

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA**

_____, Individually and on Behalf of all Others
Similarly Situated,

Plaintiff,

v.

ITRON, INC., PHILIP C. MEZEY, and W.
MARK SCHMITZ,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Itron, Inc. (“Itron” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired Itron securities between May 5, 2015 and March 15, 2016, both dates inclusive (the “Class Period”). Plaintiff seeks to recover

compensable damages caused by Defendants' violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder, against the Company and certain of its officers and/or directors.

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

3. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the Exchange Act.

4. Venue is proper in this District pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company maintains an office and conducts business in this District and a significant portion of the Defendants' actions, and the subsequent damages, took place within this District.

5. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying Certification, purchased Itron securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

7. Defendant Itron provides metering solutions to electricity, gas, and water utility markets worldwide. The Company is incorporated in Washington with principal executive offices located at 2111 N Molter Road, Liberty Lake, Washington. The Company also maintains an office located at 7000 Holstein Avenue Suite 6A Philadelphia, Pennsylvania. Itron's securities trade on the NASDAQ under the ticker symbol "ITRI."

8. Defendant Philip C. Mezey ("Mezey") has been the President and Chief Executive Officer of Itron at all relevant times.

9. Defendant W. Mark Schmitz ("Schmitz") has been the Executive Vice President and Chief Financial Officer of Itron at all relevant times.

10. The Defendants Mezey and Schmitz are sometimes referred to herein as the "Individual Defendants."

11. Defendant Itron and the Individual Defendants are referred to herein, collectively, as the "Defendants."

12. Each of the Individual Defendants:

- a. directly participated in the management of the Company;
- b. was directly involved in the day-to-day operations of the Company at the highest levels;
- c. was privy to confidential proprietary information concerning the Company and its business and operations;
- d. was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- e. was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

f. was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

g. approved or ratified these statements in violation of the federal securities laws.

13. Itron is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency as all of the wrongful acts complained of herein were carried out within the scope of their employment with authorization.

14. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to Itron under *respondeat superior* and agency principles.

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements

15. On May 5, 2015, the Company filed a Form 10-Q for the quarter ending March 31, 2015 (the “1Q15 10-Q”) with the SEC, which contained the Company’s financial results for the quarter ending March 31, 2015. The 1Q15 10-Q was signed by Defendant Schmitz. Attached to the 1Q15 10-Q were signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Mezey and Schmitz attesting to the accuracy of financial reporting and effectiveness of internal controls.

16. On August 6, 2015, the Company filed a Form 10-Q for the quarter ending June 30, 2015 (the “2Q15 10-Q”) with the SEC, which contained the Company’s financial results for the quarter ending June 30, 2015. The 2Q15 10-Q was signed by Defendant Schmitz. Attached to the 2Q15 10-Q were SOX certifications signed by Defendants Mezey and Schmitz attesting to the accuracy of financial reporting and effectiveness of internal controls.

17. On November 5, 2015, the Company filed a Form 10-Q for the quarter ending September 30, 2015 (the “3Q15 10-Q”) with the SEC, which contained the Company’s financial results for the quarter ending September 30, 2015. The 3Q15 10-Q was signed by Defendant Schmitz. Attached to the 3Q15 10-Q were SOX certifications signed by Defendants Mezey and Schmitz attesting to the accuracy of financial reporting and effectiveness of internal controls.

18. The statements referenced in ¶¶ 15 – 17 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company’s business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Itron’s accounting practices were not in compliance with applicable SEC regulations; (2) Itron lacked adequate internal controls over accounting; (3) Itron would be unable to file its Form 10-K for the fiscal year ended December 31, 2015 in a timely manner; and (4) as a result, Itron’s financial statements, as well as Defendants’ statements about Itron’s business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

The Truth Begins to Emerge

19. On March 1, 2016, the Company filed a Notification of Late Filing on Form 12b-25 with the SEC, disclosing that the Company would be unable to timely file its Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which stated in part:

On February 24, 2016 the audit committee of the board of directors of Itron, Inc. (the “Company”) and management of the Company concluded, after discussion with the Company’s independent registered public accounting firm, Ernst & Young LLP, that the Company has not been able to demonstrate Vendor Specific Objective Evidence (VSOE) of fair value for maintenance contracts associated with certain software solutions for the year ended December 31, 2015. As a result, the Company is performing additional analyses, including evaluating if the current and prior periods are impacted, and it will be unable to timely file its Annual Report on Form

10-K for the fiscal year ended December 31, 2015 without unreasonable effort or expense. The Company currently does not expect that the results to be reported will be materially different than the preliminary results announced on February 17, 2016 and furnished to the Securities and Exchange Commission in the Company's Current Report on Form 8-K dated February 17, 2016. However, there is no assurance that the final results to be included in the Form 10-K will not be materially different. In the event adjustments are required as a result of the additional analyses, the adjustments may impact the timing of revenue and related cost recognition. These adjustments, if any, will not impact cash or the Company's previously reported cash flows.

The Company also has identified deficiencies in its revenue processes and controls, the combination of which represents a material weakness. Specifically, the Company did not design and maintain effective controls to determine whether VSOE could be demonstrated for maintenance contracts associated with certain software solutions for the year ended December 31, 2015.

To remediate the material weakness in our internal control over financial reporting described above, the Company plans to:

- Perform a complete review of its revenue recognition controls and procedures, including the utilization of an external third party analysis to evaluate the sufficiency of those controls and procedures,
- improve the standardization of contract documentation and review,
- implement a more robust revenue accounting software to identify high risk issues and allow automation of manual processes, and
- increase the training and development of employees that are responsible for executing or accounting for sales contracts.

The Company believes that when fully implemented and operational, the measures described above will remediate the identified material weakness and strengthen the Company's internal control over financial reporting.

The Company currently expects to file the Form 10-K on or before March 15, 2016, the prescribed due date under the fifteen calendar day extension period provided under Rule 12b-25.

This notice contains certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) and information relating to the Company that are based on the beliefs of the management of the Company. These forward looking statements are subject to risks and uncertainties, including the risk that the evaluation described above results in further adjustments to the financial statements and results of operations. Should one of these risks or uncertainties materialize actual results or outcomes may vary materially from those described as anticipated, believed, estimated, intended, or planned.

20. On March 15, 2016, the Company issued a press release after the market closed announcing that it has delayed the filing of its Form 10-K for the year ended Dec. 31, 2015 beyond the March 15, 2016 extended filing due date, stating in part:

Itron Provides Update Regarding Filing of Form 10-K

March 15, 2016 04:09 PM Eastern Daylight Time

LIBERTY LAKE, Wash.--(BUSINESS WIRE)--Itron, Inc. (NASDAQ:ITRI) announced today that it has delayed the filing of its Form 10-K for the year ended Dec. 31, 2015 beyond the March 15, 2016 extended filing due date.

As previously disclosed by the Company in its Form 12b-25 filed with the Securities and Exchange Commission on Feb. 29, 2016, Itron is completing a review of revenue recognition on certain contracts for which the Company has not been able to demonstrate Vendor Specific Objective Evidence of fair value for maintenance associated with certain software solutions for the year ended Dec. 31, 2015, as well as deficiencies in its revenue processes and controls. The Company's management and the Audit Committee of the Board of Directors have concluded that a more comprehensive review of software and maintenance contracts for 2015 and prior years is needed and, as a result, additional time will be required to complete the analysis. Once the Company completes its analysis, it will work with its independent auditor, Ernst & Young LLP, on these matters to conclude its review as soon as reasonably practicable.

“This review involves the timing of software and related implementation revenue recognized between periods and we expect no impact on cash or cash earnings generation,” said Philip Mezey, Itron's president and chief executive officer. “It is important that we take the time necessary to fully complete our detailed analysis and process documentation. As software is becoming an increasingly important part of Itron's business, we are addressing these technical accounting issues as quickly as possible, and we remain committed to strengthening our revenue processes and providing accurate and transparent financial reporting.”

As a result of the filing delay, Itron expects to receive a notice from The Nasdaq Stock Market (“NASDAQ”) indicating that it is not currently in compliance with NASDAQ Listing Rule 5250(c)(1). Under NASDAQ Listing Rules, the Company expects to be granted 60 calendar days to submit a plan to NASDAQ to regain compliance with the Listing Rules by filing its Form 10-K for the year ended Dec. 31, 2015. If the plan is accepted, NASDAQ can grant an exception of up to 180 calendar days for the Company to regain compliance. Itron believes that this notice and the Company's non-compliance with NASDAQ Listing Rule 5250(c)(1) will

have no immediate effect on the listing or trading of Itron's common stock on the NASDAQ Global Select Market.

Itron also announced that, on March 11, 2016, it formally engaged Deloitte & Touche LLP (Deloitte) as the Company's independent registered public accounting firm for the year ending Dec. 31, 2016. The selection of Deloitte by the Company's management and the Audit Committee of the Board of Directors was previously reported in the Company's Form 8-K, dated September 11, 2015.

21. On this news shares of Itron fell \$3.14 per share or over 7% from its previous closing price to close at \$39.78 per share on March 16, 2016, damaging investors.

22. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Itron securities trade on the NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

24. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Itron securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Itron or its transfer agent and may be notified of the

pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

25. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

27. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Itron;
- whether the Individual Defendants caused Itron to issue false and misleading public statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading public statements;
- whether the prices of Itron securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and,
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

28. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden

of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

29. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Itron securities are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold Itron securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

30. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

31. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Against All Defendants

32. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

33. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

34. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Itron securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Itron securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

35. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Itron securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Itron's finances and business prospects.

36. By virtue of their positions at Itron, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

37. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Itron, the Individual Defendants had knowledge of the details of Itron's internal affairs.

38. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Itron. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Itron's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price for Itron's securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Itron's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Itron securities at

artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged upon the revelation of the alleged corrective disclosures.

39. During the Class Period, Itron's securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Itron securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Itron securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Itron's securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

40. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

41. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

Violation of Section 20(a) of The Exchange Act Against The Individual Defendants

42. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

43. During the Class Period, the Individual Defendants participated in the operation and management of Itron, and conducted and participated, directly and indirectly, in the conduct of Itron's business affairs. Because of their senior positions, they knew the adverse non-public information regarding Itron's business practices.

44. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Itron's financial condition and results of operations, and to correct promptly any public statements issued by Itron which had become materially false or misleading.

45. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Itron disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Itron to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Itron within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Itron securities.

46. Each of the Individual Defendants, therefore, acted as a controlling person of Itron. By reason of their senior management positions and/or being directors of Itron, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Itron

to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Itron and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

47. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Itron.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: March __, 2016

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

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