#) [Adjustments to the conversion rate](#).

Conversion of the notes will dilute the ownership interest of existing shareholders, including holders who had previously converted their notes.

To the extent we issue common stock upon conversion of the notes, the conversion of some or all of the notes will dilute the ownership interests of existing shareholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

The notes may not be rated or may receive a lower rating than anticipated.

We do not intend to seek a rating on the notes. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future the market price of the notes and our common stock could be harmed.

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Risk factors

You are urged to consider the United States federal income tax consequences of owning the notes.

We and each holder will agree in the indenture to treat the notes for United States federal income tax purposes as contingent payment debt instruments subject to United States federal income tax rules applicable to contingent payment debt instruments. Under that treatment, a taxable U.S. Holder (as defined herein) will be required to include interest in taxable income in each year significantly in excess of the amount of interest payments, including contingent interest payments, actually received by it in that year. You will recognize gain or loss on the sale, repurchase by us at your option, exchange, conversion or redemption of a note in an amount equal to the difference between the amount realized, including the fair market value of any of our common stock received, and your adjusted tax basis in the note. Any gain recognized by you on the sale, repurchase by us at your option, exchange, conversion or redemption of a note generally will be treated as ordinary interest income and any loss will be treated as ordinary loss to the extent of the interest previously included in income and, thereafter, as capital loss. A discussion of the United States federal income tax consequences of the purchase, ownership, conversion and other disposition of the notes is included in this prospectus supplement under the heading Important United States federal income tax consequences.

If we pay a cash dividend on our common stock, we are required under the indenture, subject to certain exceptions, to adjust the conversion rate. As a result of the adjustment to the conversion rate, you may be deemed to have received a taxable dividend subject to United States federal income tax without the receipt of any cash. See Important United States federal income tax consequences.

Our rights plan and our ability to issue additional preferred stock could harm the rights of our common shareholders.

Each share of our outstanding common stock is associated with one right to acquire one one-hundredth (1/100) of a share of our Series R Participating Cumulative Preferred Stock, without par value at a purchase price of \$160.00.

The rights only become exercisable in certain limited circumstances on the distribution date, which is the earlier of: (1) the close of business on the tenth business day after a public announcement that a person has acquired beneficial ownership of 15% or more of our outstanding shares of common stock; and (2) a date that our Board of Directors designates following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for outstanding shares of common stock that could result in the offeror becoming the beneficial owner of 15% or more of our outstanding shares of common stock. Prior to the earlier of the December 11, 2012 expiration date of the rights and a person becoming the beneficial owner of 15% or more of our outstanding shares of common stock, the rights are redeemable by us at a price of \$0.01 per right. If the rights are not redeemed, each right will then entitle the holder to purchase for the purchase price common stock having the value of twice the then-current purchase price. After a person becomes the beneficial owner of 15% or more of our outstanding shares of common stock, but before a person becomes the beneficial owner of more than 50% of these shares, our Board of Directors may elect to exchange each preferred share purchase right, other than those that have become null and void and nontransferable as described above, for shares of common stock, without payment of the purchase price. The exchange rate in this situation would be one-half of the number of shares of common stock that would otherwise be issuable at that time upon the exercise of one preferred share purchase right.

Some provisions in the rights plan may have the effect of discouraging a third party from making an acquisition proposal for us and may thereby inhibit a change in control. For example, such provisions

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Risk factors

may deter tender offers for shares of common stock, which offers may be attractive to shareholders, or deter purchases of large blocks of common stock, thereby limiting the opportunity for shareholders to receive a premium for their shares of common stock over the then-prevailing market prices.

Some anti-takeover provisions contained in our charter and bylaws and under Washington laws could hinder a takeover attempt.

Our Board of Directors has the authority to issue up to 10 million shares of preferred stock (1 million of which have been designated Series R Participating Cumulative Preferred Stock under our shareholder rights plan and the remainder of which has not yet been undesignated) and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued shares of undesignated preferred stock and to fix the number of shares constituting any series and the designation of such series, without the consent of our shareholders. The preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock. The issuance of the Series R Participating Cumulative Preferred Stock with respect to our shareholder rights plan or any preferred stock subsequently issued by our Board of Directors, under some circumstances, could have the effect of delaying, deferring or preventing a change in control.

Further, certain provisions of our charter documents, including provisions relating to limitations of liability and indemnification of our directors and officers, dividing our Board of Directors into three classes of directors serving three-year terms and limiting the ability of shareholders to raise matters at a meeting of shareholders without giving advance notice, may have the effect of delaying or preventing changes in our control or management, which could have an adverse effect on the market price of our common stock.

Washington law imposes restrictions on some transactions between a corporation and significant shareholders. With some exceptions, Chapter 23B.19 of the Washington Business Corporation Act prohibits a target corporation from engaging in specified significant business transactions with an acquiring person. An acquiring person is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation. Significant business transactions, as defined in Chapter 23B.19, may not occur for a period of five years after the acquiring person acquires the securities, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the time of acquisition. Significant business transactions include, among other things,

Ø a merger, share exchange or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person,

Ø termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares, or

Ø allowing the acquiring person to receive any disproportionate benefit as a shareholder.

After the five-year period, a significant business transaction may occur, as long as it complies with fair price provisions specified in the statute or is approved at a meeting of shareholders by a majority of the votes entitled to be counted within each voting group entitled to vote separately on the transaction, not counting the votes of shares as to which the acquiring person has beneficial ownership or voting control. A corporation may not opt out of this statute. This provision may have the effect of delaying, deterring or preventing a change in control of us.

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Forward-looking statements

This prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Exchange Act of 1934 (the "Exchange Act"). These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among other things, those listed under "Risk factors" in this prospectus supplement and elsewhere in this prospectus supplement and the accompanying prospectus. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipate, believes, estimates, predicts, potential, continue or the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Risk Factors." These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither any other person nor we assume responsibility for the accuracy and completeness of such statements. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events, except as required by applicable law.

Market data

Market data and other statistical information used throughout or incorporated into this prospectus supplement and the accompanying prospectus are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. We believe that these sources are reliable.

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Use of proceeds

We estimate that the net proceeds from this offering, after deducting estimated fees and expenses and underwriting discounts and commissions, will be approximately \$292,375,000 (or approximately \$336,306,250 if the underwriters exercise their option to purchase additional notes in full). We intend to use the net proceeds from this offering to acquire or invest in businesses, products or technologies that are complementary to our own, and for general corporate purposes, including capital expenditures and working capital. Although, in the ordinary course of our business, we engage in acquisition and investment discussions, we do not currently have any agreements regarding such transactions. Pending such uses, we will invest the proceeds in short-term, investment-grade securities, certificates of deposit or guaranteed obligations of the United States or other governments or their agencies.

Price range of common stock

Our common stock is quoted on the Nasdaq Global Select Market under the ticker symbol **ITRI**. The following table sets forth, for the periods indicated, the high and low per share closing prices of our common stock as quoted on the Nasdaq Global Select Market.

	High	Low
Fiscal year ended December 31, 2004		
First Quarter	\$ 22.06	\$ 17.88
Second Quarter	23.50	18.05
Third Quarter	22.74	16.59
Fourth Quarter	23.92	17.07
Fiscal year ended December 31, 2005		
First Quarter	\$ 29.64	\$ 21.50
Second Quarter	47.25	29.82
Third Quarter	53.61	44.20
Fourth Quarter	47.99	38.08
Fiscal year ended December 31, 2006		
First Quarter	\$ 61.03	\$ 40.29
Second Quarter	72.81	54.24
Third Quarter (through July 31, 2006)	60.35	46.54

On July 31, 2006, the closing sale price of our common stock, as reported on the Nasdaq Global Select Market, was \$46.54 per share.

Dividend policy

We have never paid or declared any cash dividends and do not anticipate paying any cash dividends in the foreseeable future. The decision whether to pay cash dividends will be made by our Board of Directors in light of conditions then existing, including our results of operations, financial condition and requirements, business conditions, covenants under loan agreements and other contractual arrangements, and other factors.

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Capitalization

The following table sets forth our cash and cash equivalents, and capitalization as of June 30, 2006:

Ø on an actual basis, without giving effect to the offering of the notes; and

Ø on an as adjusted basis to give effect to the offering of the notes (assuming no exercise of the underwriters' over-allotment option and not giving effect to conversion of the notes), after deducting underwriting discounts and commissions and our estimated offering expenses. This capitalization table should be read in conjunction with management's discussion and analysis of results of operations and our unaudited condensed consolidated financial statements and related notes incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of June 30, 2006	
	Actual	As adjusted
	(in thousands, except share data)	
Cash and cash equivalents	\$ 46,587	\$ 338,962
7.75% senior subordinated notes	\$ 124,274	\$ 124,274
2.50% convertible senior subordinated notes due 2026		300,000
Total debt	124,274	424,274
Shareholders' equity:		
Common stock, 75,000,000 shares authorized, 25,491,538 shares issued and outstanding, actual and as adjusted (1)	339,640	339,640
Accumulated other comprehensive income	1,552	1,552
Accumulated earnings	21,890	21,890
Total shareholders' equity	363,082	363,082
Total capitalization	\$ 487,356	\$ 787,356

(1) Outstanding does not include: (a) approximately 1.8 million shares of common stock issuable upon exercise of options outstanding as of June 30, 2006 exercisable at a weighted-average exercise price of \$22.99 per share, (b) approximately 1.0 million shares available for future grant under our equity incentive plans, and (c) approximately 400,000 shares available for future issuance under our employee stock purchase plan.

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Description of notes

We will issue the notes under an indenture to be dated as of August 4, 2006, between us and Deutsche Bank Trust Company Americas, as trustee. The trustee's main role is to enforce your rights against us if there is a default under the indenture. We describe some of the limitations on the extent to which the trustee acts on your behalf under Events of default below. We have appointed the trustee to act as the initial conversion agent, registrar and paying agent, and the trustee has agreed to perform administrative duties for us, such as arranging for interest payments and mailing notices under the indenture.

The following summary of the terms of the notes and the indenture does not purport to be complete and is subject, and qualified in its entirety by reference, to the detailed provisions of the notes and the indenture. We will provide copies of the indenture to you upon request, and the indenture is also available for inspection at the office of the trustee. The notes and the indenture, and not this description, define your legal rights as a holder of the notes.

For purposes of this summary, the terms Itron, we, us and our refer only to Itron, Inc. and not to any of its subsidiaries, unless we specify otherwise. Unless the context requires otherwise, the term interest includes contingent interest.

GENERAL

The notes we are offering:

Ø will be limited to \$300 million aggregate principal amount, or \$345 million if the underwriters exercise their over-allotment option in full;

Ø will bear interest at a rate of 2.50% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2007, to holders of record at the close of business on the immediately preceding January 15 and July 15, respectively, except as described under Interest payments ;

Ø will pay contingent interest as described under Contingent interest ;

Ø will be issued in denominations of integral multiples of \$1,000 principal amount;

Ø will be unconditionally guaranteed, jointly and severally, on an unsecured senior subordinated basis by any future subsidiaries that guarantee our obligations under our 7.75% senior subordinated notes due 2012 or any future senior subordinated indebtedness, and provided that we do not issue any other senior subordinated indebtedness guaranteed by any of our subsidiaries, any guarantees of the notes will terminate at such time as our 7.75% senior subordinated notes have been paid in full;

Ø will be our unsecured senior subordinated indebtedness and will