SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4
ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(e)(1) OF THE SECURITIES EXCHANGE ACT OF 1934)

ITRON, INC.
(NAME OF ISSUER)

ITRON, INC.
(NAME OF PERSON FILING STATEMENT)

6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004,
CUSIP NOS. 465741-AA-4, U13126-AA-2, 465741-AC-0
(TITLE AND CUSIP NUMBER OF CLASS OF SECURITIES)

DAVID G. REMINGTON
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

ITRON, INC.
2818 N. SULLIVAN ROAD
SPOKANE, WASHINGTON 99216
(509) 924-9900
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF PERSON FILING STATEMENT)

COPIES TO:
LINDA A. SCHOEMAKER
PERKINS COIE
1201 THIRD AVENUE, 40TH FLOOR
SEATTLE, WASHINGTON 98101-3099
(206) 583-8888

FEBRUARY 11, 1999
(DATE TENDER OFFER FIRST PUBLISHED, SENT OR GIVEN TO SECURITY HOLDERS)

CALCULATION OF FILING FEE

TRANSACTION VALUATION(1)	AMOUNT OF FILING FEE(2)
$22,000,000	$4,400

(1) Based on the book value of the notes to be received by Itron, Inc., in accordance with Rule 0-11(b) under the Securities Exchange Act of 1934, as amended.

(2) Calculated based on the transaction valuation multiplied by one-fiftieth of one percent, in accordance with Rule 0-11(b) under the Securities Exchange Act of 1934, as amended.

[ ] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount previously paid: $ -------
Form or registration no.: -------
Filing party: -------
Date filed: -------

ITEM 1. SECURITY AND ISSUER

(a) The name of the issuer is Itron, Inc., a Washington corporation (the "Company"). The address of its principal executive offices is 2818 N. Sullivan Road, Spokane, Washington 99216.

(b) The Company is seeking tender of up to $22,000,000 of its outstanding 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes"), in exchange for up to $15,840,000 of its new 6 3/4% Convertible Subordinated Notes Due 2004 (the "Exchange Notes"), on the basis of $720 principal amount of Exchange Notes for $1,000 principal amount of Original Notes. If more than $22,000,000 aggregate principal amount of the Original Notes are tendered, the Company will allocate its acceptance of Original Notes among tendering noteholders on a pro rata basis. The Exchange Offer is not conditioned on any minimum amount of Original Notes being tendered. The Exchange Offer is subject to additional conditions, however, and may be amended or withdrawn in certain circumstances, as described in the Offering Circular under "The Exchange Offer -- Conditions to and Amendments of the Exchange Offer." As of February 10, 1999, the principal amount of outstanding Original Notes aggregated $63,400,000.

The executive officers and directors of the Company have advised the Company that they do not hold any Original Notes.

(c) The Company incorporates into this Schedule 13E-4 by reference the information set forth in the section of the Offering Circular entitled "Price Range of Common Stock and Dividend Policy."

(d) Not applicable.

ITEM 2. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

(a) The Company will exchange up to $15,840,000 of the Exchange Notes for up to $22,000,000 of the Original Notes.

(b) Not applicable.

ITEM 3. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE

(a)-(j) The Company incorporates into this Schedule 13E-4 by reference the information set forth in the section of the Offering Circular entitled "Background, Purpose, and Effect of the Exchange Offer."

ITEM 4. INTEREST IN SECURITIES OF THE ISSUER

Not applicable.

ITEM 5. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE ISSUER'S SECURITIES

The Exchange Notes will be issued pursuant an indenture between the Company and Chase Manhattan Bank and Trust Company, National Association, as Trustee. A copy of the Form of Indenture is filed as Exhibit (c) to this Schedule 13E-4 and is incorporated into this Schedule 13E-4 by reference.

ITEM 6. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED

The Company incorporates into this Schedule 13E-4 by reference the information set forth in the section of the Offering Circular entitled "The Exchange Offer -- Payment of Expenses."

ITEM 7. FINANCIAL INFORMATION

(a)-(b) The Company incorporates into this Schedule 13E-4 by reference the information set forth in the section of the Offering Circular entitled "Summary Selected Consolidated and Pro Forma Financial Data."

ITEM 8. ADDITIONAL INFORMATION

(a) Not applicable.

(b) The Exchange Offer is conditioned upon the qualification under the Trust Indenture Act of 1939 of the Indenture under which the Exchange Notes will be issued. There are no other applicable regulatory requirements which must be complied with or approvals which must be obtained in connection with the Exchange Offer other than compliance with the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, including, without limitation, Rule 13e-4 and the requirements of the state securities or "Blue Sky" laws.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS

(a)(1) Offering Circular dated February 11, 1999.

(a)(2) Form of Letter of Transmittal.

(a)(3) Form of Notice of Guaranteed Delivery.

(a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated February 11, 1999.

(a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated February 11, 1999.

(b) Not applicable.

(c) Form of Indenture by and between the Company and Chase Manhattan Bank and Trust Company, National Association, as Trustee.

(d) Not applicable.

(e) Not applicable.

(f) Not applicable.

SIGNATURE

After due inquiry, and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

ITRON, INC.

By: DAVID G. REMINGTON

David G. Remington
Vice President and Chief Financial Officer

Dated: February 11, 1999

ITRON, INC.
2818 N. SULLIVAN ROAD
P.O. BOX 15288
SPOKANE, WASHINGTON 99216-1897

To the Holders of Our 6 3/4% Convertible Subordinated Notes Due 2004:

Enclosed are materials relating to our offer to exchange up to $15,840,000 aggregate principal amount of our 6 3/4% Convertible Subordinated Notes Due 2004 (the "Exchange Notes") for up to $22,000,000 aggregate principal amount of our 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes"), as described in the enclosed Offering Circular dated February 11, 1999 (the "Exchange Offer"). While the interest rate and maturity of the Exchange Notes is identical to the Original Notes, other important terms, such as the conversion price, differ.

This exchange would be made on the following basis:

$720 PRINCIPAL AMOUNT OF EXCHANGE NOTES
FOR $1,000 PRINCIPAL AMOUNT OF ORIGINAL NOTES

The Exchange Offer will expire on March 12, 1999, unless extended. Interest on the Exchange Notes will accrue from the expiration date of the Exchange Offer, and will be payable in cash semiannually on each March 31 and September 30, commencing September 30, 1999, until the Exchange Notes are paid in full. Except for (1) the conversion price for converting the Exchange Notes into shares of Common Stock, (2) the date until which the Company may not call the Exchange Notes, and (3) the absence of a redemption premium, all other terms of the Exchange Notes being offered hereby are identical to the terms of the Original Notes previously issued by the Company. The conversion price will be determined based on the formula described in the enclosed materials.

The principal purpose of the Exchange Offer is to reduce the outstanding long-term debt of the Company and to reduce the Company's debt service obligations. The Exchange Offer is not conditioned on any minimum amount of Original Notes being tendered, but it is conditioned on certain other factors as described herein.

PLEASE READ THE ENCLOSED MATERIALS CAREFULLY

For further assistance or additional copies of any of the enclosed materials, please call us at 1-800-635-5461 ext. 3440 (toll free).

Very truly yours,

/s/ JOHNNY M. HUMPHREYS

Johnny M. Humphreys
President and Chief Executive Officer
Itron, Inc.

February 11, 1999
Spokane, Washington

OFFERING CIRCULAR

ITRON, INC.

OFFER TO EXCHANGE UP TO $15,840,000 AGGREGATE PRINCIPAL AMOUNT OF ITS NEW 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004 FOR UP TO $22,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS ORIGINAL 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

Itron, Inc., a Washington corporation ("Itron" or the "Company"), hereby offers to exchange, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal (which together constitute the "Exchange Offer"), up to $15,840,000 aggregate principal amount of its 6 3/4% Convertible Subordinated Notes due 2004 (the "Exchange Notes") for up to $22,000,000 aggregate principal amount of its 6 3/4% Convertible Subordinated Notes due 2004 (the "Original Notes") on the basis of $720 principal amount of Exchange Notes for $1,000 principal amount of Original Notes. The Company has determined the terms of the Exchange Offer and the Exchange Notes primarily pursuant to discussions with a significant holder of the Original Notes, and believes that the terms and conditions of the Exchange Offer and the Exchange Notes reflect the current fair market value of the Original Notes.

The Exchange Notes are convertible, in whole or in part, at the option of the Holder, at any time prior to the close of business on the last business day prior to the maturity date into shares of the Company's Common Stock. The conversion price per share (the "Conversion Price") will be determined by adding the Average Market Price (as defined below) to the result of the Average Market Price multiplied by a percentage amount (the "Conversion Price Premium"), which the Company currently expects to be in the range of 25% to 30%. The Conversion Price Premium will be determined by the Company based on market conditions no later than the tenth business day prior to the expiration date of the Exchange Offer. The "Average Market Price" will be the arithmetic average (rounded to the nearest cent) of the closing prices of the Common Stock on the Nasdaq National Market on each of the five business days ending two business days prior to the expiration date of the Exchange Offer. The determination of the Conversion Price Premium, the Average Market Price and the Conversion Price shall be made by the Company, and its determination shall be final and conclusive on all tendering noteholders. The Company intends to issue press releases setting forth the Conversion Price Premium, the Average Market Price and the Conversion Price as promptly as practicable following the Company's determination thereof. In addition, the noteholders may obtain the Conversion Price Premium, the Average Market Price and the Conversion Price by calling the Company at the toll-free number provided herein.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON FRIDAY, MARCH 12, 1999, UNLESS EXTENDED.

The Company does not intend to apply for listing or quotation of the Exchange Notes on any exchange or automated quotation system. Accordingly, there can be no assurance that any public market will develop for the Exchange Notes.

The Exchange Notes will be unsecured obligations of the Company, ranking on parity with the Original Notes, and subordinated and subject in right of payment to all existing and future senior indebtedness of the Company. The Exchange Notes will bear interest at 6 3/4% per annum beginning on the expiration date of the Exchange Offer, payable semiannually on each March 31 and September 30, commencing September 30, 1999, until the Exchange Notes are paid in full or are converted. The Company will be required to repay the principal amount of the Exchange Notes on March 31, 2004 if the Exchange Notes are not converted or previously redeemed. The Exchange Notes will be redeemable, at the Company's option, in whole or in part at any time after March 12, 2002, at the principal amount to be redeemed plus accrued and unpaid interest thereon to the redemption date. The Exchange Notes will be issued pursuant to an Indenture between the Company and Chase Manhattan Bank and Trust Company, National Association, as Trustee (the "Trustee").

The Company will accept up to $22 million aggregate principal amount of the Original Notes if tendered (representing approximately 35% of the Original Notes). If more than $22 million aggregate principal amount of the Original Notes is tendered, the acceptance of Original Notes will be allocated among tendering noteholders on a pro rata basis. The Exchange Offer is not conditioned on any minimum amount of Original Notes being tendered, but it is subject to a number of conditions as described herein and may be amended or withdrawn in certain circumstances. See "The Exchange Offer -- Conditions to and Amendment of the Exchange Offer."

THESE SECURITIES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"). THE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

For a discussion of certain risks and other factors to be considered in connection with the Exchange Offer, see "Risk Factors."

THE DATE OF THIS OFFERING CIRCULAR IS FEBRUARY 11, 1999.

The Company has made no arrangements for, and has no understanding with any dealer, salesman or other person regarding, the solicitation of tenders hereunder, and no person has been authorized to give any information or to make any representation not contained in this Offering Circular in connection with the Exchange Offer, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any other person. Neither the delivery of this Offering Circular nor any exchange or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as of which information is given herein.

This Offering Circular does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or buy, any securities other than the securities covered by this Offering Circular by the Company or any other person, or any such offer or solicitation of such securities by the Company or any such other person in any state or other jurisdiction to any person to whom it is unlawful to make any such offer or solicitation. In any state or other jurisdiction where it is required that the securities offered by this Offering Circular be qualified for offering or that the offering be approved pursuant to tender offer statutes in such state or jurisdiction, no offer is hereby being made to, and tenders will not be accepted from, residents of any such state or jurisdiction unless and until such requirements have been satisfied.

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AVAILABLE INFORMATION

Itron is subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). The Company has also filed a Schedule 13E-4 (the "Schedule") with the Commission, which Schedule also contains information with respect to the Exchange Offer and the Company. This filed material may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549, and at the following regional offices of the Commission: Seven World Trade Center, Suite 1300, New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials can be obtained by mail from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549, at prescribed rates. In addition, the Commission maintains a site on the World Wide Web that contains reports, proxy and information statements and other information filed electronically by Itron with the Commission that can be accessed over the Internet at http://www.sec.gov.

Copies of all documents that are incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference into the information that this Offering Circular incorporates) will be provided without charge to each person, including any beneficial owner, to whom this Offering Circular is delivered, upon written or oral request. Requests should be directed to Itron, Inc., 2818 N. Sullivan Road, Spokane, Washington 99216, Attention: Investor Relations, or by telephone to 1-800-635-5461, ext. 3440.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission are incorporated by reference into this Offering Circular: (i) Itron's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (as amended on June 16, 1998); (ii) Itron's Quarterly Reports on Form 10-Q for the quarters ended March 31 (as amended on June 16, 1998), June 30, and September 30, 1998; (iii) Itron's Current Reports on Form 8-K dated May 1, 1998 and January 28, 1999; and (iv) for a description of the Original Notes and the Common Stock, Itron's Registration Statement on Form S-3 filed on June 3, 1997, Commission File No. 333-28451. If any statement contained in any of the foregoing documents incorporated by reference herein is modified or superseded by a statement in this Offering Circular, the statement in any such foregoing document will be deemed for the purposes of this Offering Circular to have been modified or superseded by such statement in this Offering Circular, and the statement in any such foregoing document is incorporated by reference herein only as modified or to the extent it is not superseded. All documents subsequently filed by the Company during the period of the Exchange Offer pursuant to Sections 13, 14 or 15(d) of the Exchange Act shall be deemed to be incorporated by reference in this Offering Circular and to be a part hereof from the date of filing such documents.

FORWARD LOOKING STATEMENTS

When included in this Offering Circular or in documents incorporated herein by reference, the words "expects," "intends," "anticipates," "plans," "projects" and "estimates," and analogous or similar expressions, are intended to identify forward-looking statements. Such statements, which include statements contained in "Summary of Exchange Offer -- The Company" and "Risk Factors," are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties include, among others, changes in the utility regulatory environment, delays or difficulties in introducing new products, increased competition and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of this Offering Circular. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, other than as expressly required by the Exchange Act and the rules promulgated thereunder.

SUMMARY OF EXCHANGE OFFER

The following is a summary of certain features of the Exchange Offer and other matters. For a more complete description of the Exchange Offer and the Exchange Notes, please read this entire Offering Circular.

THE COMPANY

Itron is a leading global provider to the utility industry of integrated system solutions for collecting, communicating and analyzing electric, gas and water usage. The Company designs, develops, manufactures, markets, installs and services hardware, software and integrated systems for handheld computer-based electronic meter reading ("EMR"), automatic meter reading ("AMR") and other measurement systems. Since the early 1980s, Itron has been the leading supplier of EMR systems to utilities. Today, Itron's EMR systems are installed at 80% of the largest utilities in North America. In total, over 1,500 utility customers in more than 40 countries use these systems to read approximately 275 million meters. In 1998, EMR systems and services accounted for approximately 22% of the Company's total revenues. In the early 1990s, Itron expanded its product line to include AMR systems and services. The Company had shipped over 13.5 million AMR meter modules to 403 utilities as of December 31, 1998, and has thereby established itself as the world's leading supplier of AMR systems. In 1998, AMR systems and services, including outsourcing, represented approximately 78% of the Company's total revenues.

Recent Events. On February 3, 1999, the Company reported its unaudited financial results for the fourth quarter and year-ended December 31, 1998. The Company reported net income of $627,000, or 4 cents per share for the fourth quarter of 1998. Without restructuring charges of $683,000 for the quarter, the Company would have reported net income of $1.1 million, or 7 cents per share. This compares with net income of $3.3 million, or 22 cents per share, for the fourth quarter of 1997. Net income in the fourth quarter of 1997, excluding a $1.2 million pre-tax non-recurring gain (net of related expenses), would have been $2.5 million, or 17 cents per share. For the full year 1998, the Company reported a net loss of $6.2 million, or 42 cents per share, compared with net income of $1.0 million, or 7 cents per share in 1997. Excluding the effect of restructuring charges in 1998 and the non-recurring gain in 1997, the Company would have reported a net loss in 1998 of $3.7 million, or 26 cents per share, compared with net income of $464,000, or 3 cents per share, in 1997. Gross margins were 34% of revenues for the fourth quarter of 1998 compared to 27% in the preceding quarter and 40% for the fourth quarter of 1997. For the full year 1998, gross margins were 32% of revenues compared to 37% in 1997. Despite the loss for 1998, the Company used only $898,000 in cash from operations during 1998 as a result of improved receivables collections and inventory turns throughout the year. The Company invested $3.1 million and $18.1 million in the fourth quarter and full year 1998, respectively, compared with $8.5 million and $34.1 million invested in the fourth quarter and full year 1997, respectively. The lower amounts in 1998 result primarily from investing less in equipment used in outsourcing.

The mailing address and telephone number of the principal executive offices of the Company are 2818 N. Sullivan Road, P.O. Box 15288, Spokane, Washington 99216-1897 and (509) 924-9900. The Company was incorporated in Washington in 1977.

BACKGROUND, PURPOSE AND EFFECT OF THE EXCHANGE OFFER

The Company issued the Original Notes on March 18, 1997 and April 15, 1997 pursuant to an exemption from registration afforded by Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to a Registration Rights Agreement between the Company and the initial purchasers of the Original Notes, the Company filed a Registration Statement on Form S-3, Commission File No. 333-28451, under which the holders of the Original Notes could resell such notes. At the time of original issuance, the Original Notes conversion price of $23.70 per share represented a 20% premium above the average daily trading price of the Common Stock for the five days preceding March 12, 1997. Since that time, the Company's Common Stock trading price has generally declined. On February 10, 1999, the closing price of the Common Stock was $8.88 per share.

The Company intends to effect the Exchange Offer to reduce its outstanding long-term debt and to reduce the Company's debt service obligations. In addition, because the interest rate applicable to borrowings

under the Company's line of credit is dependent in part on the Company's total debt, this interest rate may decline. Tendering noteholders will receive the benefit of a reduced conversion price for the Exchange Notes, which is more reflective of the current trading price of the underlying Common Stock. See "Background, Purpose and Effect of the Exchange Offer."

The Company, its Board of Directors and its executive officers make no recommendations as to whether any noteholders should tender any or all of such noteholders' Original Notes pursuant to the Exchange Offer. Each noteholder must make the decision whether to tender the Original Notes held by such noteholder and, if so, the aggregate principal amount of Original Notes to tender. Executive officers and directors of the Company have advised the Company that they do not hold any Original Notes.

THE EXCHANGE OFFER

Expiration Time.....	5:00 p.m., New York City time, on Friday, March 12, 1999, unless extended (the "Expiration Time").
Exchange Ratio.....	$720 principal amount of Exchange Notes for $1,000 principal amount of Original Notes.
Determination of Conversion Price.....	The Conversion Price of the Exchange Notes will be determined by adding the Average Market Price (as defined below) to the result of the Average Market Price multiplied by a percentage amount (the "Conversion Price Premium"), which the Company currently expects to be in the range of 25% to 30%. The Conversion Price Premium will be determined by the Company based on market conditions no later than the tenth business day prior to the expiration date of the Exchange Offer. The "Average Market Price" will be the arithmetic average (rounded to the nearest cent) of the closing prices of the Common Stock on the Nasdaq National Market on each of the five business days ending two business days prior to the expiration date of the Exchange Offer. The determination of the Conversion Price Premium, the Average Market Price and the Conversion Price shall be made by the Company, and its determination shall be final and conclusive on all tendering noteholders. The Company intends to issue press releases setting forth the Conversion Price Premium, the Average Market Price and the Conversion Price as promptly as practicable following the Company's determination thereof. In addition, noteholders may obtain the Conversion Price Premium, the Average Market Price and the Conversion Price by calling the Company at the toll-free number provided.
Acceptance of Original Notes; Conditions of the Exchange Offer.....	The Company will accept up to $22 million aggregate principal amount of the Original Notes (representing approximately 35% of the outstanding aggregate principal amount of the Original Notes) in the Exchange Offer. If more than $22 million aggregate principal amount of the Original Notes are tendered, the Company will allocate the notes accepted among the tendering noteholders on a pro rata basis. The Company will pay to the tendering noteholders all accrued but unpaid interest on all tendered and accepted Original Notes to (but not including) the expiration date of the Exchange Offer. The Exchange Notes will be issued only in denominations of $1,000 and integral multiples thereof. The Company will pay cash for any fractional interests in the Exchange Notes. The Exchange Offer is subject to a number of conditions as

	described herein. See "The Exchange Offer -- Denominations; Fractional Interests," "-- Payment of Interest on the Tendered Original Notes" and "-- Conditions to and Amendment of the Exchange Offer."
How to Tender.....	A holder of Original Notes wishing to accept the Exchange Offer must either (a) complete the accompanying Letter of Transmittal and forward it and any other required documents to Chase Manhattan Bank and Trust Company, National Association (the "Exchange Agent") or (b) request a broker or bank to effect the transaction. Holders of Original Notes registered in the name of a broker, dealer, bank, trust company, or other nominee must contact such institution to tender their Original Notes. See "The Exchange Offer -- How to Tender."
Delivery of Securities.....	The Exchange Notes will be represented by a Global Note in fully registered form, without coupons (the "Global Note"), which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") in New York City. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. The Company will cause DTC to transfer interests in the Exchange Notes in exchange for Original Notes pursuant to the Exchange Offer as soon as practicable after the Expiration Time. See "The Exchange Offer -- Acceptance of Original Notes for Exchange; Delivery of Exchange Notes."
Withdrawal Rights.....	Tenders of Original Notes pursuant to the Exchange Offer may be withdrawn prior to 5:00 p.m., New York City time, on March 12, 1999, and if the Company has not previously accepted such Original Notes for exchange, after April 7, 1999. Except for such rights of withdrawal, all tenders are irrevocable.
Certain United States Federal Income Tax Consequences.....	See "Certain United States Federal Income Tax Consequences" for a discussion of certain federal income tax consequences associated with the Exchange Offer and the ownership of the Exchange Notes, and "Risk Factors -- Certain United States Federal Income Tax Risks."
Listing and Trading of Securities.....	The Company's Common Stock (symbol: ITRI) is listed on the Nasdaq National Market. On February 10, 1999, the last business day before the announcement of the Exchange Offer, the closing price for the Common Stock as reported by Nasdaq was $8.88 per share. The Original Notes are not listed for trading on any exchange or automated quotation system, and trading in the Original Notes is sporadic. Accordingly, reliable historical trading information regarding the Original Notes is not available. No market currently exists with respect to the Exchange Notes, and the Company does not intend to list the Exchange Notes for trading on any exchange or automated quotation system. Accordingly, there can be no assurance that any trading market will develop for the Exchange Notes or, if developed, as to any price at which they might be traded. See "Risk Factors -- Absence of

	Market; Illiquidity of Securities" and "Price Range of Common Stock and Dividend Policy."
Exchange Agent and Trustee....	Chase Manhattan Bank and Trust Company, National Association will serve as the Exchange Agent for the Exchange Offer and as Trustee under the Indenture (as defined herein). See "The Exchange Offer -- Exchange Agent" and "Description of the Exchange Notes -- Regarding the Trustee."
Where to Obtain Additional Information.....	The Company will provide assistance or additional copies of documents in connection with the Exchange Offer, telephone no. 1-800-635-5461, ext. 3440 (toll-free). See "The Exchange Offer -- Where to Obtain Additional Information."
Common Stock Outstanding.....	Approximately 14,762,791 shares of Common Stock were outstanding as of January 31, 1999.

DESCRIPTION OF THE EXCHANGE NOTES

Securities Offered.....	$15,840,000 aggregate principal amount of 6 3/4% Convertible Subordinated Notes Due 2004.
Maturity Date.....	March 31, 2004.
Interest Payment Dates.....	Interest on the Exchange Notes will accrue from the expiration date of the Exchange Offer and will be payable in cash semiannually on each March 31 and September 30, commencing September 30, 1999.
Transfer Restrictions.....	Exchange Notes issued in exchange for certain Original Notes may have certain transfer restrictions until April 15, 1999. See "Background, Purpose and Effect of the Exchange Offer."
Conversion Rights.....	The Exchange Notes are convertible, in whole or in part, at the option of the holder at any time prior to the close of business on the last business day prior to the maturity date, unless previously redeemed, into shares of Common Stock at the Conversion Price per share to be determined pursuant to the formula described above, subject to adjustment in certain circumstances. Accrued interest on the Exchange Notes will not be paid in cash upon their conversion to Common Stock; any accrued interest will be deemed paid by the appropriate portion of the Common Stock received by the holder of the Exchange Notes upon such conversion. See "Description of Exchange Notes -- Conversion Rights."
Sinking Fund.....	None.
Optional Redemption.....	The Exchange Notes are redeemable, in whole or in part, at the option of the Company at any time after March 12, 2002, at the principal amount to be redeemed, plus accrued and unpaid interest to the date of redemption. See "Description of Exchange Notes -- Optional Redemption."
Repurchase Right of Holders...	Upon the occurrence of a Change in Control, Holders may elect to require the Company to repurchase their Exchange Notes, in whole or in part, at a purchase price equal to 100% of the principal amount thereof plus accrued interest through the date of repur-

	chase. See "Description of Exchange Notes -- Certain Rights to Require Repurchase of Exchange Notes."
Ranking.....	The Exchange Notes are general unsecured obligations of the Company, ranking on parity with the Original Notes, and are subordinated in right of payment to the prior payment in full of all Senior Indebtedness and effectively subordinated in right of payment to the prior payment in full of all indebtedness of the Company's subsidiaries. The Indenture does not restrict the Company's ability to incur Senior Indebtedness or additional indebtedness of the Company's subsidiaries. At September 30, 1998, Senior Indebtedness and indebtedness of the Company's subsidiaries were approximately $26.6 million, and the aggregate principal amount of outstanding Original Notes was $63.4 million. See "Description of Exchange Notes -- Subordination."
Denomination and Registration of Notes.....	The Exchange Notes will be represented by a Global Note in fully registered form, without coupons, which will be deposited with a custodian for, and registered in the name of a nominee of DTC in New York City. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Unless certain conditions specified in the Indenture are met, certificated Exchange Notes will not be issued in exchange for beneficial interests in the Global Note. See "Transfer Restrictions" and "Description of Exchange Notes -- Book Entry."
Use of Proceeds.....	The Company will not receive any proceeds from the Exchange Notes.

RISK FACTORS

Investment in the Exchange Notes is subject to certain risks, including those set forth below. In considering the Exchange Offer, a noteholder should carefully consider the following risk factors and all other information appearing in this Offering Circular, as well as such noteholder's particular financial circumstances, investment objectives and tax situation.

RISKS RELATING TO EXCHANGE OFFER

Exchange Offer Subject to Certain Contingencies. The Exchange Offer is subject to certain contingencies that are not within the control of the Company. First, unless the Company amends the Exchange Offer, the Company will accept no more than $22 million aggregate principal amount of the Original Notes in the Exchange Offer. If more than $22 million aggregate principal amount of the Original Notes is validly tendered, the Company will allocate Exchange Notes among the tendering noteholders on a pro rata basis based on the aggregate principal amount of Original Notes tendered. In addition, the Exchange Offer requires qualification of the Indenture under the Trust Indenture Act and may require certain approvals or consents from government regulatory agencies and other third parties. There can be no assurance that all required conditions, consents, or regulatory approvals will be obtained or achieved in a timely manner. Moreover, the Exchange Offer may be modified or withdrawn in certain circumstances subject to the discretion of the Company's Board of Directors. See "The Exchange Offer -- Conditions to and Amendment of the Exchange Offer."

Arbitrary Determination of Terms of the Exchange Notes. The Company has determined the terms of the Exchange Notes without retaining any independent financial advisor or investment banking firm to provide advice as to whether the terms of the Exchange Notes are fair from a financial point of view to tendering noteholders. In this regard, there can be no assurance that, if the Company were to issue subordinated debt in the capital markets, the interest rate on such debt would not be higher than 6 3/4% per annum, or that the financial and other covenants would not be more restrictive.

Fraudulent Conveyance Considerations. Under applicable provisions of the Bankruptcy Code or comparable provisions of fraudulent transfer law, the Exchange Notes could be voided, or claims in respect of the Exchange Notes could be subordinated to all other debts of the Company if the Company, at the time it incurred its indebtedness in connection with the Exchange Offer, (i) incurred such indebtedness with the intent to hinder, delay or defraud a present or future creditor or (ii) (a) received or receives less than reasonably equivalent fair value or fair consideration and (b) (1) was or is insolvent or rendered insolvent by reason of such incurrence or (2) was or is engaged in a business or transaction for which the assets remaining with it constituted unreasonably small capital or (3) intended or intends to incur, or believed or believes that it would incur, debts beyond its ability to pay such debts as they mature or (4) was a defendant in an action for money damages docketed against it (if, in either case, after final judgment the judgment is unsatisfied). In addition, the payment of principal by the Company pursuant to the Exchange Notes could be voided and be required to be returned to any such present or future creditor, or to a fund for the benefit of the creditors of the Company or to any judgment creditor referred to in clause (4) above.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, the Company would be considered insolvent if the sum of its debts, including contingent liabilities, was greater than the fair salable value of all of its assets at a fair valuation or if the present fair salable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature. There can be no assurance, however, as to what standard a court would apply in making such a determination.

RISKS RELATING TO EXCHANGE NOTES

Ability to Service Debt; Financial Condition. Although the Exchange Offer will reduce the Company's annual debt service obligations, the funds generated by existing operations may not be at levels sufficient to enable the Company to meet its debt service obligations on the Exchange Notes and the Original Notes

(which together will be initially approximately $3.9 million annually, assuming the exchange of the maximum amount of Original Notes pursuant to the Exchange Offer) and other fixed charges. If the Company fails to achieve and maintain sufficient cash flows from operations, its ability to make payments required with respect to the remaining Original Notes and the Exchange Notes, including interest and principal payments, will depend on its ability to secure funds from other sources. There can be no assurance that cash flows from future operations of the Company, together with funds from such other sources, if any, will be sufficient to enable the Company to meet its debt service obligations. Currently, the Company has a revolving credit facility of a maximum of $35 million. Borrowings available under the facility are based on accounts receivable and inventory, in which the Company has granted the lenders a security interest. The line of credit expires on September 30, 1999. While the Company expects the credit facility to be renewed or replaced in the ordinary course, there can be no assurance that it will be renewed or replaced on terms acceptable to the Company or at sufficient levels.

Absence of Market; Illiquidity of Securities. There is no established trading market for the Exchange Notes. The Company does not intend to apply for listing of the Exchange Notes on any national securities exchange or on the Nasdaq National Market. There can be no assurance that an active trading market for the Exchange Notes will develop or, if one does develop, that it will be maintained. If an active trading market for the Exchange Notes fails to develop or be sustained, the trading price of such Exchange Notes could be materially adversely affected, and Holders may experience difficulty in reselling the Exchange Notes or may be unable to sell them. If a public trading market develops for the Exchange Notes, future trading prices of the Exchange Notes will depend upon many factors, including, among other things, prevailing interest rates and the market price of the Common Stock.

Subordination. The Exchange Notes are general unsecured obligations of the Company, ranking on parity with the Original Notes, and subordinated to all existing and future Senior Indebtedness and effectively subordinated in right of payment to the prior payment in full of all indebtedness of the Company's subsidiaries. As of September 30, 1998, the principal amount of the Company's outstanding Senior Indebtedness was approximately $26.6 million, and the outstanding aggregate principal amount of Original Notes was $63.4 million. The Indenture does not limit the amount of indebtedness, including Senior Indebtedness and indebtedness of the Company's subsidiaries, which the Company can incur or guarantee. Upon any distribution of assets of the Company pursuant to any insolvency, bankruptcy, dissolution, winding up, liquidation or reorganization, the payment of the principal of and interest on the Exchange Notes will be subordinated to the extent provided in the Indenture to the prior payment in full of all Senior Indebtedness. In addition, the Company may not repurchase any Exchange Notes in certain circumstances involving a Change in Control if at such time the subordination provisions of the Indenture prohibit the Company from making payments of principal in respect of the Exchange Notes. The failure to repurchase the Notes when required would result in an Event of Default under the Indenture and might constitute a default under the terms of other indebtedness of the Company.

Limitation on Repurchase of Exchange Notes. In certain circumstances involving a Change in Control, each Holder may require the Company to repurchase all or a portion of such Holder's Exchange Notes. In such event, there can be no assurance that the Company would have sufficient financial resources or would be able to arrange financing to pay the repurchase price. The Company's ability to repurchase the Exchange Notes in such event may be limited by law, the Indenture and the terms of other agreements relating to borrowings that constitute Senior Indebtedness, as such indebtedness or agreements may be entered into, replaced, supplemented or amended at any time or from time to time. The Company may be required to refinance Senior Indebtedness in order to make any such payment. The Company may not have the financial ability to repurchase the Exchange Notes in the event payment of Senior Indebtedness is accelerated.

Volatility of Share Price. The closing price of the Common Stock has ranged from $4.63 to $27.44 per share since January 1, 1997. The price of the Common Stock could continue to fluctuate significantly as a result of factors such as the Company's quarterly operating results, announcements by the Company or its competitors, changes in general conditions in the economy, the introduction of new products or technology, changes in earnings estimates by analysts or changes in the financial markets or the utility industry. In addition, in future quarters the Company's results of operations may be below the expectations of equity

research analysts and investors, in which event the price of the Common Stock would likely be materially adversely affected. Further, in recent years the stock market has experienced significant price and volume fluctuations. These broad market fluctuations may materially adversely affect the market price of the Common Stock. The market price of the Exchange Notes may be materially adversely affected by declines in the market price of the Common Stock.

RISKS RELATING TO THE COMPANY'S BUSINESS

Dependence on Utility Industry; Uncertainty Resulting From Mergers and Acquisitions and Regulatory Reform. The Company derives substantially all of its revenues from sales of its products and services to the utility industry. The Company has experienced variability of operating results on both an annual and a quarterly basis due primarily to utility purchasing patterns and delays of purchasing decisions as a result of mergers and acquisitions in the utility industry and changes or potential changes in the state and federal regulatory frameworks within which the electric utility industry operates.

The utility industry, both domestic and foreign, is generally characterized by long budgeting, purchasing and regulatory process cycles that can take up to several years to complete. The Company's utility customers typically issue requests for quotes and proposals, establish committees to evaluate the purchase, 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. Purchases of the Company's products are, to a substantial extent, deferrable in the event that utilities reduce capital expenditures as a result of mergers and acquisitions, pending or unfavorable regulatory decisions, poor revenues due to weather conditions, rising interest rates or general economic downturns, among other factors.

The domestic electric utility industry is currently the focus of regulatory reform initiatives in virtually every state, which initiatives have resulted in significant uncertainty for industry participants and raised concerns regarding assets that would not be considered for recovery through ratepayer charges. Consequently, many utilities are delaying purchasing decisions that involve significant capital commitments. While the Company expects some states will act on these regulatory reform initiatives in the near term, there can be no assurance that the current regulatory uncertainty will be resolved in the near future or that the advent of new regulatory frameworks will not have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, in part as a result of the competitive pressures in the utility industry arising from the regulatory reform process, many utility companies are pursuing merger and acquisition strategies. The Company has experienced considerable delays in purchase decisions by utilities that have become parties to merger or acquisition transactions. Typically, such purchase decisions are put on hold indefinitely when merger negotiations begin. The pattern of merger and acquisition activity among utilities may continue for the foreseeable future. If such merger and acquisition activity continues at its current rate or intensifies, the Company's revenues may continue to be materially adversely affected.

Certain state regulatory agencies are considering the "unbundling" of metering and certain other services from the basic transport aspects of electricity distribution. Unbundling includes the identification of the separate costs of metering and other services and may extend to subjecting metering and other services to competition. For example, in California, the California Public Utility Commission issued a decision that does subject metering, billing and related services to competitive supply. The discontinuance of a utility's metering monopoly could have a significant impact upon the manner in which the Company markets and sells its products and services. As the customer for the Company's products and services could change from utilities alone to utilities and their competitive suppliers of metering services, the Company could also be required to modify its products and services (or develop new products and services) to meet the needs of the participants in a competitive meter services market.

Recent Operating Losses. The Company experienced operating losses in certain quarters of each of the past three years and may experience quarterly losses in 1999. There can be no assurance that the Company will maintain consistent profitability on a quarterly or annual basis. The Company has experienced variability of quarterly results and believes its quarterly results will continue to fluctuate as a result of factors such as size and timing of significant customer orders, delays in customer purchasing decisions, timing and levels of

operating expenses, shifts in product or sales channel mix, and increased competition. The Company's operating margins have been and are currently being adversely affected by excess manufacturing capacity. The Company expects competition in the AMR market to increase as current competitors and new market entrants introduce competitive products. Operating margins also may be affected by other factors. For example, the Company has entered into large Fixed Network Contracts with Duquesne and Virginia Power with margins significantly below the Company's historical margins due to competitive pressures.

Customer Concentration. In some years, the Company's revenues are concentrated with a limited number of customers, the identity of which changes over time. The Company is from time to time dependent on large, multiyear contracts that are subject to cancellation or rescheduling by customers. Cancellation or postponement of one or more of these contracts would have a material adverse effect on the Company.

Dependence on New Product Development. The Company has made substantial, and expects to continue to make, investments in technology development. The Company's future success will depend in part on its ability to continue to design and manufacture new competitive products and to enhance its existing products. This product development will require continued investment in order to maintain the Company's market position. There can be no assurance that unforeseen problems will not occur with respect to the development, performance or market acceptance of the Company's technologies or products. Development schedules for high-technology products are subject to uncertainty, and there can be no assurance that the Company will meet its product development schedules. The Company has previously experienced significant delays and cost overruns in the development of new products, and there can be no assurance that delays or cost overruns will not be experienced in the future. Delays in new product development, including software, can result from a number of causes, including changes in product definition during the development stage, changes in customer requirements, initial failures of products or unexpected behavior of products under certain conditions, failure of third-party-supplied components to meet specifications or lack of availability of such components, unplanned interruptions caused by problems with existing products that can result in reassignment of product development resources, and other factors. Delays in the availability of new products or the inability to successfully develop products that meet customer needs could result in the loss of revenue or increased service and warranty costs, any of which would have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on the Installation, Operations and Maintenance of AMR Systems Pursuant to Outsourcing Contracts. A portion of the Company's business consists of outsourcing, wherein the Company installs, operates and maintains AMR systems that it may continue to own in order to provide meter reading and other related services to utilities and their customers. The Company currently has three outsourcing contracts. The largest of the contracts, which is with Duquesne Light Company, involves Fixed Network AMR. The other two contracts involve a Mobile AMR solution and, in one case, the AMR system has been sold on a turnkey basis. These long-term outsourcing contracts are subject to cancellation or termination in certain circumstances in the event of a material and continuing failure on the Company's part to meet contractual performance standards on a consistent basis over agreed time periods.

Increasing Competition. The Company faces competitive pressures from a variety of companies in each of the markets it serves. In the radio-based fixed network AMR market, companies such as CellNet Data Systems, Inc., Whisper and Schlumberger, Ltd. currently offer alternative solutions to the utility industry and compete aggressively with the Company. The emerging market for fixed network AMR systems for the utility industry, together with the potential market for other applications once such fixed network systems are in place, have led communications, electronics and utility companies to begin developing various systems, some of which currently compete, and others of which may in the future compete, with the Company's Fixed Network AMR system. These competitors can be expected to offer a variety of technologies and communications approaches, as well as meter reading, installation and other services, to utilities and other industry participants.

The Company believes that several large suppliers of equipment, services or technology to the utility industry may be developing competitive products for the AMR market. In addition, large meter manufacturers could expand their current product and services offerings so as to compete directly with the Company. To

stimulate demand, and due to increasing competition in the AMR market, the Company has from time to time lowered prices on its AMR products and may continue to do so in the future. The Company also anticipates increasing competition with respect to the features and functions of such products. In the handheld systems market, Itron has encountered competition from a number of companies, resulting in margin pressures in the maturing domestic handheld systems business.

Many of the Company's present and potential future competitors have substantially greater financial, marketing, technical and manufacturing resources, as well as greater name recognition and experience than the Company. The Company's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and services than the Company. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of the Company's prospective customers. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that the Company will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Uncertainty of Market Acceptance of New Technology. The AMR market is evolving, and it is difficult to predict the future growth rate and size of this market with any assurance. The AMR market has not grown as quickly in recent years as the Company expected. Further market acceptance of the Company's new AMR products and systems, such as its Fixed Network products, will depend in part on the Company's ability to demonstrate cost effectiveness, and strategic and other benefits, of the Company's products and systems, the utilities' ability to justify such expenditures and the direction and pace of federal and state regulatory reform actions. In the event that the utility industry does not adopt the Company's technology or does not adopt it as quickly as the Company expects, the Company's future results will be materially and adversely affected. International market demand for AMR systems varies by country based on such factors as the regulatory and business environment, labor costs and other economic conditions.

Rapid Technological Change. The telecommunications industry, including the data transmission segment thereof, currently is experiencing rapid and dramatic technology advances. The advent of computer-linked electronic networks, fiber optic transmission, advanced data digitization technology, cellular and satellite communications capabilities, and private communications networks have greatly expanded communications capabilities and market opportunities. Many companies from diverse industries are actively seeking solutions for the transmission of data over traditional communications media, including radio-based and cellular telephone networks. Competitors may be capable of offering significant cost savings or other benefits to the Company's customers. There can be no assurance that technological advances will not cause the Company's technology, and potentially its inventory, to become obsolete or uneconomical.

Availability and Regulation of Radio Spectrum. A significant portion of the Company's products use radio spectrum and in the United States are subject to regulation by the U.S. Federal Communications Commission (the "FCC"). In the past, the FCC has adopted changes to the requirements for equipment using radio spectrum, and there can be no assurance that the FCC or Congress will not adopt additional changes in the future. Licenses for radio frequencies must be renewed, and there can be no assurance that any license granted to the Company or its customers will be renewed on acceptable terms, if at all. The Company has 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 the Company's products, and there can be no assurance that the Company would be able to modify its products to meet such requirements, that it would not experience delays in completing such modifications or that the cost of such modifications would not have a material adverse effect on the Company's future financial condition and results of operations.

The Company's radio-based products currently employ both licensed and unlicensed radio frequencies. There must be sufficient radio spectrum allocated by the FCC for the use the Company intends. As to the licensed frequencies, there is some risk that there may be insufficient available frequencies in some markets to sustain the Company's planned operations. The unlicensed frequencies are available for a wide variety of uses

and are not entitled to protection from interference by other users. In the event that the unlicensed frequencies become unacceptably crowded or restrictive, and no additional frequencies are allocated, the Company's business will be materially adversely affected.

The Company is also subject to regulatory requirements in international markets that vary by country. To the extent the Company wishes 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 power specifications. Further, in some countries, limitations on frequency availability or the cost of making necessary modifications may preclude the Company from selling its products.

Dependence on Key Personnel. The Company's success depends in large part upon its ability to retain highly qualified technical and management personnel, the loss of one or more of whom could have a material adverse effect on the Company's business. The Company has retained an executive search firm to assist in finding a new CEO and President, a position currently held by Johnny Humphreys, who is also Chairman. While Mr. Humphreys intends to retain his current responsibilities until a successor is selected and will be actively involved in the affairs of the Company for an indefinite period, the Company's success will be dependent on the selection of a qualified eventual successor to Mr. Humphreys. The Company's success also depends upon its ability to continue to attract and retain highly qualified personnel in all disciplines. There can be no assurance that the Company will be successful in hiring or retaining the requisite personnel.

Intellectual Property. While the Company believes that its patents, trademarks and other intellectual property have significant value, there can be no assurance that these patents and trademarks, or any patents or trademarks issued in the future, will provide meaningful competitive advantages. There can be no assurance that the Company's patents or pending applications will not be challenged, invalidated or circumvented by competitors or that rights granted thereunder will provide meaningful proprietary protection. Despite the Company's efforts to safeguard and maintain its proprietary rights, there can also be no assurance that such rights will remain protected or that the Company's competitors will not independently develop patentable technologies that are substantially equivalent or superior to the Company's technologies.

Dependence on Key Vendors and Internal Manufacturing Capabilities. Certain of the Company's products, subassemblies and components are procured from a single source, and others are procured only from limited sources. In particular, the Company currently obtains approximately 65% of its handheld devices from one vendor located in the United Kingdom. The Company's reliance on such components or on these sole- or limited-source vendors or subcontractors involves certain risks, including the possibility of shortages and reduced control over delivery schedules, manufacturing capability, quality and costs. In addition, Itron may be affected by worldwide shortages of certain components, such as memory chips. A significant price increase in certain of such components or subassemblies could have a material adverse effect on the Company's results of operations. Although the Company believes alternative suppliers of these products, subassemblies and components are available, in the event of supply problems from the Company's sole- or limited-source vendors or subcontractors, the Company's inability to develop alternative sources of supply quickly or cost-effectively could materially impair the Company's ability to manufacture its products and, therefore, could have a material adverse effect on the Company's business, financial condition and results of operations. In the event of a significant interruption in production at the Company's manufacturing facilities, considerable time and effort could be required to establish an alternative production line. Depending on which production lines were affected, such a break in production would have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Outsourcing Financing. The Company intends to utilize limited recourse, long-term, fixed-rate project financing for its future outsourcing contracts. It has established Itron Finance, Inc. as a wholly owned Delaware subsidiary and plans to establish bankruptcy-remote, single and special purpose subsidiaries of Itron Finance, Inc. for this purpose. Although in 1997 the Company completed the project financing of an AMR project, there can be no assurance that it will be able to effect other project financings. If the Company is unable to utilize limited recourse, long-term, fixed-rate project financing for its outsourcing contracts, its borrowing capacity will be reduced, and it may be subject to the negative effects of floating interest rates if it cannot hedge this exposure.

International Operations. International sales and operations may be subject to risks such as the imposition of government controls, political instability, export license requirements, restrictions on the export of critical technology, currency exchange rate fluctuations, generally longer receivables collection periods, trade restrictions, changes in tariffs, difficulties in staffing and managing international operations, potential insolvency of international dealers and difficulty in collecting accounts receivable. In addition, the laws of certain countries do not protect the Company's products 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 the Company's future international sales and, consequently, on the Company's business, financial condition and results of operations.

Antitakeover Considerations. The Company has the authority to issue 10 million shares of preferred stock in one or more series and to fix the powers, designations, preferences, and relative, participating, optional or other rights thereof without any further vote or action by the Company's shareholders. The issuance of preferred stock could dilute the voting power of holders of Common Stock and could have the effect of delaying or preventing a change in control of the Company. Certain provisions of the Company's Restated Articles of Incorporation, Restated Bylaws, shareholder rights plan and employee benefit plans, as well as Washington law, may operate in a manner that could discourage or render more difficult a takeover of the Company or the removal of management or may limit the price certain investors may be willing to pay in the future for shares of Common Stock.

Year 2000 Compliance. The Company instituted a Year 2000 program in 1997 to address Year 2000 issues (e.g. issues resulting from the inability of certain computer and non-information technology systems to properly recognize date-sensitive information when the year changes from 1999 to 2000). The Company has identified potential risks related to the Year 2000 problem in three areas: (1) the Company's suppliers, (2) the internally developed software and hardware that the Company sells, and (3) the Company's internal software and hardware systems. The steps that the Company has taken to mitigate the Year 2000 problem in each of these risk areas is described in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998. The Company believes that it will mitigate potential Year 2000 problems by successfully implementing solutions and developing contingency plans in a timely manner. Some problems, however, may remain uncorrected, and could materially adversely affect the Company's business, financial condition, and operating results. The Company may also experience reduced sales of its products as potential and current customers reduce their budgets for meter-reading and data management solutions because of increased expenditures on their own Year 2000 compliance efforts. Any Year 2000-related problem of either the Company or its suppliers could have a material adverse effect on the Company's business, financial condition and results of operations.

Regulatory Compliance. The Company is subject to various federal and state governmental regulations related to occupational safety and health, labor, and wage practices as well as federal, state, and local governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture, and disposal of toxic or other hazardous substances used to produce the Company's products. The Company believes that it is currently in material compliance with such regulations. Failure to comply with current or future environmental regulations could result in the imposition of substantial fines on the Company,

suspension of production, alteration of its production processes, cessation of operations, or other actions which could materially and adversely affect the Company's business, financial condition, and results of operations. In the ordinary course of its business, the Company uses metals, solvents, and similar materials which are stored on site. The waste created by use of these materials is transported off site on a regular basis by a state-registered waste hauler. Although the Company is not aware of any material claim or investigation with respect to these activities, there can be no assurance that such a claim may not arise in the future or that the cost of complying with governmental regulations in the future will not have a material adverse effect on the Company.

CERTAIN UNITED STATES FEDERAL INCOME TAX RISKS

Tax Consequences to Holders Tendering Original Notes for Exchange Notes. If the Exchange Offer constitutes a recapitalization and a reorganization for federal tax purposes, holders who purchased an Original Note at a cost greater than the fair market value of the Original Note at the time of the Exchange will not be able to recognize a loss upon the Exchange. The Exchange should constitute a reorganization for federal tax purposes. See "Certain United States Federal Income Tax Consequences to Tendering Holders."

Tax Consequences of Exchange Offer to the Company. The Company will recognize ordinary income from cancellation of indebtedness to the extent that the aggregate "adjusted issue price" of the Original Notes exchanged for Exchange Notes exceeds the aggregate "issue price" of the Exchange Notes. Generally, the "adjusted issue price" of an Original Note is the first price at which a substantial amount of the Original Notes were sold for money. The "issue price" of an Exchange Note will be the fair market value of the Original Note on the date of the Exchange if the Original Notes or the Exchange Notes are deemed to be "traded on an established securities market" under the Code and as provided in Treasury regulations. If a substantial amount of the Exchange Notes are so traded, it is possible that under Treasury regulations the "issue price" of an Exchange Note will be the fair market value of the Exchange Note, rather than that of an Original Note, on the issue date. If neither the Original Notes nor the Exchange notes so trade, the "issue price" of an Exchange Note will be its "stated redemption price at maturity," which is the sum of its principal amount plus all other payments required thereunder, other than payments of "qualified stated interest" (defined generally as stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate). It is uncertain whether the Original Notes or Exchange Notes would be deemed to be "traded on an established securities market" under relevant Treasury regulations.

If any Exchange Notes are issued with "bond issuance premium," the Company's interest deduction on the Exchange Notes will be reduced over the term of the Exchange Notes. An Exchange Note would be considered to be issued with "bond issuance premium" if its "issue price" exceeds its stated redemption price at maturity, but only to the extent such excess is not attributable to conversion features of the Exchange Note.

Interest on Exchange Notes -- General. In general, interest will be taxable as ordinary income to a holder of the Exchange Notes at the time such amounts are accrued or received in accordance with the holder's method of accounting. See "Certain United States Federal Income Tax Consequences -- U.S. Holders".

NOTEHOLDERS CONTEMPLATING AN EXCHANGE OF ORIGINAL NOTES FOR EXCHANGE NOTES PURSUANT TO THE EXCHANGE OFFER ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF EXCHANGES MADE BY THEM PURSUANT TO THE EXCHANGE OFFER AS WELL AS THE SPECIFIC FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES ASSOCIATED WITH THE OWNERSHIP OF EXCHANGE NOTES RECEIVABLE IN THE EXCHANGE.

THE EXCHANGE OFFER

GENERAL

The Company hereby offers, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal, to exchange up to $15,840,000 aggregate principal amount of its Exchange Notes for up to $22,000,000 aggregate principal amount of its Original Notes on the basis of $720 principal amount of Exchange Notes for each $1,000 principal amount of Original Notes outstanding.

Unless the Exchange Offer is amended to increase the amount of Original Notes that can be accepted, the Company will accept for exchange no more than $22,000,000 aggregate principal amount of the Original Notes. If more than $22,000,000 aggregate principal amount of the Original Notes is tendered, the Company will allocate its acceptance of the Original Notes among the tendering noteholders on a pro rata basis. The Exchange Offer is subject to a number of additional conditions. See "-- Conditions to and Amendment of the Exchange Offer."

For a more complete description of the Exchange Notes, see "Description of the Exchange Notes." See also "Certain United States Federal Income Tax Consequences."

Tendering noteholders will not be obligated to pay brokerage commissions or fees or, subject to Instruction 9 of the Letter of Transmittal, transfer taxes with respect to the exchange of Original Notes for Exchange Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses of the Exchange Agent and the Trustee in connection with the Exchange Offer. See "-- Payment of Expenses."

EXPIRATION TIME, EXTENSIONS, TERMINATION AND AMENDMENTS

The Exchange Offer will terminate at 5:00 p.m., New York City time, on Friday, March 12, 1999, unless extended by the Company in its sole discretion. During any extension of the Exchange Offer, all Original Notes previously tendered and not yet exchanged will remain subject to the Exchange Offer (subject to withdrawal rights specified herein) and may be accepted for exchange by the Company. The later of 5:00 p.m., New York City time, on Friday, March 12, 1999, and the latest time and date to which the Exchange Offer may be extended, is referred to herein as the "Expiration Time."

The Company expressly reserves the right, at any time or from time to time, to extend the period of time for which the Exchange Offer is to remain open by giving oral or written notice to Chase Manhattan Bank and Trust Company, National Association (the "Exchange Agent") of such extension prior to 9:00 a.m., New York City time, on the business day after the previously scheduled Expiration Time. The Company also expressly reserves the right (i) to terminate the Exchange Offer and not accept for exchange any Shares not theretofore accepted for exchange upon the occurrence of any of the events set forth herein under "-- Conditions to and Amendment of the Exchange Offer" and (ii) to amend the Exchange Offer. Any such extension, termination or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Time. Without limiting the manner in which the Company may choose to make such public announcement, the Company shall not, unless otherwise required by law, have an obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

HOW TO TENDER

Except as set forth below, for a noteholder to duly tender the Original Notes pursuant to the Exchange Offer, a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message, as defined in the Letter of Transmittal, in lieu thereof), with any required signature guarantees and any other required documents, must be transmitted to and received by the Exchange Agent on or prior to the Expiration Time at the address specified below under "-- Exchange Agent." LETTERS OF TRANSMITTAL SHOULD NOT BE SENT TO ITRON. Because the Original Notes are represented by three global notes and interests therein remain uncertificated, a tendering noteholder need not send certificates representing the

Original Notes. Signatures on Letters of Transmittal need not be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office in the United States ("Eligible Institution"), provided the Original Notes tendered pursuant thereto are tendered (i) by a registered holder of the Original Notes who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. In all other cases, signatures must be guaranteed by an Eligible Institution. If Original Notes are registered in the name of a person other than the signer of the Letter of Transmittal, the Letter of Transmittal must be accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Company, duly executed by the registered holder, with the signature thereon guaranteed as aforesaid.

Tendering noteholders are required under federal income tax law to provide a correct Taxpayer Identification Number on a Substitute Form W-9, which is included, together with guidelines relating to the form, with the Letter of Transmittal. Failure to complete and return this Substitute Form W-9 to the Exchange Agent may subject a stockholder to a $50 penalty imposed by the Internal Revenue Service (the "IRS") and will result in backup withholding of 31% on interest and other payments with respect to the Exchange Notes.

The method of delivery of all documents required to duly tender the Original Notes is at the election and risk of the tendering noteholder but delivery by registered mail with return receipt requested, properly insured, is recommended.

If a noteholder desires to tender Original Notes and the procedure for book-entry transfer cannot be timely completed or time will not permit such holder's Letter of Transmittal and other required documents to reach the Exchange Agent before the Expiration Time, such holder's tender may be effected if

(a) such tender is made through an Eligible Institution;

(b) prior to the Expiration Time, the Exchange Agent has received a Notice of Guaranteed Delivery, in substantially the form provided by the Company herewith, from such Eligible Institution setting forth the name and address of the holder of such Original Notes and the aggregate principal amount of the Original Notes tendered and stating that the tender is being made thereby and guaranteeing that, within three Nasdaq trading days after the date of such telegram, facsimile transmission or letter, the Letter of Transmittal and any other documents required by the Letter of Transmittal (or Agent's Message in lieu thereof), will be deposited by such Eligible Institution with the Exchange Agent; and

(c) such Letter of Transmittal (or Agent's Message in lieu thereof) and other required documents are received by the Exchange Agent within three Nasdaq trading days after the date of such telegram, facsimile transmission or letter.

The acceptance by a noteholder of the Exchange Offer pursuant to one of the procedures set forth above will constitute an agreement between the noteholder and the Company in accordance with the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal.

The Company will accept Original Notes by giving notice thereof to the Exchange Agent.

All questions as to the form of all documents and the validity (including time of receipt) and acceptance of all tenders will be determined by the Company, in its sole discretion, which determinations shall be final and binding. The Company reserves the absolute right to reject any and all tenders not in proper form or the acceptance of which would, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Exchange Offer or any defect or irregularity in the tender of any of the Original Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) will be final. No tender of Original Notes will be deemed to have been properly made until all defects and irregularities have been cured or waived. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give

notification of any defects or irregularities in tenders, nor shall any of them incur any liability for failure to give such notification.

WITHDRAWAL RIGHTS

All tenders duly and validly made are irrevocable, except that Original Notes tendered pursuant to the Exchange Offer may be withdrawn prior to the Expiration Time, and unless theretofore accepted for exchange as provided in the Exchange Offer, may also be withdrawn after 5:00 p.m., New York City time, on April 7, 1999.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be received by the Exchange Agent on a timely basis at one of the addresses specified under "-- Exchange Agent." Any notice of withdrawal must specify the name of the person having tendered the Original Notes to be withdrawn, the names in which the Original Notes are registered if different from that of the tendering noteholder, and the aggregate principal amount of Original Notes to be withdrawn. All questions as to validity, form and eligibility (including time of receipt) of notices of withdrawal will be determined by the Company, in its sole discretion, which determinations shall be final and binding. Any Original Notes effectively withdrawn will be deemed not to have been duly tendered for purposes of the Exchange Offer.

Neither the Company nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification. However, the Exchange Agent will attempt to correct any defective tenders by contacting the tendering noteholder. Withdrawals of tenders of Original Notes may not be rescinded, and any Original Notes properly withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. However, withdrawn Original Notes may be retendered by following one of the procedures described under "-- How to Tender" at any time prior to the Expiration Time.

ACCEPTANCE OF ORIGINAL NOTES FOR EXCHANGE; DELIVERY OF EXCHANGE NOTES

Upon the terms and subject to the conditions of the Exchange Offer, the acceptance for exchange of Original Notes validly tendered and not withdrawn will be made promptly after the Expiration Time. For purposes of the Exchange Offer, the Company will be deemed to have accepted for exchange validly tendered Original Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering noteholders for the purposes of receiving Exchange Notes from the Company and transmitting such securities to such noteholders. If the Company should extend the Exchange Offer or be delayed in consummation of the Exchange Offer for any reason, then, without prejudice to the Company's rights under the Exchange Offer, the Exchange Agent acting on behalf of the Company may retain tendered Original Notes, and such Original Notes may not be withdrawn, subject to the withdrawal rights of tendering noteholders set forth above under "-- Withdrawal Rights." Tendered Original Notes not accepted for exchange by the Company because of an invalid tender, the termination of the Exchange Offer as a result of the existence of a condition set forth below under "-- Conditions to and Amendment of the Exchange Offer" or for any other reason, will be credited on the Global Notes maintained within DTC as promptly as practicable following the expiration or termination of the Exchange Offer.

Delivery of Exchange Notes in exchange for Original Notes tendered pursuant to the Exchange Offer will be made by the Company to the Exchange Agent, as agent for the tendering noteholders, only after the Exchange Agent receives confirmation of the book-entry transfer of such Original Notes into the Exchange Agent's account at DTC a properly completed and duly executed Letter of Transmittal (or facsimile thereof) or Agent's Message, and any other required documents.

DENOMINATIONS; FRACTIONAL INTERESTS

The Exchange Notes will be issued only in denominations of $1,000 and integral multiples thereof. Fractional interests with respect to the Exchange Notes will not be distributed to tendering noteholders. The Company will issue the maximum whole number of Exchange Notes possible for tendered Original Notes. The Company will pay cash for any fractional interests in the Exchange Notes, calculated by multiplying the

principal amount of the Original Notes tendered by .720, and subtracting from the result the aggregate principal amount of Exchange Notes issued. Cash paid in lieu of any fractional interests in the Exchange Notes will be paid to tendering noteholders as soon as practicable after the expiration of the Exchange Offer.

PRORATION IF ORIGINAL NOTES TENDERED EXCEED MAXIMUM

Unless the Exchange Offer is amended, if noteholders validly tender more than $22 million aggregate principal amount of the Original Notes, the Company will accept for exchange no more than $22 million aggregate principal amount of the Original Notes. In such event, Exchange Notes will be allocated to tendering noteholders on a pro rata basis based on the aggregate principal amount of the Original Notes tendered by each tendering noteholder. The Company will accept from each tendering noteholder that aggregate principal amount of the Original Notes equal to $22 million multiplied by a fraction, the numerator of which is the aggregate principal amount of the Original Notes validly tendered by such tendering noteholder and the denominator of which is the total aggregate principal amount of the Original Notes validly tendered by all tendering noteholders. The aggregate principal amount of the Original Notes will be rounded up or down as nearly as practicable to result in the tender of whole Original Notes rather than fractional Original Notes. Any Original Notes not accepted by the Company as a result of the allocation described above will be credited to the tendering noteholders' account.

PAYMENT OF INTEREST ON THE TENDERED ORIGINAL NOTES

The Company will pay all accrued but unpaid interest on all tendered and accepted Original Notes to the tendering noteholders. Interest on all tendered and accepted Original Notes will accrue up to but not including the expiration date of the Exchange Offer. Interest on the tendered and accepted Original Notes will be paid to the tendering noteholders on March 31, 1999, the same date on which interest is to be paid on the outstanding Original Notes, pursuant to the Indenture for the Original Notes dated March 12, 1997 between the Company and Chase Manhattan Bank and Trust Company, National Association (formerly known as Chemical Trust Company of California).

CONDITIONS TO AND AMENDMENT OF THE EXCHANGE OFFER

Unless the Exchange Offer is amended, the Company may accept up to $22 million aggregate principal amount of the Original Notes validly tendered (representing approximately 35% of the outstanding aggregate principal amount of Original Notes as of February 10, 1999). If more than $22 million aggregate principal amount of Original Notes is tendered, the Company will accept no more than $22 million aggregate principal amount of Original Notes to be allocated among the tendering noteholders on a pro rata basis as described under "-- Proration if Original Notes Tendered Exceed Maximum." The Exchange Offer is subject to other conditions described below.

An application will be filed with the Commission for qualification of the Indenture under which the Exchange Notes will be issued under the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The Exchange Offer is conditioned upon the Indenture being qualified under the Trust Indenture Act. In addition to the foregoing conditions, the Company may decline to accept any Original Notes in exchange for Exchange Notes and may withdraw the Exchange Offer as to Original Notes not then accepted if, before the time of acceptance, there shall have occurred any of the following events which, in the Company's sole judgment, makes it inadvisable to proceed with such acceptance:

(a) any government agency or other person shall have instituted or threatened any action or proceeding before any court or administrative agency (i) challenging the acquisition of Original Notes pursuant to the Exchange Offer or otherwise in any manner relating to the Exchange Offer or (ii) otherwise materially adversely affecting the Company, or there shall have occurred any existing action or proceeding with respect to the Company;

(b) any statute, rule or regulation shall have been proposed or enacted, or any action shall have been taken by any governmental authority, which would or might prohibit, restrict or delay consumma-

tion of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer to the Company;

(c) any state of war, national emergency, banking moratorium or suspension of payments by banks in the State of New York shall have occurred, or any currency or exchange control laws or regulations or general suspension of trading or limitation on prices on Nasdaq shall have been imposed, or there shall have occurred a material adverse change in the securities markets generally;

(d) any required consents or approvals from third parties or government regulatory agencies shall not have been obtained;

(e) the Exchange Offer would result in the Company's Common Stock being delisted from the Nasdaq National Market; or

(f) any change, or development involving a prospective change, in or affecting the business or financial affairs of the Company shall have occurred.

The Company reserves the right to waive any of the foregoing conditions. The Company also reserves the right to amend the Exchange Offer by public announcement of any amendment. The Exchange Offer, however, may not be amended or withdrawn unless the amendment or the circumstances described above regarding withdrawal occur prior to the Expiration Time.

EXCHANGE AGENT

Chase Manhattan Bank and Trust Company, National Association has been appointed as Exchange Agent for the Exchange Offer. All correspondence in connection with the Exchange Offer and the Letter of Transmittal should be addressed to the Exchange Agent, as follows:

By Mail, Hand or Overnight Delivery:
CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
c/o Chase Bank of Texas, National Association
Corporate Trust Services
1201 Main Street, 18th Floor
Dallas, TX 75202
Attention: Frank Ivins (CONFIDENTIAL)

By Facsimile Transmission:
(For Eligible Institutions Only)
(214) 672-5746

Confirm by Telephone:
Frank Ivins (214) 672-5678

DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE VALID DELIVERY.

WHERE TO OBTAIN ADDITIONAL INFORMATION

The Company will provide further assistance or additional copies of documents pursuant to the Exchange Offer. Noteholders with questions regarding the Exchange Offer should call the Company toll-free at 1-800-635-5461, ext. 3440 or write to the Company at:

Itron, Inc.
2818 N. Sullivan Road
P.O. Box 15288
Spokane, Washington 99216-1897
Attention: Investor Relations

LETTERS OF TRANSMITTAL SHOULD BE SENT ONLY TO THE EXCHANGE AGENT AND NOT TO THE COMPANY. See "-- How to Tender" and "-- Exchange Agent."

NO FINANCIAL ADVISOR

No financial advisor has been retained to render, and no financial advisor has rendered, an opinion as to the fairness of the Exchange Offer to holders of the Original Notes or to solicit exchanges of Original Notes for Exchange Notes. However, the Company has determined the terms of the Exchange Offer and the Exchange Notes primarily pursuant to discussions with a significant holder of the Original Notes, and believes that the terms and conditions of the Exchange Offer and the Exchange Notes reflect the current fair market value of the Original Notes.

PAYMENT OF EXPENSES

The Exchange Offer is being made by the Company in reliance on the exemption from the registration requirements of the Securities Act, afforded by Section 3(a)(9) thereof. Therefore, the Company will not pay any commission or other remuneration to any broker, dealer, salesman or other person for soliciting tenders of the Original Notes. However, regular employees of the Company (who will not be additionally compensated therefor) may solicit tenders and will answer inquiries concerning the Exchange Offer.

The Company will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for reasonable out-of-pocket expenses in connection therewith. The Company will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Offering Circular and related documents to the beneficial owners of the Original Notes held of record by such persons and in handling or forwarding tenders and consents for their customers.

BACKGROUND, PURPOSE AND EFFECT OF THE EXCHANGE OFFER

On March 18, 1997, Itron closed a private placement of $60,000,000 aggregate principal amount of Original Notes, pursuant to an exemption from registration under Rule 144A and Regulation S of the Securities Act, with Credit Suisse First Boston Corporation and Hambrecht & Quist LLC as the initial purchasers. An additional $3,400,000 aggregate principal amount of Original Notes was issued on April 15, 1997 pursuant to the exercise of an over-allotment option granted to the initial purchasers. The purpose of the private placement was to raise funds to reduce the Company's outstanding balance on its line of credit, as well as raise capital for the funding of Itron's business operations, in particular its outsourcing contracts.

Pursuant to a Registration Rights Agreement dated March 12, 1997, the Company registered the Original Notes on a Registration Statement on Form S-3 filed June 3, 1997, Commission File No. 333-28451. Holders of the Original Notes that were named as selling noteholders in the Registration Statement were able to initiate public resales of the Original Notes by complying with the prospectus delivery requirements under the Securities Act.

At the time of original issuance, the Original Notes conversion price of $23.70 per share represented a 20% premium above the average daily trading price of the Common Stock for the five days preceding March 12, 1997. Since original issuance and up to and including February 10, 1999, the closing price of the Company's Common Stock has dropped as low as $4.63 per share as reported on Nasdaq. Various factors have caused the decline of the Common Stock trading price, including reported losses by the Company, competitive pressures within the Company's industry, mergers and consolidations of the electric utility industry, the general volatility of the stock market, and other factors beyond the Company's control.

The Company has decided to offer the Exchange Notes to reduce the Company's outstanding long-term debt and to reduce the Company's debt service obligations. Outstanding long-term debt will be reduced $6.16 million and the Company expects to report a pre-tax gain on extinguishment of debt of $5.439 million in the first quarter of 1999, assuming the Exchange Offer closes by March 31, 1999. In addition, because the interest rate applicable to borrowings under the Company's line of credit is dependent in part on the Company's total debt, this interest rate may decline. The Exchange Offer provides tendering noteholders with an opportunity to exchange the Original Notes, with a conversion price of $23.70, for the Exchange Notes, which will have a Conversion Price that is reflective of the current trading price of the Common Stock.

The lower interest expense associated with the Exchange Notes is expected to result in higher basic earnings per share. The lower Conversion Price of the Exchange Notes compared to the conversion price of the Original Notes, and the corresponding increase in the number of shares which could be issued upon conversion may result in decreased diluted earnings per share. The impact of the Original Notes and the Exchange Notes on diluted earnings per share is computed by assuming all notes are converted and interest on the notes is no longer paid (the "if converted" method). The result of the if converted computation is anti-dilutive at low basic earnings per share and dilutive at higher basic earnings per share. The result of the consummation of the Exchange Offer will be to lower the point at which there is dilution and to increase the amount of such dilution. The pro forma information set forth in the section captioned "Summary Selected and Pro Forma Financial Data" indicates that earnings per share for the year ended December 31, 1997 would have increased slightly (i.e., the result of the Exchange Offer would have been anti-dilutive) and the loss per share for the nine months ended September 30, 1998 would have decreased slightly (i.e., the result of the Exchange Offer would have been anti-dilutive).

The Exchange Offer is being made by the Company in reliance on the exemption from the registration requirements of the Securities Act afforded by Section 3(a)(9) thereof. As a result, restrictions on the transferability of the Exchange Notes will depend upon the character of the Original Notes tendered by the noteholders. Original Notes which have been transferred under the resale Registration Statement described above (which Original Notes have the CUSIP Number 465741-AC-0) are freely transferable and, accordingly, the Exchange Notes issued in exchange therefor will be freely transferable upon issuance. Original Notes that have not been transferred under the resale Registration Statement and (a) were originally issued under Regulation S (CUSIP Number U13126-AA-2) ("Regulation S Original Notes") will become transferable under Rule 144(k) on March 18, 1999, or (b) were originally issued under Rule 144A (CUSIP

Number 465741-AA-4) ("Rule 144A Original Notes") will become transferable under Rule 144(k) on April 15, 1999. Accordingly, transfers of Exchange Notes issued in exchange for Regulation S Original Notes or Rule 144A Original Notes may be made only pursuant to applicable exemptions from registration until March 18, 1999 and April 15, 1999, respectively (which dates are two years from the latest date of original issuance of the Regulation S Original Notes and the Rule 144A Original Notes). The Company does not intend to apply for listing or quotation of the Exchange Notes on any exchange or automated quotation system. As a result, there can be no guarantee that a market will develop for the Exchange Notes.

The Company, its Board of Directors and its executive officers make no recommendations as to whether any noteholders should tender any or all of such noteholders' Original Notes pursuant to the Exchange Offer. Each noteholder must make the decision whether to tender the Original Notes held by such noteholder and, if so, the aggregate principal amount of Original Notes to tender. Executive officers and directors of the Company have advised the Company that they do not hold any Original Notes.

Holders of the Original Notes contemplating the Exchange Offer should consider that the Company has not retained any financial advisor or investment banking firm to assist the Company in determining the price and terms of the Exchange Notes or whether the consideration offered in the Exchange Offer is adequate to tendering noteholders. The Company also has not requested any report, opinion, or appraisal relating to the fairness of the consideration being offered pursuant to the Exchange Offer. For a discussion of risk factors that should be taken into account in considering the Exchange Offer, see "Risk Factors."

CAPITALIZATION

The following table sets forth the capitalization of the Company at September 30, 1998, and pro forma to give effect to the issuance of Exchange Notes assuming the maximum number of Original Notes were tendered as if such exchange had occurred on September 30, 1998.

	SEPTEMBER 30, 1998	
	ACTUAL	PRO FORMA
	(IN THOUSANDS)	
Bank line of credit	$ 11,590	$ 11,590
Current leases payable	467	467
Long-term debt:		
Mortgage notes payable	6,281	6,281
Leases payable	430	430
Project financing	7,843	7,843
Original 6 3/4% Convertible Subordinated Notes Due 2004	63,400	41,400
Exchange 6 3/4% Convertible Subordinated Notes Due 2004	--	15,840
Total long-term debt	77,954	71,794
Total debt	90,011	83,851
Shareholder's equity:		
Common Stock, no par value: 75,000,000 shares authorized, 14,633,110 shares outstanding	105,618	105,618
Retained earnings	9,463	12,959(1)
Other	(1,147)	(1,147)
Total shareholders' equity	113,934	117,430
Total capitalization	$203,945	$201,281

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(1) Retained earnings has been adjusted to reflect an extraordinary gain on extinguishment of debt, net of income tax, of $3.496 million which the Company will recognize in the first quarter of 1999, assuming the Exchange Offer closes by March 31, 1999.

SUMMARY SELECTED CONSOLIDATED AND PRO FORMA FINANCIAL DATA

The selected historical data presented below as of December 31, 1995, 1996 and 1997 and for each of the three years in the period ended December 31, 1997, are derived from the consolidated financial statements of the Company. The consolidated financial statements of the Company as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997, audited by Deloitte & Touche LLP, independent auditors, have been incorporated herein by reference. The selected historical data presented below for the nine-month periods ended September 30, 1998 and 1997, and as of September 30, 1998 and 1997, are derived from the unaudited consolidated financial statements of the Company. In the opinion of management, such unaudited data reflect all adjustments, consisting only of normally recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations of any interim period are not necessarily indicative of results to be expected for a full fiscal year.

The unaudited consolidated pro forma statement of operations data and per share data for the year ended December 31, 1997 and for the nine months ended September 30, 1998 set forth the effect of the issuance of the Original Notes, adjusted for the issuance of the Exchange Notes, assuming the maximum number of the Original Notes were tendered, as if these transactions had occurred on January 1, 1997.

The unaudited consolidated pro forma balance sheet data as of September 30, 1998 sets forth the effect of the issuance of the Exchange Notes assuming the maximum number of the Original Notes were tendered, as if such exchange had occurred on September 30, 1998.

The unaudited consolidated pro forma data are not necessarily indicative of what the Company's actual statement of operations data, per share data, balance sheet data or other data would have been as of the date or for the periods indicated, nor do they purport to represent such data for the Company or for any future period or date.

For additional information, see the Consolidated Financial Statements and notes thereto of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (as amended), and the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1998, which are incorporated in this Offering Circular by reference.

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,		
	1995	1996	1997	PRO FORMA 1997	1997	1998	PRO FORMA 1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA							
Revenues							
AMR systems	$ 98,724	$129,576	$143,472	$143,472	$ 96,655	$130,102	$130,102
Handheld systems	60,952	45,084	49,409	49,409	35,714	33,226	33,226
Outsourcing	1,659	2,924	23,236	23,236	19,373	15,988	15,988
Total revenues	161,335	177,584	216,117	216,117	151,742	179,316	179,316
Cost of revenues	89,596	104,708	135,359	135,359	96,732	123,522	123,522
Gross profit	71,739	72,876	80,758	80,758	55,010	55,794	55,794
Operating expenses							
Sales and marketing	20,054	28,847	29,613	29,613	21,385	20,211	20,211
Product development	27,080	33,285	32,220	32,220	23,481	26,354	26,354
General and administrative	7,589	10,970	12,064	12,064	8,568	9,423	9,423
Restructuring charges	--	--	--	--	--	3,247	3,247
Amortization of intangibles	2,336	1,542	2,190	2,190	1,611	1,776	1,776
Total operating expenses	57,059	74,644	76,087	76,087	55,045	61,011	61,011
Operating income (loss)	14,680	(1,768)	4,671	4,671	(35)	(5,217)	(5,217)
Other income (expense):							
Equity in affiliates	--	(50)	(1,120)	(1,120)	(355)	(1,224)	(1,224)
Gain on sale of business interest	--	--	2,000	2,000	--	--	--
Interest, net	1,721	(316)	(3,916)	(3,759)(1)	(3,206)	(4,611)	(4,299)(2)
Total other income (expense)	1,721	(366)	(3,036)	(2,879)	(3,561)	(5,835)	(5,523)
Income (loss) before taxes	16,401	(2,134)	1,635	1,792	(3,596)	(11,052)	(10,740)
Income tax (provision) benefit	(5,250)	670	(625)	(685)	1,305	4,200	4,082
Net income (loss)	$ 11,151	$ (1,464)	$ 1,010	$ 1,107	$ (2,291)	$ (6,852)	$ (6,658)
PER SHARE DATA							
Basic earnings (loss) per share	$ .85	$ (.11)	$ .07	$ .08	$ (.16)	$ (.47)	$ (.45)
Diluted earnings (loss) per share	.81	(.11)	.07	.08(3)	(.16)	(.47)	(.45)(3)
Weighted average shares outstanding	13,095	13,297	14,118	14,118	13,959	14,660	14,660
Diluted shares outstanding	13,775	13,297	14,562	14,118(3)	13,959	14,660	14,660(3)
BALANCE SHEET DATA							
Working capital	$ 64,536	$ 26,239	$ 68,307		$ 59,419	$ 60,066	$ 51,552(4)
Total assets	149,718	186,671	240,211		224,371	240,552	234,392(5)
Total debt	5,668	39,502	73,814		71,326	89,114	83,851(6)
Shareholders' equity	11,273	114,222	120,427		116,548	113,934	117,430(7)
OTHER DATA							
Ratio of earnings to fixed charges(8)	84.3x	--	1.1x	1.1x	--	--	--
EBITDA(9)	$ 24,968	$ 9,311	$ 22,607	$ 23,370	$ 12,465	$ 8,637	$ 8,637
Ratio of EBITDA to fixed charges(10)	126.7x	64x	4.4x	4.0x	3.4x	1.9x	2.0x
Capital Expenditures:							
Equipment used in outsourcing	2,396	17,254	27,478	27,478	22,308	9,296	9,296
Other plant and equipment	16,594	27,500	9,329	9,329	7,863	5,202	5,202

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(1) Interest, net has been adjusted as follows:

(a) Interest expense has been increased $511,000 to reflect 12 months of interest expense on $57.24 million aggregate principal outstanding in lieu of historical interest expense of $3.353 million on $63.4 million aggregate principal outstanding since issuance of the Original Notes in March and April 1997.

(b) Amortization of debt issuance costs has been increased by a net amount of $94,000 to reflect 12 months in lieu of nine months of amortization and lower costs for the issuance of Exchange Notes.

(c) Interest income has been increased $285,000 to reflect the assumption that approximately $22 million of proceeds in excess of the Company's outstanding line of credit at January 1, 1997 (approximately $33 million) would have been invested at 6.2% for 2 1/2 months.

(d) Interest expense has been decreased by $477,000 to reflect the assumption that the proceeds from the issuance of the notes were used to reduce the Company's outstanding line of credit from January 1, 1997 to date of issuance of the Original Notes.

(2) Interest, net has been decreased by $312,000 to reflect application of the 6 3/4% interest rate on a lower aggregate principal balance.

(3) Pro forma diluted earnings per share for the year ended December 31, 1997 and nine months ended September 30, 1998 have been calculated by dividing pro forma net income by 14,118,000 and 14,660,000 shares outstanding, respectively. Shares outstanding have been determined assuming the Exchange Notes are issued with a Conversion Price based on a 25% premium on an assumed common share price of $8.125. Using the "if converted" method, the effect of the Exchange Offer is anti-dilutive in both periods.

(4) Working capital has been decreased to reflect the $6.16 million reduction in proceeds, net of a $185,000 reduction in debt issuance costs and income taxes of $2.143 million.

(5) Total assets have been reduced to reflect lower proceeds offset by lower debt issuance costs.

(6) Total debt has been reduced to reflect $6.16 million of reduced principal outstanding.

(7) Shareholders' equity has been increased to reflect an extraordinary gain on extinguishment of debt, net of income tax, of $3.496 million resulting from the Exchange Offer.

(8) For purposes of this calculation, earnings consist of income (loss) before income taxes plus fixed charges less capitalized interest. Fixed charges consist of interest on indebtedness, whether expensed or capitalized. The deficiency for purposes of calculating the ratio of earnings to fixed charges for the year ended December 31, 1996 was $1.3 million and $422,000, $6.513 million and $6.513 million for the nine-month periods ended September 30, 1997 and 1998 and pro forma September 30, 1998, respectively.

(9) EBITDA (earnings before interest expense, taxes, depreciation and amortization) is presented because the Company believes that it allows for a more complete analysis of the Company's results of operations. This information should not be considered as an alternative to, nor is there any implication that this information is more meaningful than, any measure of performance or liquidity as promulgated under generally accepted accounting principles (such as operating income (loss), net income (loss) or cash provided by or used in operating, investing and financing activities). This information should not be considered as an indicator of the Company's overall financial performance. Additionally, EBITDA as reported herein may not be comparable to similarly titled measures reported by other companies.

(10) For the purposes of this calculation, fixed charges consist of interest on indebtedness, whether expensed or capitalized.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

The Company's Common Stock trades on the Nasdaq National Market under the symbol "ITRI." The high and low closing sales prices of the Common Stock as reported by Nasdaq since January 1, 1997, are set forth below.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 1997		
First Quarter	$24.75	$16.75
Second Quarter	27.44	19.25
Third Quarter	27.00	22.13
Fourth Quarter	26.63	15.25
YEAR ENDED DECEMBER 31, 1998		
First Quarter	$21.69	$15.69
Second Quarter	20.63	12.75
Third Quarter	13.50	6.38
Fourth Quarter	9.50	4.63
YEAR ENDING DECEMBER 31, 1999		
First Quarter (through February 10, 1999)	$ 9.40	$ 7.19

On February 10, 1999, the closing price per share of the Common Stock as reported by Nasdaq was $8.88. On January 31, 1999, there were approximately 600 holders of record of the Company's Common Stock.

Cash dividends have never been paid on Itron's Common Stock. The Company presently intends to retain earnings and does not anticipate that cash dividends will be paid on its Common Stock in the foreseeable future. The Company acquired Utility Translation Systems, Inc. ("UTS") on March 25, 1996 in a pooling-of-interests business combination. Accordingly, the Company's historical financial statements reflect dividends paid by UTS in 1996 and prior periods.

The Original Notes are not traded on an established securities market, and accordingly no reliable historical trading information is available. The Company is aware that certain investment banking firms make a market in the Original Notes, and that there have been trades in the Original Notes from time to time. The Company believes that the Original Notes have traded at a discount to their principal amount since early 1998, and that bid and ask prices for the Original Notes during the second half of 1998 and early 1999 have ranged from approximately $650 to $720 per $1,000 principal amount of Original Notes. However, there may not have been any actual trades of Original Notes in this range, and trades of Original Notes may have taken place at prices higher or lower than this range.

DESCRIPTION OF THE EXCHANGE NOTES

The Exchange Notes will be issued under an indenture (the "Indenture"), between the Company and Chase Manhattan Bank and Trust Company, National Association (the "Trustee"). The following summary of certain provisions of the Indenture and description of the Exchange Notes is a summary of the material terms of the Exchange Notes. However, such summary is subject to, and qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms that are not otherwise defined in this Offering Circular. Whenever particular Sections or defined terms of the Indenture (or of the form of the Exchange Note that is a part thereof) are referred to, such Sections or defined terms are incorporated in their entirety herein by reference.

GENERAL

The Exchange Notes in an aggregate principal amount of up to $15,840,000 are unsecured, subordinated general obligations of the Company, and will mature on March 31, 2004. The Exchange Notes will bear interest at a rate of 6 3/4% per annum commencing on March 12, 1999, or from the most recent Interest Payment Date on which interest has been paid or provided for. Interest is payable semiannually on March 31 and September 30 of each year, commencing September 30, 1999, to the Person in whose name the Exchange Note (or any predecessor Exchange Note) is registered at the close of business on the preceding March 15 or September 15 (whether or not a Business Day (as defined below)), as the case may be. Interest on the Exchange Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Company has appointed the Trustee as registrar, Paying Agent and transfer agent of the Exchange Notes. In such capacities, the Trustee will be responsible for, among other things, (i) maintaining a record of the aggregate holdings of Exchange Notes represented by one or more global Exchange Notes (the "Global Exchange Notes") and accepting Exchange Notes for exchange and registration of transfer, (ii) ensuring that payments of principal and interest with respect to the Exchange Notes received by the Trustee from the Company are duly paid to the depositories or their respective nominees, and (iii) transmitting to the Company any notices from Holders.

Payments of principal of and interest on the Exchange Notes will be made at the office of the Trustee or its agent in New York, New York or, at the option of the Holder and subject to any fiscal or other laws and regulations applicable thereto, at the corporate trust office of the Trustee or any Paying Agent outside New York, New York. Payment in respect of principal on Exchange Notes will be made only against surrender of such Exchange Notes and will be made by U.S. dollar check drawn on a bank in New York City or, for Holders of at least $2,000,000 of Exchange Notes, by wire transfer to an account maintained by the payee with a bank in the United States or Europe, provided that a written request from such Holder to such effect is received by the Trustee or any Paying Agent no later than 15 days prior to the relevant payment date. Payment in respect of interest on each Interest Payment Date with respect to any such Exchange Note will be made to the Person in whose name such Exchange Note is registered on the relevant Record Date by U.S. dollar check drawn on a bank in New York, New York or, for Holders of at least $2,000,000 of Exchange Notes, by wire transfer to an account maintained by the payee with a bank in the United States or Europe, provided that a written request from such Holder to such effect is received by the Trustee or any Paying Agent no later than the relevant Record Date. Unless such designation is revoked, any such designation made by such Person with respect to such Exchange Note will remain in effect with respect to any future payments with respect to such Exchange Note payable to such Person. The Company will pay any administrative costs imposed by banks in connection with remitting payments by wire transfer.

If the due date for payment of any amount in respect of principal or interest on any Exchange Note is not a Business Day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding Business Day at such place and shall not be entitled to any further interest or other payment in respect of any such delay. As used in the Indenture regarding payment, "Business Day" means a day on which banks are open for business and carrying out transactions in U.S. dollars in the relevant place of payment.

Subject to certain limitations set forth in the Indenture, the Company reserves the right at any time to vary or terminate the appointment of the Trustee or any Paying Agent with or without cause and to appoint another Trustee or additional or other Paying Agents and to approve any change in the specified offices through which any Paying Agent acts.

CONVERSION RIGHTS

The Exchange Notes are convertible, in whole or in part, into Common Stock at the option of the Holder at any time prior to the close of business on the Business Day immediately preceding the maturity date, unless previously redeemed, initially at the Conversion Price determined as indicated on the cover page of this Offering Circular. The right to convert the Exchange Notes called for redemption will terminate at the close of business on the Business Day immediately preceding the Redemption Date unless the Company defaults in making the payment due on the Redemption Date. For information as to notices of redemption, see "-- Optional Redemption."

If the Company, by means of dividend or otherwise, declares or makes a distribution in respect of the Common Stock referred to in clause (iv) or (v) below, the Holder of each Exchange Note, upon the conversion thereof subsequent to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution and prior to the effectiveness of the conversion price adjustment in respect of such distribution pursuant to clause (iv) or (v) below, will be entitled to receive for each share of Common Stock into which such Exchange Note is converted that portion of the evidences of indebtedness, shares of capital stock, cash and other property so distributed which is applicable to one share of Common Stock; provided, however, that the Company may, with respect to all Holders so converting, in lieu of distributing any portion of such distribution not consisting of cash or securities of the Company, pay such Holder cash equal to the fair market value thereof.

The Conversion Price is subject to adjustment upon the occurrence of certain events, including (i) the payment of dividends (and other distributions) of Common Stock on any class of capital stock of the Company; (ii) the issuance to all holders of Common Stock of rights, warrants or options entitling them to subscribe for or purchase Common Stock at less than the current market price (as defined) thereof; (iii) subdivisions and combinations of Common Stock; (iv) distributions to all holders of Common Stock of evidences of indebtedness of the Company, shares of capital stock, securities, cash or property (excluding any rights, warrants or options referred to in clause (ii) above and any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in clause (i) above); (v) distributions consisting exclusively of cash to all holders of Common Stock in an aggregate amount that, together with (a) other all-cash distributions made within the preceding 12 months and (b) any cash and the fair market value, as of the expiration of the tender or exchange offer referred to below, of consideration payable in respect of any tender or exchange offer by the Company or a Subsidiary for the Common Stock concluded within the preceding 12 months, exceeds 10% of the Company's aggregate market capitalization (such aggregate market capitalization being the product of the current market price of the Common Stock multiplied by the number of shares of Common Stock then outstanding) on the date of such distribution; and (vi) the successful completion of a tender or exchange offer made by the Company or any Subsidiary for the Common Stock which involves an aggregate consideration that, together with (a) any cash and the fair market value of other consideration payable in respect of any tender or exchange offer by the Company or a Subsidiary for Common Stock concluded within the preceding 12 months and (b) the aggregate amount of any all-cash distributions to all holders of Common Stock made within the preceding 12 months, exceeds 10% of the Company's aggregate market capitalization on the expiration of such tender or exchange offer. No adjustment of the conversion price will be required to be made until cumulative adjustments amount to 1% or more of the conversion price as last adjusted.

In the event that the Company distributes rights or warrants (other than those referred to in clause (ii) of the preceding paragraph) pro rata to holders of Common Stock, so long as any such rights or warrants have not expired or been redeemed by the Company, the Holder of any Exchange Note surrendered for conversion will be entitled to receive upon such conversion, in addition to the Conversion Shares, a number of rights or warrants to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution

to the holders of rights or warrants of separate certificates evidencing such rights or warrants (the "Distribution Date"), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of conversion shares is entitled to at the time of such conversion in accordance with the terms and provisions of and applicable to the rights or warrants, and (ii) if such conversion occurs after such Distribution Date, the same number of rights or warrants to which a holder of the number of shares of Common Stock into which such Exchange Note was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date in accordance with the terms and provisions of and applicable to the rights or warrants. The Conversion Price of the Exchange Notes will not be subject to adjustment on account of any declaration, distribution or exercise of such rights or warrants.

In the case of certain reclassifications, consolidations, mergers, sales or transfers of assets or other transactions pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property, each Exchange Note then outstanding would, without the consent of any Holders, become convertible only into the kind and amount of securities, cash and other property receivable upon the transaction by a Holder of the number of shares of Common Stock that would have been received by such Holder immediately prior to such transaction if such Holder had converted its Exchange Note.

Fractional shares of Common Stock will not be issued upon conversion, but in lieu thereof, the Company will pay a cash adjustment based upon market price.

Except as described in this paragraph, no Holder will be entitled, upon conversion thereof, to any actual payment or adjustment on account of accrued and unpaid interest (although such accrued and unpaid interest will be deemed paid by the appropriate portion of the Common Stock received by the Holders upon such conversion) or on account of dividends on shares of Common Stock issued in connection therewith. Exchange Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the opening of business on the corresponding Interest Payment Date (except Exchange Notes called for redemption on a Redemption Date within such period between and including such Regular Record Date and such Interest Payment Date) must be accompanied by payment to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount converted.

If at any time the Company makes a distribution of property to its shareholders that would be taxable to such shareholders as a dividend for federal income tax purposes (e.g., distributions of evidences of indebtedness or assets of the Company, but generally not stock dividends or rights to subscribe for capital stock) and, pursuant to the conversion price adjustment provisions of the Indenture, the conversion price of the Exchange Notes is reduced, such reduction may be deemed to be the receipt of taxable income to Holders of Exchange Notes.

In addition, the Company may make such reductions in the conversion price as the Company's Board of Directors deems advisable to avoid or diminish any income tax to holders of shares of Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes or for any other reasons.

OPTIONAL REDEMPTION

The Exchange Notes may be redeemed at the Company's option, in whole or in part, on at least 20 but not more than 60 days' notice by mail to the registered Holders thereof, at any time after March 12, 2002 at 100% of the principal amount thereof, together with accrued and unpaid interest to (but not including) the Redemption Date (subject to the rights of Holders of record on any Regular Record Date to receive interest due on any Interest Payment Date that is on or prior to such Redemption Date). If less than all of the Exchange Notes are to be redeemed, the Trustee will select or cause to be selected the Exchange Notes by such method as it deems fair and appropriate and which may provide for selection for redemption of portions of the principal amount of any Note of a denomination larger than $1,000.

No sinking fund will be provided for the Exchange Notes.

CERTAIN RIGHTS TO REQUIRE REPURCHASE OF EXCHANGE NOTES

In the event a Change in Control occurs, each Holder will have the right, at its option, to require the Company to repurchase all or any part of such Holder's Exchange Notes on the date (the "Repurchase Date") fixed by the Company that is not less than 30 days or more than 45 days after the date the Company gives notice of the Change in Control, at a price (the "Repurchase Price") equal to 100% of the principal amount thereof, together with accrued and unpaid interest through the Repurchase Date. On or prior to the Repurchase Date, the Company shall deposit with a Paying Agent an amount of money sufficient to pay the aggregate Repurchase Price of the Exchange Notes which is to be paid on the Repurchase Date.

The Company may not repurchase any Exchange Note pursuant to the preceding paragraph at any time when the subordination provisions of the Indenture otherwise would prohibit the Company from making payments of principal in respect of the Exchange Notes. Failure by the Company to repurchase the Exchange Notes when required under the preceding paragraph will constitute an Event of Default under the Indenture whether or not such repurchase is permitted by the subordination provisions of the Indenture.

On or before the 15th day after the Company knows or reasonably should know that a Change in Control has occurred, the Company will be required to mail to all Holders a notice (the "Company Notice") of the occurrence of such Change in Control, the date by which the repurchase right must be exercised, the Repurchase Price for the Exchange Notes and the procedures which the Holder must follow to exercise such right. To exercise the repurchase right, the Holder will be required to deliver, on or before the 30th day after the date of the Company Notice, written notice to the Company (or an agent designated by the Company for such purpose) of the Holder's exercise of such right, together with any certificates evidencing the Exchange Notes with respect to which the right is being exercised, duly endorsed for transfer.

The term "Beneficial Owner" shall be determined in accordance with Rules 13d-3 and 13d-5 promulgated by the Commission under the Exchange Act or any successor provision thereto, except that a Person shall be deemed to have "beneficial ownership" of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

A "Change in Control" shall be deemed to have occurred at such time as (i) any Person, or any Persons acting together in a manner which would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, together with any Affiliates thereof, (a) become the Beneficial Owners, directly or indirectly, of capital stock of the Company, entitling such Person or Persons and its or their Affiliates to exercise more than 50% of the total voting power of all classes of the Company's capital stock entitled to vote generally in the election of the Company's directors or (b) shall succeed in having sufficient of its or their nominees (who are not supported by a majority of the then current Board of Directors of the Company) elected to the Board of Directors of the Company such that such nominees, when added to any existing directors remaining on the Board of Directors of the Company after such election who are Affiliates of or acting in concert with such Persons, shall constitute a majority of the Board of Directors of the Company, (ii) the Company shall be a party to any transaction pursuant to which the Common Stock is converted into the right to receive other securities (other than common stock), cash and/or property (or the Company, by dividend, tender or exchange offer or otherwise, distributes other securities, cash and/or property to holders of Common Stock) and the value of all such securities, cash and/or property distributed in such transaction and any other transaction effected within the 12 months preceding consummation of such transaction (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) is more than 50% of the average of the daily Closing Prices for the five consecutive trading days ending on the Trading Day immediately preceding the date of such transaction (or, if earlier, the trading day immediately preceding the "ex" date for such transaction), or (iii) the Company shall consolidate with or merge into any other Person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person other than a Subsidiary, or any other Person shall consolidate with or merge into the Company (other than, in the case of this clause (iii), pursuant to any consolidation or merger where Persons who are shareholders of the Company immediately prior thereto become the Beneficial Owners of shares of capital stock of the surviving company entitling such Persons to exercise more than 50% of the

total voting power of all classes of such surviving company's capital stock entitled to vote generally in the election of directors).

The effect of these provisions granting the Holders the right to require the Company to repurchase the Exchange Notes upon the occurrence of a Change in Control may make it more difficult for any Person or Group to acquire control of the Company or to effect a business combination with the Company. Moreover, under the Indenture, the Company will not be permitted to pay principal of or interest on the Exchange Notes, or otherwise acquire the Exchange Notes (including any repurchase at the election of the Holders upon the occurrence of a Change in Control) if a payment default on Senior Indebtedness has occurred and is continuing, or in the event of the insolvency, bankruptcy, reorganization, dissolution or other winding up of the Company where Senior Indebtedness is not paid in full. The Company's ability to pay cash to Holders following the occurrence of a Change in Control may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

In the event a Change in Control occurs and the Holders exercise their rights to require the Company to repurchase Exchange Notes, the Company intends to comply with applicable tender offer rules under the Exchange Act, including Rules 13e-4 (other than Commission filing requirements, if not then applicable) and 14e-1, as then in effect, with respect to any such purchase.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Indenture provides that the Company, without the consent of the Holders, may consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person or may permit any Person to consolidate with or merge into, or transfer or lease its properties substantially as an entirety to, the Company, provided that (i) the successor, transferee or lessee is organized under the laws of any United States jurisdiction; (ii) the successor, transferee or lessee, if other than the Company, expressly assumes the Company's obligations under the Indenture and the Exchange Notes by means of a supplemental indenture entered into with the Trustee; (iii) after giving effect to the transaction, no Event of Default and no event which, with notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing; and (iv) certain other conditions are met.

Under any consolidation by the Company with, or merger by the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety as described in the preceding paragraph, the successor resulting from such consolidation or into which the Company is merged or the transferee or lessee to which such conveyance, transfer or lease is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, and thereafter, except in the case of a lease, the predecessor (if still in existence) will be released from its obligations and covenants under the Indenture and the Exchange Notes.

EVENTS OF DEFAULT

An Event of Default is defined in the Indenture to be a (i) default in the payment of any interest upon any of the Exchange Notes for 30 days or more after such payment is due, whether or not such payment is prohibited by the subordination provisions of the Indenture; (ii) default in the payment of the principal of and premium, if any, on any of the Exchange Notes when due, whether or not such payment is prohibited by the subordination provisions of the Indenture; (iii) default in the Company's obligation to provide notice of a Change in Control or default in the payment of the repurchase price in respect of any Exchange Note on the repurchase date therefor (whether or not such payment is prohibited by the subordination provisions of the Indenture); (iv) default by the Company in the performance or breach of any of its other covenants in the Indenture which will not have been remedied by the end of a 60-day period after written notice to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Exchange Notes; (v) failure to pay when due upon final maturity or acceleration thereof any indebtedness for money borrowed by the Company or a Subsidiary (other than Non-Recourse Obligations) in an outstanding principal amount in excess of $5,000,000, if such indebtedness is not

discharged, or such acceleration is not waived or annulled, within ten days after written notice as provided in the Indenture; and (vi) certain events of bankruptcy, insolvency or reorganization of the Company.

"Non-Recourse Obligation" is defined in the Indenture as indebtedness or other obligations or that portion of indebtedness or other obligations incurred by a Subsidiary (the "Non-Recourse Subsidiary") with respect to the acquisition of assets not previously owned by the Company or any Subsidiary or the financing of a project involving the development or expansion of properties of the Company or any Subsidiary (i) as to which neither the Company nor any of its Subsidiaries (other than the Non-Recourse Subsidiary) (a) provides credit support (including any undertaking, agreement or instrument that would constitute indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise), or (c) constitutes the lender; (ii) no default with respect to which would permit (upon notice, lapse of time, or both) any holder of any other indebtedness of the Company or any of its Subsidiaries to declare a default under such other indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any Subsidiary other than the assets that were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

The Indenture provides that if an Event of Default (other than of a type referred to in clause (vi) of the next preceding paragraph) shall have occurred and is continuing, either the Trustee or the Holders of at least 25% in principal amount of the Outstanding Exchange Notes may declare the principal amount of all Exchange Notes to be immediately due and payable. Such declaration may be rescinded if certain conditions are satisfied. If an Event of Default of the type referred to in clause (vi) of the next preceding paragraph shall have occurred, the principal amount of the Outstanding Exchange Notes shall automatically become immediately due and payable.

The Indenture also provides that the Holders of not less than a majority in principal amount of the Outstanding Exchange Notes may direct the time, method and place of conducting any proceedings for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that such direction is not in conflict with any rule of law or with the Indenture. The Trustee may take any other action deemed proper by it that is not inconsistent with such direction.

The Indenture contains provisions entitling the Trustee, subject to its duty during the continuance of an Event of Default to act with the required standard of care, to be indemnified by the Holders before proceeding to exercise any right or power under the Indenture at the request of the Holders.

No Holder will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless the Holders of at least 25% in aggregate principal amount of the Outstanding Exchange Notes shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Exchange Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a Holder of a Note for enforcement of payment of the principal of (and premium, if any), or interest on, such Note on or after the respective due dates expressed in such Note or of the right to convert such Note in accordance with the Indenture.

The Indenture requires the Company to file annually with the Trustee a certificate, executed by a designated officer of the Company, stating to the best of his knowledge that the Company is not in default under certain covenants under the Indenture or, if he has knowledge that the Company is in such default, specifying such default.

MODIFICATION AND WAIVER

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Exchange Notes, to enter into one or more supplemental indentures adding any provisions to, or changing in any manner or eliminating any of the

provisions of, the Indenture or modifying in any manner the rights of the Holders of the Exchange Notes, except that no such modification or amendment may, without the consent of the Holders of each of the Outstanding Exchange Notes affected thereby, among other things, (i) change the Stated Maturity of the principal of, or any installment of interest on, any Exchange Note; (ii) reduce the principal amount thereof or any premium thereon or the rate of interest thereon; (iii) adversely affect the right of any Holder to convert any Exchange Note as provided in the Indenture; (iv) change the place of payment where, or the coin or currency in which, the principal of any Note or any premium or interest thereon is payable; (v) impair the right to institute suit for the enforcement of any such payment on or with respect to any Note on or after the Stated Maturity (or, in the case of redemption, on or after the Redemption Date); (vi) modify the subordination provisions of the Indenture in a manner adverse to the Holders; (vii) modify the redemption provisions of the Indenture in a manner adverse to the Holders; (viii) modify the provisions of the Indenture relating to the Company's requirement to offer to repurchase Exchange Notes upon a Change in Control in a manner adverse to the Holders; (ix) reduce the percentage in principal amount of the Outstanding Exchange Notes the consent of whose Holders is required for any such modification or amendment of the Indenture or for any waiver of compliance with certain provisions of, or of certain defaults under, the Indenture; or (x) modify the foregoing requirements.

The Holders of a majority in principal amount of the Outstanding Exchange Notes may, on behalf of the Holders of all Exchange Notes, waive compliance by the Company with certain restrictive provisions of the Indenture. The Holders of a majority in principal amount of the Outstanding Exchange Notes may, on behalf of the Holders of all Exchange Notes, waive any past default under the Indenture and its consequences, except a default in the payment of the principal of, or any premium or interest on, any Exchange Note or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holders of each Outstanding Note affected.

SUBORDINATION

The payment of the principal of (and premium, if any), and interest on, the Exchange Notes will, to the extent set forth in the Indenture, be subordinated in right of payment to the prior payment in full of all Senior Indebtedness. When there is a payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency or similar proceedings of the Company, the holders of all Senior Indebtedness will first be entitled to receive payment in full of all amounts due or to become due thereon, or provision for such payment in money or money's worth, before the Holders will be entitled to receive any payment in respect of the principal of (or premium, if any), or interest on, the Exchange Notes. No payments on account of principal of (or premium, if any), or interest on, the Exchange Notes or on account of the purchase or acquisition of Exchange Notes may be made if there has occurred and is continuing a default in any payment with respect to Senior Indebtedness or if any judicial proceeding is pending with respect to any such default.

By reason of such subordination, in the event of insolvency, creditors of the Company who are not holders of Senior Indebtedness or of the Exchange Notes may recover less, ratably, than holders of Senior Indebtedness and may recover more, ratably, than the Holders.

"Senior Indebtedness" is defined in the Indenture as the principal of (and premium, if any), and interest on, all indebtedness for money borrowed by the Company, other than the Exchange Notes, and other than the Original Notes, whether outstanding on the date of execution of the Indenture or thereafter created, incurred, guaranteed or assumed, except such indebtedness that by the terms of the instrument or instruments by which such indebtedness was created or incurred expressly provides that it (i) is junior in right of payment to the Exchange Notes or any other indebtedness of the Company or (ii) ranks pari passu in right of payment to the Exchange Notes. For the purposes of certainty, the Exchange Notes will rank pari passu in right of payment to the Original Notes. The term "indebtedness for money borrowed" when used with respect to the Company is defined to mean (a) any obligation of, or any obligation guaranteed by, the Company for the repayment of borrowed money, whether or not evidenced by bonds, debentures, Exchange Notes or other written instruments, (b) all obligations of the Company with respect to interest rate hedging arrangements to hedge interest rates relating to Senior Indebtedness of the Company, (c) any deferred payment obligation of, or any

such obligation guaranteed by, the Company for the payment of the purchase price of property or assets evidenced by a note or similar instrument, and (d) any obligation of, or any such obligation guaranteed by, the Company for the payment of rent or other amounts under a lease of property or assets, which obligation is required to be classified and accounted for as a capitalized lease on the balance sheet of the Company under generally accepted accounting principles.

At September 30, 1998, Senior Indebtedness and indebtedness of the Company's Subsidiaries were approximately $26.6 million. The Company and its Subsidiaries expect from time to time to incur additional indebtedness. The Indenture does not limit or prohibit the incurrence of additional Senior Indebtedness or additional indebtedness of the Company's Subsidiaries.

DEFEASANCE

The Indenture provides that (i) if applicable, the Company will be discharged from any and all obligations in respect of the Outstanding Exchange Notes (except for certain obligations to register the transfer or exchange of Exchange Notes; to replace stolen, lost or mutilated Exchange Notes, to provide for conversion of the Exchange Notes; to maintain Paying Agents and hold moneys for payment in trust; and to repurchase Exchange Notes in the event of a Change in Control) or (ii) if applicable, the Company may decide not to comply with certain restrictive covenants, but not including the obligation to provide for conversion of the Exchange Notes or repurchase Exchange Notes in the event of a Change in Control, and that such decision will not be deemed to be an Event of Default under the Indenture and the Exchange Notes, in either of case (i) or (ii) upon irrevocable deposit with the Trustee, in trust, of money and/or U.S. Government Obligations that will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants expressed in written opinions thereof to pay the principal of (and premium, if any), and each installment of interest on, the Outstanding Exchange Notes. With respect to clause (ii), the obligations under the Indenture other than with respect to such covenants and the Events of Default other than the Event of Default relating to such covenants will remain in full force and effect. Such trust may only be established if, among other things (a) with respect to clause (i), the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Company has received from, or there has been published by, the U.S. Internal Revenue Service (the "IRS") a ruling or there has been a change in law which, in the opinion of counsel to the Company, provides that Holders will not recognize gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred; or, with respect to clause (ii), the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; (b) no Event of Default (or event that with notice or lapse of time, or both, would constitute an Event of Default) shall have occurred or be continuing; (c) the Company has delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the Investment Company Act of 1940, as amended; and (d) certain other customary conditions precedent are satisfied.

BOOK ENTRY

The Exchange Notes will be issued in fully registered form, without coupons, in denominations of $1,000 principal amount and multiples thereof. Except as otherwise provided in the Indenture, the Exchange Notes are evidenced by the Global Note deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co. as DTC's nominee. Record ownership of the Global Note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts of Persons who have accounts with such depository. Ownership of beneficial interests in the Global Note will be limited to Persons who maintain

accounts with DTC ("participants") or Persons who hold interests through participants, through the Euroclear System ("Euroclear") or Cedel Bank, societe anonyme ("Cedel"), if they are participants in such systems, or through indirect participants (as defined below). Ownership of beneficial interests in the Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of Persons other than participants).

So long as DTC, or its nominee, is the registered holder of the Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Exchange Notes represented by such Global Note for all purposes under the Indenture and the Exchange Notes. Unless DTC notifies the Company that it is unwilling or unable to continue as depository for a Global Note, or ceases to be a "Clearing Agency" registered under the Exchange Act, or an Event of Default has occurred and is continuing with respect to such Note, or unless a request for certificates is made upon 60 days' prior written notice as described under "-- Certificated Exchange Notes," owners of beneficial interests in the Global Note will not be entitled to have any portions of such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Exchange Notes in certificated form and will not be considered the owners or holders of the Global Note (or any Exchange Notes represented thereby) under the Indenture or the Exchange Notes. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Cedel). In the event that owners of beneficial interests in a Global Note become entitled to receive Exchange Notes in definitive form, such Exchange Notes will be issued only in registered form in denominations of $1,000 and integral multiples thereof.

Payments of principal of and interest on the Global Note will be made to DTC or its nominee as the registered owner thereof. Neither the Company, the Trustee nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest with respect to the Global Note representing any Exchange Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note for such Exchange Notes as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some U.S. states require that certain Persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Global Note to such Persons may be limited. Because DTC can only act on behalf of participants who, in turn, act on behalf of indirect participants and certain banks, the ability of a Person having a beneficial interest in a Global Note to pledge such interest to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest. Transfers between participants in Euroclear and Cedel will be effected in the ordinary course in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Exchange Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear and Cedel participants, on the other hand, will be effected in DTC in accordance with its rules on behalf of Euroclear or Cedel, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Cedel, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Cedel, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its

respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payments in accordance with normal procedures for same-day funds settlement applicable to DTC. Cedel participants and Euroclear participants may not deliver instructions directly to the depositaries for Cedel or Euroclear, respectively.

Because of time zone differences, the securities account of a Euroclear or Cedel participant purchasing an interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear and Cedel) immediately following the DTC settlement date, and such credit of any transactions in interests in a Global Note settled during such processing day will be reported to the relevant Euroclear or Cedel participant on such day. Cash received in Euroclear or Cedel as a result of sales of interests in a Global Note by or through a Euroclear or Cedel participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Cedel cash account only as of the Business Day for Euroclear or Cedel following the DTC settlement date.

DTC has advised the Company that it will take any action permitted to be taken by a Holder (including the presentation of Exchange Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of the Exchange Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Exchange Notes, DTC reserves the right to exchange the Global Note for legended certificated Exchange Notes in definitive form, and to distribute such Exchange Notes to its participants.

DTC has advised the Company that DTC is a limited purpose trust company organized under the laws of the State of New York; a member of the Federal Reserve System; a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended; and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly ("indirect participants").

Although DTC, Cedel and Euroclear have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among their respective participants, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Cedel or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

CERTIFICATED EXCHANGE NOTES

If any depository is at any time unwilling or unable to continue as a depository for the reasons set forth under "-- Book Entry," the Company will issue certificates for the Exchange Notes in definitive, fully registered form, without interest coupons, in exchange for the Global Note. In addition, upon request, the Company will issue certificates for Exchange Notes in definitive, fully registered form, without interest coupons, in exchange for beneficial interests of like principal amount in the Global Note, but only upon at least 60 days' prior written notice given to the Trustee in accordance with DTC's customary procedures. Upon receipt of such notice from the Trustee, the Company will cause the requested certificates to be prepared for delivery. In all cases, certificates for Exchange Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Notwithstanding any statement herein, the Company and the Trustee reserve the right to impose such transfer, certification, exchange or other requirements, and to require such restrictive legends on certificates

evidencing Exchange Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws, to ensure that the registration statement or any post-effective amendment covering the Exchange Notes and the conversion shares is declared effective by the Commission, or as DTC, Euroclear or Cedel may require.

REGARDING THE TRUSTEE

Chase Manhattan Bank and Trust Company, National Association is the Trustee under the Indenture.

GOVERNING LAW

The Indenture and the Exchange Notes will be governed by, and are to be construed in accordance with, the laws of the State of New York.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income tax consequences of the Exchange Offer and the ownership and disposition of the Exchange Notes. This discussion is a summary for general information only and does not consider all aspects of U.S. federal income tax that may be relevant to the Exchange Offer or the ownership or disposition of the Exchange Notes by any Holder in light of such Holder's particular circumstances.

This discussion is limited to the U.S. federal income tax consequences relevant to a Holder who exchanges an Original Note for an Exchange Note and, except as otherwise described herein, who is (i) a citizen or resident (as defined in Section 7701(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code")) of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust the administration of which is subject to the primary supervision of a court within the United States and for which one or more persons have the authority to control all substantial decisions (a "U.S. Holder"). Except as expressly described herein, this discussion does not address the tax consequences to a Holder that is not a U.S. Holder (a "Non-U.S. Holder"). This discussion also does not address the U.S. federal income tax consequences of ownership of Original Notes or Exchange Notes not held as capital assets within the meaning of Section 1221 of the Code, or the U.S. federal income tax consequences to U.S. Holders subject to special treatment under the U.S. federal income tax laws, such as dealers in securities or foreign currency, tax-exempt entities, banks, thrift institutions, insurance companies or other financial institutions, persons who hold the Original Notes or Exchange Notes as part of a "straddle," a "hedge" against currency risk or a "conversion transaction," persons who have a "functional currency" other than the U.S. dollar, and investors in pass-through entities. Moreover, the effect of any applicable state, local or foreign tax laws is not discussed.

This discussion is based on the Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions. All of the foregoing is subject to change, possibly on a retroactive basis, and any such change could affect the continuing validity of this discussion.

EACH PERSON CONSIDERING TENDERING AN ORIGINAL NOTE FOR AN EXCHANGE NOTE IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR CONCERNING THE APPLICATION OF FEDERAL INCOME TAX LAWS, AS WELL AS THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION, TO ITS PARTICULAR SITUATION. THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND/OR TAX ADVISOR AS TO LEGAL, BUSINESS OR TAX ADVICE.

U.S. HOLDERS

Treatment of Loss or Gain Upon Exchange

The exchange of the Exchange Notes for the Original Notes will be considered a recapitalization that qualifies as a reorganization for federal income tax purposes if the Exchange Notes and the Original Notes are "securities" for U.S. federal income tax purposes. Although the determination of the status of the Original Notes and Exchange Notes as "securities" is not entirely certain because the term of the Exchange Notes and the Original Notes is relatively short, both the Original Notes and Exchange Notes should be treated as "securities" for U.S. federal income tax purposes. Accordingly, the exchange of Original Notes for Exchange Notes should constitute a recapitalization and a reorganization for federal income tax purposes and, as a result, exchanging U.S. Holders should not recognize any loss or gain (except to the extent that Exchange Notes are attributable to accrued but unpaid interest on the Original Notes, in which event the U.S. Holders would generally be required to treat such amounts as payment of interest includible in income in accordance with the U.S. Holder's method of accounting for tax purposes). A U.S. Holder's adjusted tax basis in an Exchange Note will equal the U.S. Holder's adjusted tax basis in the Original Note for which such Exchange Note was exchanged.

If the exchange were determined not to constitute a recapitalization for U.S. federal income tax purposes, then an exchanging U.S. Holder would recognize loss or gain equal to the difference between (i) the issue price of the Exchange Notes and (ii) the U.S. Holder's adjusted tax basis in the Original Notes exchanged therefor. Any such loss or gain would generally be long-term capital loss or gain if the Original Notes had been held for more than one year, subject to characterization of any accrued market discount income as ordinary income.

Stated Interest

This discussion assumes that the Exchange Notes will be treated as debt, not equity, for federal income tax purposes. Each U.S. Holder of an Exchange Note and the Company must report the Exchange Note as debt for such purposes. The stated interest on an Exchange Note therefore will be taxable to a U.S. Holder as ordinary interest income at the time it either accrues or is received, depending on such U.S. Holder's method of accounting for federal income tax purposes. For this purpose, interest will be deemed to accrue without regard to conversion of the Exchange Notes.

Original Issue Discount

Generally, an Exchange Note will bear original issue discount ("OID") if and to the extent of any excess of the Exchange Note's "stated redemption price at maturity" over its "issue price." The "stated redemption price at maturity" of a debt instrument is the sum of its principal amount plus all other payments required thereunder, other than payments of "qualified stated interest" (defined generally as stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate). The "issue price" of an Exchange Note will be the fair market value of the Original Note on the date of the Exchange if the Original Notes or the Exchange Notes are deemed to be "traded on an established securities market" under the Code and as provided in Treasury regulations. If a substantial amount of the Exchange Notes are so traded, it is possible that under Treasury regulations the "issue price" of an Exchange Note will be the fair market value of the Exchange Note, rather than that of an Original Note, on the issue date. If neither the Original Notes nor the Exchange notes so trade, the "issue price" of an Exchange Note will be its "stated redemption price at maturity." It is uncertain whether the Original Notes or Exchange Notes would be deemed to be "traded on an established securities market" under relevant Treasury regulations.

OID would not be includible in a U.S. Holder's income, however, if the U.S. Holder "purchased" the Exchange Note at a "premium." In this context, "purchase" would include the exchange of the Exchange Notes for the Original Notes.

A U.S. Holder will have purchased the Exchange Note at a "premium" if the adjusted basis of the Exchange Note in the hands of the U.S. Holder immediately after the exchange exceeds the sum of all amounts payable on the Exchange Note other than payments of qualified stated interest. Generally, in the absence of any adjustments to a U.S. Holder's basis in an Original Note, a U.S. Holder will have purchased an Exchange Note at a premium if the U.S. Holder paid more for the Original Note than the principal amount of the Exchange Note.

For any U.S. Holder who purchased an Original Note for less than or equal to the principal amount of the Exchange Note, the results will vary. If the U.S. Holder's adjusted basis in the Exchange Note immediately after the exchange is less than or equal to the sum of all amounts payable on the Exchange Note after the exchange excluding qualified stated interest, but greater than the Exchange Note's "adjusted issue price," the U.S. Holder must include OID in income, but would reduce the daily portion of OID by an amount equal to the amount which would otherwise be the daily portion for such day multiplied by a fraction the numerator of which is, generally, the excess (if any) of the cost of the Exchange Note incurred by the purchaser over the issue price of the Exchange Note, and the denominator of which is the sum of the daily portions for such Exchange note for all days after the date of purchase and ending on the stated maturity date.

If a U.S. Holder's adjusted basis in an Exchange Note immediately after the exchange is less than or equal to the Exchange Note's adjusted issue price, the U.S. Holder must include OID in income as it accrues. The amount of accrued OID includible in income by such a U.S. Holder would be the sum of the "daily portions" of OID with respect to the Exchange Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Exchange Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a Note may be of any length and may vary in length over the term of the Exchange Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (i) the product of the Exchange Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (ii) the amount of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of an Exchange Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Special rules will apply for calculating OID for an initial short accrual period.

Market Discount

Generally, the market discount rules discussed below will apply to any Exchange Note if the Original Note bore accrued market discount that was not recognized upon the exchange, or if the U.S. Holder's tax basis in the Exchange Note is less than the Exchange Note's "issue price," and to any Exchange Note purchased after original issue at a price less than its stated redemption price at maturity.

Gain recognized on the disposition (including a redemption) of an Exchange Note that has accrued market discount will be treated as ordinary income, not capital gain, to the extent of the accrued market discount, provided that the amount of market discount exceeds a statutory de minimis amount. "Market discount" is defined as the excess, if any, of (i) the stated redemption price at maturity over (ii) the tax basis of the debt obligation in the hands of the U.S. Holder immediately after its acquisition.

Unless a U.S. Holder elects otherwise, the accrued market discount would be the amount calculated by multiplying the market discount by a fraction, the numerator of which is the number of days the obligation has been held by the U.S. Holder and the denominator of which is the number of days after the U.S. Holder's acquisition of the obligation up to and including its maturity date. A U.S. Holder of a Exchange Note acquired

at market discount may also be required to defer the deduction of all or a portion of the interest on any indebtedness incurred or maintained to carry the Exchange Note until it is disposed of in a taxable transaction.

If a U.S. Holder of an Exchange Note acquired at market discount disposes of such Exchange Note in any transaction other than a sale, exchange or involuntary conversion, even though otherwise nontaxable (e.g., a gift), such U.S. Holder will be deemed to have realized an amount equal to the fair market value of the Exchange Note and would be required to recognize as ordinary income any accrued market discount to the extent of the deemed gain.

A U.S. Holder of an Exchange Note acquired at market discount may elect to include the market discount in income as it accrues, either on a straight-line basis or, if elected, on a constant interest rate basis. The current income inclusion election would apply to all market discount obligations acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. The election may be revoked only with the consent of the IRS. If a U.S. Holder of an Exchange Note so elects to include market discount in income currently, the rules discussed above with respect to ordinary income recognition resulting from sales and certain other disposition transactions and to deferral of interest deductions would not apply.

Amortizable Bond Premium

Generally, a U.S. Holder who acquires an Exchange Note in the exchange of Original Notes for Exchange Notes will have amortizable bond premium to the extent of the excess, if any, of its basis in the Exchange Note over the amount payable on maturity of the Exchange Note (or on an earlier call date if use of the earlier call date results in a smaller amortizable bond premium). For this purpose, the U.S. Holder's basis in the Exchange Note is generally the same as the U.S. Holder's basis in the Original Note less any amount attributable to the value of any conversion features of the Exchange Note. If the Exchange Note were determined not to have been acquired in a reorganization as described above, the U.S. Holder's basis in the bond may not exceed its fair market value immediately after the exchange.

A U.S. Holder may elect to amortize any bond premium under Section 171 of the Code on a constant yield basis over the period from the acquisition date to the maturity date of the Exchange Note (or, in certain circumstances, until an earlier call date) and, except as future Treasury regulations may otherwise provide, reduce the amount of interest included in income in respect of the Exchange Note by such amount. A U.S. Holder who elects to amortize bond premium must reduce its adjusted basis in the Exchange Note by the amount of such allowable amortization. An election to amortize the bond premium would apply to all amortizable bond premium on all taxable bonds held at or acquired after the beginning of the U.S. Holder's taxable year as to which the election is made, and may be revoked only with the consent of the IRS.

The amount of amortizable bond premium does not include any amount attributable to the conversion feature of the Note. The value of the conversion feature for purposes of the amortization of bond premium may be determined under any reasonable method.

The amortized bond premium deduction is treated as an offset to interest income on the related security for federal income tax purposes and is limited to the purchaser's investment income from the debt instrument for the year. No deduction of unamortized bond premium will be allowed on conversion of an Exchange Note into Common Stock. Each U.S. Holder is urged to consult its tax advisors as to the consequences of the treatment of such premium as an offset to interest income for federal income tax purposes. If an election to amortize the bond premium is not made, a U.S. Holder must include the full amount of each interest payment in income in accordance with its regular method of accounting and will generally receive a tax benefit from the bond premium only upon computing its gain or loss upon the sale or other disposition or payment of the principal amount of the Exchange Note.

Sale or Redemption

Unless a nonrecognition provision applies, the sale, exchange, redemption (including pursuant to an offer by the Company) or other disposition of an Exchange Note will be a taxable event for federal income tax purposes. In such event, a U.S. Holder will recognize gain or loss equal to the difference between (i) the

amount of cash plus the fair market value of any property received upon such sale, exchange, redemption or other taxable disposition (other than in respect of accrued and unpaid interest thereon) and (ii) the U.S. Holder's adjusted tax basis therein (as increased by any market discount previously included in income by the U.S. Holder and decreased by any amortizable bond premium deducted over the term of the Note by the U.S. Holder). Subject to the discussion under "-- Market Discount," such gain or loss should be capital gain or loss and will be long-term capital gain or loss if the Exchange Note had been held by the U.S. Holder for more than one year at the time of such sale, exchange, redemption or other disposition.

Conversion of Exchange Note Into Common Stock

No gain or loss will be recognized for federal income tax purposes on conversion of Exchange Notes solely into shares of Common Stock except with respect to any cash received in lieu of a fractional share or, in the case of both cash and accrual basis taxpayers, any accrued interest not previously included in income. To the extent the conversion is not treated as resulting in the payment of interest, the tax basis for the shares of Common Stock received upon conversion will be equal to the tax basis of the Exchange Notes converted into Common Stock, and the holding period of the shares of Common Stock will include the holding period of the Exchange Notes converted. Any accrued market discount not previously included in income as of the date of the conversion of the Notes and not recognized upon the conversion (e.g., as a result of the receipt of cash in lieu of a fractional interest in a Note) should carry over to the Common Stock received on conversion and be treated as ordinary income upon the subsequent disposition of such Common Stock. A U.S. Holder will recognize taxable gain or loss on cash received in lieu of fractional shares of Common Stock in an amount equal to the difference between the amount of cash received and the U.S. Holder's tax basis in such fractional shares. Subject to the market discount rules discussed above, such gain or loss should be capital gain or loss if the fractional shares are capital assets in the hands of the U.S. Holder and long-term capital gain or loss if the fractional shares have been deemed held for more than one year.

Constructive Dividends on Notes

If at any time (i) the Company makes a distribution of cash or property to its stockholders or purchases Common Stock and such distribution or purchase would be taxable to such stockholders as a dividend for U.S. federal income tax purposes (e.g., distributions of evidences of indebtedness or assets of the Company, but generally not stock dividends or rights to subscribe for Common Stock and, pursuant to the antidilution provisions, the conversion price of the Exchange Notes is increased, or (ii) the conversion price of the Exchange Notes is increased at the discretion of the Company, such increase in conversion price may be deemed to be the payment of a taxable dividend (to the extent of the Company's current or accumulated earnings and profits) to U.S. Holders of Notes (pursuant to Section 305 of the Code). Such U.S. Holders of Exchange Notes could therefore have taxable income as a result of an event pursuant to which they received no cash or property.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal, premium, if any, and interest on an Exchange Note, payments of dividends on Common Stock, payments of the proceeds of the sale of an Exchange Note and payments of the proceeds of the sale of Common Stock to certain noncorporate U.S. Holders. The payer will be required to withhold backup withholding tax at the rate of 31% if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payer or establish an exemption from backup withholding, (ii) the IRS notifies the payer that the TIN furnished by the payee is incorrect, (iii) there has been a notified payee underreporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the code. Certain U.S. Holders, including all corporations, will be exempt from such backup withholding. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be allowed as a credit against such U.S. Holder's United States federal income tax and may entitle a U.S. Holder to a refund, provided that the required information is furnished to the IRS.

Treasury Regulations (the "Final Withholding Regulations") that are generally effective with respect to payments made after December 31, 1999, modify the currently effective information reporting and backup withholding procedures and requirements, and provide certain presumptions regarding the status of U.S. Holders when payments to the U.S. Holders cannot be reliably associated with appropriate documentation provided to the payer. With respect to payments made after December 31, 1999, U.S. Holders will be required to provide certification, if applicable, that conforms to the requirements of the Final Withholding Regulations, subject to certain transitional rules which may apply, to extend until December 31, 1999 certification given in accordance with prior Treasury Regulations. Because the application of the Final Withholding Regulations will vary depending on the U.S. Holder's particular circumstances, U.S. Holders are urged to consult their tax advisors regarding the application of the Final Withholding Regulations.

CERTAIN U.S. TAX CONSEQUENCES TO NON-U.S. HOLDERS

General

The following is a summary of the material U.S. federal income tax consequences of the exchange of the Original Notes for the Exchange Notes and the ownership and disposition of the Exchange Notes and Common Stock by a Non-U.S. Holder and certain estate tax consequences of the ownership of the Exchange Notes. This discussion does not address tax consequences arising under the laws of any foreign, state or local jurisdiction. The tax treatment of Non-U.S. Holders of the Exchange Notes may vary depending on their particular situations. Certain Non-U.S. Holders (including insurance companies, tax-exempt organizations, financial institutions and broker-dealers) may be subject to special rules not discussed below. Prospective investors who are Non-U.S. Holders are urged to consult their tax advisors regarding the U.S. federal tax consequences of acquiring, holding and disposing of the Exchange Notes, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.

Treatment of Loss or Gain Upon Exchange

A Non-U.S. Holder generally will not recognize loss or gain upon the exchange of the Exchange Notes for the Original Notes even if the exchange does not constitute a recapitalization for US. federal income tax purposes. A U.S. Holder's adjusted tax basis in an Exchange Note in that case will equal the U.S. Holder's adjusted tax basis in the Original Note for which such Exchange Note was exchanged. If the exchange were not to qualify as a recapitalization, gain or loss might under certain circumstances be recognized for certain more than 5% shareholders. See "-- Gain on Disposition of Exchange Notes or Common Stock".

Interest and OID on Notes

Neither interest paid by the Company to a Non-U.S. Holder nor any original issue discount will be subject to U.S. federal income or withholding tax if (i) such interest is not effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder, (ii) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (iii) the Non-U.S. Holder is not a controlled foreign corporation with respect to which the Company is a "related person" within the meaning of the Code, and (iv) either (a) the Non-U.S. Holder certifies to the Company, under penalties of perjury, that the Non-U.S. Holder is not a U.S. person and provides the beneficial owner's name and address on a U.S. Treasury Form W-8 (or suitable substitute form) or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the Note certifies, under penalties of perjury, that such Form W-8 (or suitable substitute form) has been received from the Non-U.S. Holder by it or by such a financial institution between it and the Non-U.S. Holder and furnishes the payor with a copy thereof.

Conversion of Notes

A Non-U.S. Holder generally will not recognize gain or loss upon any conversion of an Exchange Note solely into Common Stock.

Dividends on Common Stock

In the event that dividends are paid on shares of Common Stock, except as described below, such dividends paid to a Non-U.S. Holder of Common Stock will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are effectively connected with the conduct of a trade or business of the Non-U.S. Holder within the United States. If the dividend is effectively connected with the conduct of a trade or business of the Non-U.S. Holder within the United States, the dividend would be subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates and would be exempt from the 30% withholding tax described above. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Under current U.S. Treasury regulations, dividends paid to an address outside the United States are presumed to be paid to a resident of such country for purposes of the withholding discussed above, and under the current interpretation of the U.S. Treasury regulations, for purposes of determining the applicability of a tax treaty rate. Certain certification and disclosure requirements must be complied with in order to be exempt from withholding under the effectively connected income exemption discussed above. The IRS has issued regulations effective after December 31, 1999, that will impose requirements to certify foreign status in order to obtain reduced withholding rates under tax treaties and modify some of the reporting and disclosure requirements described above.

A Non-U.S. Holder of Common Stock that is eligible for a reduced U.S. withholding tax pursuant to a tax rate treaty may obtain a refund of any excess amounts currently withheld by filing an appropriate claim for refund with the IRS.

Gain on Disposition of Exchange Notes or Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain recognized on a disposition of an Exchange Note or a share of Common Stock unless (i) subject to the exception discussed below, the Company is or has been a "United States real property holding corporation" (a "USRPHC") within the meaning of Section 897(c)(2) of the Code at any time within the shorter of (a) the Non-U.S. Holder's holding period for the Common Stock or (b) the five-year period ending on the date of disposition (the "Required Holding Period"), (ii) the gain is effectively connected with the conduct of a trade or business within the United States of the Non-U.S. Holder and, if a tax treaty applies, attributable to a permanent establishment maintained by the Non-U.S. Holder, or (iii) the Non-U.S. Holder is an individual who holds the Exchange Note or Common Stock as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met. If an individual Non-U.S. Holder falls under clause (iii) above, he or she will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. capital losses (notwithstanding the fact that he or she is not considered a resident of the United States). If a Non-U.S. Holder that is a foreign corporation falls under clause (ii) above, it will be taxed on its gain under regular graduated U.S. federal income tax rates and will, under certain circumstances, be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A corporation is generally a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. While not free from doubt, the Company believes that it currently is not a USRPHC. Even if it were, a Non-U.S. Holder would generally not be subject to tax or withholding in respect of such tax on gain from a sale or other disposition of an Exchange Note or a share of Common Stock by reason of the Company's USRPHC status if the Common Stock is regularly traded on an established securities market ("regularly traded") during the calendar year in which such sale or other disposition of the Note or Common Stock occurs, provided that such Non-U.S. Holder is not a "5% Holder" (i.e., the Non-U.S. Holder beneficially owns or upon conversion would own more than 5% of the Common Stock). The Company believes that the Common Stock will be treated as regularly traded.

If the Company is or has been a USRPHC within the Required Holding Period, and if the Common Stock were not treated as regularly traded, a Non-U.S. Holder of Exchange Notes or Common Stock (without regard to the Non-U.S. Holder's ownership percentage) generally would be subject to tax on gain recognized on a sale or other disposition of Exchange Notes or of such Common Stock. In addition, the Non-U.S. Holder generally would be subject to withholding in respect of tax at a rate of 10% of the amount realized on a sale or other disposition of the Exchange Notes or Common Stock. Any amount withheld pursuant to such withholding tax would be credited against such Non-U.S. Holder's U.S. federal income tax liability. Non-U.S. Holders are urged to consult their tax advisors concerning the potential applicability of these provisions.

Federal Estate Taxes

If interest on the Exchange Notes is exempt from withholding of U.S. federal income tax under the rules described above, the Exchange Notes will not be included in the estate of a deceased Non-U.S. Holder for U.S. federal estate tax purposes. Common Stock owned, or treated as owned, by a Non-U.S. Holder (as specifically determined for U.S. federal estate tax purposes) at the time of death will be included in such Non-U.S. Holder's gross estate for U.S. federal income tax liability. Non-U.S. Holders are urged to consult their tax advisors concerning the potential applicability of these provisions.

Information Reporting and Backup Withholding

The Company generally must report annually to the IRS and to each Non-U.S. Holder the amount of interest, OID, and dividends paid to such Non-U.S. Holder and the amount of any tax withheld unless the beneficial owner satisfies the statement requirement set forth in Section 871(h) and Section 881(c) of the Code and the regulations thereunder and the payer does not have actual knowledge that the beneficial owner is a United States person.

Backup withholding at a 31% rate generally will apply to stated interest, OID, and dividends for noncorporate Non-U.S. Holders unless such payments are paid or collected by a custodian, nominee or agent on behalf of the beneficial owner of such Exchange Note if such custodian, nominee or agent has documentary evidence in its records that the beneficial owner is not a U.S. person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Payments on the sale, exchange or other disposition of an Exchange Note or Common Stock made to or through a foreign office of a broker generally will not be subject to backup withholding. However, payments made by a broker that is a United States person, a controlled foreign corporation for United States federal income tax purposes, a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, or (with respect to payments after December 31, 1999) a foreign partnership with certain connections to the United States, will be subject to information reporting unless the broker has in its records documentary evidence that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Backup withholding may apply to any payment that such broker is required to report if the broker has actual knowledge that the payee is a United States person. Payments to or through the United States office of a broker will be subject to information reporting and backup withholding unless the Holder certifies, under penalties of perjury, that it is not a United States person or otherwise establishes an exemption.

For payments made after December 31, 1999, with respect to Exchange Notes or Common Stock held by foreign partnerships, IRS regulations require that the certification described in the first paragraph of this section be provided by the partners, rather than by the foreign partnership, and that the partnership provide certain information, including a United States TIN. A look-through rule will apply in the case of tiered partnerships.

Non-U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedures for obtaining such an exemption, if available. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

LETTER OF TRANSMITTAL

FOR OFFER TO EXCHANGE UP TO $15,840,000 OF NEW
6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
FOR UP TO $22,000,000 OF OUTSTANDING
6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

ITRON, INC.
PURSUANT TO THE OFFERING CIRCULAR DATED FEBRUARY 11, 1999

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, MARCH 12, 1999, UNLESS THE OFFER IS EXTENDED. TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

The Exchange Agent for the Exchange Offer Is:

CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

By Mail, Hand or Overnight Delivery:

CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

c/o Chase Bank of Texas, National Association
Corporate Trust Services
1201 Main Street, 18th Floor
Dallas, TX 75202
Attention: Frank Ivins (CONFIDENTIAL)
By Facsimile Transmission:
(For Eligible Institutions Only)
(214) 672-5746

Confirm by Telephone:
Frank Ivins (214) 672-5678

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

Capitalized terms used but not defined herein shall have the same meanings given them in the Offering Circular (as defined below).

This Letter of Transmittal is to be completed by holders (which term, for purposes of this Letter of Transmittal, includes any participant in The Depository Trust Company ("DTC")) when tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth under "The Exchange Offer -- How to Tender" in the Offering Circular and an Agent's Message (as defined below) is not delivered. On or prior to the Expiration Time, the Exchange Agent must receive (at its address set forth herein) book-entry confirmation of a book-entry transfer of the Original Notes into the Exchange Agent's account at DTC as well as this Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, and any other documents required by this Letter of Transmittal. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter of Transmittal. The term "book-entry confirmation" means a timely confirmation of a book-entry transfer of Original Notes into the Exchange Agent's account at DTC. The term "Agent's Message" means a message, transmitted by DTC to and received by the Exchange Agent and forming part of a book-entry confirmation, that states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by this Letter of Transmittal and that Itron, Inc. may enforce this Letter of Transmittal against such participant.

Holders of Original Notes who cannot deliver all required documents to the Exchange Agent on or prior to the Expiration Time, or cannot complete the procedures for book-entry transfer on or prior to the Expiration Time must tender their Original Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- How to Tender" in the Offering Circular.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

THE UNDERSIGNED HAS COMPLETED THE APPROPRIATE BOXES BELOW AND SIGNED THIS LETTER OF TRANSMITTAL TO INDICATE THE ACTION THE UNDERSIGNED DESIRES TO TAKE WITH RESPECT TO THE EXCHANGE OFFER.

DESCRIPTION OF ORIGINAL NOTES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER PLEASE FILL IN, IF BLANK	AGGREGATE PRINCIPAL AMOUNT OF ORIGINAL NOTES TENDERED (IF LESS THAN ALL)*
	$

- ------------------------
* Need not be completed if tendering for exchange all Original Notes held. Original Notes may be tendered in whole or in part in denominations of $1,000 and integral multiples of $1,000 in excess thereof, provided that if any Original Notes are tendered for exchange in part, the untendered principal amount thereof must be $1,000 or any integral multiple of $1,000 in excess thereof. Any fractional interests in the Exchange Notes will be paid in cash by the Company, as more fully set forth in the Offering Circular. All Original Notes held shall be deemed tendered unless a lesser number is specified in this column.

(BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTIONS
(DEFINED IN INSTRUCTION 1) ONLY)

[ ] CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution

DTC Account Number

Transaction Code Number

By crediting the Original Notes to the Exchange Agent's account at DTC in accordance with DTC's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting an Agent's Message to the Exchange Agent in which the holder of the Original Notes acknowledges and agrees to be bound by the terms of this Letter of Transmittal, the participant in ATOP confirms on behalf of itself and the beneficial owners of such Original Notes all provisions of this Letter of Transmittal applicable to it and such beneficial owners as fully as if it had completed the information required herein and executed and transmitted this Letter of Transmittal to the Exchange Agent.

[ ] CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED DELIVERY IF GUARANTEED DELIVERY IS TO BE MADE BY BOOK-ENTRY TRANSFER:

Name of Tendering Institution

DTC Account Number

Transaction Code Number

Ladies and Gentlemen:

The undersigned hereby tenders to Itron, Inc., a Washington corporation (the "Company"), the above-described aggregate principal amount of its 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes") in exchange for 6 3/4% Convertible Subordinated Notes Due 2004 (the "Exchange Notes"), upon the terms and subject to the conditions set forth in the Offering Circular dated February 11, 1999 (as the same may be amended or supplemented from time to time, the "Offering Circular") and in this Letter of Transmittal (which, together with the Offering Circular, constitutes the "Exchange Offer"), receipt of which is hereby acknowledged.

Subject to and effective upon the acceptance for exchange of all or any portion of the Original Notes tendered herewith in accordance with the terms and conditions of the Exchange Offer (including, if the Exchange Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to such Original Notes as are being tendered herewith. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as its agent and attorney-in-fact (with full knowledge that the Exchange Agent is also acting as agent of the Company in connection with the Exchange Offer) with respect to the tendered Original Notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), subject only to the right of withdrawal described in the Offering Circular, to do the following: (i) cause DTC to make any transfers of Original Notes into Exchange Notes, effective upon receipt of a duly signed and properly transmitted Letter of Transmittal (or an Agent's Message in lieu thereof); (ii) deliver to the Company's DTC account book-entry transfer of the Original Notes together with all accompanying evidences of transfer and authenticity to, or upon the order of, the Company, upon receipt by the Exchange Agent, as the undersigned's agent, of book-entry transfer of the Exchange Notes to be issued in exchange for such Original Notes, and (iii) receive for the account of the Company all benefits and otherwise exercise all rights of beneficial ownership of such Original Notes, all in accordance with the terms and conditions of the Exchange Offer.

THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS THAT THE UNDERSIGNED HAS FULL POWER AND AUTHORITY TO TENDER, EXCHANGE, SELL, ASSIGN AND TRANSFER THE ORIGINAL NOTES TENDERED HEREBY AND THAT, WHEN THE SAME ARE ACCEPTED FOR EXCHANGE, THE COMPANY WILL ACQUIRE GOOD, MARKETABLE AND UNENCUMBERED TITLE THERETO, FREE AND CLEAR OF ALL LIENS, RESTRICTIONS, CHARGES AND ENCUMBRANCES, AND THAT THE ORIGINAL NOTES TENDERED HEREBY ARE NOT SUBJECT TO ANY ADVERSE CLAIMS OR PROXIES. THE UNDERSIGNED WILL, UPON REQUEST, EXECUTE AND DELIVER ANY ADDITIONAL DOCUMENTS DEEMED BY THE COMPANY OR THE EXCHANGE AGENT TO BE NECESSARY OR DESIRABLE TO COMPLETE THE EXCHANGE, ASSIGNMENT AND TRANSFER OF THE ORIGINAL NOTES TENDERED HEREBY. THE UNDERSIGNED HAS READ AND AGREES TO ALL OF THE TERMS OF THE EXCHANGE OFFER.

The name(s) and address(es) of the registered holder(s) (which term, for the purposes of this Letter of Transmittal, shall include any participant in DTC) of the Original Notes tendered hereby should be printed above, if they are not already set forth above, as they appear on the register of holders of Original Notes maintained by the Trustee or on a security position listing.

If any tendered Original Notes are not exchanged pursuant to the Exchange Offer for any reason, such nonexchanged Original Notes will be credited to an account maintained at DTC without expense to the tendering holder, promptly following the expiration or termination of the Exchange Offer.

The undersigned understands that tenders of Original Notes pursuant to any one of the procedures described under "The Exchange Offer -- How to Tender" in the Offering Circular and in the instructions herein will, upon the Company's acceptance for exchange of such tendered Original Notes, constitute a binding agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer. The undersigned recognizes that, under certain circumstances set forth in the Offering Circular, the Company may not be required to accept for exchange any of the Original Notes tendered hereby.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, the undersigned hereby directs that the Exchange Notes be credited to the account indicated above maintained at DTC. If applicable, Original Notes not exchanged will be credited to the account indicated above maintained

at DTC. Similarly, unless otherwise indicated under "Special Delivery Instructions" below, please deliver the evidence of DTC book-entry transfer of the Exchange Notes to the undersigned at the address shown below the undersigned's signature. The undersigned recognizes that the Company has no obligation pursuant to the "Special Issuance Instructions" or the "Special Delivery Instructions" to transfer any Original Notes from the name of the registered holder if the Company does not accept for exchange any of the Original Notes.

Holders of Original Notes which are accepted for exchange will receive interest payments on such Original Notes as set forth in the Offering Circular, and the undersigned waives the right to receive any interest payments on such Original Notes accumulated after March 11, 1999. Holders of Exchange Notes as of the record date for the payment of interest on September 30, 1999 will be entitled to receive interest accumulated from and after March 12, 1999.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Original Notes tendered hereby. All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns of the undersigned. Except as stated in the Offering Circular, this tender is irrevocable.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF ORIGINAL NOTES" ABOVE AND SIGNING THIS LETTER OF TRANSMITTAL, WILL BE DEEMED TO HAVE TENDERED THE ORIGINAL NOTES AS SET FORTH IN SUCH BOX.

HOLDERS SIGN HERE
(SEE INSTRUCTIONS 2, 5 AND 6)
(NOTE: SIGNATURE(S) MUST BE GUARANTEED IF REQUIRED BY INSTRUCTION 2)

(PLEASE COMPLETE SUBSTITUTE FORM W-9 CONTAINED HEREIN)

Must be signed by registered holder(s) (which term, for purposes of this Letter of Transmittal, shall include any participant in DTC) exactly as name(s) appear(s) on the register of holders of Original Notes maintained by the Trustee or on a security position listing, or by any person authorized to become the registered holder by endorsements and documents transmitted herewith (including such opinions of counsel, certifications and other information as may be required by the Company for the Original Notes to comply with the restrictions on transfer applicable to the Original Notes). If signature is by an attorney-in-fact, executor, administrator, trustee, guardian, officer of a corporation or another acting in a fiduciary or representative capacity, please set forth the signer's full title. See Instruction 5.

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- ---
(SIGNATURE OF HOLDER(S) OR AUTHORIZED SIGNATORY)

Date: _____ , 1999

Name(s) _____
(PLEASE PRINT)

Capacity (full title) _____

Address _____

- ---
(INCLUDE ZIP CODE)

Area Code and Telephone Number _____

Tax Identification or Social Security Number(s) _____

SIGNATURE(S) GUARANTEE
(IF REQUIRED -- SEE INSTRUCTIONS 2 AND 5)

- ---
(AUTHORIZED SIGNATURE)

Date: _____ , 1999

Name of Eligible Institution Guaranteeing Signatures _____

Capacity (full title) _____
(PLEASE PRINT)

Address _____

- ---
(INCLUDE ZIP CODE)

Area Code and Telephone Number _____

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if the Exchange Notes or any Original Notes that are not exchanged are to be entered on the register of holders of Exchange Notes or Original Notes, as applicable, maintained by the Trustee, or on a security position listing, in the name of someone other than the registered holder of the Original Notes whose name appears above.

Issue

[ ] Exchange Notes and/or

[ ] Original Notes not exchanged

to:

Name _____

Address _____

_____
(INCLUDE ZIP CODE)

_____
AREA CODE AND TELEPHONE NUMBER

_____
TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if the evidence of DTC book entry transfer of Exchange Notes or the evidence of any Original Notes that are not exchanged is to be sent to someone other than the registered holder of the Original Notes whose name appears above, or to such registered holder at an address other than that shown above.

Mail evidence of

[ ] Exchange Notes and/or

[ ] Original Notes not exchanged

to:

Name _____

Address _____

_____
(INCLUDE ZIP CODE)

_____
AREA CODE AND TELEPHONE NUMBER

_____
TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES; GUARANTEED DELIVERY PROCEDURES.

This Letter of Transmittal is to be completed when tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth under "The Exchange Offer -- How to Tender" in the Offering Circular and an Agent's Message is not delivered. On or prior to the Expiration Time, the Exchange Agent must receive (at its address set forth herein) book-entry confirmation of a book-entry transfer of the Original Notes into the Exchange Agent's account at DTC, as well as this Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in lieu thereof, and any other documents required by this Letter of Transmittal. Original Notes may be tendered in whole or in part in the principal amount of $1,000 and in integral multiples of $1,000 in excess thereof, provided that, if any Original Notes are tendered for exchange in part, the untendered principal amount thereof must be $1,000 or any integral multiple of $1,000 in excess thereof. Any fractional interests in the Exchange Notes will be paid in cash by the Company, as more fully set forth in the Offering Circular.

Holders who wish to tender their Original Notes who cannot deliver this Letter of Transmittal and all other required documents to the Exchange Agent on or prior to the Expiration Time, or who cannot complete the procedures for book-entry transfer on or prior to the Expiration Time, may tender their Original Notes by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth under "The Exchange Offer -- How to Tender" in the Offering Circular. Pursuant to such procedures: (a) such tender must be made by or through an Eligible Institution (as defined below); (b) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by the Company, must be received by the Exchange Agent on or prior to the Expiration Time; and (c) a book-entry confirmation (as defined in the Offering Circular) representing all tendered Original Notes, in proper form for transfer, together with a Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), properly completed and duly executed, with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent within three Nasdaq Stock Market trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in "The Exchange Offer -- How to Tender" in the Offering Circular. A "trading day" is any day on which the Nasdaq National Market is open for business.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile or mail to the Exchange Agent and must include a guarantee by an Eligible Institution in the form set forth in such Notice. For Original Notes to be properly tendered pursuant to the guaranteed delivery procedure, the Exchange Agent must receive a Notice of Guaranteed Delivery on or prior to the Expiration Time. As used herein and in the Offering Circular, "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as "an eligible guarantor institution," including (as such terms are defined therein) (i) a bank; (ii) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association recognized program.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING HOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL, RETURN RECEIPT REQUESTED, PROPERLY INSURED, OR AN OVERNIGHT DELIVERY SERVICE IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY ON OR PRIOR TO THE EXPIRATION TIME. NO DOCUMENTS SHOULD BE SENT TO THE COMPANY.

The Company will not accept any alternative, conditional or contingent tenders. Each tendering holder, by executing a Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), waives any right to receive any notice of the acceptance of such tender.

2. GUARANTEE OF SIGNATURES.

No signature guarantee on this Letter of Transmittal is required if:

(i) this Letter of Transmittal is signed by the registered holder (which term, for purposes of this Letter of Transmittal, shall include any participant in DTC whose name appears on the register of holders of Original Notes maintained by the Trustee or on a security position listing as the owner of the Original Notes) of Original Notes tendered herewith, unless such holder has completed either the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" above, or

(ii) such Original Notes are tendered for the account of a firm that is an Eligible Institution.

In all other cases, an Eligible Institution must guarantee the signature on this Letter of Transmittal. See Instruction 5.

3. INADEQUATE SPACE.

If the space provided in the box captioned "Description of Original Notes" is inadequate, the principal amount of Original Notes and any other required information should be listed on a separate signed schedule that is attached to this Letter of Transmittal.

4. PARTIAL TENDERS AND WITHDRAWAL RIGHTS.

Tenders of Original Notes will be accepted only in the principal amount of $1,000 and in integral multiples of $1,000 in excess thereof, provided that if any Original Notes are tendered for exchange in part, the untendered principal amount thereof must be $1,000 or any integral multiple of $1,000 in excess thereof. Any fractional interests in the Exchange Notes will be paid in cash by the Company, as set forth in the Offering Circular. Nontendered Original Notes will be credited to an account maintained at DTC, and the holder's name entered on the register of holders of Original Notes maintained by the Trustee or on a security position listing, promptly after the Expiration Time, unless the appropriate boxes on this Letter of Transmittal are completed.

Except as otherwise provided herein, tenders of Original Notes may be withdrawn at any time on or prior to the Expiration Time. In order for a withdrawal to be effective on or prior to that time, a written or facsimile transmission of such notice of withdrawal must be timely received by the Exchange Agent at its address set forth above or in the Offering Circular on or prior to the Expiration Time. Any such notice of withdrawal must specify (i) the name of the person who tendered the Original Notes to be withdrawn, (ii) the aggregate principal amount of Original Notes to be withdrawn, and (iii) the name and number of the account at DTC to be credited with the withdrawal of Original Notes. A notice of withdrawal will be effective if delivered to the Exchange Agent by written or facsimile transmission on or prior to the Expiration Time. Withdrawals of tenders of Original Notes may not be rescinded. Original Notes properly withdrawn will not be deemed validly tendered for purposes of the Exchange Offer, but may be retendered at any subsequent time on or prior to the Expiration Time by following any of the procedures described in the Offering Circular under "The Exchange Offer -- How to Tender."

All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. None of the Company, any affiliates or assigns of the Company, the Exchange Agent or any other person shall be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give any such notification. Any Original Notes that have been tendered but are withdrawn on or prior to the Expiration Time will be returned to the holder thereof without cost to such holder promptly after withdrawal.

5. SIGNATURES ON LETTER OF TRANSMITTAL, ASSIGNMENTS AND ENDORSEMENTS.

If this Letter of Transmittal is signed by the registered holder(s) of the Original Notes tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the register of holders of Original

Notes maintained by the Trustee or on a security position listing without alteration, enlargement or any change whatsoever.

If any of the Original Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If this Letter of Transmittal or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence satisfactory to the Company, in its sole discretion, of such persons' authority to so act.

When this Letter of Transmittal is signed by the registered owner of the Original Notes listed and transmitted hereby, no endorsement of separate bond powers are required unless Exchange Notes are to be issued in the name of a person other than the registered holder. Signatures on such bond powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner of the Original Notes listed, it must be accompanied by such opinions of counsel, certifications and other information as the Company or the Exchange Agent may require in accordance with the restrictions on transfer applicable to the Original Notes.

6. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS.

If Exchange Notes are to be entered on the register of holders maintained by the Trustee or on a security position listing in the name of a person other than the signer of this Letter of Transmittal, or if the evidence of DTC book-entry transfer of the Exchange Notes is to be sent to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Unless the appropriate boxes on this Letter of Transmittal are completed, Original Notes not exchanged will be returned by crediting the account indicated above maintained at DTC. See Instruction 4.

7. IRREGULARITIES.

The Company will determine, in its sole discretion, all questions as to the form of documents, validity, eligibility (including time of receipt) and acceptance for exchange of any tender of Original Notes, which determination shall be final and binding on all parties. The Company reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance of which, or exchange for, may, in the view of counsel to the Company, be unlawful. The Company also reserves the absolute right, subject to applicable law, to waive any of the conditions of the Exchange Offer set forth in the Offering Circular under "The Exchange Offer -- Conditions to and Amendment of Exchange Offer," or any conditions or irregularities in any tender of Original Notes of any particular holder whether or not similar conditions or irregularities are waived in the case of other holders. The Company's interpretation of the terms and conditions of the Exchange Offer (including this Letter of Transmittal and the instructions hereto) will be final and binding. No tender of Original Notes will be deemed to have been validly made until all irregularities with respect to such tender have been cured or waived. The Company, any affiliates or assigns of the Company, the Exchange Agent, or any other person shall not be under a duty to give notification of any irregularities in tenders or incur any liability for failure to give such notification.

8. QUESTIONS, REQUESTS FOR ASSISTANCE AND ADDITIONAL COPIES.

Questions and requests for assistance may be directed to the Exchange Agent at its address and telephone number set forth on the front of this Letter of Transmittal. Additional copies of the Offering Circular, the Notice of Guaranteed Delivery and this Letter of Transmittal may be obtained from the Exchange Agent, the Company, or from the holder's broker, dealer, commercial bank, trust company or other nominee.

9. SECURITY TRANSFER TAXES.

Holders who tender their Original Notes for exchange will not be obligated to pay any transfer taxes in connection therewith. If, however, Exchange Notes are to be entered on the register of holders maintained by the Trustee or on a security position listing in the name of any person other than the registered holder of the Original Notes tendered, or if a transfer tax is imposed for any reason other than the exchange of Original Notes in connection with the Exchange Offer, then the amount of any such transfer tax (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. The amount of such transfer taxes will be billed directly to such tendering holder if satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal.

10. INCORPORATION OF LETTER OF TRANSMITTAL.

This Letter of Transmittal shall be deemed to be incorporated in and acknowledged and accepted by any tender through the DTC's ATOP procedures by any participant in DTC on behalf of itself and the beneficial owners of any Original Notes so tendered.

11. WAIVER OF CONDITIONS.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Offering Circular.

12. NO CONDITIONAL TENDERS.

No alternative, conditional or contingent tenders will be accepted. All tendering holders of Original Notes, by executing this Letter of Transmittal, shall waive any right to receive notice of the acceptance of Original Notes for exchange.

None of the Company, the Exchange Agent or any other person is obligated to give notice of any defect or irregularity with respect to any tender of Original Notes nor shall any of them incur any liability for failure to give any such notice.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU HEREOF) AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT AT OR PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE, OR THE TENDERING NOTEHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

IMPORTANT TAX INFORMATION

Under federal income tax law, a holder whose tendered Original Notes are accepted for exchange is required by law to provide the Exchange Agent with such holder's correct taxpayer identification number ("TIN") on the Substitute Form W-9 included herein or otherwise establish a basis for exemption from backup withholding. If such holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the Internal Revenue Service may subject the holder or transferee to a $50 penalty. In addition, book-entry transfer of such holder's Exchange Notes may be subject to backup withholding. Failure to comply truthfully with the backup withholding requirements also may result in the imposition of severe criminal and/or civil fines and penalties.

Certain holders (including, among others, all corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements. Exempt holders should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9, and sign, date and return the Substitute Form W-9 to the Exchange Agent. A foreign person, including entities, may qualify as an exempt recipient by submitting to the Exchange Agent a properly completed Internal Revenue Service Form W-8, signed under penalties of perjury, attesting to that holder's foreign status. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

If backup withholding applies, the Exchange Agent is required to withhold 31% of any payments made to the holder or other transferee. Backup withholding is not an additional federal income tax. Rather, the federal

income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments made with respect to Original Notes exchanged in the Exchange Offer, the holder is required to provide the Exchange Agent with either:

(i) the holder's correct TIN by completing the form included herein, certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder is awaiting a TIN) and that (A) the holder has not been notified by the Internal Revenue Service that the holder is subject to backup withholding as a result of failure to report all interest or dividends or (B) the Internal Revenue Service has notified the holder that the holder is no longer subject to backup withholding; or

(ii) an adequate basis for exemption.

The box in Part 2 of the Substitute Form W-9 may be checked if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 2 is checked, the holder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 2 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Exchange Agent will withhold 31% of all payments made prior to the time a properly certified TIN is provided to the Exchange Agent. The Exchange Agent will retain such amounts withheld during the 60-day period following the date of the Substitute Form W-9. If the holder furnishes the Exchange Agent with its TIN within 60 days after the date of the Substitute Form W-9, the amounts retained during the 60-day period will be remitted to the holder and no further amounts shall be retained or withheld from payments made to the holder thereafter. If, however, the holder has not provided the Exchange Agent with its TIN within such 60-day period, amounts withheld will be remitted to the Internal Revenue Service as backup withholding. In addition, 31% of all payments made thereafter will be withheld and remitted to the Internal Revenue Service until a correct TIN is provided.

NUMBER TO GIVE THE EXCHANGE AGENT

The holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the registered holder of the Original Notes or of the last transferee appearing on the register of the Original Notes. If the Original Notes are held in more than one name or are held not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

TO BE COMPLETED BY ALL TENDERING SECURITYHOLDERS
PAYOR'S NAME: CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURER INTERNAL REVENUE SERVICE	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number or Employer Identification Number TIN:
		PART 2 -- Awaiting TIN [ ]

CERTIFICATION -- UNDER PENALTIES OF PERJURY, I CERTIFY THAT:

(1) The number shown on this form is my correct Taxpayer Identification Number (or am waiting for a number to be issued to me) and

(2) I am not subject to backup withholding either because (i) I am exempt from backup withholding, (ii) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, (iii) or the IRS has notified me that I am no longer subject to backup withholding.

(3) Any other information provided in this form is true and correct.

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")

CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2).

SIGNATURE _____ DATE _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU. PLEASE REVIEW THE GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all reportable payments made to me will be withheld, but that such amounts will be refunded to me if I then provide a Taxpayer Identification Number within 60 days.

Signature _____ Date _____, 1999

NOTICE OF GUARANTEED DELIVERY FOR TENDER
OF ORIGINAL 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
OF ITRON, INC.

This Notice of Guaranteed Delivery, or one substantially equivalent to this form, must be used to accept the Exchange Offer (as defined below) if (i) the Letter of Transmittal (or Agent's Message in lieu thereof) and all other required documents cannot be delivered to Chase Manhattan Bank and Trust Company, National Association (the "Exchange Agent") on or prior to the Expiration Time (as defined in the Offering Circular, defined below), or (ii) the procedures for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand, overnight courier or mail, or transmitted by facsimile transmission, to the Exchange Agent. See "The Exchange Offer -- How to Tender" in the Offering Circular. In addition, in order to utilize the guaranteed delivery procedure to tender the Company's (as defined below) 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes") pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal relating to the Original Notes (or facsimile thereof or Agent's Message in lieu thereof) must also be received by the Exchange Agent on or prior to the Expiration Time. Capitalized terms used but not defined herein have the meanings assigned to them in the Offering Circular.

The Exchange Agent for the Exchange Offer is:

CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

By Mail, Hand or Overnight Delivery:
CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
c/o Chase Bank of Texas, National Association
Corporate Trust Services
1201 Main Street, 18th Floor
Dallas, TX 75202
Attention: Frank Ivins (CONFIDENTIAL)

By Facsimile Transmission:
(For Eligible Institutions Only)
(214) 672-5746

Confirm by Telephone:
Frank Ivins (214) 672-5678

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS NOTICE OF GUARANTEED DELIVERY VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to Itron, Inc., a Washington corporation (the "Company"), upon the terms and subject to the conditions set forth in the Offering Circular dated February 11, 1999 (as the same may be amended or supplemented from time to time, the "Offering Circular"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which is hereby acknowledged, the aggregate principal amount of Original Notes set forth below pursuant to the guaranteed delivery procedures set forth in the Offering Circular under the caption "The Exchange Offer -- How to Tender."

Aggregate Principal Amount
- ----------

Name(s) of Registered Holder(s):
- ----------
- ----------
- ----------
Amount Tendered: $
- ----------*
- ----------
- ----------
- ----------
- ----------
- ----------
- ----------
To tender Original Notes by book-entry transfer, provide the following information:
DTC Account Number:
- ----------
Date:
- ----------

*Must be in denominations of $1,000 and in any integral multiple of $1,000 in excess thereof.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

PLEASE SIGN HERE

X
- ----------
X
- ----------
SIGNATURE(S) OF OWNER(S) OR AUTHORIZED SIGNATORY

- ----------
AREA CODE AND TELEPHONE NUMBER

Must be signed by the holder(s) of the Original Notes as their name(s) appear(s) on the register of holders of Original Notes maintained by the Trustee or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. Please print name(s) and address(es)

(Name(s):
- ----------

- ----------

- ----------

Capacity:
- ----------

Address(es):
- ----------

- ----------

- ----------

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, as an "eligible guarantor institution," including (as such terms are defined therein): (i) a bank; (ii) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association recognized program, hereby guarantees to deliver to the Exchange Agent, at its address set forth above, confirmation of the book-entry transfer of the Original Notes to the Exchange Agent's account at The Depository Trust Company, pursuant to the procedures for book-entry transfer set forth in the Offering Circular, together with one or more properly completed and duly executed Letter(s) of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) and any other required documents within three business days after the date of execution of this Notice of Guaranteed Delivery.

The undersigned acknowledges that it must communicate the guarantee and deliver the Letter(s) of Transmittal (or Agent's Message in lieu thereof) to the Exchange Agent within the time period set forth above and that failure to do so could result in a financial loss to the undersigned.

(PLEASE TYPE OR PRINT)

Name of Firm:
- ----------

- ---------- ----------
AUTHORIZED SIGNATURE

Address: Title:
--------- ---------

- ----------
Dated:
- ---------- ----------

- ----------
ZIP CODE

- ----------
AREA CODE AND TELEPHONE NO.

ITRON, INC.
2818 N. SULLIVAN ROAD
P.O. BOX 15288
SPOKANE, WASHINGTON 99216-1897

RE: ITRON, INC. OFFER TO EXCHANGE NEW 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004 FOR ORIGINAL 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

To: Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

Itron, Inc. (the "Company") is offering, upon and subject to the terms and conditions set forth in an Offering Circular dated February 11, 1999 (the "Offering Circular"), and the enclosed letter of transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") up to $15,840,000 of its new 6 3/4% Convertible Subordinated Notes Due 2004 (the "Exchange Notes") for up to $22,000,000 of its outstanding 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes"). The Exchange Offer is being made in order to reduce the outstanding long-term debt of the Company and to reduce the Company's debt service obligations. As set forth in the Offering Circular, while the interest rate and maturity of the Exchange Notes are identical to the Original Notes, other important terms, such as the conversion price, differ. The Exchange Offer is subject to certain conditions that are described in the Offering Circular under "The Exchange Offer -- Conditions to and Amendment of Exchange Offer."

We are requesting that you contact your clients for whom you hold Original Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Original Notes registered in your name or in the name of your nominee, or who hold Original Notes registered in their own names, we are enclosing the following documents:

1. Offering Circular dated February 11, 1999;

2. The Letter of Transmittal for your use and for the information (or the use, where relevant) of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if time will not permit all required documents to reach the Exchange Agent prior to the Expiration Time (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis;

4. A form of letter that may be sent to your clients for whose account you hold Original Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

6. Return envelopes addressed to Chase Manhattan Bank and Trust Company, National Association, the Exchange Agent for the Original Notes.

YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, MARCH 12, 1999, UNLESS EXTENDED BY THE COMPANY (THE "EXPIRATION TIME"). THE ORIGINAL NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME BEFORE THE EXPIRATION TIME. PLEASE FURNISH COPIES OF THE ENCLOSED MATERIALS TO THOSE OF YOUR CLIENTS FOR WHOM YOU HOLD ORIGINAL NOTES IN YOUR NAME OR IN THE NAME OF YOUR NOMINEE OR WHO HOLD ORIGINAL NOTES REGISTERED IN THEIR OWN NAMES AS QUICKLY AS POSSIBLE.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof or an Agent's Message (as defined in the Letter of Transmittal) in lieu thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and in the Offering Circular under the heading "The Exchange Offer -- How to Tender." The Exchange Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Original Notes residing in any jurisdiction in which the making of an Exchange Offer or the acceptance hereof would not be in compliance with the laws of such jurisdiction.

If holders of Original Notes wish to tender but it is impracticable for them to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Offering Circular under "The Exchange Offer -- How to Tender."

The Company will not pay any fees or commissions to any broker or dealer or other person for soliciting tenders of Original Notes. The Company will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Offering Circular and the related documents to the beneficial owners of the Original Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid all stock transfer taxes applicable to the exchange of Original Notes pursuant to the Exchange Offer, except as set forth in Instruction 9 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to the Company, at the address and telephone number set forth in the Offering Circular under "The Exchange Offer -- Where to Obtain Additional Information."

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFERING CIRCULAR OR THE LETTER OF TRANSMITTAL.

Very truly yours,

Itron, Inc.

Enclosures

RE: ITRON, INC. OFFER TO EXCHANGE NEW 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004 FOR ORIGINAL 6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

To Our Clients:

Enclosed for your consideration is an Offering Circular dated February 11, 1999 (the "Offering Circular"), and the related letter of transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Itron, Inc. (the "Company") to exchange up to $15,840,000 of new 6 3/4% Convertible Subordinated Notes Due 2004 (the "Exchange Notes") for up to $22,000,000 of its outstanding 6 3/4% Convertible Subordinated Notes Due 2004 (the "Original Notes"), upon the terms and subject to the conditions described in the Offering Circular and the Letter of Transmittal. The Exchange Offer is being made in order to reduce the outstanding long-term debt of the Company and to reduce the Company's debt service obligations.

This material is being forwarded to you as the beneficial owner of the Original Notes carried by us in your account but not registered in your name. A TENDER OF SUCH ORIGINAL NOTES MAY ONLY BE MADE BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Original Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Offering Circular and Letter of Transmittal. We encourage you to read the Offering Circular carefully before instructing us as to whether or not to tender your Original Notes.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Original Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on Friday, March 12, 1999, unless extended by the Company. Any Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Time.

If a Noteholder desires to tender Original Notes but time will not permit all required documents to reach the Exchange Agent (as defined in the Offering Circular) prior to the Expiration Time or the procedure for book-entry transfer cannot be completed on a timely basis, the Original Notes may be tendered according to the guaranteed delivery procedures set forth in the Offering Circular.

Your attention is directed to the following:

1. The Exchange Offer is for up to $22,000,000 of Original Notes, of which $63,400,000 aggregate principal amount was outstanding as of February 10, 1999.

2. The Exchange Offer is subject to certain conditions set forth in the Offering Circular in the section captioned "The Exchange Offer -- Conditions to and Amendment of the Exchange Offer."

3. Holders who tender Original Notes will not be obligated to pay brokerage commissions or solicitation fees. Any transfer taxes incident to the transfer of Original Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on Friday, March 12, 1999, unless extended by the Company.

5. The Exchange Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Original Notes residing in any jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction.

If you wish to have us tender your Original Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. If we do not receive written instructions in accordance with the procedures presented in the Offering Circular and the Letter of Transmittal, we will not tender any Original Notes for your account. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR INFORMATION ONLY AND MAY NOT BE USED DIRECTLY BY YOU TO TENDER ORIGINAL NOTES.

INSTRUCTIONS WITH RESPECT TO
THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Itron, Inc. with respect to its Original Notes.

This will instruct you to tender the Original Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Offering Circular and the related Letter of Transmittal.

[ ] Please tender the Original Notes held by you for my account as indicated below.

6 3/4% Original Notes: $_____ Aggregate
Principal Amount of Original Notes Tendered

[ ] Please do not tender any Original Notes held by you for my account.

Dated: _____, 1999

Signature(s) _____

Please print name(s) here _____

Address(es) _____

Area Code and Telephone Number(s) _____

Tax Identification or Social Security Number(s) _____

NONE OF THE ORIGINAL NOTES HELD BY US FOR YOUR ACCOUNT WILL BE TENDERED UNLESS WE RECEIVE WRITTEN INSTRUCTIONS FROM YOU TO DO SO. UNLESS A SPECIFIC CONTRARY INSTRUCTION IS GIVEN IN THE SPACE PROVIDED, YOUR SIGNATURE(S) HEREON SHALL CONSTITUTE AN INSTRUCTION TO US TO TENDER ALL THE ORIGINAL NOTES HELD BY US FOR YOUR ACCOUNT.

INDENTURE

ITRON, INC.

TO

CHASE MANHATTAN BANK AND TRUST COMPANY, N.A., TRUSTEE

6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

DATED AS OF MARCH __, 1999

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TESTIMONIUM

SIGNATURES AND SEALS

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INDENTURE, dated as of March __, 1999, between ITRON, INC., a corporation duly organized and existing under the laws of the State of Washington (herein called the "Company"), having its principal office at 2818 N. Sullivan Road, Spokane, Washington 99216, and CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its 6 3/4% Convertible Subordinated Notes Due 2004 (herein called the "Securities"), to be issued as in this Indenture provided.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I. DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. DEFINITIONS. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

1. the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

2. all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

3. all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation;

4. unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or Section, as the case may be, of this Indenture; and

5. the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms used in Article XIV have the meanings specified therein.

"Act," when used with respect to any Holder, has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management

and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Member" means any member of, or participant in, the Depositary.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of Euroclear and CEDEL, and of the Depositary for such Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day on which banking institutions are open for business and carrying out transactions in Dollars at the relevant place of payment.

"CEDEL" means Cedel Bank, societe anonyme (or any successor securities clearing agency).

"Change in Control" has the meaning specified in Section 14.06.

"Closing Price" on any Trading Day with respect to the per share price of Common Stock means the last reported sales price regular way or, in case no such reported sale takes place on such Trading Day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on The Nasdaq Stock Market ("Nasdaq") or, if the Common Stock is not listed or admitted to trading on any national securities exchange or Nasdaq, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm that is selected from time to time by the Company for that purpose and is reasonably acceptable to the Trustee.

"Commencement Date" has the meaning specified in Section 13.04.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 13.11, shares issuable on conversion of Securities shall include only shares of the class designated as Common Stock of the Company at the date of this instrument or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total

number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee in the city at which at any particular time its corporate trust business shall be administered. As of the date hereof, the Corporate Trust Office of the Trustee is located at 101 California Street, Suite 2725, San Francisco, California 94111.

"corporation" means a corporation, association, company, joint-stock company or business trust.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Definitive Security" means a certificated Security in the form set forth in Section 2.02 and 2.03.

"Depositary" means, with respect to the Securities issued in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depositary for such Securities as contemplated by Section 2.01 (or any successor securities clearing agency so registered).

"Distribution Date" has the meaning specified in Section 13.04.

"Dollar" or "U.S.$" means a Dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"DTC" means The Depository Trust Company, a New York corporation.

"Euroclear" means the Euroclear Systems (or any successor securities clearing agency).

"Event of Default" has the meaning specified in Section 5.01.

"Exchange Act" means the Securities Exchange Act of 1934 as it may be amended from time to time, and any successor act thereto, and the rules and regulations of the Commission promulgated thereunder.

"Expiration Date" has the meaning specified in Section 1.04.

"Expiration Time" has the meaning specified in Section 13.04.

"Global Security" means a Security that is registered in the Security Register in the name of a Depositary or a nominee thereof.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Institutional Accredited Investor" means an institutional "accredited investor" as described in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Issue Date" means the date of first issuance of the Securities under this Indenture.

"Maturity," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, exercise of the repurchase right or otherwise.

"Non-Recourse Obligation" means indebtedness or other obligation or that portion of indebtedness or other obligation incurred by a Subsidiary (the "Non-Recourse Subsidiary") with respect to the acquisition of assets not previously owned by the Company or any Subsidiary or the financing of a project involving the development or expansion of properties of the Company or any Subsidiary (i) as to which neither the Company nor any of its Subsidiaries (other than the Non-Recourse Subsidiary) (a) provides credit support (including any undertaking, agreement or instrument that would constitute indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise), or (c) constitutes the lender; and (ii) no default with respect to which would permit (upon notice, lapse of time or both) any holder of any other indebtedness of the Company or any of its Subsidiaries to declare a default under such other indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any Subsidiary other than the assets that were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

"Notice of Default" means a written notice of the kind specified in Section 5.01(4) or 5.01(5).

"Officers' Certificate" means a certificate signed by any of the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by any of the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 10.04 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company.

"Original Notes" means the Company's 6 3/4% Convertible Subordinated Notes due 2004 issued pursuant to that certain Indenture dated March 12, 1997 by the Company to Chase Manhattan Bank and Trust Company, National Association (formerly known as Chemical Trust Company of California).

"Outstanding," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption shall have been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee shall have been made;

(iii) Securities which have been paid pursuant to Section 3.06 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in

respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company; and

(iv) Securities which have been defeased pursuant to Section 15.02;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Purchased Shares" has the meaning specified in Section 13.04.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed as set forth in the Securities.

"Reference Date" has the meaning specified in Section 13.04.

"Regular Record Date" for the interest payable on any Interest Payment Date means the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Repurchase Date" has the meaning specified in Section 14.01.

"Repurchase Price" has the meaning specified in Section 14.01.

"Responsible Officer," when used with respect to the Trustee, means the President or any Vice President, Assistant Vice President or Trust Officer of the Trustee to whom any matter has been referred because of such officer's knowledge and familiarity with the particular subject.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture and "Security" means one of such Securities.

"Securities Act" means the Securities Act of 1933 as it may be amended from time to time, and any successor act thereto, and the rules and regulations of the Commission promulgated thereunder.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.05.

"Senior Indebtedness" means the principal of and premium, if any, and interest on all indebtedness of the Company for money borrowed, other than the Securities and other than the Original Notes, whether outstanding on the date of execution of the Indenture or thereafter created, incurred, guaranteed or assumed, except such indebtedness that by the terms of the instrument or instruments by which such indebtedness was created or incurred expressly provides that it (i) is junior in right of payment to the Securities or any other indebtedness of the Company for borrowed money or (ii) ranks pari passu in right of payment to the Securities. For the purposes of certainty, the Securities will rank pari passu in right of payment to the Original Notes. The term "indebtedness for money borrowed" when used with respect to the Company is defined to mean (i) any obligation of, or any obligation guaranteed by, the Company for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments, (ii) all obligations of the Company with respect to interest rate hedging agreements to hedge interest rates relating to Senior Indebtedness of the Company, (iii) any deferred payment obligation of, or any such obligation guaranteed by, the Company for the payment of the purchase price of property or assets evidenced by a note or similar instrument, and (iv) any obligation of, or any such obligation guaranteed by, the Company for the payment of rent or other amounts under a lease of property or assets which obligation is required to be classified and accounted for as a capitalized lease on the balance sheet of the Company under generally accepted accounting principles.

"Significant Subsidiary" means any Subsidiary that would be a "Significant Subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Act and the Exchange Act (as such regulation may from time to time be amended).

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on the applicable securities exchange or in the applicable securities market.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed and the rules and regulations thereunder; provided, however, that in the event the Trust Indenture Act of 1939 or such rules and regulations are amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 and such rules and regulations as so amended.

"United States" means the United States of America (including the States thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. Government Obligation" has the meaning specified in Section 15.04.

"Vice President," when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 1.02. COMPLIANCE CERTIFICATES AND OPINIONS. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.03. FORM OF DOCUMENTS DELIVERED TO TRUSTEE. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04. ACTS OF HOLDERS; RECORD DATES. Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may

be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient. The ownership of Securities shall be proved by the Security Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders of Securities; provided that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date; and provided, further, that for the purpose of determining whether Holders of the requisite principal amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), nor shall anything in this paragraph be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities in the manner set forth in Section 1.06.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.02, (iii) any request to institute proceedings referred to in Section 5.07(2) or (iv) any direction referred to in Section 5.12. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date; and provided, further, that for the purpose of determining

whether Holders of the requisite principal amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action (whereupon the record date previously set shall automatically and without any action by any Person be cancelled and of no effect), nor shall anything in this paragraph be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities in the manner set forth in Section 1.06.

With respect to any record date set pursuant to this Section, the party hereto that sets such record date may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day, provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities in the manner set forth in Section 1.06, on or before the existing Expiration Date. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date and, if an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto that set such record date shall be deemed to have designated the 180th day after such record date as the Expiration Date with respect thereto.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents, each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

SECTION 1.05. NOTICES, ETC., TO TRUSTEE AND COMPANY. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficiently given if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department, or at any other address previously furnished in writing to the Company by the Trustee, or

(2) the Company by the Trustee or by any Holder shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company, addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.06. NOTICE TO HOLDERS; WAIVER. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 1.07. CONFLICT WITH TRUST INDENTURE ACT. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be. To the extent a Security conflicts with a provision in the Indenture, the Indenture governs.

SECTION 1.08. EFFECT OF HEADINGS AND TABLE OF CONTENTS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09. SUCCESSORS AND ASSIGNS. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. SEPARABILITY CLAUSE. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. BENEFITS OF INDENTURE. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Senior Indebtedness and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

SECTION 1.13. LEGAL HOLIDAYS. In any case where any Interest Payment Date, Redemption Date, Repurchase Date or Stated Maturity of any Security or the last date on which a Holder has the right to convert his Securities shall not be a Business Day then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) or conversion of the Securities need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date, Repurchase Date or at the Stated Maturity, or on such last day for conversion, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Repurchase Date or Stated Maturity, as the case may be.

ARTICLE II. SECURITY FORMS

SECTION 2.01. FORMS GENERALLY. The Securities, the conversion notice and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depositary therefor or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Upon their original issuance, the Securities shall be issued in the form of a single Global Security in definitive, fully registered form without interest coupons, substantially in the form of Security set forth in Section 2.02, with such applicable legends as are provided for in Section 2.02, except as otherwise permitted herein. Such Global Security shall be registered in the name of DTC, as Depositary, or its nominee, duly executed by the Company and authenticated by the Trustee as hereinafter provided, and deposited with the Trustee, as custodian for

DTC, for credit by DTC to the respective accounts of beneficial owners of the Securities represented thereby (or such other accounts as they may direct). Such Global Security, together with its successor Securities which are Global Securities, are collectively herein called the "Global Security."

Except as provided in Section 3.05, owners of beneficial interests in the Global Security will not be entitled to receive physical delivery of certificated Securities.

Neither the Company nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Security, check, advice of payment or redemption or repurchase notice, and any such document may contain a statement to the effect that CUSIP or ISIN numbers have been assigned by an independent service for convenience of reference and that neither the Company nor the Trustee shall be liable for any inaccuracy in such numbers.

SECTION 2.02. FORM OF FACE OF SECURITY.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

ITRON, INC.

6 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004

No. _____ U.S.$ _____

CUSIP No. _____

Itron, Inc., a corporation duly organized and existing under the laws of Washington (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ United States Dollars (U.S.$ _____) which principal amount may from time to time be increased or decreased to such other principal amounts (which, taken together with the principal amounts of all other Outstanding Securities, shall not exceed U.S.$15,840,000 in the aggregate at any time) by adjustments made on the records of the Trustee hereinafter referred to in accordance with the Indenture) on March 31, 2004, and to pay interest thereon from March __, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on March 31 and September 30 in each year, commencing September 30, 1999, at the rate of 6 3/4% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular

Record Date for such interest, which shall be the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of, premium, if any, and interest on this Security will be made at the Corporate Trust Office, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts by a Dollar check drawn on an account maintained with a bank in the Borough of Manhattan, The City of New York or San Francisco, California; provided, however, that upon written application by the Holder to the Security Registrar setting forth wire instructions not later than 15 days prior to the relevant payment date (in the case of payment of principal) or not later than the relevant record date (in the case of payment of interest), such Holder may receive payment by wire transfer of Dollars to a Dollar account (such transfers to be made only to Holders of an aggregate principal amount in excess of U.S.$2,000,000) maintained by the payee with a bank in the United States or in Europe and designated by the payee to the Security Registrar.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____

ITRON, INC.,

By _____
Name:_____
Title:_____

Attest:

_____
Name:
Title:

SECTION 2.03. FORM OF REVERSE OF SECURITY. This Security is one of a duly authorized issue of Securities of the Company designated as its 6 3/4% Convertible Subordinated Notes Due 2004 (herein called the "Securities"), limited in aggregate principal amount to U.S.$15,840,000, issued and to be issued under an Indenture, dated as of March 12, 1999 (herein called the "Indenture"), between the Company and Chase Manhattan Bank and

Trust Company, National Association, as Trustee for the Holders of Securities issued under said Indenture (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, the holders of Senior Indebtedness and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

Subject to and upon compliance with the provisions of the Indenture, the Holder of this Security is entitled, at his option, at any time on or before the close of business on the Business Day immediately preceding March 31, 2004, or in case this Security or a portion hereof is called for redemption, then in respect of this Security or such portion hereof until and including, but (unless the Company defaults in making the payment due upon redemption or repurchase) not after, the close of business on the Business Day immediately preceding the Redemption Date or Repurchase Date, as the case may be, to convert this Security (or any portion of the principal amount hereof which is U.S.$1,000 or an integral multiple thereof), at the principal amount hereof, or of such portion, into fully paid and non-assessable shares of Common Stock of the Company at a conversion price equal to U.S.$_____ aggregate principal amount of Securities for each share of Common Stock (or at the current adjusted conversion price if an adjustment has been made as provided in Article XIII of the Indenture) by surrender of this Security, duly endorsed or assigned to the Company or in blank, to the Company at its office or agency in the Borough of Manhattan, The City of New York or San Francisco, California accompanied by the conversion notice hereon executed by the Holder hereof evidencing such Holder's election to convert this Security, or if less than the entire principal amount hereof is to be converted, the portion hereof to be converted, and, in case such surrender shall be made during the period from the close of business on any Regular Record Date to the opening of business on the corresponding Interest Payment Date (unless this Security or the portion hereof being converted has been called for redemption on a Redemption Date within such period between and including such Regular Record Date and such Interest Payment Date), also accompanied by payment in funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Security then being converted. Subject to the aforesaid requirement for payment of interest and, in the case of a conversion after the close of business on any Regular Record Date and on or before the corresponding Interest Payment Date, to the right of the Holder of this Security (or any Predecessor Security) of record at such Regular Record Date to receive an installment of interest (even if the Security has been called for redemption on a Redemption Date within such period), no payment or adjustment is to be made on conversion for interest accrued hereon or for dividends on the Common Stock issued on conversion. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest the Company shall pay a cash adjustment or round up to the next higher whole share as provided in Article XIII of the Indenture. The conversion price is subject to adjustment as provided in Article XIII of the Indenture. In addition, the Indenture provides that in case of certain reclassifications, consolidations, mergers, sales or transfers of assets or other transactions pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property, the Indenture shall be amended, without the consent of any Holders of Securities, so that this Security, if then outstanding, will be convertible thereafter, during the period this Security shall be convertible as specified above, only into the kind and amount of securities, cash and other property receivable upon the transaction by a holder of the number of shares of Common Stock into which this Security might have been converted immediately prior to such transaction (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount received per share by a plurality of non-electing shares).

The Company will furnish to any Holder, upon request and without charge, copies of the Certificate of Incorporation and By-laws of the Company then in effect. Any such request may be addressed to the Company or to the Security Registrar.

The Securities are subject to redemption upon not less than 20 days or more than 60 days notice by mail, at any time on or after March __, 2002, as a whole or in part, at the election of the Company, at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest to (but not including) the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the

Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant record dates referred to on the face hereof, all as provided in the Indenture.

In certain circumstances involving a Change in Control, each Holder shall have the right to require the Company to redeem all or part of its Securities at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest through the Repurchase Date.

The Securities do not have the benefit of any sinking fund.

In the event of redemption, conversion or repurchase of this Security in part only, a new Security or Securities for the unredeemed, unconverted or unrepurchased portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his attorney-in-fact for any and all such purposes.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in Article V of the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the Corporate Trust Office duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of U.S.$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not payment of or on this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 2.04. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION. This is one of the Securities referred to in the within-mentioned Indenture.

Dated: _____

CHASE MANHATTAN BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Signatory

SECTION 2.05. FORM OF CONVERSION NOTICE.

CONVERSION NOTICE

To: Itron, Inc. CUSIP NO. _____

The undersigned Holder of this Security hereby irrevocably exercises the option to convert this Security, or the portion hereof (which is U.S.$1,000 or an integral multiple thereof) below designated into shares of Common Stock in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for a fractional share and any Security representing any unconverted principal amount hereof, be issued and delivered to the registered owner hereof unless a different name has been provided below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith a certificate in proper form certifying that the applicable restrictions on transfer have been complied with. Any amount required to be paid by the undersigned on account of interest accompanies this Security.

The Applicant hereby agrees that, promptly after request of the Company, he or it will furnish such proof in support of this certification as the Company or the Security Registrar for the Common Stock may, from time to time, request.

Dated: _____

_____
Signature*

IF SHARES OR SECURITIES ARE TO BE REGISTERED IN THE NAME OF A PERSON OTHER THAN THE HOLDER, PLEASE PRINT SUCH PERSON'S NAME AND ADDRESS:*

PRINCIPAL AMOUNT TO BE CONVERTED (IF LESS THAN ALL):
$_____,000

_____
Name

_____
Social Security or Taxpayer Identification Number

_____
Street Address

_____
City, State and Zip Code

* Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares of Common Stock are to be delivered, or unconverted Securities are to be issued, other than to and in the name of the registered owner.

ARTICLE III. THE SECURITIES

SECTION 3.01. TITLE AND TERMS; ISSUABLE IN SERIES. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to U.S.$15,840,000, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.04, 3.05, 3.06, 9.06, 11.08, 13.02 or 14.05 and except for Securities which, pursuant to Section 3.03, are deemed never to have been authenticated and delivered hereunder.

The Stated Maturity of the Securities shall be March 31, 2004, and they shall bear interest at the rate of 6 3/4% per annum, payable semi-annually on March 31 and September 30, commencing September 30, 1999, until the principal thereof is paid or made available for payment.

Payment of the principal of, premium, if any, and interest on this Security will be made at the Corporate Trust Office, in such coin or currency of the United States as at the time of payment is legal tender for payment of public and private debts by a Dollar check drawn on an account maintained with a bank in the Borough of Manhattan, The City of New York or San Francisco, California; provided, however, that upon written application by the Holder to the Security Registrar setting forth wire instructions not later than 15 days prior to the relevant payment date (in the case of payment of principal) or not later than the relevant record date (in the case of payment of interest), such Holder may receive payment by wire transfer of Dollars to a Dollar account (such transfers to be made only to Holders of an aggregate principal amount in excess of U.S.$2,000,000) maintained by the payee with a bank in the United States or in Europe and designated by the payee to the Security Registrar.

The Securities shall be redeemable by the Company as provided in Article XI.

The Securities shall be subordinated in right of payment to the prior payment in full of Senior Indebtedness as provided in Article XII.

The Securities shall be convertible as provided in Article XIII.

The Securities shall be subject to purchase by the Company at the option of the Holder as provided in Article XIV.

SECTION 3.02. DENOMINATIONS. The Securities shall be issuable only in registered form without coupons and only in denominations of U.S.$1,000 and any integral multiple thereof.

SECTION 3.03. EXECUTION, AUTHENTICATION, DELIVERY AND DATING. The Securities shall be executed on behalf of the Company by any of its Chairman of the Board, its Vice Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 3.04. GLOBAL SECURITIES.

(i) Each Global Security authenticated under this Indenture shall be registered in the name of the Depositary designated by the Company for such Global Security or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(ii) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (A) such Depositary (1) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or (2) has ceased to be a clearing agency registered as such under the Exchange Act or announces an intention permanently to cease business or does in fact do so, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security, or (C) a request for certificates has been made upon 60 days' prior written notice given to the Trustee in accordance with the Depositary's customary procedures and a copy of such notice has been received by the Company from the Trustee. Any Global Security exchanged pursuant to clause (i) above shall be so exchanged in whole and not in part and any Global Security exchanged pursuant to clause (ii) or (iii) above may be exchanged in whole or from time to time in part as directed by the Depositary. Any Security issued in exchange for a Global Security or any portion thereof shall be a Global Security; provided that any such Security so issued that is registered in the name of a Person other than the Depositary or a nominee thereof shall not be a Global Security.

(iii) If any Global Security is to be exchanged for other Securities or canceled in whole, it shall be surrendered by or on behalf of the Depositary or its nominee to the Trustee, as Security Registrar, for exchange or

cancellation as provided in this Article III. If any Global Security is to be exchanged for other Securities or canceled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, in each case, as provided in Section 3.05, then either (i) such Global Security shall be so surrendered for exchange or cancellation as provided in this Article III or (ii) the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or cancelled, or equal to the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Trustee, as Security Registrar, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Security, the Trustee shall, except as otherwise provided in this Article III, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) to or upon the order of, and registered in such names as may be directed by, the Depositary or its authorized representative. Upon the request of the Trustee in connection with the occurrence of any of the events specified in the preceding paragraph, the Company shall promptly make available to the Trustee a reasonable supply of Securities that are not in the form of Global Securities. The Trustee shall be entitled to rely upon any order, direction or request of the Depositary or its authorized representative which is given or made pursuant to this Article III if such order, direction or request is given or made in accordance with the Applicable Procedures.

(iv) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Article III or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depositary for such Global Security or a nominee thereof, in which case such Security shall be authenticated and delivered in definitive, fully registered form, without interest coupons.

(v) The Depositary or its nominee, as registered owner of a Global Security, shall be the Holder of such Global Security for all purposes under the Indenture and the Securities, and owners of beneficial interests in a Global Security shall hold such interests pursuant to the Applicable Procedures. Accordingly, any such owner's beneficial interest in a Global Security will be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or its Agent Members and such owners of beneficial interests in a Global Security will not be considered the owners or holders thereof. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Security.

SECTION 3.05. REGISTRATION; REGISTRATION OF TRANSFER AND EXCHANGE. (a) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 10.02 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers and exchanges thereof. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers and exchanges thereof as herein provided. Upon surrender for registration of transfer or exchange of any Security at an office or agency of the Company designated pursuant to Section 10.02 for such purpose, accompanied by a written instrument of transfer or exchange in the form provided by the Company, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate principal amount.

(b) Notwithstanding any other provisions of this Indenture or the Securities, transfers and exchanges of Securities and beneficial interests in a Global Security of the kinds specified in this Section 3.05(b) shall be made only in accordance with this Section 3.05(b).

(i) Transfer of Global Security. Other than as set forth in Section 3.04(a), a Global Security may not be transferred, in whole or in part, to any Person other than the Depositary or a nominee thereof, and no such transfer to any such other Person may be registered; provided that this Section 3.05(b)(i) shall not prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any Person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such Person. Nothing in this Section 3.05(b)(i) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 3.05(b).

(ii) Other Exchanges. In the event that a Global Security or any portion thereof is exchanged for Securities other than Global Securities, such other Securities may in turn be exchanged (on transfer or otherwise) for Securities that are not Global Securities or for beneficial interests in a Global Security (if any is then outstanding) only in accordance with such procedures, which shall be substantially consistent with the provisions of Section 3.05(b)(i) and any Applicable Procedures, as may be from time to time adopted by the Company and the Trustee.

(iii) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Security Registrar with a request:

(A) to register the transfer of such Definitive Securities; or

(B) to exchange such Definitive Securities for an equal principal amount of Definitive Securities of other authorized denominations, the Security Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Securities surrendered for transfer or exchange:

(x) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(c) No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04, 9.06, 11.08, 13.02 or 14.05 not involving any transfer.

(d) The Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 11.04 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 3.06. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES. If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion, but subject to any conversion rights, may, instead of issuing a new Security, pay such Security.

Upon the issuance, authentication and delivery by the Trustee of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued, authenticated and delivered by the Trustee pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.07. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED. Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for payment of such interest.

If the Company shall be required by law to deduct any taxes from any sum of interest payable hereunder to a Holder, (i) the Company shall make such deductions and shall pay the full amount deducted to the relevant taxing authority in accordance with applicable law and (ii) the amount of such deduction shall be treated for purposes hereof as a payment of interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

In the case of any Security which is converted after any Regular Record Date and on or prior to the corresponding Interest Payment Date, interest on such Security whose Stated Maturity is on such Interest Payment Date shall be deemed to continue to accrue and shall be payable on such Interest Payment Date notwithstanding such conversion and notwithstanding that such Security may have been called for redemption on a Redemption Date within such period, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security which is converted, interest whose Stated Maturity is after the date of conversion of such Security shall not be payable (although such accrued and unpaid interest will be deemed paid by the appropriate portion of the Common Stock received by the holders upon such conversion).

SECTION 3.08. PERSONS DEEMED OWNERS. Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.07) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.09. CANCELLATION. All Securities surrendered for payment, redemption, repurchase, registration of transfer or exchange or conversion shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 3.10. COMPUTATION OF INTEREST. Interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE IV. SATISFACTION AND DISCHARGE

SECTION 4.01. SATISFACTION AND DISCHARGE OF INDENTURE. This Indenture shall upon Company request cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the

Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of clause (i), (ii) or (iii) above, has deposited or caused to be deposited irrevocably with the Trustee as trust funds in trust for the benefit of Holders of Outstanding Securities in an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with; and

(4) no Event of Default which, with notice or lapse of time, or both, would become an Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.07, the obligations of the Trustee to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.02 and the last paragraph of Section 10.03 shall survive.

SECTION 4.02. APPLICATION OF TRUST MONEY. Subject to the provisions of the last paragraph of Section 10.03, all money deposited with the Trustee pursuant to Section 4.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee. All moneys deposited with the Trustee pursuant to Section 4.01 (and held by it or any Paying Agent) for the payment of Securities subsequently converted shall be returned to the Company upon Company Request.

ARTICLE V. REMEDIES

SECTION 5.01. EVENTS OF DEFAULT. "Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article XII or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security at its Maturity; or

(3) failure by the Company to provide the notice of a Change of Control in accordance with Section 14.02 or notice of a Change of Control or default in the payment of the Repurchase Price in respect of any Security on the Repurchase Date therefor (whether or not such payment is prohibited by the provisions of Article XII); or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) a default under any bonds, debentures, notes or other evidences of indebtedness for money borrowed by the Company or a Subsidiary or under any mortgages, indentures or instruments under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or a Subsidiary, whether such indebtedness now exists or shall hereafter be created, other than under a Non-Recourse Obligation, which indebtedness, individually or in the aggregate, has a principal amount outstanding in excess of U.S.$5,000,000, which default shall constitute a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace or cure period with respect thereto or shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

(6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or a Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or a Significant Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or a Significant Subsidiary or of any substantial part of their respective properties, or ordering the winding up or liquidation of the affairs of the Company or a Significant Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company or a Significant Subsidiary of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by either the Company or a Significant Subsidiary to the entry of a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against either the Company or a Significant Subsidiary, or the filing by either the Company or a Significant Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by either the Company or a Significant Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other

similar official of the Company or a Significant Subsidiary or of any substantial part of their respective properties, or the making by either the Company or a Significant Subsidiary of an assignment for the benefit of creditors, or the admission by either the Company or a Significant Subsidiary in writing of an inability to pay the debts of either the Company or a Significant Subsidiary generally as they become due, or the taking of corporate action by the Company or a Significant Subsidiary in furtherance of any such action.

SECTION 5.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT. If an Event of Default (other than an Event of Default specified in Section 5.01(1), 5.01(2), 5.01(6) or 5.01(7)) occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities may declare the principal of all the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal and any accrued interest thereon shall become immediately due and payable. If an Event of Default specified in Sections 5.01(1) or 5.01(2) occurs and is continuing, a Holder may, by notice in writing to the Company (with a copy to the Trustee), declare the principal of such Security and any accrued interest thereon immediately due and payable. If an Event of Default specified in Section 5.01(6) or 5.01(7) occurs, the principal of, and accrued interest on, all the Securities shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Securities,

(B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the nonpayment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.03. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE. If

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and payable on such Securities for principal (and premium, if any) and interest, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate borne by the Securities, and, in addition

thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.04. TRUSTEE MAY FILE PROOFS OF CLAIM. In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claim and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 5.05. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 5.06. APPLICATION OF MONEY COLLECTED. Any money collected by the Trustee pursuant to this Article V shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the payment of all amounts due the Trustee under Section 6.07;

SECOND: Subject to Article XII to the payment of the amounts then due and unpaid for first, interest (including Additional Interest) on, and, second, for principal of (and premium, if any, on) the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of

any kind, according to the amounts due and payable on such Securities for interest and principal (and premium, if any) respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto, as their interest may appear or as a court of competent jurisdiction shall direct.

SECTION 5.07. LIMITATION ON SUITS. No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.08. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST AND TO CONVERT. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 3.07) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repurchase, on the Redemption Date or Repurchase Date, as the case may be) and to convert such Security in accordance with Article XIII and to institute suit for the enforcement of any such payment and right to convert, and such rights shall not be impaired without the consent of such Holder.

SECTION 5.09. RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10. RIGHTS AND REMEDIES CUMULATIVE. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The

assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. DELAY OR OMISSION NOT WAIVER. No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 5.12. CONTROL BY HOLDERS. The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 5.13. WAIVER OF PAST DEFAULTS. The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Security, or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14. UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, that this Section 5.14 shall not be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or in any suit for the enforcement of the right to convert any Security in accordance with Article XIII.

SECTION 5.15. WAIVER OF USURY, STAY OR EXTENSION LAWS. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI. THE TRUSTEE

SECTION 6.01. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that (1) this paragraph (c) shall not be construed to limit the effect of paragraph (a) of this Section; (2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; (3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and (4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee (as Trustee, Paying Agent, Authenticating Agent or Security Registrar) shall be subject to the provisions of this Section.

SECTION 6.02. NOTICE OF DEFAULTS. Within 90 days after the occurrence of any default hereunder, the Trustee shall give the Holders, in the manner provided in Section 1.06, notice of any default hereunder actually known to a Responsible Officer of the Trustee; provided, however, that in the case of any default of the character specified in Section 5.01(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. The Trustee shall not be deemed to have notice of a default unless (i) the Trustee has received written notice thereof from the Company or any Holder or (ii) a Responsible Officer of the Trustee shall have actual knowledge thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 6.03. CERTAIN RIGHTS OF TRUSTEE. Subject to the provisions of Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other

evidence be herein specifically prescribed) may require and, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 6.05. MAY HOLD SECURITIES. The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Section 6.08 and Section 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 6.06. MONEY HELD IN TRUST. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.07. COMPENSATION AND REIMBURSEMENT. The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company of any claim asserted against it for which it may seek indemnity.

(4) All indemnifications and releases from liability granted hereunder to the Trustee shall extend to its officers, directors, employees, agents, successors and assigns.

(5) When the Trustee incurs expenses or renders services after the occurrence of any Event of Default specified in Section 5.01, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

(6) The obligations of the Company under this Section shall survive the satisfaction and discharge of this Indenture.

SECTION 6.08. DISQUALIFICATION; CONFLICTING INTERESTS. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 6.09. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least U.S.$50,000,000, subject to supervision or examination by federal or state authority, in good standing and having an established place of business or agency in the Borough of Manhattan, The City of New York. If such corporation or related bank holding company publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation or related bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.10. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 6.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 1.06. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 6.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.12. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 6.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 6.14. APPOINTMENT OF AUTHENTICATING AGENT. The Trustee may appoint an Authenticating Agent or Agents which shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue and upon exchange, registration of transfer, partial conversion, partial redemption, or partial repurchase or pursuant to Section 3.06, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, authorized under such laws to act as Authenticating Agent, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of not less than U.S.$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent or related bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.07.

If an appointment is made pursuant to this Section, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities described in the within-mentioned Indenture.

_____,
As Trustee

By _____,
As Authenticating Agent

By _____,
Authorized Signatory

SECTION 6.15. APPOINTMENT OF CO-TRUSTEE. Subject to the qualifications set forth in Section 6.09, the Trustee may appoint an additional institution as a separate trustee or co-trustee. If the Trustee appoints an additional institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in and conveyed by the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them. Should any instrument in writing from the Company be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Company. If any separate trustee or co-trustee, or a successor to either, shall become incapable of acting or not qualified to act, resign or be removed, all the estate, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee. The appointment of any separate trustee or co-trustee shall be subject to written approval of the Company so long as no Event of Default has occurred and is continuing under this Indenture.

ARTICLE VII. HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.01. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS. The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 7.02. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 7.03. REPORTS BY TRUSTEE.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission, if applicable, and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 7.04. REPORTS BY COMPANY.

(a) The Company shall file with the Trustee and the Commission, if applicable, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission. Notwithstanding anything to the contrary contained herein, the Trustee shall have no duty to review such documents for the purpose of determining compliance with this Indenture.

(b) The Company shall provide the Trustee with at least 30 days' prior notice of any change in location of its principal executive offices or other principal place of business.

ARTICLE VIII. CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 8.01. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS. The Company shall not consolidate with or merge into any other Person or, directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of its properties and assets to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer, sell, lease or otherwise dispose of all or substantially all of its properties and assets to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed and shall have provided for conversion rights in accordance with Article XIII;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture

is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 8.02. SUCCESSOR SUBSTITUTED. Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 8.01, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be released from its obligations and covenants under this Indenture and the Securities.

ARTICLE IX. SUPPLEMENTAL INDENTURES

SECTION 9.01. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the equal and ratable benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to secure the Company's obligations in respect of the Securities; or

(4) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article XIII; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, to correct or supplement any provision herein which limits, qualifies or conflicts with a provision of the Trust Indenture Act which is required under such Act to be a part of and govern this Indenture, in any case to the extent necessary to qualify this Indenture under the Trust Indenture Act, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture; provided that such action pursuant to this clause (5) shall not adversely affect the interests or legal rights of the Holders in any material respect.

SECTION 9.02. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by the Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or repurchase, on or after the Redemption Date or Repurchase Date, as the case may be), or adversely affect the right to convert any Security as provided in Article XIII (except as permitted by Section 9.01(4)), or modify the provisions of this Indenture with respect to the

subordination of the Securities in a manner adverse to the Holders, or modify the redemption provisions in a manner adverse to the Holders, or modify the provisions relating to the Company's requirement to offer to repurchase Securities upon a Change in Control in a manner adverse to the Holders, or

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify the obligation of the Company to maintain an office or agency in the Borough of Manhattan, The City of New York or San Francisco, California pursuant to Section 10.02, or

(4) modify any of the provisions of this Section 9.02, Section 5.13 or Section 10.08, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. EXECUTION OF SUPPLEMENTAL INDENTURES. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.01 and Section 6.03) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, complies with its terms and will, upon the execution and delivery thereof, be valid and binding upon the Company in accordance with its terms. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04. EFFECT OF SUPPLEMENTAL INDENTURES. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05. CONFORMITY WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 9.06. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the judgment of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE X. COVENANTS

SECTION 10.01.PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST. The Company will duly and punctually pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms of the Securities and this Indenture.

SECTION 10.02.MAINTENANCE OF OFFICE OR AGENCY. The Company will maintain in the Borough of Manhattan, The City of New York or San Francisco, California an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange,

where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee or the office or agency of the Trustee in the Borough of Manhattan, The City of New York, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York or San Francisco, California) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York or San Francisco, California for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 10.03.MONEY FOR SECURITY PAYMENTS TO BE HELD IN TRUST. If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium, if any, or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 10.03, that such Paying Agent will

(1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal, premium, if any, or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on

Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04.STATEMENT BY OFFICERS AS TO DEFAULT. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 10.05.EXISTENCE. Subject to Article VIII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.06.MAINTENANCE OF PROPERTIES. The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposition is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 10.07.PAYMENT OF TAXES AND OTHER CLAIMS. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 10.08.WAIVER OF CERTAIN COVENANTS. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 10.05 to 10.07, inclusive, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

ARTICLE XI. REDEMPTION OF SECURITIES

SECTION 11.01.RIGHT OF REDEMPTION. The Securities may be redeemed at the election of the Company, as a whole or from time to time in part, at any time on or after March 31, 2002, at the Redemption Prices specified in the form of Security hereinbefore set forth, together with accrued interest to the Redemption Date.

SECTION 11.02.APPLICABILITY OF ARTICLE. Redemption of Securities at the election of the Company or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article XI.

SECTION 11.03.ELECTION TO REDEEM; NOTICE TO TRUSTEE. The election of the Company to redeem any Securities pursuant to Section 11.01 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed.

SECTION 11.04.SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED. If less than all the Securities are to be redeemed, the particular Securities to be redeemed shall be selected not less than 20 days or more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption, by such method as the Trustee shall deem fair and appropriate in the circumstances and which may provide for the selection for redemption of portions (equal to U.S.$1,000 or any integral multiple thereof) of the principal amount of Securities of a denomination larger than U.S.$1,000.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

The Trustee shall promptly notify the Company and each Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 11.05.NOTICE OF REDEMPTION. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 20 or more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities are to be redeemed, the identification (and, in the case of partial redemption of any Securities, the principal amounts) of the particular Securities to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date,

(5) the conversion price, the date on which the right to convert the Securities to be redeemed will terminate and the place or places where such Securities may be surrendered for conversion, and

(6) the place or places where such Securities are to be surrendered for payment of the Redemption Price. Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company, and shall be irrevocable.

SECTION 11.06.DEPOSIT OF REDEMPTION PRICE. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date other than any Securities called for redemption on that date which have been converted prior to the date of such deposit.

If any Security called for redemption is converted, any money deposited with the Trustee or with any Paying Agent or so segregated and held in trust for the redemption of such Security shall (subject to any right of the Holder of such Security or any Predecessor Security to receive interest as provided in the last paragraph of Section 3.07) be paid to the Company upon Company Request or, if then held by the Company, shall be released from such trust.

SECTION 11.07.SECURITIES PAYABLE ON REDEMPTION DATE. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear or accrue any interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to (but not including) the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant record dates according to their terms and the provisions of Section 3.07.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear and accrue interest from the Redemption Date at the rate borne by the Security.

SECTION 11.08.SECURITIES REDEEMED IN PART. Any Security which is to be redeemed only in part shall be surrendered at an office or agency of the Company designated for that purpose pursuant to Section 10.02 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney-in-fact duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal amount of the Security so surrendered.

SECTION 11.09.CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION. In connection with any redemption of Securities, the Company may arrange for the purchase and conversion of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Trustee in trust for the Holders, on or before the Redemption Date, an amount not less than the applicable Redemption Price, together with interest accrued to the Redemption Date, of such Securities. Notwithstanding anything to the contrary contained in this Article XI, the obligation of the Company to pay the Redemption Price of such Securities, together with interest accrued to, but excluding, the date fixed for redemption, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the Redemption Date, any Securities not duly surrendered

for conversion by the holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such holders and (notwithstanding anything to the contrary contained in Article XIII) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the Redemption Date (and the right to convert any such Securities shall be deemed to have been extended through such time), subject to payment of the above amount as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Securities. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers to which the Trustee has not consented in writing, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture. Nothing in the preceding sentence shall be deemed to limit the rights and protections afforded to the Trustee in Article VI, including, but not limited to, the right to indemnification pursuant to Section 6.07.

ARTICLE XII. SUBORDINATION OF SECURITIES

SECTION 12.01.SECURITIES SUBORDINATE TO SENIOR INDEBTEDNESS. The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article XII, the indebtedness represented by the Securities and the payment of the principal of (and premium, if any) and interest on each and all of the Securities and all obligations of the Company under this Indenture are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 12.02.PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC. In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company, then and in any such event the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Indebtedness, before the Holders of the Securities are entitled to receive any payment on account of principal of (or premium, if any) or interest on the Securities, and to that end the holders of Senior Indebtedness shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Securities in any such case, proceeding, dissolution, liquidation or other winding up or event.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company prohibited by the foregoing paragraph of any kind or character, whether in cash, property or securities, before all Senior Indebtedness is paid in full or payment thereof provided for, and if such fact shall, at or prior to the time of such payment or distribution, have been made actually known to a Responsible Officer of the Trustee or, as the case may be, such Holder, then and in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

For purposes of this Article XII only, the words "cash, property or securities" shall not be deemed to include shares of capital stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which in either case are subordinated in right of payment to all Senior Indebtedness which may at the time be outstanding to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article XII. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in Article VIII shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Company for the purposes of this Section 12.02 if the Person formed by such consolidation or into which the Company is merged or which acquires by conveyance or transfer such properties and assets substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in Article VIII.

SECTION 12.03.NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT.

(a) In the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Indebtedness beyond any applicable grace period with respect thereto (unless and until such payment default shall have been cured or waived in writing by the holders of such Senior Indebtedness); or

(b) in the event any judicial proceeding shall be pending with respect to any such default, then no payment shall be made by the Company on account of principal of (or premium, if any) or interest on the Securities or on account of the purchase or other acquisition of Securities (including pursuant to Articles XI and XIII).

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section 12.03, and if such fact shall, at or prior to the time of such payment, have been made actually known to a Responsible Officer of the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section 12.03 shall not apply to any payment with respect to which Section 12.02 would be applicable.

SECTION 12.04.PAYMENT PERMITTED IF NO DEFAULT. Nothing contained in this Article XII or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Company referred to in Section 12.02 or under the conditions described in Section 12.03, from making payments at any time of principal of (and premium, if any) or interest on the Securities, or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the principal of (and premium, if any) or interest on the Securities or the retention of such payment by the Holders, if, at the time of such application by the Trustee, a Responsible Officer of the Trustee did not have actual knowledge that such payment would have been prohibited by the provisions of this Article XII.

SECTION 12.05.SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS. Subject to the payment in full of all Senior Indebtedness, and until the Securities are paid in full, the Holders of the Securities shall be subrogated (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to indebtedness of the Company to substantially the same extent as the Securities are subordinated and is entitled to like rights of subrogation) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness to the extent that payments and distributions otherwise payable to Holders of Securities have been applied to the payment of Senior Indebtedness as provided by this Article XII. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be

entitled, except for the provisions of this Article XII, and no payments over pursuant to the provisions of this Article XII to the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 12.06.PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS. The provisions of this Article XII are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article XII or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article XII of the holders of Senior Indebtedness, is intended to rank equally with all other general obligations of the Company), to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XII of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 12.07.TRUSTEE TO EFFECTUATE SUBORDINATION. Each holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article XII and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 12.08.NO WAIVER OF SUBORDINATION PROVISIONS. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article XII or the obligations hereunder of the Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; (iv) exercise or refrain from exercising any rights against the Company and any other Person; or (v) apply any and all sums received from time to time to the Senior Indebtedness.

SECTION 12.09.NOTICE TO TRUSTEE. The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article XII or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 6.01, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 12.09 at least two Business Days prior to the date upon which by the terms hereof any money may become

payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 6.01, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article XII, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article XII, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 12.10.RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT. Upon any payment or distribution of assets of the Company referred to in this Article XII, the Trustee, subject to the provisions of Section 6.01, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XII.

SECTION 12.11.TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article XII or otherwise.

SECTION 12.12.RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS; PRESERVATION OF TRUSTEE'S RIGHTS. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article XII with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article XII shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.07.

SECTION 12.13.ARTICLE APPLICABLE TO PAYING AGENTS. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article XII shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article XII in addition to or in place of the Trustee; provided, however, that Section 12.12 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

SECTION 12.14.CERTAIN CONVERSIONS DEEMED PAYMENT. For the purposes of this Article XII only, (1) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article XIII shall not be deemed to constitute a payment or distribution on account of the principal of or premium or interest on

Securities or on account of the purchase or other acquisition of Securities, and (2) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute payment on account of the principal of such Security. For the purposes of this Section 12.14, the term "junior securities" means (a) shares of any stock of any class of the Company and (b) securities of the Company which are subordinated in right of payment to the prior payment in full of all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article XII. Nothing contained in this Article XII or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the right, which is absolute and unconditional, of the Holder of any Security to convert such Security in accordance with Article XIII.

ARTICLE XIII. CONVERSION OF SECURITIES

SECTION 13.01.CONVERSION PRIVILEGE AND CONVERSION PRICE. Subject to and upon compliance with the provisions of this Article XIII, at the option of the Holder thereof, any Security or any portion of the principal amount thereof which is U.S.$1,000 or an integral multiple of U.S.$1,000 may be converted at the principal amount thereof, or of such portion thereof, into fully paid and nonassessable shares of Common Stock of the Company at any time at the conversion price, determined as hereinafter provided, in effect at the time of conversion. Such conversion right shall expire at the close of business on the Business Day immediately preceding March 31, 2004, subject, in the case of conversion of any Global Security, to any Applicable Procedures. In case a Security or portion thereof is called for redemption at the election of the Company or the Holder thereof exercised his right to require the Company to repurchase the Security, such conversion right in respect of the Security or portion so called shall expire at the close of business, New York time, on the Business Day immediately preceding the corresponding Redemption Date or Repurchase Date, as the case may be, unless the Company defaults in making the payment due upon redemption or repurchase, as the case may be (in each case subject as aforesaid to any Applicable Procedures with respect to any Global Security).

The price at which shares of Common Stock shall be delivered upon conversion (herein called the "conversion price") shall be initially U.S.____$ per share of Common Stock. The conversion price shall be adjusted in certain instances as provided in Section 13.04.

In case the Company shall, by dividend or otherwise, declare or make a distribution on its Common Stock referred to in paragraph (4) or (5) of Section 13.04 (including, without limitation, dividends or distributions referred to in the last sentence of paragraph (4) of Section 13.04), the Holder of each Security, upon the conversion thereof pursuant to this Article XIII subsequent to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution and prior to the effectiveness of the conversion price adjustment in respect of such distribution pursuant to paragraph (4) or (5) of Section 13.04, shall also be entitled to receive for each share of Common Stock into which such Security is converted, the portion of the evidences of indebtedness, shares of capital stock, securities, cash and assets so distributed applicable to one share of Common Stock, provided that, at the election of the Company (whose election shall be evidenced by a Board Resolution) with respect to all Holders so converting, the Company may, in lieu of distributing to such Holder any portion of such distribution not consisting of cash or securities of the Company, pay such Holder an amount in cash equal to the fair market value thereof (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution). If any conversion of a Security described in the immediately preceding sentence occurs prior to the payment date for a distribution to holders of Common Stock which the Holder of the Security so converted is entitled to receive in accordance with the immediately preceding sentence, the Company may elect (such election to be evidenced by a Board Resolution) to distribute to such Holder a due bill for the evidences of indebtedness, shares of capital stock, securities, cash or assets to which such Holder is so entitled, provided that such due bill (i) meets any applicable requirements of the principal national securities exchange or other market on which the Common Stock is then traded and (ii) requires payment or delivery of such evidences of indebtedness, shares of capital stock, securities,

cash or assets no later than the date of payment or delivery thereof to holders of Common Stock receiving such distribution.

SECTION 13.02.EXERCISE OF CONVERSION PRIVILEGE. In order to exercise the conversion privilege, the Holder of any Security to be converted shall surrender such Security, duly endorsed or assigned to the Company or in blank, at any office or agency maintained by the Company pursuant to Section 10.02, accompanied by written notice (as set forth in Section 2.05) to the Company at such office or agency that the Holder elects to convert such Security or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted.

Except as described in the last paragraph of Section 3.07, no Holder of Securities will be entitled upon conversion thereof to any payment or adjustment on account of accrued and unpaid interest thereon (although such accrued and unpaid interest will be deemed paid by the appropriate portion of the Common Stock received by the holders upon such conversion) or on account of dividends on the shares of Common Stock issued in connection therewith. Securities surrendered for conversion during the period from the close of business on any Regular Record Date to the opening of business on the corresponding Interest Payment Date (except Securities called for redemption on a Redemption Date within such period between and including such Regular Record Date and such Interest Payment Date) must be accompanied by payment to the Company in New York Clearing House Funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount converted.

Securities shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Securities for conversion in accordance with the foregoing provisions, and at such time the rights of the Holders of such Securities as Holders shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at such office or agency a certificate or certificates for the number of full shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share as provided in Section 13.03.

In the case of any Security which is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations in aggregate principal amount equal to the unconverted portion of the principal amount of such Security. Any requirements for notice, surrender or delivery of Securities pursuant to this Article XIII shall, with respect to any Global Security, be subject to any Applicable Procedures.

SECTION 13.03.FRACTIONS OF SHARES. No fractional shares of Common Stock shall be issued upon conversion of Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock which would otherwise be issuable upon conversion of any Security or Securities (or specified portions thereof), the Company shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the Closing Price per share of the Common Stock at the close of business on the day of conversion (or, if such day is not a Trading Day, on the Trading Day immediately preceding such day) or, alternatively, the Company shall round up to the next higher whole share.

SECTION 13.04.ADJUSTMENT OF CONVERSION PRICE.

(1) In case the Company shall pay or make a dividend or other distribution on its Common Stock exclusively in Common Stock or shall pay or make a dividend or other distribution on any other class of capital stock of the Company which dividend or distribution includes Common Stock, the conversion price in effect at the opening of business on the day next following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for

such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day next following the date fixed for such determination. For the purposes of this paragraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(2) In case the Company shall pay or make a dividend or other distribution on its Common Stock consisting exclusively of, or shall otherwise issue to all holders of its Common Stock, rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights, warrants or options, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (2), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not issue any rights, warrants or options in respect of shares of Common Stock held in the treasury of the Company.

(3) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(4) Subject to the last sentence of this paragraph (4), in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class of capital stock, securities, cash or property (excluding any rights, warrants or options referred to in paragraph (2) of this Section 13.04, any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in paragraph (1) of this Section 13.04), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this paragraph (4) by a fraction of which the numerator shall be the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the Common Stock on the date of such effectiveness less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution and shall, in the case of securities being distributed for which prior thereto there is an actual or when issued trading market, be no less than the value determined by reference to the average of the closing prices in such market over the period specified in the succeeding sentence), on the date of such effectiveness, of the portion of the evidences of indebtedness, shares of capital stock, securities, cash and property so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day next following the later of (a) the date fixed for the payment of such distribution and (b) the date 20 days after the notice relating to such distribution is given pursuant to Section 13.06(a) (such later date of (a) and (b) being

referred to as the "Reference Date"). If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph (4) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing the current market price per share pursuant to paragraph (7) of this Section. For purposes of this paragraph (4), any dividend or distribution that includes shares of Common Stock or rights, warrants or options to subscribe for or purchase shares of Common Stock shall be deemed instead to be (a) a dividend or distribution of the evidences of indebtedness, cash, property, shares of capital stock or securities other than such shares of Common Stock or such rights, warrants or options (making any conversion price reduction required by this paragraph (4)) immediately followed by (b) a dividend or distribution of such shares of Common Stock or such rights, warrants or options (making any further conversion price reduction required by paragraph (1) or (2) of this Section 13.04, except (i) the Reference Date of such dividend or distribution as defined in this paragraph (4) shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution," "the date fixed for the determination of shareholders entitled to receive such rights, warrants or options" and "the date fixed for such determination" within the meaning of paragraphs (1) and (2) of this Section 13.04 and (ii) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of paragraph (1) of this Section 13.04).

(5) In case the Company shall, by dividend or otherwise, make a distribution to all holders of its Common Stock exclusively in cash in an aggregate amount that, together with (i) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no conversion price adjustment pursuant to this paragraph (5) has been made and (ii) the aggregate of any cash plus the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of the tender or exchange offer referred to below, of consideration payable in respect of any tender or exchange offer by the Company or a Subsidiary for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of such distribution and in respect of which no conversion price adjustment pursuant to paragraph (6) of this Section 13.04 has been made, exceeds 10% of the product of the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the Common Stock on the date fixed for shareholders entitled to receive such distribution times the number of shares of Common Stock outstanding on such date, the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this paragraph (5) by a fraction of which the numerator shall be the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the Common Stock on the date of such effectiveness less the amount of cash so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the later of (a) the day following the date fixed for the payment of such distribution and (b) the date 20 days after the notice relating to such distribution is given pursuant to Section 13.06(a).

(6) In case a tender or exchange offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer shall involve an aggregate consideration having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) that, together with (i) the aggregate of the cash plus the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of the other tender or exchange offer referred to below, of consideration payable in respect of any other tender or exchange offer by the Company or a Subsidiary for all or any portion of the Common Stock concluded within the preceding 12 months and in respect of which no conversion price adjustment pursuant to this paragraph (6) has been made and (ii) the aggregate amount of any distributions to all holders of the Common Stock made exclusively in cash within the preceding 12 months and in respect of which no conversion price adjustment pursuant to paragraph (5) of this Section 13.04 has been made, exceeds 10% of the product of the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the Common Stock on the Expiration Time times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, the conversion price shall be reduced (but not increased) so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be (i) the product of the current market price per share (determined as provided in paragraph (7) of this Section 13.04) of the

Common Stock at the Expiration Time times the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time minus (ii) the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and the denominator shall be the product of (i) such current market price per share at the Expiration Time times (ii) such number of outstanding shares at the Expiration Time less the number of Purchased Shares, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time.

(7) For the purpose of any computation under this paragraph and paragraphs (2), (4) and (5) of this Section 13.04, the current market price per share of Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices for the five consecutive Trading Days selected by the Company commencing not more than 20 Trading Days before, and ending not later than, the date in question; provided, however, that (i) if the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the conversion price pursuant to paragraph (1), (2), (3), (4), (5) or (6) above ("Other Event") occurs on or after the 20th Trading Day prior to the date in question and prior to the "ex" date for the issuance or distribution requiring such computation (the "Current Event"), the Closing Price for each Trading Day prior to the "ex" date for such Other Event shall be adjusted by multiplying such Closing Price by the same fraction by which the conversion price is so required to be adjusted as a result of such Other Event, (ii) if the "ex" date for any Other Event occurs after the "ex" date for the Current Event and on or prior to the date in question, the Closing Price for each Trading Day on and after the "ex" date for such Other Event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the conversion price is so required to be adjusted as a result of such Other Event, (iii) if the "ex" date for any Other Event occurs on the "ex" date for the Current Event, one of those events shall be deemed for purposes of clauses (i) and (ii) of this proviso to have an "ex" date occurring prior to the "ex" date for the other event, and (iv) if the "ex" date for the Current Event is on or prior to the date in question, after taking into account any adjustment required pursuant to clause (ii) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value on the date in question (as determined in good faith by the Board of Directors in a manner consistent with any determination of such value for purposes of paragraph (4) or (5) of this Section 13.04, whose determination shall be conclusive and described in a Board Resolution) of the portion of the rights, warrants, options, evidences of indebtedness, shares of capital stock, securities, cash or property being distributed applicable to one share of Common Stock. For the purpose of any computation under paragraph (6) of this Section 13.04, the current market price per share of Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices for the five consecutive Trading Days selected by the Company commencing on or after the latest (the "Commencement Date") of (i) the date 20 Trading Days before the date in question, (ii) the date of commencement of the tender or exchange offer requiring such computation and (iii) the date of the last amendment, if any, of such tender or exchange offer involving a change in the maximum number of shares for which tenders are sought or a change in the consideration offered, and ending not later than the date of the Expiration Time of such tender or exchange offer (or, if such Expiration Time occurs before the close of trading on a Trading Day, not later than the Trading Day immediately preceding the date of such Expiration Time); provided, however, that if the "ex" date for any Other Event (other than the tender or exchange offer requiring such computation) occurs on or after the Commencement Date and on or prior to the date of the Expiration Time for the tender or exchange offer requiring such computation, the Closing Price for each Trading Day prior to the "ex" date for such Other Event shall be adjusted by multiplying such Closing Price by the same fraction by which the conversion price is so required to be adjusted as a result of such other event. For purposes of this paragraph, the term "ex" date, (i) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the

relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (ii) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (iii) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such tender or exchange offer.

(8) The Company may make such reductions in the conversion price, in addition to those required by paragraphs (1), (2), (3), (4), (5) and (6) of this Section 13.04, as it considers to be advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(9) No adjustment in the conversion price shall be required unless such adjustment would require an increase or decrease of at least 1% in the conversion price; provided, however, that any adjustments which by reason of this paragraph (9) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(10) In the event that the Company distributes rights or warrants (other than those referred to in paragraph (2) above) pro rata to holders of Common Stock, so long as any such rights or warrants have not expired or been redeemed by the Company, the Company shall make proper provision so that the Holder of any Security surrendered for conversion will be entitled to receive upon such conversion, in addition to the conversion shares, a number of rights and warrants to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of rights or warrants of separate certificates evidencing such rights or warrants (the "Distribution Date"), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of conversion shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the rights or warrants, and (ii) if such conversion occurs after such Distribution Date, the same number of rights or warrants to which a holder of the number of shares of Common Stock into which the principal amount of such Security so converted was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date in accordance with the terms and provisions of and applicable to the rights or warrants.

SECTION 13.05.NOTICE OF ADJUSTMENTS OF CONVERSION PRICE. Whenever the conversion price is adjusted as herein provided:

(a) the Company shall compute the adjusted conversion price in accordance with Section 13.04 and shall prepare a certificate signed by the Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed (with a copy to the Trustee) at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 10.02; and

(b) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Company to all Holders at their last addresses as they shall appear in the Security Register.

SECTION 13.06.NOTICE OF CERTAIN CORPORATE ACTION. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable (i) otherwise than exclusively in cash or (ii) exclusively in cash in an amount that would require a conversion price adjustment pursuant to paragraph (5) of Section 13.04; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights, warrants or options to subscribe for or purchase any shares of capital stock of any class or of any other rights (excluding employee stock options); or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(e) the Company or any Subsidiary of the Company shall commence a tender or exchange offer for all or a portion of the Company's outstanding shares of Common Stock (or shall amend any such tender or exchange offer);

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 10.02, and shall cause to be mailed to all Holders at their last addresses as they shall appear in the Security Register, at least 20 days (or 10 days in any case specified in clause (a) or (b) above) prior to the applicable record, effective or expiration date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights, warrants or options, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights, warrants or options are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up, or (z) the date on which such tender offer commenced, the date on which such tender offer is scheduled to expire unless extended, the consideration offered and the other material terms thereof (or the material terms of any amendment thereto).

SECTION 13.07.COMPANY TO RESERVE COMMON STOCK. The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of Securities, the whole number of shares of Common Stock then issuable upon the conversion in full of all outstanding Securities.

SECTION 13.08.TAXES ON CONVERSIONS. The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Security or Securities to be converted, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

SECTION 13.09.COVENANT AS TO COMMON STOCK. The Company covenants that all shares of Common Stock which may be issued upon conversion of Securities will upon issue be newly issued (and not treasury shares) and be duly authorized, validly issued, fully paid and nonassessable and, except as provided in Section 13.08, the Company will pay all taxes, liens and charges with respect to the issue thereof.

SECTION 13.10.CANCELLATION OF CONVERTED SECURITIES. All Securities delivered for conversion shall be delivered to the Trustee to be canceled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 3.09.

SECTION 13.11.PROVISIONS IN CASE OF RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE OF ASSETS. In the event that the Company shall be a party to any transaction (including without limitation any (i) recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (ii) any consolidation of the Company with, or merger of the Company into, any other person, any merger of another person into the

Company (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange) pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby the Holder of each Security then outstanding shall have the right thereafter to convert such Security only into (subject to funds being legally available for such purpose under applicable law at the time of such conversion) the kind and amount of securities, cash and other property receivable upon such transaction by a holder of the number of shares of Common Stock into which such Security might have been converted immediately prior to such transaction. The Company or the person formed by such consolidation or resulting from such merger or which acquired such assets or which acquired the Company's shares, as the case may be, shall execute and deliver to the Trustee a supplemental indenture establishing such rights. Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section 13.11 shall similarly apply to successive transactions of the foregoing type.

ARTICLE XIV. RIGHT TO REQUIRE REPURCHASE

SECTION 14.01. RIGHT TO REQUIRE REPURCHASE. In the event that there shall occur a Change in Control (as defined in Section 14.06), then each Holder shall have the right, at such Holder's option, to require the Company, subject to the provisions of Section 12.03, to purchase all or any designated part of such Holder's Securities on the date (the "Repurchase Date") fixed by the Company that is not less than 30 days or more than 45 days after the date the Company gives notice of the Change in Control as contemplated in Section 14.02(a) at a price (the "Repurchase Price") equal to 100% of the principal amount thereof, together with accrued and unpaid interest through the Repurchase Date. Such right to require the repurchase of Securities shall not continue after a discharge of the Company from its obligations with respect to the Securities in accordance with Article IV. Any requirements for notice, surrender or delivery of Securities pursuant to this Article XIV shall, with respect to any Global Security, be subject to any Applicable Procedures.

SECTION 14.02.NOTICE; METHOD OF EXERCISING REPURCHASE RIGHT.

(a) On or before the 15th day after the Company knows or reasonably should know a Change in Control has occurred, the Company, or at the written request of the Company, the Trustee (in the name and at the expense of the Company), shall give notice of the occurrence of the Change in Control and of the repurchase right set forth herein arising as a result thereof by first-class mail, postage prepaid, or by telefacsimile with written acknowledgement of transmittal to each Holder of the Securities at such Holder's address appearing in the Security Register. The Company shall also deliver a copy of such notice of a repurchase right to the Trustee.

Each notice of a repurchase right shall state:

(1) the Repurchase Date,

(2) the date by which the repurchase right must be exercised,

(3) the Repurchase Price, and

(4) the instructions a Holder must follow to exercise its repurchase right.

No failure of the Company to give the foregoing notice shall limit any Holder's right to exercise a repurchase right. The Trustee shall have no affirmative obligation to determine if there shall have occurred a Change in Control.

(b) To exercise a repurchase right, a Holder shall deliver to the Company (or an agent designated by the Company for such purpose in the notice referred to in (a) above) and to the Trustee on or before the

30th day after the date of transmittal of the notice referred to in (a) above (i) written notice of the Holder's exercise of such right, which notice shall set forth the name of the Holder, the principal amount of the Security or Securities (or portion of a Security) to be repurchased, and a statement that an election to exercise the repurchase right is being made thereby, and (ii) the Security or Securities with respect to which the repurchase right is being exercised, duly endorsed for transfer to the Company. Such written notice shall be irrevocable. If the Repurchase Date falls between any Regular Record Date and the corresponding succeeding Interest Payment Date, Securities to be repurchased must be accompanied by payment from the Holder of an amount equal to the interest thereon which the registered Holder thereof is to receive on such Interest Payment Date.

(c) In the event a repurchase right shall be exercised in accordance with the terms hereof, the Company shall on the Repurchase Date pay or cause to be paid in cash to the Holder thereof the Repurchase Price of the Security or Securities as to which the repurchase right had been exercised.

SECTION 14.03.DEPOSIT OF REPURCHASE PRICE. On or prior to the Repurchase Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money sufficient to pay the Repurchase Price of the Securities which are to be repaid on the Repurchase Date.

SECTION 14.04.SECURITIES NOT REPURCHASED ON REPURCHASE DATE. If any Security surrendered for repurchase shall not be so paid on the Repurchase Date, the principal of such Security shall, until paid, bear interest from the Repurchase Date at a rate borne by such Security.

SECTION 14.05.SECURITIES REPURCHASED IN PART. Any Security which is to be repurchased only in part shall be surrendered at any office or agency of the Company designated for that purpose pursuant to Section 10.02 (with, if the Company or the Trustee so requires, due endorsement by, or written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unrepurchased portion of the principal of the Security so surrendered.

SECTION 14.06.CERTAIN DEFINITIONS. For purposes of this Article: The term "Beneficial Owner" shall be determined in accordance with Rules 13d-3 and 13d-5 promulgated by the Commission under the Exchange Act, or any successor provision thereto, except that a Person shall be deemed to have "beneficial ownership" of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

A "Change in Control" shall be deemed to have occurred at such time as (a) any Person, or any Persons acting together in a manner which would constitute a "group" for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, together with any Affiliates thereof, (i) become the Beneficial Owners, directly or indirectly, of capital stock of the Company, entitling such Person or Persons and its or their Affiliates to exercise more than 50% of the total voting power of all classes of the Company's capital stock entitled to vote generally in the election of directors or (ii) shall succeed in having sufficient of its or their nominees who are not supported by a majority of the then current Board of Directors of the Company elected to the Board of Directors of the Company such that such nominees, when added to any existing directors remaining on the Board of Directors of the Company after such election who are Affiliates of or acting in concert with any such Persons, shall constitute a majority of the Board of Directors of the Company, (b) the Company shall be a party to any transaction pursuant to which the Common Stock is converted into the right to receive other securities (other than common stock), cash and/or property (or the Company, by dividend, tender or exchange offer or otherwise, distributes other securities, cash and/or property to holders of Common Stock) and the value of all such securities, cash and/or property distributed in such transaction and any other transaction effected within the 12 months preceding consummation of such transaction (as

determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) is more than 50% of the average of the daily Closing Prices for the five consecutive Trading Days ending on the Trading Day immediately preceding the date of such transaction (or, if earlier, the Trading Day immediately preceding the "ex" date (as defined in paragraph (7) of Section 13.04) for such transaction), or (c) the Company shall consolidate with or merge into any other Person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person other than a Subsidiary, or any other Person shall consolidate with or merge into the Company (other than, in the case of this clause (c), pursuant to any consolidation or merger where Persons who are shareholders of the Company immediately prior thereto become the Beneficial Owners of shares of capital stock of the surviving company entitling such Persons to exercise more than 50% of the total voting power of all classes of such surviving company's capital stock entitled to vote generally in the election of directors).

ARTICLE XV. DEFEASANCE AND COVENANT DEFEASANCE

SECTION 15.01.COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE. The Company may at its option by Board Resolution, at any time, elect to have either Section 15.02 or Section 15.03 applied to the Outstanding Securities upon compliance with the conditions set forth below in this Article XV.

SECTION 15.02.DEFEASANCE AND DISCHARGE. Upon the Company's exercise of the option provided in Section 15.01 applicable to this Section, the Company shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities (other than those specified below), and the provisions of Article XII shall cease to be effective, on the date the conditions set forth below are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Securities to receive, solely from the trust fund described in Section 15.04 and as more fully set forth in such Section, payments in respect of the principal of, premium, if any and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 3.04, 3.05, 3.06, 10.02, 10.03, Article XIII and Article XIV, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder, and (D) this Article XV. Subject to compliance with this Article XV, the Company may exercise its option under this Section 15.02 notwithstanding the prior exercise of its option under Section 15.03.

SECTION 15.03.COVENANT DEFEASANCE. Upon the Company's exercise of the option provided in Section 15.01 applicable to this Section, (i) the Company shall be released from its obligations under Section 10.06 and Section 10.07, (ii) the occurrence of an event specified in Section 5.01(3) (with respect to either of Section 10.06 or Section 10.07) and 5.01(4) shall not be deemed to be an Event of Default and (iii) the provisions of Article XII hereof shall cease to be effective on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance"). For this purpose, such covenant defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or Article, whether directly or indirectly by reason of any reference elsewhere herein to any such Section or Article or by reason of any reference in any such Section or Article to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 15.04.CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE. The following shall be the conditions to application of either Section 15.02 or Section 15.03 to the then Outstanding Securities:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 6.09 who shall agree to comply with the provisions of this Article XV applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities;

(A) money in an amount, or

(B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or

(C) a combination thereof, sufficient, in the written opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of, premium, if any, and each installment of interest on the Securities on the Stated Maturity of such principal or installment of interest in accordance with the terms of this Indenture and of such Securities.

For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) In the case of an election under Section 15.02, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities will not recognize gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred.

(3) In the case of an election under Section 15.03, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Securities will not recognize gain or loss for Federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance had not occurred.

(4) The Company shall have delivered to the Trustee an Officers' Certificate to the effect that the Securities, if then listed on any securities exchange, will not be delisted as a result of such deposit.

(5) Such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest as defined in Section 6.08 and for purposes of the Trust Indenture Act with respect to any securities of the Company.

(6) At the time of such deposit: (A) no default in the payment of all or a portion of principal of (or premium, if any) or interest on or other obligations in respect of any Senior Indebtedness shall have occurred and be continuing, and no event of default with respect to any Senior Indebtedness shall have occurred and be continuing and shall have resulted in such Senior Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable and (B) no other event with respect to any Senior Indebtedness shall have occurred and be continuing permitting (after notice or the lapse of time, or both) the holders

of such Senior Indebtedness (or a trustee on behalf of the holders thereof) to declare such Senior Indebtedness due and payable prior to the date on which it would otherwise have become due and payable, or, in the case of either clause (A) or clause (B) above, each such default or event of default shall have been cured or waived or shall have ceased to exist.

(7) No Event of Default or event which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date of such deposit or, insofar as Sections 5.01(6) and (7) are concerned, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(8) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(9) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 15.02 or the covenant defeasance under Section 15.03 (as the case may be) have been complied with.

(10) Such defeasance or covenant defeasance shall not result in the trust arising from such deposit constituting an investment company as defined in the Investment Company Act of 1940, as amended, or such trust shall be qualified under such act or exempt from regulation thereunder.

SECTION 15.05.DEPOSITED MONEY AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS. Subject to the provisions of the last paragraph of Section 10.03, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee--collectively, for purposes of this Section 15.05, the "Trustee") pursuant to Section 15.04 in respect of the Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal, premium, if any, and interest. Money so held in trust shall not be subject to the provisions of Article XII.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 15.04 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities.

Anything in this Article XV to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 15.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

SECTION 15.06.REINSTATEMENT. If the Trustee or the Paying Agent is unable to apply any money in accordance with Section 15.02 or 15.03 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article XV until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 15.02 or 15.03; provided, however, that if the Company makes any payment of principal of, premium, if any, or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or the Paying Agent.

ARTICLE XVI. IMMUNITY

SECTION 16.01. PERSONAL IMMUNITY OF INCORPORATORS, SHAREHOLDERS, DIRECTORS AND OFFICERS. No recourse for the payment of the principal of or interest on the Securities, and no recourse under or upon any obligation, covenant or agreement contained in this Indenture or in any indenture supplemental hereto, or in the Securities, or because of any indebtedness evidenced thereby, shall be had against any incorporator, or against any past, present or future shareholder, officer or director, as such, of the Company or any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders thereof and as part of the consideration for the issue of the Securities. Each and every Holder of the Securities, by receiving and holding the same, agrees to the provisions of this Section 16.01 and waives and releases any and all such recourse, claim and liability.

THIS INSTRUMENT MAY BE EXECUTED IN ANY NUMBER OF COUNTERPARTS, EACH OF WHICH SO EXECUTED SHALL BE DEEMED TO BE AN ORIGINAL, BUT ALL SUCH COUNTERPARTS SHALL TOGETHER CONSTITUTE BUT ONE AND THE SAME INSTRUMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ITRON, INC.,

By: _____
Name: David G. Remington
Title: Vice President and Chief Financial Officer

Attest:

By: _____
Name:

CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

By: _____
Name: Chii Ling Lei
Title: Assistant Vice President

Attest:

By: _____
Name:

STATE OF WASHINGTON)
) ss:
COUNTY OF SPOKANE)

On the _____ day of March, 1999, before me personally came David G. Remington, to me known, who, being by me duly sworn, did depose and say that he is Vice President & Chief Financial Officer of ITRON, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

_____
Notary Public

STATE OF CALIFORNIA)
) ss:
CITY AND COUNTY OF SAN FRANCISCO)

On the _____ day of March, 1999, before me personally came Chii Ling Lei, to me known, who, being by me duly sworn, did depose and say that she is Assistant Vice President of Chase Manhattan Bank and Trust Company, National Association, one of the corporations described in and which executed the foregoing instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that she signed her name thereto by like authority.

_____
Notary Public