

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

FORM 10-Q

(mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-22418

ITRON, INC.

(Exact name of registrant as specified in its charter)

WASHINGTON
(State of Incorporation)

91-1011792
(I.R.S. Employer Identification Number)

2818 NORTH SULLIVAN ROAD
SPOKANE, WASHINGTON 99216-1897
(509) 924-9900

(Address and telephone number of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

As of April 30, 2000, there were outstanding 15,098,911 shares of the
registrant's common stock, no par value, which is the only class of common or
voting stock of the registrant.

ITRON, INC.
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PART 1: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

THREE MONTHS ENDED MARCH 31,	2000	1999

REVENUES		
Sales	\$ 35,666	\$ 39,209
Service	11,992	12,736
	-----	-----
Total revenues	47,658	51,945
COST OF REVENUES		
Sales	20,890	24,237
Service	8,692	9,044
	-----	-----
Total cost of revenues	29,582	33,281
	-----	-----
GROSS PROFIT	18,076	18,664
OPERATING EXPENSES		
Sales and marketing	5,119	5,797
Product development	6,176	6,602
General and administrative	4,516	3,025
Amortization of intangibles	466	490
Restructuring charges	(185)	1,121
	-----	-----
Total operating expenses	16,092	17,035
	-----	-----
OPERATING INCOME	1,984	1,629
OTHER INCOME (EXPENSE)		
Equity in affiliates	507	(165)
Interest, net	(1,567)	(1,875)
Other	341	20
	-----	-----
Total other income (expense)	(719)	(2,020)
Income (loss) before income taxes and extraordinary item	1,265	(391)
Income tax (provision) benefit	(480)	160
	-----	-----
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	785	(231)
Extraordinary gain on early retirement of debt, net of income taxes of \$570 and \$1,970	1,047	3,660
	-----	-----
NET INCOME	\$ 1,832	\$ 3,429
	=====	=====
EARNINGS PER SHARE		
BASIC AND DILUTED:		
Income (loss) before extraordinary item	\$ 0.05	\$ (0.02)
Extraordinary item	0.07	0.25
	-----	-----
Net income	\$ 0.12	\$ 0.23

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	MARCH 31, 2000	DECEMBER 31, 1999

ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,032	\$ 1,538
Accounts receivable, net	41,963	46,561
Current portion of long-term contracts receivable	2,246	2,579
Inventories, net	15,491	15,300
Equipment held for sale, net	--	32,750
Deferred income tax asset	7,060	8,016
Other	989	1,340
	-----	-----
Total current assets	103,781	108,084
	-----	-----
Property, plant and equipment, net	30,560	31,627
Equipment used in outsourcing, net	6,944	5,951
Intangible assets, net	14,647	15,196
Deferred income tax asset	26,817	26,922
Long-term contracts receivable	2,952	1,813
Other	1,923	2,486
	-----	-----
TOTAL ASSETS	\$ 187,624	\$ 192,079
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 4,071	\$ 3,646
Accounts payable and accrued expenses	38,566	35,369
Wages and benefits payable	11,063	16,396
Deferred revenue	7,728	8,413
	-----	-----
Total current liabilities	61,428	63,824
	-----	-----
Convertible subordinated debt	53,459	57,234
Mortgage notes and leases payable	6,029	6,280
Project financing	7,084	7,216
Warranty and other obligations	9,974	10,000
	-----	-----
Total liabilities	137,974	144,554
	-----	-----
Shareholders' equity		
Common stock	107,937	107,603
Retained deficit	(56,674)	(58,506)
Accumulated other comprehensive income	(1,613)	(1,572)
	-----	-----
Total shareholders' equity	49,650	47,525
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 187,624	\$ 192,079
	=====	=====

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

THREE MONTHS ENDED MARCH 31,	2000	1999
OPERATING ACTIVITIES		
Net income	\$ 1,832	\$ 3,429
Noncash charges (credits) to income:		
Depreciation and amortization	4,060	4,668
Deferred income tax provision (benefit)	491	(166)
Equity in affiliates, net	(316)	165
Extraordinary gain on early extinguishment of debt, net of taxes	(1,047)	(3,660)
Changes in operating accounts:		
Accounts receivable	5,404	9,142
Inventories	(191)	487
Accounts payable and accrued expenses	4,101	(2,242)
Wages and benefits payable	(5,333)	699
Long-term contracts receivable	(806)	(1,959)
Deferred revenue	(685)	(2,933)
Other, net	(311)	(1,533)
	7,199	6,097
Cash provided by operating activities	7,199	6,097
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,254)	(1,543)
Equipment used in outsourcing	(1,654)	(2,109)
Proceeds from sale of equipment used in outsourcing	32,000	
Proceeds from sale of business interest	431	
Other, net	(539)	199
	28,984	(3,453)
Cash used by investing activities	28,984	(3,453)
FINANCING ACTIVITIES		
Change in short-term borrowings, net	425	(3,630)
Payments on project financing	(132)	(123)
Issuance of common stock	334	376
Purchase and retirement of subordinated debt	(2,098)	
Other, net	(217)	(93)
	(1,688)	(3,470)
Cash provided (used) by financing activities	(1,688)	(3,470)
Increase in cash and cash equivalents	34,495	(826)
Cash and cash equivalents at beginning of period	1,538	2,743
	\$ 36,032	\$ 1,917
Cash and cash equivalents at end of period	\$ 36,032	\$ 1,917

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 2000

NOTE 1: BASIS OF PRESENTATION

The consolidated financial statements presented in this Form 10-Q are unaudited and reflect, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of operations for the three-month period ended March 31, 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim results. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission on March 30, 2000. The results of operations for the three month period ended March 31, 2000 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

NOTE 2: EARNINGS PER SHARE AND CAPITAL STRUCTURE

THREE MONTHS ENDED MARCH 31,	2000	1999

(in thousands)		
Weighted average shares outstanding	15,033	14,757
Effect of dilutive securities:		
Stock options	345	555
Convertible debt	--	--
	-----	-----
Weighted average shares outstanding assuming conversion	15,378	15,312
	=====	=====

Options to purchase common stock have been granted at fair market value to directors, employees and other key personnel. These options will dilute the ownership of our stock if they are exercised. The dilutive effect of these options is included for purposes of calculating dilutive earnings per share using the "treasury stock" method. We also have subordinated convertible notes outstanding. These notes are not included in the above calculation as the shares are anti-dilutive in all periods when using the "if converted" method.

NOTE 3: RESTRUCTURING

We have recorded restructuring charges over the past six quarters related to improving efficiencies and reducing costs. In 1998, we recorded restructuring charges of \$3.9 million, related to workforce reductions, the write-off of certain of our intangible assets and the closure and consolidation of facilities. In 1999, we aggressively extended our restructuring activities to further reduce spending and to realign the Company into six market-focused business units. These spending reduction measures included additional workforce reductions, facility closures, and the disposition of excess manufacturing equipment. Total 1999 restructuring expenses were \$16.7 million. In the first quarter of 2000, our restructuring net credit resulted from an adjustment for equipment to be sold or disposed, partially offset by the finalization of certain workforce reductions.

Restructuring reserves and activity for the first quarter of 2000 are detailed below (in thousands).

	CASH/ NON-CASH	RESERVE BALANCE 12/31/99	RESTRUCTURING CHARGE	ACTIVITY	RESERVE BALANCE 3/31/00
	-----	-----	-----	-----	-----
Severance and related charges	Cash	\$ 8,988	\$ 315	\$ 5,253	\$ 4,050
Asset impairment	Non-cash	3,600	(500)	2,202	898
Consolidation of facilities	Cash	2,981	--	169	2,812
		-----	-----	-----	-----
Totals		\$ 15,569	\$ (185)	\$ 7,624	\$ 7,760

NOTE 4: BALANCE SHEET COMPONENTS

THREE MONTHS ENDED MARCH 31,	2000	1999
-----	-----	-----
	(in thousands)	
INVENTORIES		
Raw material	\$ 7,355	\$ 6,428
Work in process	1,640	1,462
Finished goods	4,852	5,702
Field inventories awaiting installation	420	466
	-----	-----
Total manufacturing inventories	14,267	14,058
Service inventories	1,224	1,242
	-----	-----
Total inventories	\$ 15,491	\$ 15,300
	=====	=====

NOTE 5: SEGMENT INFORMATION

Effective January 2000, we reorganized internally around strategic business units ("SBUs") focused on the customer segments that we serve. These SBUs include Electric, Natural Gas, Water and Public Power, Energy Information Systems, and International. We have also created an SBU focused on new business opportunities.

Sales for these SBUs include hardware, custom and licensed software, consulting, project management, and installation and support activities. Service revenues are derived from post-sale maintenance support and outsourcing services, where we own, and operate systems for a periodic fee. Intersegment revenues are immaterial.

Management reviews the operating results of each segment after allocations of corporate expenses. As of the date of this report, allocations of operating expenses and other income/expense were not yet complete. It is management's intention to complete these allocations over the course of 2000. Allocation methods may change over time. Certain amounts in the 1999 financial statements have been reclassified to conform with the 2000 presentation.

Segment revenues and gross profits for the comparable quarters are detailed below.

THREE MONTHS ENDED MARCH 31,	2000	1999

(in thousands)		
REVENUES		
Electric	\$ 15,463	\$ 18,837
Natural Gas	12,319	8,734
Water & PP	11,107	17,649
EIS	5,248	3,651
International	3,014	3,074
New businesses	505	0
	-----	-----
Total revenues	47,658	51,945
GROSS PROFIT		
Electric	5,147	4,092
Natural Gas	5,592	4,330
Water & PP	2,997	6,978
EIS	2,541	2,358
International	1,425	906
New businesses	374	0
	-----	-----
Total gross profit	18,076	18,664
CORPORATE ITEMS		
OPERATING EXPENSES		
Sales and marketing	5,119	5,797
Product development	6,176	6,602
General and administrative	4,516	3,025
Amortization of intangibles	466	490
Restructuring charges	(185)	1,121
	-----	-----
Total operating expenses	16,092	17,035
Operating income	1,984	1,629
Other income (expense)		
Equity in affiliates	507	(165)
Interest, net	(1,567)	(1,875)
Other	341	20
	-----	-----
Total other income (expense)	(719)	(2,020)
	-----	-----
Income (loss) before income taxes and extraordinary item	\$ 1,265	\$ (391)
	=====	=====

Restated 1999 revenues and gross profit by quarter and by business segment are detailed below (in thousands).

REVENUES	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	1999 CONSOLIDATED
Electric	\$ 18,837	\$ 12,506	\$ 16,594	\$ 9,565	\$ 57,502
Natural Gas	8,734	16,915	10,885	13,430	49,964
Water & PP	17,649	13,901	11,075	10,588	53,213
EIS	3,651	3,327	4,347	4,665	15,990
International	3,074	4,572	5,632	3,465	16,743
New businesses	0	0	0	0	0
Total	\$ 51,945	\$ 51,221	\$ 48,533	\$ 41,713	\$ 193,412
GROSS PROFIT					
Electric	4,092	(958)	3,652	(69,960)	(63,174)
Natural Gas	4,330	9,260	5,315	4,441	23,346
Water & PP	6,978	5,284	3,840	3,306	19,408
EIS	2,358	1,777	2,535	2,250	8,920
International	906	1,355	2,284	(2,276)	2,269
New businesses	0	0	0	0	0
Total	18,664	16,718	17,626	(62,239)	(9,231)
CORPORATE ITEMS					
OPERATING EXPENSES					
Sales and Marketing	5,797	6,578	6,338	6,528	25,241
Product development	6,602	6,953	5,961	7,248	26,764
General and administrative	3,025	3,362	3,050	4,060	13,497
Amortization of intangibles	490	490	453	553	1,986
Restructuring charges	1,121	--	8,828	6,737	16,686
Total operating expenses	17,035	17,383	24,630	25,126	84,174
Other income (expense)					
Equity in affiliates	(165)	(146)	(102)	(187)	(600)
Interest and other, net	(1,855)	(1,443)	(1,283)	(1,680)	(6,261)
Total other income (expense)	(2,020)	(1,589)	(1,385)	(1,867)	(6,861)
Loss before income taxes and extraordinary items	\$ (391)	\$ (2,254)	\$ (8,389)	\$ (89,232)	\$(100,266)

NOTE 6: CONTINGENCIES

We are a party to various lawsuits and claims, both as plaintiff and defendant, and have contingent liabilities arising from the conduct of business, none of which, in the opinion of management, is expected to have a material effect on our financial position or results of operations. We believe that we have made adequate provisions for such contingent liabilities.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a leading global provider of integrated systems solutions for utilities and other customers to collect, communicate, analyze, and manage information about energy and water usage. We design, develop, manufacture, market, install and service hardware, software and integrated systems that enable customers to obtain, analyze and use meter data.

Our solutions integrate a broad array of meter modules, radio and telephone-based communications systems, and data management, delivery and storage applications. In addition, we have handheld computers and supporting products to record visually obtained meter data.

Sales include hardware, custom and licensed software, consulting, project management and installation and sales support activities. Services include post-sale maintenance support and outsourcing services where we own and operate systems for a periodic fee.

We currently derive the majority of our revenues from sales of products and services to utilities; however, our business may increasingly consist of sales to other energy and water industry participants such as energy service providers, end user customers, wholesale power markets, and others. We have experienced variability of operating results on both an annual and a quarterly basis due primarily to utility purchasing patterns and delays of purchasing decisions. In recent years these delays have generally been a result of changes or potential changes to federal and state regulation of the electric utility industry and mergers and acquisitions in the utility industry, many of which are also driven by deregulation.

RESULTS OF OPERATIONS

REVENUES

THREE MONTHS ENDED MARCH 31,	2000	INCREASE (DECREASE)	1999

(in millions)			
Electric	\$ 15.5	(18%)	\$ 18.8
Natural Gas	12.3	41%	8.7
Water and Public Power	11.2	(37%)	17.6
Energy Information	5.2	44%	3.7
International	3.0	(2%)	3.1
New businesses	.5	100%	0
	-----		-----
Total revenues	\$ 47.7	(8%)	\$ 51.9
	=====		=====

Total revenues decreased 8% in the first quarter of 2000 compared to the first quarter of 1999.

Sales of electric meter modules increased 37% in the first quarter of 2000 compared to the first quarter of 1999 from add-on shipments to existing customers and increased volume to meter manufacturers. However, current period Electric SBU revenues were 18% less than the comparable period in 1999 due to significant installation revenues related to a network system in the first quarter of last year, which was substantially completed in the second quarter of last year. On March 31, 2000 we completed the sale of our network system at Duquesne Light Company to an affiliate of Duquesne. Outsourcing revenues related to that system were \$2.7 million and \$4.0 million in the first quarter of 2000 and 1999, respectively, and are reflected in electric revenues. In conjunction with the sale of the system, we entered into a warranty and maintenance support services agreement with Duquesne, which will result in approximately \$695,000 in annual revenues through 2013.

Sales of gas meter modules were 35% higher in the first quarter of 2000 compared to the first quarter of 1999 resulting in a 41% increase in revenues for the Natural Gas SBU. The majority of the revenues were from large add-on orders to existing customers for mobile and off-site meter reading operations.

Water meter module shipments were down 27% in the first quarter of 2000 from 1999's first quarter, contributing to the 37% lower revenues for the Water and Public Power SBU. The 1999 revenues included significant meter module shipments to two large water municipalities as well as installation services revenues for one of those installations, both of which were completed in the first half of 1999. Current quarter revenues included shipments to another significant water municipal customer, which is in year 2 of an expected 4-year installation schedule. Additionally, the current quarter's revenues included a significant sale to an affiliate, which lowered average selling prices as compared to last year. The subsequent resale by the affiliate to end-customers is reported using the equity method of accounting (see "Other Income/Expense" below).

Revenues in the Energy Information Systems SBU increased 44% over the comparable quarter as a result of substantial consulting and software customization activities for a wholesale energy settlement system in Ontario, Canada. Revenues for this system were approximately \$2.5 million in the first quarter of 2000.

International revenues of \$3 million were approximately equal to the first quarter of 1999. International revenues during both periods were primarily from sales of handheld systems.

Revenues from New Businesses primarily include sales of new products for the water submetering market. Submetering is the automated process of collecting consumption data and generating invoices to directly bill tenants of apartment complexes for their actual water usage.

GROSS MARGIN

The following table shows gross margin as a percentage of corresponding revenue and the percentage change in gross profit by SBU:

THREE MONTHS ENDED MARCH 31,	2000	INCREASE (DECREASE)	1999
Electric	33%	11%	22%
Natural Gas	46%	(4%)	50%
Water and Public Power	27%	(13%)	40%
Energy Information	48%	(17%)	65%
International	47%	18%	29%
New businesses	69%	69%	0%
Total gross margin	38%	2%	36%

Total company gross margin was 38% of revenues in the first quarter of 2000 compared to 36% of revenues in the first quarter of last year.

Gross margin for the Electric SBU improved to 33% of revenue in the current quarter compared to 22% for the first quarter last year. The gross margin increase is a result of changes in the revenue mix. During the first quarter of 1999, there were substantial low margin network installation activities. There were no corresponding activities in the first quarter of 2000. In addition, the first quarter of 2000 includes a large software license sale for a handheld system.

Gross margin for the Natural Gas SBU was 46% of revenues in 2000 compared to 50% of revenues in 1999.

Water and Public Power SBU gross margins at 27% of the associated revenues were 13% lower than the comparable period one year ago due to a higher mix of sales through indirect channels, and lower service revenues. Lower service revenues resulted from upgrade sales of handheld systems in 1999 in which we do not receive post-sale service revenue during the warranty period, typically one year.

The Q1 gross margin for New Businesses is unusually high as certain material costs were expensed when purchased instead of when the product shipped to customers. Gross margin of these products/services going forward is expected to be closer to our overall company gross margins.

OPERATING EXPENSES

THREE MONTHS ENDED MARCH 31,	2000	INCREASE (DECREASE)	1999

(in millions)			
Sales and marketing	\$ 5.1	(12%)	\$ 5.8
Product development	6.2	(6%)	6.6
General and administrative	4.5	49%	3.0
Amortization of intangibles	.5	(5%)	.5
Restructuring charge	(.2)	(117%)	1.1

Total operating expenses	\$ 16.1	(6%)	\$ 17.0
=====			

Effective January 1, 2000 we re-organized into strategic business units. With the reorganization, certain personnel related to management and sales support that had been classified as sales and marketing in previous years are now classified as general and administrative. Substantially all of the decrease in sales and marketing expenses is due to this reclassification.

Product development expenses decreased 6% from the comparable quarter last year as a result of restructuring. Restructuring measures in 1999 included the closure of several product development locations, and associated staff reductions.

General and administrative expenses increased 49% over the comparable quarter from: a) the reclassification of personnel previously included in sales and marketing; b) expenses for executive recruiting and relocation; and c) increased legal and consulting costs. Higher legal costs in the current quarter are mostly the result of increased patent and FCC licensing activity.

Amortization of intangibles remained relatively constant from quarter to quarter.

Restructuring charges in the first quarter of 2000 were slightly negative due to the partial reversal of costs of equipment to be sold or disposed. We had recorded \$4.8 million of restructuring costs in 1999 for the disposal of excess manufacturing equipment. Actual disposals have been less than that originally estimated. This reversal more than offset additional involuntary termination expenses for employees that were terminated as part of the corporate restructuring. Restructuring activities are substantially complete.

OTHER INCOME (EXPENSE)

THREE MONTHS ENDED MARCH 31,	2000	INCREASE (DECREASE)	1999

(in millions)			
Equity in affiliates	\$ 0.5	\$.7	\$ (0.2)
Interest, net	(1.5)	.3	(1.8)
Other	0.3	.3	--

Total other income (expense)	\$ (0.7)	\$ 1.3	\$ (2.0)
=====			

We have a 50% ownership interest in an affiliate, which acts as a distributor for our products in specific regions of the U.S. Equity in affiliates was approximately \$500,000 in the first quarter of 2000 due to increased sales by this affiliate, and from a \$150,000 net gain on the sale of our interest in another affiliate.

Net interest expense decreased 16% from the similar quarter last year due to a reduction of subordinated debt and lower average bank borrowings. The reduction in subordinated debt resulted from a debt exchange transaction in 1999 and a debt repurchase transaction in 2000. The gain on the early retirement of subordinated debt for each period is reflected as an extraordinary item on the statement of operations.

Other in the current quarter includes the gain on sale of a non-core business activity in Europe in January 2000.

INCOME TAXES

The effective income tax rate was approximately 38% for the comparative quarters. Our effective income tax rate can vary from period to period because of fluctuations in foreign operating results, changes in the valuation allowances for deferred tax assets, new or revised tax legislation, and changes in the level of business performed in differing tax jurisdictions.

EXTRAORDINARY ITEM - GAIN ON EARLY RETIREMENT OF DEBT

In the first quarter of 2000 we repurchased \$3.8 million principal amount of subordinated debt for \$2.1 million in cash. The gain on this early retirement of debt, net of expenses and income taxes, was \$1.0 million. In March 1999 we completed an offer to exchange \$15.8 million principal amount of new subordinated debt for \$22.0 million principal amount of original subordinated debt. The after-tax effect of the transaction, net of expenses, was a gain of \$3.7 million.

FINANCIAL CONDITION

THREE MONTHS ENDED MARCH 31,	2000	INCREASE (DECREASE)	1999

(in millions)			
CASH FLOW INFORMATION			
Operating activities	\$ 7.2	\$ 1.1	\$ 6.1
Investing activities	29.0	32.4	(3.4)
Financing activities	(1.7)	1.8	(3.5)
	-----	-----	-----
Increase (decrease) in cash	\$ 34.5	\$ 35.3	\$ (0.8)
	=====	=====	=====

Cash flow from operating activities was slightly higher in the first quarter of 2000 compared to the first quarter last year. Severance payments related to restructuring measures required \$5.3 million of cash in the first quarter of 2000. Additional severance payments of approximately \$4.0 million will be made in the second and third quarters of 2000.

On March 31, 2000 we received \$32 million from the sale of our network installation at Duquesne Light Company to an affiliate of Duquesne, which is reflected in investing activities. An additional \$1 million is being held in escrow pending certain post-closing items. Other investing activities required \$3 million in the first quarter, and consisted of normal capital additions and the acquisition of equipment for our outsourcing contract with Southern California Edison. Total capital additions for 2000, including outsourcing equipment requirements, are expected to be approximately \$10 million.

Financing activities used \$1.7 million in the first quarter of 2000, \$2.1 million of which was for the repurchase and retirement of subordinated debt.

In January 2000, we signed an agreement with a bank for a four-year revolving line of credit up to a maximum amount of \$35 million. Borrowings available under the new facility are based on accounts receivable and inventory. Outstanding borrowings of \$4.1 million under the credit facility were repaid in April 2000 from the proceeds of the Duquesne sale. Management believes that existing cash resources and available borrowings under the credit facility are more than adequate to meet the Company's needs for the remainder of 2000.

CERTAIN FORWARD-LOOKING STATEMENTS

When included in this discussion, the words "expects," "intends," "believes," "anticipates," "plans," "projects" and "estimates," and similar expressions are intended to identify forward-looking statements. Such statements 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 laws or regulations (including FCC licensing actions), the rate of customer demand for our products, the effectiveness of our cost reductions programs, our ability to effect additional initiatives for growth and profitability, delays or difficulties in introducing new products and acceptance of those products, ability to obtain project financing in amounts necessary to fund future outsourcing agreements, increased competition and various other matters, many of which are beyond the Company's control. For a more complete description of these and other risks, see "Recent FCC Actions" section in this document and "Certain Risk Factors" and "Description of Business - FCC Regulation" included in the Company's Annual Report of Form 10-K for the year ended December 31, 1999. These forward-looking statements speak only as of the date of this report. 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 on the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART 2: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On April 3, 1999, the Company served Ralph Benghiat, an individual; with a Complaint seeking a declaratory judgment that a patent owned by Benghiat is invalid and not infringed. Benghiat has filed a counterclaim alleging patent infringement in the United States District Court for the District of Minnesota. The patent infringement allegations relate to certain of the Company's handheld meter reading technology. The matter is currently in the discovery stage with a trial ready date in October 2000. While the Company believes the allegations of infringement are incorrect, there can be no assurance that it will prevail in this matter, or that if it does prevail, that legal costs incurred in connection therewith will not have a material adverse effect on its financial condition.

FCC REGULATION

We have been issued a non-exclusive nationwide FCC license to operate in the 1427-1432 MHz band. With the exception of meter modules that operate in MAS bands and the 910-920 MHz band, our network products operate in this band. At the time our license was issued, the 1427-1432 MHz band was allocated primarily for the use of the federal government, which consented to our use of the band on a secondary, non-interference basis. Current government use of the band is limited to a discrete number of well-defined locations, and we do not expect the fact that we are secondary to federal government operations to have a material impact on our business.

The 1427-1432 MHz band is among 235 MHz of spectrum that has been earmarked for reallocation from federal government users to private sector users (to be licensed by the FCC). The band is subject to continuing federal government use in specified areas through 2004. The FCC initially decided to include the 1427-1432 MHz band in a spectrum reserve that would not be reallocated and assigned until 2006. In July 1999, however, the FCC proposed to accelerate this timetable and allocate the upper portion of the band for medical telemetry operations. We have filed a petition for rulemaking proposing instead that the band be allocated for automatic meter reading and utility telemetry operations. We are also in discussions with the FCC and the medical telemetry community concerning the possibility of sharing the band. In addition, we are bringing the impact of this issue to the attention of our congressional delegations in Washington, Minnesota and North Carolina. While we believe we will reach an acceptable solution for a shared band, there can be no assurance that the FCC will adopt an allocation for the band that is compatible with Itron's business.

If we are not successful in our efforts to continue operations in the 1427 to 1432 MHz band, we anticipate that current installations will be grandfathered. However, in such an event, our network products would have to be redesigned to operate at a different frequency spectrum for new installations, which could have a material adverse effect on our business. For further discussion, please see "FCC Regulation Intellectual Property" and "Certain Risk Factors - Availability and Regulation of Radio Spectrum" in our Annual Report on Form 10K on file with the SEC.

The Company is not involved in any other material legal proceedings.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibit 10.19 - Asset Purchase Agreement between Itron, Inc. and DataCom Information Systems, LLC (e.g. an affiliate of Duquesne Light Company) dated March 30, 2000.

Exhibit 10.20 - Warranty and Maintenance Agreement between Itron, Inc. and DataCom Information Systems, LLC dated March 30, 2000.

Exhibit 27 - Financial Data Schedule

b) Reports on Form 8-K

The following reports on Form 8-K were filed during the first quarter. Each report was filed pursuant to Item 5 of the form.

REPORT DATE	DATE FILED	SUBJECT (s)
January 18, 2000	January 18, 2000	Date of annual shareholders meeting
January 26, 2000	January 26, 2000	New credit facility
March 13, 2000	March 15, 2000	Management change announcement and revised annual shareholders meeting date
March 31, 2000	March 31, 2000	Closing of Duquesne project sale; revised 1999 financial results; second amendment to loan agreement

SIGNATURE

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

ITRON, INC.
(Registrant)

By: /s/ David G Remington

David G. Remington
Vice President and
Chief Financial Officer
(Authorized Officer and Principal
Financial Officer)

Date: May 12, 2000

ASSET PURCHASE AGREEMENT

dated as of March 30, 2000

by and between

DATACOM INFORMATION SYSTEMS, LLC

AND

ITRON, INC.

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 30th day of March, 2000 by and between DATACOM INFORMATION SYSTEMS, LLC, a Delaware limited liability company ("Purchaser"), and ITRON, INC., a Washington corporation (the "Company").

WHEREAS, Purchaser is an affiliate of Duquesne Light Company, a Pennsylvania corporation ("DLC");

WHEREAS, DLC and the Company are parties to that certain Amended and Restated Utility Automated Meter Data Acquisition Equipment Lease and Services Agreement dated January 15, 1996, as amended (as so amended, the "Services Agreement");

WHEREAS, pursuant to the Services Agreement, the Company has been providing equipment, software, facilities and services for the operation and maintenance of a communications network for measuring electric power usage (the "Fixed Network") from, among other places, the Company's operations center located at Seven Parkway Center, Suite 440, Pittsburgh, Pennsylvania (the "Greentree Operations Center");

WHEREAS, concurrently herewith, the Company and DLC are terminating the Services Agreement;

WHEREAS, the Company desires to sell or license to Purchaser, as the case may be, (i) all assets and rights, whether owned, leased, licensed or otherwise, which are operated from or which constitute the Greentree Operations Center, (ii) all assets located in the Service Territory leased by or used to provide services to DLC under the Services Agreement, and (iii) all rights under leases, licenses and arrangements (A) in effect for the use of currently required capacity of the Fixed Network or (B) arising out of the Greentree Operations Center (collectively, together with the property set forth in Section 1.2, but not including the Excluded Assets, the "Assets") (the Assets, the Fixed Network and the operation of the Assets from the Greentree Operations Center, as of the effective date of this Agreement, constitute the "Business"), and Purchaser desires to purchase the Assets and acquire the Business from the Company upon the terms and conditions set forth in this Agreement (the "Transaction");

WHEREAS, concurrently with the execution and delivery hereof, the parties hereto are consummating the Transaction:

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

I. DEFINITIONS; PURCHASE AND SALE

1.1 DEFINED TERMS. In addition to other words and terms defined elsewhere in this Agreement (including the preamble and recitals), when used in this Agreement and in the exhibits and schedules to this Agreement, the capitalized words and terms set forth in Exhibit A attached hereto and incorporated herein by reference shall have the meanings set forth in Exhibit A unless otherwise defined herein or the context otherwise clearly requires.

1.2 PURCHASE AND SALE. Upon the terms and subject to the conditions of this Agreement, the Company hereby sells, conveys, transfers, assigns and delivers to Purchaser, and Purchaser hereby purchases from the Company, the Assets, free and clear of all liens, claims and encumbrances of any kind. The Assets include, but are not limited to, the following:

(a) Equipment. All of the equipment, encoder receiver transmitters, cell control units, network control nodes, sentry meter modules, single phase meters, telenetics omega cabinets, repeaters, computer hardware, furniture, vehicles, machinery, fixtures, inventory, supplies, spare parts and all other tangible personal property of every kind and description owned by the Company and used in the operation of the Business (collectively, the "Equipment"), including all warranties relating to such Equipment. The Equipment consists of all of the items listed or described in Schedule 1.2(a).

(b) Leases. All right, title and interest of the Company in and to the leases listed or described on Schedule 2.6 and the property, whether real or personal, leased pursuant to such leases (the "Leases").

(c) Licenses, Franchises and Permits. Sufficient rights to and under all FCC licenses, franchises, permits, authorizations, certificates, approvals, registrations and other authorizations of governmental authorities (collectively, the "Licenses") necessary to the operation of the Business or any of the Assets, as set forth on Schedule 2.5.

(d) Company Intellectual Property License. A nonexclusive, nontransferable, perpetual, irrevocable, fully paid up license, without right to sublicense, on terms satisfactory to the Parties, (i) to use, in connection with the Business the Intellectual Property belonging solely to the Company as identified in Schedule 1.2(d) (the "Company Intellectual Property"); and (ii) to reproduce and create, in connection with the Business (or have created) derivative works from the

Records and other copyrightable works.

(e) Third Party Intellectual Property Licenses. An assignment of the licenses for third party Intellectual Property identified on Schedule 1.2(e).

(f) Patent License. A non-exclusive, nontransferable, perpetual, irrevocable, fully paid up license, without the right to sublicense, to make or have made and use for its internal requirements related to the Fixed Network only, all inventions which are products which are described in the Deposit Materials and described in any patent or patent application held by Company or its successors or assigns, whether now or in the future, provided, however, that Purchaser agrees not to exercise the rights relating to manufacture of such inventions unless and until the Deposit Materials are delivered to Purchaser pursuant to the Source Code Escrow Agreement.

(g) Books and Records. Copies of the Company's operating manuals, procedures, warranties, books, records, papers and instruments of whatever nature, and wherever located and in whatever medium that relate to the Greentree Operations Center or the Assets or which are required or necessary in order for Purchaser to Conduct the Business from and after the date hereof in the manner in which it is presently being conducted (the "Records"); provided, however, that such Records relating solely to the Company's obligations under the Warranty and Maintenance Agreement shall not be transferred to Purchaser but shall be made available for Purchaser to review.

The Company shall pay any fees required by any third parties for the rights granted to Purchaser pursuant to this Section 1.2.

1.3 CONSIDERATION TO BE PAID. As consideration for the Assets, and subject to the terms and conditions of this Agreement, the aggregate purchase price shall be Thirty-Three Million Dollars (\$33,000,000.00) (the "Purchase Price") payable as follows on the Closing; provided that the Letter of Credit has been delivered into an escrow satisfactory to Purchaser:

(a) to order of the Company for deposit with Wells Fargo Bank, National Association Account No. 4375688967, the amount of Five Million One Hundred Thousand Dollars (\$5,100,000.00) in immediately available funds by wire transfer;

(b) to Mellon Bank, N.A., as Escrow Agent, the amount of One Million Dollars (\$1,000,000.00) to be distributed in accordance with the Escrow Agreement attached hereto as Annex VIII (the "Escrow Agreement"); and

(c) to order of the Company for deposit with Wells Fargo Bank, National Association Account No. 4761060433, the amount of Twenty-Six Million Nine Hundred Thousand Dollars (\$26,900,000.00) in immediately available funds by wire transfer.

1.4 ASSIGNMENT AND ASSUMPTION AGREEMENT. Simultaneously with the execution hereof, Purchaser and the Company shall deliver an agreement whereby the Company assigns and Purchaser assumes, subject to any third party rights, the Company's rights and obligations under the Leases and any contracts, agreements, software licenses, and intellectual property licenses (as applicable) disclosed on Schedule 2.6, in each case to the extent, and only to the extent, that (1) the property, services or rights under the assumed contract, agreements and licenses are to be provided or employed, as applicable, after the Closing Date; (2) any obligations of Purchaser under the assumed contracts, agreements, Leases and Licenses arise solely from responsibilities arising after the Closing Date; and (3) neither the Company nor the other parties thereto are in default thereunder as of the Closing Date.

1.5 LIABILITIES. Except as expressly set forth on Schedule 1.5, Purchaser does not assume or agree to pay, perform or discharge, and shall not be responsible for, any liabilities or obligations of the Company, whether accrued, absolute, contingent or otherwise. The Company agrees that it shall remain solely responsible for, and it hereby agrees to indemnify and hold Purchaser harmless from, any and all liabilities and obligations of the Company whether accrued, absolute, contingent or otherwise, which are not expressly assumed by Purchaser hereunder.

1.6 THE CLOSING. The closing of the transactions contemplated by this Agreement (the "Closing") is occurring concurrently with the execution and delivery hereof.

1.7 ASSIGNMENT OF CONTRACTS AND RIGHTS. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Assets if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights of Purchaser or of the Company thereunder. If such consent is not obtained, or if an attempted transfer or assignment thereof would be ineffective or would affect the rights of the Company thereunder so that Purchaser would not in fact receive all such rights, the Company will, at the Company's expense, (i) use commercially reasonable efforts to obtain such consents; and (ii) provide Purchaser with all the benefits under any such claims, contracts, licenses, leases or commitments, necessary to Conduct the Business, until such consents are obtained.

1.8 EXCLUDED ASSETS. Purchaser acknowledges and agrees that the Assets do not include (a) the assets listed on Schedule 1.8 and (b) the rights granted to the Company under Section 8.6 of the Services Agreement (collectively, the "Excluded Assets").

II. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Purchaser as follows:

2.1 DUE ORGANIZATION. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Incorporation, and has full power and authority to own and operate its Assets and to carry on its business as it is now being conducted. The Company is duly authorized or qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Charter Documents have been provided to Purchaser.

2.2 AUTHORIZATION. (i) The representative of the Company executing this Agreement on behalf of the Company has full power and authority to execute and deliver this Agreement and (ii) the Company has full power and authority to enter into this Agreement and all other agreements, documents and/or instruments executed and/or delivered herewith (collectively, the "Transaction Documents") and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The Transaction Documents and the transactions contemplated hereby have been duly approved by the Board of Directors of the Company, and copies of resolutions adopted by the Board of Directors of the Company approving the Transaction Documents and the transactions contemplated hereby, certified by the Secretary or an Assistant Secretary of the Company, have been delivered to Purchaser. This Agreement has been duly and validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or similar laws now or hereafter in effect relating to creditors' rights generally.

2.3 FINANCIAL STATEMENTS. The Company has previously delivered to Purchaser correct and complete copies of (i) the unaudited consolidated statement of operations and balance sheet of the Company as of December 31, 1999; (ii) unaudited consolidating balance sheet and statement of income of the Company as of and for its fiscal year ended December 31, 1999; and (iii) audited consolidated financial statements of the Company as of and for its fiscal years ended December 31, 1998, 1997 and 1996 (collectively, the "Financial Statements"). The audited Financial Statements have been prepared from the books and records of the Company in conformity with generally accepted accounting principles applied on a basis consistent with preceding years and throughout the periods involved ("GAAP"), and all the Financial Statements present fairly in all material respects the financial position and results of operations of the Company as of the dates of such statements and for the periods covered thereby. The books of account of the Company have been

kept accurately in all material respects in the ordinary course of business, the transactions entered therein represent bona fide transactions, and the revenues, expenses, assets and liabilities of the Company have been properly recorded therein in all material respects.

2.4 LIABILITIES AND OBLIGATIONS. Other than liabilities arising in the ordinary course of business after the Balance Sheet Date, and except as and to the extent disclosed and adequately provided for in the Financial Statements (including any notes thereto) or on Schedule 2.4 hereto, the Company has no liabilities or obligations of any kind, whether accrued, absolute, secured or unsecured, contingent or otherwise, which would be required to be reflected or reserved against in a year-end balance sheet (including the notes thereto). Except and to the extent disclosed on the Financial Statements (including any notes thereto) or on Schedule 2.4, there are no claims, liabilities or obligations pertaining to the Business, nor any reasonable basis for assertion against the Company, of any claim, liability or obligation pertaining to the Business, of any nature whatsoever.

2.5 PERMITS AND INTANGIBLES. The Company holds all Licenses required in connection with the Business. Schedule 2.5 sets forth an accurate list of all such Licenses, including permits, titles, licenses, and certificates owned or held by the Company or any of its employees necessary to Conduct the Business (collectively with the Licenses, the "Intangible Assets"). The Intangible Assets and other governmental authorizations listed on Schedule 2.5 are valid and in full force and effect and represent all the Licenses and other governmental authorizations necessary for Purchaser to Conduct the Business and to own, occupy or use the Assets. The Company has not received any notice that any Person intends to cancel, terminate or not renew any such Intangible Assets or other governmental authorization. The Company has conducted and is conducting the Business in compliance with the requirements, standards, criteria and conditions set forth in the Intangible Assets and other governmental authorizations listed on Schedule 2.5 and is not in violation of any of the foregoing. Except as set forth on Schedule 2.5, (a) the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Business by, any such Intangible Assets or other governmental authorizations, and (b) all of such rights and benefits are transferable to Purchaser and are being transferred to Purchaser on the date hereof. Except as set forth on Schedule 2.5, no violations have been recorded against any such Intangible Asset, no citation, notice or warning has been issued by any governmental entity with respect to any such Intangible Asset, no investigation or hearing has been held by or before any governmental entity with respect to any such Intangible Asset, the Company has not received any notice from any governmental entity that it intends to cancel, revoke, terminate, suspend or not renew any such Intangible Asset and the Company has no knowledge of any basis for any of the foregoing.

2.6 PERSONAL PROPERTY; REAL PROPERTY; CONTRACTS. Schedule 2.6 hereto is a correct and complete list setting forth the following information with respect to the Assets (including in each

case, where appropriate, whether or not the consent by a third party is required for transfer to Purchaser):

(a) all leases of personal property by the Company in effect on the date hereof necessary to Conduct the Business;

(b) all leases of real property to which the Company is a party and necessary to Conduct the Business, and a brief description of the principal buildings and structures located thereon and the Equipment located therein;

(c) all contracts pursuant to which the Company provides products or renders services to third parties relating to the Business;

(d) all contracts pursuant to which the Company receives services relating to the Business; and

(e) a description of each vehicle or other asset subject to a state registry statute owned or leased by the Company and being transferred hereunder, the state of registration thereof, the vehicle identification number of each such vehicle, the odometer reading of each and, if subject to a lease agreement, the name and address for notice of the lessor thereof.

Except as set forth on Schedule 2.6, (i) all personal property used by the Company in connection with the Business is either owned by the Company or leased by the Company pursuant to a lease included on Schedule 2.6, (ii) all of the personal property listed on Schedule 2.6 is in good working order and condition, ordinary wear and tear excepted, is suitable for the purposes for which it is used and constitutes all personal property necessary to Conduct the Business, and (iii) all contracts, leases and agreements included on Schedule 2.6 are in full force and effect and constitute valid and binding agreements of the Company (and, to the Company's knowledge, of the other parties to such agreements), enforceable in accordance with their respective terms. Except as set forth on Schedule 2.6, the Company has good and marketable title to, or a valid leasehold interest in, the tangible and intangible personal property included in the Assets, including without limitation, the Assets listed on Schedule 2.6, subject to no security interest, pledge, lien, claim, conditional sales agreement, encumbrance, charge or restriction on transfer.

2.7 INSURANCE. Schedule 2.7 sets forth a correct and complete list of all insurance policies of which the Company is the owner, insured, loss payee or beneficiary and which relate to the Business or any of the Assets and indicates for each such policy the carrier, the risks insured against, the amounts of coverage and deductibles, the annual premium, the cash surrender value, if any, the expiration date and any pending claims thereunder. Such policies are sufficient in the

aggregate to cover all reasonably foreseeable damage to and liabilities arising out of the Business and the Assets arising on or prior to the Closing. There is no default with respect to any provision contained in any such policy, nor has there been any failure to give any notice or present any material claim under any such policy in a timely fashion or as otherwise required by such policy. Except as otherwise disclosed on Schedule 2.7: (i) all premiums under such policies which were due and payable on or prior to the date hereof have been paid in full; (ii) no such policy provides for retrospective or retroactive premium adjustments; (iii) the Company has not received notice of any material increase in the premium under, cancellation or non-renewal of or disallowance of any claim under any such policy; (iv) the Company has not been refused any insurance, nor has its coverage been limited by any carrier; and (v) during the four (4) year period prior to the date hereof, the Company has maintained, or been the beneficiary of, general liability and product liability policies reasonable, in both scope and amount, in light of the risks attendant to the Business and which provide coverage comparable to coverage customarily maintained by others in similar lines of business, and such policies have been "occurrence" policies and not "claims made" policies.

2.8 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS.

Schedule 2.8 sets forth an accurate list showing all employees of the Company employed at the Greentree Operations Center. As it relates to the Business, except as otherwise disclosed on Schedule 2.8, the Company is not a party to any employment, consulting or similar agreement, written or oral with any Person. As it relates to the Business, except as otherwise disclosed on Schedule 2.8, (i) no employees of the Company are represented by any labor union or similar organization, (ii) the Company is not party to any collective bargaining or similar agreement covering any of its employees and (iii) no labor union or similar organization or group of employees has made a demand for recognition, filed a petition seeking a representation proceeding or given the Company notice of any intention to hold an election of a collective bargaining representative at any time during the past three years. Upon consummation of the Transaction, the Company shall not incur any liability pursuant to the Worker Adjustment and Retraining Notification Act.

2.9 EMPLOYEE BENEFIT PLANS. Schedule 2.9 sets forth an accurate list showing all Employee Benefit Plans of the Company relating to employees in respect of the Business, copies of which have been provided to Purchaser. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") and exempt from tax under Section 501(a) of the Code has been determined by the Internal Revenue Service to be so qualified and exempt, and any such determination remains in effect and has not been revoked.

Except for the Employee Benefit Plans described on Schedule 2.9, neither the Company nor its ERISA Affiliates sponsor, maintain or contribute to, and have not in the past sponsored, maintained or contributed to, any plan, program, fund or arrangement relating to employees in respect of the Business that constitutes an "employee pension benefit plan" as defined in Section 3(2)

of the Employee Retirement Income Security Act ("ERISA"), including a defined benefit plan subject to Title IV of ERISA or any "multi-employer plan" as defined in Section 3(37) of ERISA. Neither the Company nor any ERISA Affiliate has any current or contingent obligation to any "multi-employer plan." The Company is not required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreements establishing the terms and conditions of employment of any of the Company's employees in respect of the Business except as set forth on Schedule 2.9.

2.10 CONFORMITY WITH LAW; LITIGATION. Except as set forth on Schedule 2.10, there are no claims, actions, suits or proceedings, pending or to the best knowledge of the Company threatened against or affecting the Business or any of the Assets, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over the Company, the Business or any of the Assets. Except as set forth on Schedule 2.10, no notice of any such claim, action, suit or proceeding, whether pending or threatened, has been received by the Company during the last three (3) years and to the best knowledge of the Company, there is no basis therefor. Except as set forth on Schedule 2.10, the Company has conducted for the past three (3) years and now conducts the Business in compliance with all Governmental Rules, writs, injunctions, decrees and orders of governmental authorities applicable to the Company with respect to the Business or the Assets. The Company, with respect to the Business, is not in violation of any Governmental Rules or any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it. The Company has conducted and is as of the date hereof conducting the Business in compliance with the requirements, standards, criteria and conditions set forth in applicable Governmental Rules and Licenses set forth on Schedule 2.5, except where any failure to comply has not had and will not have a Material Adverse Effect and will not require any material expenditure in connection with the ownership of the Assets or the operation of the Business after the date hereof.

2.11 TAXES. With respect to the Business and the Assets:

(a) the Company has duly and timely filed all Tax Returns and has paid all Taxes shown to be due thereon;

(b) the Company has paid all Taxes required to be paid and has made sufficient provision in the Financial Statements for the payment of all Taxes required to be accrued which are not yet payable. Without limiting the foregoing, amounts required to have been withheld and paid by the company have been withheld and paid prior to the date hereof to the proper governmental entities or have been properly deposited in anticipation of such payment, and all estimated Tax

payments have been made and are sufficient to discharge all income Taxes with respect to the periods covered;

(c) the Company's Tax Returns are true, complete and correct in all respects;

(d) no deficiency in the payment of any Taxes for any period to the date hereof has been assessed against the Company by any Taxing authority which has not been discharged in full;

(e) except as listed on Schedule 2.11, no audits or other proceedings have ever been instituted against the Company and, to the knowledge of the Company, no audits or other proceedings are proposed or threatened against the Company for any Taxes;

(f) except as set forth on Schedule 2.11, there are no outstanding and unresolved notices from the Internal Revenue Service or any other governmental entity of any proposed examination or of any proposed change in reported information which may result either in a deficiency or assessment against the Company;

(g) there are not now in force any waivers of, or agreements by the Company to waive, any statute of limitation for the assessment of any Tax;

(h) there are no tax allocation or tax sharing agreements; and

(i) the Company has no liability for the taxes of any other Person under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign tax law.

2.12 NO VIOLATIONS; ALL REQUIRED CONSENTS OBTAINED. The Company is not in violation of its Charter Documents. Neither the Company nor, to the best knowledge of the Company, any other party thereto, is in default under any Material Contracts. Except as set forth in Schedule 2.12, (a) the execution of the Transaction Documents by the Company and the performance by the Company of its obligations hereunder and thereunder and the consummation by the Company of the transactions contemplated hereby (including, without limitation, the assignment to Purchaser of the rights and benefits to which the Company is entitled under the Material Contracts) will not result in any violation or breach or constitute a default under, (i) any of the terms or provisions of the Material Contracts or the Charter Documents, (ii) any Governmental Rule; or (iii) any order, writ, judgment, injunction or decree issued by any governmental entity, and (b) at and immediately subsequent to the Closing, Purchaser will be entitled to the rights and benefits under the Material Contracts to which the Company, with respect to the Business, is entitled immediately prior to the Closing, and such rights and benefits will enable Purchaser to Conduct the Business. Except as set forth on

Schedule 2.12 (and except for consents already obtained), none of the Material Contracts requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit thereunder. Except as set forth on Schedule 2.12, none of the Material Contracts prohibits the use or publication of the name of any other party to such Material Contract, and none of the Material Contracts prohibits or restricts the Company or, immediately subsequent to the Closing, will prevent or restrict Purchaser from freely providing services to any Person.

2.13 ABSENCE OF CHANGES. Since the Balance Sheet Date, the Company has conducted the Business in the ordinary course of business and, except as set forth on Schedule 2.13, there has not been:

(a) any Material Adverse Effect (contingent or otherwise);

(b) any damage, destruction or loss (whether or not covered by insurance) affecting any of the Assets or the Business;

(c) any increase or any commitment to increase the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the Company to any of its employees, consultants or agents in respect of the Business, other than those that are normal, customary and consistent with past practices;

(d) any sale or transfer, or any agreement to sell or transfer, any of the Assets to any Person in the ordinary course of business;

(e) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the Assets (other than this Agreement) or to obtain any service or Asset provided by the Business or requiring consent of any party to the transfer and assignment of the Assets;

(f) any waiver, release or lapse of any material rights or claims of the Company necessary to Conduct the Business;

(g) any amendment or termination of any Material Contract necessary to Conduct the Business and to which the Company is a party;

(h) any transaction by the Company that relates to the Business which is outside the ordinary course of the business;

(i) any cancellation or termination of a Material Contract necessary to Conduct the Business with a customer, supplier, service provider or client prior to the scheduled termination date; or

(j) any mortgage or other lien or encumbrance upon the Assets created, except (1) with respect to purchase money liens incurred in connection with the acquisition of Equipment with an aggregate cost not in excess of \$10,000 necessary or desirable for the conduct of the Business, (2) (A) liens for Taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested Taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business.

2.14 ENVIRONMENTAL MATTERS. Except as otherwise disclosed on Schedule 2.14:

(a) The Company's conduct of the Business, including without limitation its possession and use of the Assets and its generation, use, processing, treatment, storage, release, transport or disposal of Hazardous Substances, is and has been in compliance with all applicable Environmental Rules and has not given rise to any Damages under any Environmental Rule;

(b) The Company has not released any Hazardous Substances at the Greentree Operations Center during Company's occupation thereof except as permitted by applicable Environmental Rules; and

(c) No claim, demand, action or proceeding has been commenced or asserted or, to the knowledge of Company, threatened and, to the knowledge of Company, no investigation has been commenced, asserted or threatened alleging (1) that any activity of the Company, or failure to act by the Company, has given rise to any Damages under any Environmental Rule, (2) that the Company has failed to comply with any Environmental Rules in its Conduct of the Business, or (3) that the Company has potential responsibility for the release of Hazardous Substances at the Greentree Operations Center during Company's occupation thereof.

2.15 INTELLECTUAL PROPERTY. Except as disclosed in Schedule 2.15, (i) Schedule 1.2(d) sets forth a correct and complete list of all proprietary software, owned by the Company and used in connection with the Business as currently conducted; (ii) Schedule 1.2(e) sets forth a correct and complete list of all licenses or other agreements pursuant to which the Company has the right to use

any Intellectual Property that is owned by others and used in connection with the Business as currently conducted, together with the names of the licensors thereunder, the Intellectual Property covered thereby, the annual fee or other consideration payable thereunder and the duration thereof, including any renewal options; (iii) Schedules 1.2(d) and 1.2(e) collectively set forth a correct and complete list of all Intellectual Property (other than patents) used in connection with the Business as currently conducted; (iv) the Company has the lawful right to make and use all Intellectual Property (including, but not limited to, patent rights) that is necessary to Conduct the Business, and (v) subject to the limitations of Section 6.6 of this Agreement, neither the Company's use thereof nor Purchaser's use of such Intellectual Property following the Closing infringes upon the lawful rights of any other Person. Schedule 2.15 also identifies all consents which must be obtained, all filings which must be made, and all other actions which must be taken in order to assign or otherwise transfer the Company's rights in any Intellectual Property to Purchaser to the extent contemplated by Section 1.2.

2.16 POWERS OF ATTORNEY. Schedule 2.16 sets forth a list as of the date of this Agreement of the name of each Person holding any general or special power of attorney from the Company which relates to the Business or the Assets and a description of the terms of each such power.

2.17 ASSETS. The Assets being conveyed hereunder will permit Purchaser to Conduct the Business.

2.18 DISCLOSURE. The Company has provided Purchaser with all available information that Purchaser has requested in analyzing whether to consummate the Transaction contemplated hereby. None of the information so provided nor any representation or warranty of the Company contained in this Agreement is false or misleading in any material respect, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. There is no fact known to the Company which has specific application to the Business or the Assets which materially adversely affects or, so far as the Company can reasonably foresee, materially threatens, the condition (financial or otherwise), prospects, or results of operations of the Business or the Assets, which has not been described in this Agreement or the Schedules hereto.

2.19 NOTICES AND CONSENTS. The Company has given any notices to third parties and obtained any third party consents that may be necessary under the terms of any Material Contract to transfer the Business and the Assets to Purchaser pursuant to this Agreement.

2.20 DESIGN SPECIFICATIONS. The design specifications being placed in escrow by the Company pursuant to the Source Code Escrow Agreement are all the drawings, designs, inventions

and know-how memorialized in writing in the Company's possession related to the manufacture of the products set forth in Exhibit B to the Source Code Escrow Agreement (the "Deposit Materials").

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to the Company as follows:

3.1 DUE ORGANIZATION. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the full power and authority to carry on its business as it is now being conducted.

3.2 AUTHORIZATION. (i) The representative of Purchaser executing this Agreement on behalf of Purchaser has the full power and authority to enter into and bind Purchaser to the terms of this Agreement, and (ii) Purchaser has the full legal right, power and authority to enter into this Agreement and the transactions contemplated hereby.

3.3 NO VIOLATIONS. The execution and delivery of this Agreement by Purchaser and the performance of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby will not result in any violation or breach or constitute a default under any of the terms or provisions of the Certificate of Formation or Operating Agreement of Purchaser.

3.4 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by Purchaser and the performance by Purchaser of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of Purchaser. This Agreement has been duly and validly authorized by all necessary action, has been validly executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or similar laws now or hereafter in effect relating to creditor's rights generally. A copy of the resolutions adopted by the Board of Directors approving this Agreement and the transactions contemplated hereby, certified by the Secretary or an Assistant Secretary of Purchaser, has been delivered to the Company.

IV. DELIVERIES

Concurrently with or prior to the execution and delivery of this Agreement, in addition to the deliveries described elsewhere herein, the parties hereto are taking the following actions:

4.1 INSTRUMENTS OF TRANSFER. The Company and Purchaser are executing and delivering to each other (a) a completed General Conveyance, Transfer and Assignment, in the form attached as Annex I hereto, covering all of the Assets, (b) an Assignment and Assumption Agreement, in the

form attached hereto as Annex II, (c) Certificates of Title to any of the Assets that consist of motor vehicles, (d) Intellectual Property licenses, and (e) such other instruments of transfer as may be reasonably necessary or appropriate to vest in Purchaser good and indefeasible title to the Assets. At all times hereafter as may be necessary, the Company shall execute and deliver to Purchaser such additional instruments of transfer as shall be reasonably necessary or appropriate to vest in Purchaser good and indefeasible title to the Assets and to comply with the purposes and intent of this Agreement.

4.2 OPINION OF COUNSEL. Counsel to the Company is delivering an opinion dated the date hereof to Purchaser in the form attached as Annex III hereto.

4.3 WARRANTY AND MAINTENANCE AGREEMENT. The Company and Purchaser are executing and delivering to each other a Warranty and Maintenance Agreement in the form attached hereto as Annex IV (the "Warranty and Maintenance Agreement").

4.4 GOOD STANDING CERTIFICATES. The Company is delivering to Purchaser certificates, dated as of a date no earlier than ten days prior to the date hereof, duly issued by the appropriate governmental authority in the State of Incorporation and in the Commonwealth of Pennsylvania, showing the Company is in good standing and authorized to do business.

4.5 RESOLUTIONS OF BOARD OF DIRECTORS OF THE COMPANY. The Company is delivering to Purchaser a certified copy of the resolutions of the Board of Directors of the Company approving the Transaction Documents and authorizing the consummation of the transactions contemplated hereby.

4.6 RESOLUTIONS OF BOARD OF DIRECTORS OF PURCHASER. Purchaser is delivering to the Company a certified copy of the resolutions of the Board of Directors of Purchaser approving the Transaction Documents and authorizing the consummation of the transactions contemplated hereby.

4.7 SOURCE CODE ESCROW AGREEMENT. Purchaser, the Company and Fort Knox Escrow Services, Inc., as escrow agent are executing and delivering a Source Code Escrow Agreement in the form attached hereto as Annex V (the "Source Code Escrow Agreement") pursuant to which each of the source code of the Intellectual Property and design specifications for manufactured Equipment will be escrowed.

4.8 LETTER OF CREDIT. The Company is causing ABN AMRO Bank N.V. to issue an Irrevocable Standby Letter of Credit for the benefit of Purchaser in the amount of \$5,000,000 (the "Letter of Credit").

4.9 TERMINATION AGREEMENT. The Company and DLC are executing and delivering a Termination Agreement pursuant to which all provisions not intended to survive termination of the Services Agreement shall terminate.

4.10 SECRETARY'S CERTIFICATE OF THE COMPANY. The Company is delivering to Purchaser a certificate of its corporate secretary or assistant secretary dated as of the Closing and certifying its Charter Documents and incumbency of its officers executing on its behalf this Agreement or any documents or instruments in connection therewith.

4.11 SECRETARY'S CERTIFICATE OF PURCHASER. Purchaser is delivering to the Company a certificate of its secretary or assistant secretary dated as of the Closing and certifying its Certificate of Formation, Operating Agreement and incumbency of its officers executing on its behalf this Agreement or any document or instrument in connection therewith.

4.12 SOFTWARE LICENSE AGREEMENT. Purchaser and the Company are executing and delivering a Software License Agreement in the form attached hereto as Annex VI.

4.13 AMENDMENT TO PARTNERSHIP AGREEMENT. Purchaser and the Company are each causing their respective affiliates to execute and deliver Amendment No. 2 to Agreement of Limited Partnership by and between JLK Technology, Inc. and Genesis Services Pittsburgh, Inc. in the form attached hereto as Annex VII.

4.14 COMFORT LETTER. The Company has delivered to Purchaser a comfort letter from Deloitte & Touche regarding accelerated depreciation treatment.

4.15 CONSENTS. Except as otherwise provided in the Escrow Agreement, the Company is delivering to Purchaser all third party consents necessary under the terms of any Material Contract to transfer the Assets to Purchaser under this Agreement, as set forth on Schedule 2.12.

4.16 RADIO FREQUENCY SHARING AGREEMENT. Purchaser and the Company are executing and delivering a Radio Frequency Sharing Agreement in the form attached hereto as Annex IX.

4.17 ENSITE AGREEMENT. EnSite, L.P., the Company and Purchaser are executing and delivering an agreement in the form attached hereto as Annex X.

V. POST-CLOSING COVENANTS

The parties to this Agreement further covenant and agree as follows:

5.1 FUTURE COOPERATION. The Company and Purchaser shall each deliver or cause to be delivered to the other following the date hereof such additional instruments as the other may reasonably request for the purpose of transferring, assigning and delivering to Purchaser and its assigns the Assets and the Business and fully carrying out the intent of this Agreement. In the event Purchaser shall assign any of its rights hereunder, or under any other Transaction Documents, to an affiliate, the Company shall cooperate, at Purchaser's cost, with Purchaser to obtain any necessary third party consents or assignments.

5.2 EXPENSES. Purchaser will pay the fees, expenses and disbursements of Purchaser and its agents, representatives, financial advisors, accountants and counsel incurred in connection with the execution, delivery and performance of this Agreement. The Company will pay the fees, expenses and disbursements of the Company and its agents, representatives, financial advisors, accountants and counsel incurred in connection with the execution, delivery and performance of this Agreement.

5.3 TRANSFER TAXES. Purchaser shall pay any sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Transaction. Purchaser shall file all necessary documentation and returns with respect to such Transfer Taxes.

5.4 CERTAIN EMPLOYEE MATTERS.

(a) Nothing in this Agreement (i) requires Purchaser to hire, or to offer to hire, any employees of the Company, (ii) constitutes an offer to employ such employees or (iii) requires Purchaser to pay any such Persons severance pay in the event of termination of employment. Notwithstanding the foregoing, Purchaser has made or will make offers of employment effective as of April 1, 2000, to those employees of the Company working in the Business and identified on Schedule 5.4, and the Company shall use its best efforts (which shall not include the payment by the Company of any compensation in excess of that which is owed to the employees in the form of salary, benefits and all other obligations as of the Closing) to persuade such employees to accept such offers.

(b) Purchaser does not and shall not assume or be responsible for any obligations or liabilities arising out of any employment relationship between the Company and any employee or former employee except as expressly stated herein. Without limiting the generality of the foregoing, except as expressly stated herein Purchaser shall have no liability or obligation in connection with the Company's employees or former employees and their beneficiaries for (i) contributions to or payment under employee benefit plans, stock options, programs, arrangements or understandings, (ii) accrued, but unused, sick leave, vacation pay and severance pay, if any, (iii)

liabilities or obligations under any collective bargaining agreement or bargaining relationship, or (iv) claims, demands, administrative proceedings or suits arising out of or in connection with alleged unlawful employment practices of the Company.

5.5 PATENTS AND INTELLECTUAL PROPERTY. The Company shall not enter into any agreement, understanding or other arrangement that would adversely interfere with or degrade the rights to Intellectual Property granted to Purchaser under Section 1.2 of this Agreement.

5.6 SETTLING OF ACCOUNTS. Not later than 45 days after the Closing, the parties shall reconcile all outstanding payments owed by either party to the other pursuant to the Services Agreement.

5.7 TRANSITIONAL EXPENSES. Purchaser agrees to reimburse the Company for any actual expenses incurred by the Company for services provided by third parties to Purchaser that become Purchaser's responsibility after the Closing. Purchaser reserves the right to audit the amount of all invoices submitted by the Company to Purchaser for payment pursuant to this Section.

VI. INDEMNIFICATION

The Company and Purchaser each make the following covenants that are applicable to them, respectively:

6.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of the Company made in this Agreement and in the documents and certificates delivered in connection herewith shall survive for a period of three (3) years from the date hereof, except that:

(i) such representations and warranties that relate to Taxes, as set forth in Section 2.11, shall survive until the expiration of the applicable statutes of limitations for such Taxes (including any extensions thereof); and

(ii) such representations and warranties that relate to illegal acts and fraud and abuse ("Illegal Acts"), and such representations and warranties as set forth in Sections 2.5 (Permits and Intangibles), 2.9 (Employee Benefits Plans), 2.10 (Litigation), 2.14 (Environmental) and 2.15 (Intellectual Property) and 2.17 (Assets) hereof, shall survive for a period of five (5) years after the date hereof.

provided, however, that representations and warranties with respect to which a claim is made within the applicable survival period shall survive until such claim is finally determined and paid.

(b) The representations and warranties of Purchaser made in this Agreement and in the documents and certificates delivered in connection herewith shall survive for a period of three (3) years following the date hereof, provided, however, that representations and warranties with respect to which a claim is made within such three (3) year period shall survive until such claim is finally determined and paid.

(c) The date on which a representation or warranty expires as provided herein is herein called the "Expiration Date." No claim for indemnification may be made with respect to a representation or warranty after the Expiration Date, other than claims based on fraud.

6.2 GENERAL INDEMNIFICATION BY THE COMPANY. The Company covenants and agrees that it will indemnify, defend, protect, and hold harmless Purchaser and its subsidiaries, officers, directors, employees, stockholders, agents, representatives and affiliates from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs, fines, penalties and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) (collectively "Damages") incurred by such indemnified Person or entity as a result of or incident to (i) any breach of any representation or warranty of the Company set forth herein or in the certificates or other documents delivered in connection herewith, (ii) any breach or nonfulfillment of any covenant or agreement by the Company under this Agreement, (iii) any violation of any laws of the Commonwealth of Pennsylvania governing bulk sales, which is occasioned by the consummation of any of the transactions contemplated hereby, (iv) any liability arising out of the ownership or operation of the Assets or the Business prior to the Closing no matter when reported; or (v) any liability arising out of obligations to employees of the Business prior to the Closing no matter when reported.

6.3 INDEMNIFICATION BY PURCHASER. Purchaser covenants and agrees that it will indemnify, defend, protect and hold harmless the Company, its officers, directors and employees and the respective agents, representatives and affiliates thereof from and against all Damages incurred by such indemnified Person or entity as a result of (i) any breach of any representation or warranty of Purchaser set forth herein or in the certificates or other documents delivered in connection herewith; (ii) any breach or nonfulfillment of any covenant or agreement by Purchaser under this Agreement; (iii) any liability arising out of the ownership or operation of the Assets or the Business after the Closing except for those obligations of the Company under any other Transaction Document.

6.4 THIRD PERSON CLAIMS. Promptly after any party hereto (the "Indemnified Party") has received notice of or has knowledge of any claim by a Person not a party to this Agreement ("Third Person") or the commencement of any action or proceeding by a Third Person that may give rise to a right of indemnification hereunder, such Indemnified Party shall give to the party obligated to provide indemnification hereunder (an "Indemnifying Party") written notice of such claim or the commencement of such action or proceeding; provided, however, that the failure to give such notice will not relieve such Indemnifying Party from liability under this Section with respect to such claim, action or proceeding, except to the extent that the Indemnifying Party has been actually prejudiced as a result of such failure. The Indemnifying Party (at its own expense) shall have the right and shall be given the opportunity to associate with the Indemnified Party in the defense of such claim, suit or proceedings, provided that counsel for the Indemnified Party shall act as lead counsel in all matters pertaining to the defense or settlement of such claims, suit or proceedings. The Indemnified Party shall not, except at its own cost, make any settlement with respect to any such claim, suit or proceeding without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. It is understood and agreed that in situations where failure of the Indemnifying Party to settle a claim expeditiously could have an adverse effect on the Indemnified Party, the failure of the Indemnifying Party to act upon the Indemnified Party's request for consent to such settlement within five business days of the Indemnifying Party's receipt of written notice thereof from the Indemnified Party shall be deemed to constitute consent by the Indemnifying Party of such settlement for purposes of this Section.

6.5 METHOD OF PAYMENT. All claims for indemnification shall be paid in cash. If Purchaser reasonably believes that it or any other Indemnified Party affiliated with it has suffered Damages for which it or such other Indemnified Party would be entitled to indemnification pursuant to this Section, Purchaser may, at its sole option and by notice in writing to the Company, elect to set-off an amount equal to the amount of such Damages from any amounts then owing by Purchaser to the Company; including any amounts owing under the Warranty and Maintenance Agreement. Nothing in this Section is intended to limit or restrict the ability of the parties to exercise any and all other remedies under this Agreement or any other agreement at law or in equity.

6.6 LIMITED REMEDY FOR BREACH OF INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS. Company will have no liability under this Agreement for Damages of an Indemnified Party for an allegation that the Intellectual Property infringes rights of another Person except to the extent such Damages arise from an actual or threatened claim by a Third Person against an Indemnified Party that the Intellectual Property infringes the lawful rights of a Third Person. If a claim is made by an Indemnified Party for Damages resulting from such an actual or threatened claim, or the use of any Intellectual Property by an Indemnified Party is enjoined by a court of competent jurisdiction, Company, shall, at Company's option and sole cost and expense, either (a) procure the right to continue use of such Intellectual Property, (b) replace the Intellectual Property with material that is

substantially similar in functionality and performance, but noninfringing, or (c) modify the Intellectual Property to eliminate the infringement or misappropriation, provided, however, that failure of Company to so procure, replace, or modify shall not relieve Company of its indemnity obligations under Section 6.2. Company will have no liability under this Article 6 or Section 2.15 for any infringement or misappropriation due to any repair, maintenance, service modification to or alteration of the Fixed Network performed by any personnel other than Company personnel (including its employees, agents and contractors) or Company-trained Purchaser personnel (including its employees, agents and contractors) after the date of this Agreement and which has not been approved by Company in accordance with the terms of the Warranty and Maintenance Agreement; or (ii) any combination of the Fixed Network in whole or in part with any material or software not included in the Fixed Network which has not been installed by Company personnel or Company-trained Purchaser personnel and which has not been approved by Company in accordance with the terms of the Warranty and Maintenance Agreement.

VII. TRANSACTIONS SUBSEQUENT TO THE CLOSING

7.1 NON-SOLICITATION. The Company agrees that for a period of two (2) years commencing on the Closing Date, it shall refrain, and cause its affiliates to refrain, from (i) hiring any individual set forth on Schedule 5.4 or (ii) directly or indirectly soliciting or inducing any individual identified on Schedule 5.4 to leave the employ of the Purchaser or any of its affiliates.

7.2 INDEPENDENT COVENANT. The Company acknowledges that its covenant set forth in the Article VII is a material condition to Purchaser's execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

7.3 INJUNCTIVE RELIEF. The Company acknowledges and agrees that the covenants and agreements set forth in this Article VII are necessary to protect the legitimate business interests of Purchaser and that any breach of such covenants and agreements will cause immediate and irreparable harm to Purchaser. The Company acknowledges that damages for the violation of any such covenant or agreement will not give full and sufficient relief to Purchaser and agrees that, in the event of any violation of any such covenant or agreement, Purchaser shall be entitled to injunctive relief with respect to any such breach, which remedy shall be in addition to any other remedy which Purchaser may have on account of such breach.

VIII. MISCELLANEOUS

8.1 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except as expressly permitted hereby or by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of the Company and Purchaser and their permitted assigns. Purchaser may assign its rights and obligations under this Agreement, and/or any other Transaction Document, to any affiliate of Purchaser at any time upon notice to the Company.

8.2 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding of the Company and Purchaser and supersede any prior agreement and understanding relating to the Transaction. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the Company and Purchaser, acting through their respective officers, duly authorized by their respective Boards of Directors.

8.3 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

8.4 BROKERS AND AGENTS. Each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other party hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

8.5 NOTICES. All notices and communications required or permitted hereunder shall be in writing and may be given (i) by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, (ii) by overnight delivery service, addressed to the party to be notified, or (iii) by delivering the same in Person or by facsimile to an officer or agent of such party, as follows:

If to Purchaser, addressed to it at:

DataCom Information Systems, LLC
875 Greentree Road
Seven Parkway Center, Suite 440
Pittsburgh, PA 15220
Attn: President

With a copy to:

Duquesne Light Company
Legal Unit, 16-006
411 Seventh Avenue
Pittsburgh, PA 15219

If to the Company, addressed to it at:

Itron, Inc.
2818 N. Sullivan Road
P.O. Box 15280
Spokane, WA 99216
Attn: President

or to such other address as any party hereto shall specify pursuant to this Section from time to time.

8.6 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania other than its principles governing conflicts of laws. The parties irrevocably submits to the jurisdiction of the Court of Common Pleas of Allegheny County, Pennsylvania and to the jurisdiction of the United States District Court for the Western District of Pennsylvania for the purposes of any action or proceeding arising out of or relating to this Agreement or the other Transaction Documents or the subject matter hereof or thereof and brought by any other party.

8.7 DISCLAIMER. EXCEPT AS OTHERWISE SET FORTH HEREIN OR IN ANY OTHER TRANSACTION DOCUMENT, THE COMPANY HEREBY DISCLAIMS ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE COMPANY, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ALL EQUIPMENT SOLD BY THE COMPANY HEREUNDER OR ANY OTHER ITEMS SUBJECT TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION: (a) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR

PURPOSE; (b) ANY IMPLIED WARRANTY ARISING FROM COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE; AND (c) ANY IMPLIED WARRANTY OF NON-INFRINGEMENT.

8.8 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the applicable Expiration Date, or as otherwise provided herein.

8.9 EFFECT OF INVESTIGATION. No investigation by the parties hereto in connection with this Agreement or otherwise shall affect the representations and warranties of the parties contained herein or in any certificate or other document delivered in connection herewith and each such representation and warranty shall survive such investigation.

8.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

8.11 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

8.12 CAPTIONS. The headings of this Agreement are inserted for convenience only, and shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

8.13 PRESS RELEASES AND PUBLIC ANNOUNCEMENTS. The Company shall not issue any press release or make any public announcement relating to the subject matter of this Agreement or the other Transaction Documents without the prior written approval of Purchaser, which approval shall not be unreasonably withheld; provided, however, that this Agreement (with confidential treatment requested as appropriate) and a description of the Transaction may be included in the Company's required filings with the Securities and Exchange Commission and other regulatory agencies.

8.14 NO THIRD-PARTY BENEFICIARIES. This Agreement shall not confer any rights or remedies upon any Person other than the parties and their respective successors and permitted assigns.

* * * * * SIGNATURES APPEAR ON THE FOLLOWING PAGE * * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

DATACOM INFORMATION SYSTEMS, LLC

By:

Name: Edmund P. Finamore
Title: President

ITRON, INC.

By:

Name: LeRoy D. Nosbaum
Title: President and Chief Executive Officer

EXHIBIT A
DEFINED TERMS

"Agreement" shall mean this Asset Purchase Agreement including all exhibits, schedules and annexes hereto.

"Assets" shall have the meaning set forth in the preamble to this Agreement.

"Balance Sheet Date" shall mean December 31, 1999.

"Business" shall have the meaning set forth in the preamble to this Agreement.

"Charter Documents" shall mean the Articles of Incorporation and By-laws, each as amended to date, of the Company.

"Closing" shall have the meaning set forth in Section 1.6.

"Code" shall have the meaning set forth in Section 2.9.

"Company" shall have the meaning set forth in the preamble to this Agreement.

"Conduct the Business" shall mean the ability of Purchaser to own and operate the Assets from and after the Closing in a manner sufficient to enable, and capable of enabling Purchaser to perform all services (including, but not limited to, data collection) as were actually provided by the Company under the Services Agreement.

"Company Intellectual Property" shall have the meaning set forth in Section 1.2(d).

"DLC" shall have the meaning set forth in the preamble to this Agreement.

"Damages" shall have the meaning set forth in Section 6.2.

"Deposit Materials" shall have the meaning set forth in Section 2.20.

"Equipment" shall have the meaning set forth in Section 1.2(a).

"Employee Benefit Plan" shall mean any pension, retirement, profit-sharing, deferred compensation, bonus, incentive, performance, stock option, phantom stock, stock purchase, restricted

stock, premium conversion, medical, hospitalization, vision, dental or other health, life, disability, severance, termination or other employee benefit plan, program, arrangement, agreement or policy, whether written or unwritten to which the Company contributes, is obligated to contribute to, is a party to or is otherwise bound, or with respect to which the Company may have any liabilities.

"Environmental Rule" shall mean any Governmental Rule which relates to pollution or protection of human health, the environment or natural resources and includes, without limitation, any Governmental Rule relating to the generation, use, processing, treatment, storage, release, transport or disposal of Hazardous Substances.

"ERISA Affiliate" shall mean (1) a member of any "controlled group" (as defined in section 414(b) of the Code) of which the Company is a member; (2) a trade or business, whether or not incorporated, under common control (within the meaning of Section 414(c) of the Code) with the Company; or (3) a member of any affiliated service group (within the meaning of Section 414(m) of the Code) of which the Company is a member.

1.8. "Excluded Assets" shall have the meaning set forth in Section

1.3(b). "Escrow Agreement" shall have the meaning set forth in Section

6.1(c). "Expiration Date" shall have the meaning set forth in Section

Section 2.3. "Financial Statements" shall have the meaning set forth in

"Fixed Network" shall have the meaning set forth in the preamble to this Agreement.

"GAAP" shall have the meaning set forth in Section 2.3.

"Governmental Rule" shall mean any law, rule, regulation, ordinance or code of any governmental entity.

"Greentree Operations Center" shall have the meaning set forth in the preamble to this Agreement.

"Hazardous Substance" shall mean any substance which constitutes, in whole or in part, toxic or hazardous substance or waste under any Environmental Rule.

6.4. "Indemnified Party" shall have the meaning set forth in Section

"Indemnifying Party" shall have the meaning set forth in Section

6.4.

"Intangible Assets" shall have the meaning set forth in Section

2.5.

"Intellectual Property" shall mean software, registered and unregistered trademarks, service marks, registered and common law copyrights, and all applications therefor.

"Leases" shall have the meaning set forth in Section 1.2(b).

"Letter of Credit" shall have the meaning set forth in Section

4.8.

"Licenses" shall have the meaning set forth in Section 1.2(c).

"Material Adverse Effect" shall mean any occurrence of events or circumstances of whatever nature which have a material adverse effect on the business, prospects, operations or condition (financial or otherwise) of the Company, Business, the Assets or Purchaser's ownership or operation of the Assets or the Business.

"Material Contracts" shall mean any lease, instrument, License, or agreement relating to the Business to which the Company is a party or by which the Company or the Assets are bound.

"Person" shall mean any individual, corporation, joint venture, general or limited partnership, limited liability company, trust, association, unincorporated organization or other business entity.

"Purchase Price" shall have the meaning set forth in Section 1.3.

"Purchaser" shall have the meaning set forth in the preamble to this Agreement.

"Records" shall have the meaning set forth in Section 1.2(g).

"Services Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Service Territory" shall mean the service territory of DLC as of the Closing.

"State of Incorporation" shall mean the State of Washington.

"Tax Return" shall mean any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information filed with or submitted to, or required to be filed with or submitted to, any governmental entity in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any applicable laws, regulations, orders, judgments and decrees relating to any Tax.

"Taxes" shall mean all taxes, charges, fees, levies or other assessments including, without limitation, income, gross receipts, excise, property, sales, withholding, social security, unemployment, occupation, use, service, license, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States or any state, local or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis, and any interest, fines, penalties or additional amounts attributable to or imposed with respect to any such taxes, charges, fees, levies or other assessments.

"Third Person" shall have the meaning set forth in Section 6.4.

"Transaction" shall have the meaning set forth in the preamble to this Agreement.

"Transaction Documents" shall have the meaning set forth in Section 2.2.

"Transfer Taxes" shall have the meaning set forth in Section 5.3.

"Warranty and Maintenance Agreement" shall mean the Warranty and Maintenance Agreement executed by Company and Purchaser in the form attached hereto as Annex IV.

ANNEX I

GENERAL CONVEYANCE, TRANSFER AND ASSIGNMENT

Reference is hereby made to the Asset Purchase Agreement dated of even date herewith (the "Asset Purchase Agreement") by and between DataCom Information Systems, LLC, a Delaware limited liability company (the "Purchaser"), and Itron, Inc., a Washington corporation (the "Seller"). Terms defined in the Asset Purchase Agreement and not otherwise defined herein are used herein with the meanings so defined.

1. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller hereby sells, conveys, transfers, assigns and delivers to the Purchaser all right, title and interest in and to all of the Assets, to have and to hold the Assets hereby conveyed, transferred, assigned and delivered, or intended so to be, unto the Purchaser, its successors and assigns forever. All of the Assets are hereby sold to the Purchaser free and clear of any option, lien, pledge, mortgage, security interest or other encumbrance of any kind.

2. The Seller hereby irrevocably constitutes and appoints the Purchaser, its successors and assigns, the true and lawful attorney of the Seller, with full power of substitution, in the name of the Seller or otherwise, and on behalf and for the benefit of the Purchaser, its successors and assigns, to demand and receive from time to time any and all of the Assets hereby conveyed, transferred, assigned and delivered, or intended so to be, and to institute, defend and compromise any and all actions, suits or proceedings in respect of any of the Assets hereby conveyed, transferred, assigned and delivered, or intended so to be, that the Purchaser, its successors or assigns shall reasonably deem desirable, and to do all acts and things in relation to the Assets and interests which the Purchaser, its successors or assigns reasonably deem desirable. The Seller hereby declares that the foregoing powers are coupled with an interest and shall be irrevocable by it in any manner or for any reason.

3. The Seller further covenants and agrees that it will, from time to time, make, execute, and deliver or cause to be made, executed, and delivered all such other instruments, documents, and other assurances, usual and customary, as the Purchaser may reasonably require to confirm, or more effectively convey, transfer to and vest in the Purchaser, title to the Assets as set for the herein.

4. This instrument shall be binding upon and inure to the benefit of the respective successors and assigns of the Purchaser and the Seller.

IN WITNESS WHEREOF, the Seller has caused this instrument to be duly executed as of the _____ day of March, 2000.

ITRON, INC.

By: _____

Name: _____

Title: _____

WARRANTY AND MAINTENANCE AGREEMENT

dated as of March 30, 2000

by and between

DATACOM INFORMATION SYSTEMS, LLC

AND

ITRON, INC.

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WARRANTY AND MAINTENANCE AGREEMENT

This Warranty and Maintenance Agreement (this "AGREEMENT") is effective March 30, 2000 (the "EFFECTIVE DATE") and is between DataCom Information Systems, LLC, a Delaware limited liability company with its principal office located in Greentree, Pennsylvania ("DATACOM"), and Itron, Inc., a Washington corporation with its principal office located in Spokane, Washington ("ITRON").

RECITALS

A. DataCom is an affiliate of Duquesne Light Company, a Pennsylvania corporation ("DLC"). DLC and Itron are parties to the Amended and Restated Utility Automated Meter Data Acquisition Equipment Lease and Services Agreement dated January 15, 1996, as amended (the "DUQUESNE CONTRACT"), pursuant to which Itron has been providing equipment, software, facilities and services for the operation and maintenance of the Fixed Network (as defined below).

B. Concurrently with the execution and delivery of this Agreement, DLC and Itron have terminated the Duquesne Contract by mutual agreement and, pursuant to the Purchase Agreement (as defined below), DataCom has purchased, licensed or otherwise acquired from Itron certain Equipment, facilities, Software and other assets owned, leased or licensed by Itron, and/or constituting or used in connection with the Fixed Network.

C. The Parties desire for Itron to continue to provide certain maintenance and support services for the Fixed Network under this Agreement.

AGREEMENT

SECTION 1. DEFINITIONS

In this Agreement:

"APPLICABLE LAWS" means any law, statute, rule, regulation, ordinance, order, code, interpretation, judgment, decree, directive, or decision in effect from time to time of any national, state or local government, any political subdivision thereof or any other governmental, judicial, public or statutory instrumentality, authority, body, agency, department, bureau, commission or other governmental entity, which is applicable to or affects this Agreement.

"BANKRUPTCY CODE" means Title 11 of the United States Code, 11 U.S.C. Section 101-1330, as in effect on the date hereof.

"BUSINESS DAY" means a day other than a day on which commercial banks in Pittsburgh, Pennsylvania are required or authorized to be closed. Unless qualified by the term "Business", references in this Agreement to "day" or "days" shall refer to a calendar day or calendar days, respectively.

"CCU" means cell control unit.

"CHANGE IN CONTROL" means any of the following events: (i) any Person becomes the beneficial owner (as defined in Rule 13(d)(3) under the Securities Exchange Act of 1934), directly or indirectly, of securities of Itron representing 50% or more of the combined voting power of Itron's then outstanding voting securities; (ii) the individuals who as of the date of this Agreement are members of the Board of Directors of Itron (the "INCUMBENT Board"), cease for any reason to constitute at least a majority of the Board of Directors of Itron (provided, however, that if the election, or nomination for election by Itron's shareholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director will be considered to be a member of the Incumbent Board); (iii) an agreement by Itron to consolidate or merge with any other entity pursuant to which Itron will not be the continuing or surviving corporation or pursuant to which shares of the common stock of Itron would be converted into cash, securities or other property, other than a merger of Itron in which holders of the common stock of Itron immediately prior to the merger would have the same proportion of ownership of common stock of the surviving corporation immediately after the merger; (iv) an agreement of Itron to sell, lease, exchange or otherwise transfer in one transaction or a series of related transactions substantially all the assets of Itron; (v) the adoption of any plan or proposal for a complete or partial liquidation or dissolution of Itron; or (vi) an agreement to sell more than 50% of the outstanding voting securities of Itron in one or a series of related transactions.

"CONFIDENTIAL INFORMATION" means all nonpublic information disclosed by a Disclosing Party to the Receiving Party that is designated as confidential or that, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be considered as confidential. Confidential Information includes, but is not limited to, security codes, computer passwords, customer information, trade secrets, documents, designs, drawings, manufacturing processes, research developments, business activities and operations, inventions and engineering concepts. The Parties acknowledge and agree that all information concerning DataCom's and DLC's customers is highly confidential and is the Confidential Information of DataCom. Confidential Information does not include any information that (i) has become publicly available without breach of this Agreement, (ii) can be shown by documentation to have been known to the Receiving Party at the time of its receipt from the Disclosing Party, (iii) is received from a third party who did not acquire or disclose such information by a wrongful act or (iv) can be

shown by documentation to have been independently developed by the Receiving Party without reference to any Confidential Information.

"CONFIGURATION CHANGE" means any change to the Fixed Network requested by DataCom to improve and support the performance of the Fixed Network or requested by Itron as necessary to maintain and enhance the Fixed Network within its designed functionality as existing on the Effective Date or as expanded thereafter pursuant to the provisions of this Agreement.

"COVERED COMPONENTS" means (i) the components of the Fixed Network identified in Schedule "C" hereto; (ii) other components (including equipment, Software and Software Releases) that are added to the Fixed Network (A) pursuant to Itron's provision of Standard Services or Supplemental Services, (B) pursuant to the EnSite Agreement or (C) by agreement of the Parties from time to time; and (iii) Software.

"CRITICAL MAINTENANCE RELEASE" means a revision to Software that corrects a Critical Nonconformity.

"CRITICAL NONCONFORMITY" means (a) a Nonconformity resulting in a material degradation in (i) the backup systems and reliability of the Fixed Network, or (ii) the ability of DataCom to (A) read, collect or pass daily or interval meter data, (B) collect or pass customer billing data, (C) operate the Outage Management System or the Sentry MRP System or (D) operate the Fixed Network; or (b) aggregate monthly CCU Nonconformities in excess of 4% of the deployed CCUs in the Fixed Network.

"CUSTOM RELEASE" means any revision to Software that (i) Itron may prepare or have prepared in response to a written request received from DataCom and (ii) is not a scheduled Maintenance Release, Critical Maintenance Release or Configuration Change.

"DATACOM SERVICE ADMINISTRATOR" has the meaning set forth in Paragraph 4.2(a).

"DCU" means a data command unit.

"DISASTER RECOVERY SERVICES" has the meaning set forth in Paragraph 2.3(c).

"DISCLOSING PARTY" means a Party that discloses Confidential Information to the other Party under this Agreement.

"DLC" means Duquesne Light Company.

"DNI" means Diverse Networks, Inc.

"DNI AGREEMENT" means the agreement between Itron and DNI under which Itron implemented system backup and automation functions for the Fixed Network.

"DUQUESNE CONTRACT" has the meaning set forth in Recital A.

"ENSITE AGREEMENT" means the Agreement of Limited Partnership between JLK Technology, Inc. and Genesis Services Pittsburgh, Inc. dated February 8, 1996, as amended.

"ENVIRONMENTAL LAWS" has the meaning set forth in Paragraph 2.9(g)(ii).

"EQUIPMENT" means the items of Covered Components which are not Software.

"ERT" means an encoder receiver transmitter device installed in a standard residential meter for the purpose of communicating meter data over the Fixed Network.

"ESCROW AGREEMENT" shall mean the escrow agreement by and among Itron, DataCom, and an escrow agent satisfactory to DataCom and Itron which shall provide for, among other things, (i) delivery by Itron of (A) the source code of all Itron owned Software, Software Releases and all upgrades, updates or modifications thereto and (B) design documents for the Equipment and certain other material; (ii) release conditions; and (iii) term.

"EXCLUDED EQUIPMENT" means equipment that is not a Covered Component.

"FCC" means the Federal Communications Commission.

"FINAL CURE DATE" has the meaning set forth in Paragraph 2.9(a)(ii).

"FIXED NETWORK" means the Covered Components and communications system consisting of local area and wide area networks that communicate remotely with meters that measure electric power usage or other applications, as installed pursuant to the Duquesne Contract, and as maintained and expanded from time to time pursuant to this Agreement and the EnSite Agreement.

"FIXED NETWORK EXPANSION" has the meaning set forth in Paragraph 2.5.

"FORCE MAJEURE EVENT" means epidemics, major storms, floods, lightning, earthquakes, fires, riots, civil disturbances, labor strikes or unrest, vandalism, or sabotage beyond the reasonable control of a Party, acts of God, or any cause or condition beyond a Party's reasonable control, provided that a Party shall not be excused from liability or performance hereunder where its delay or failure to perform is due to its financial inability to perform.

"GENESIS SYSTEM" means the Itron communications network bearing the same trademark name.

"GREENTREE OPERATIONS CENTER" means the operations center for the Fixed Network currently located at Seven Parkway Center, Suite 440, Pittsburgh, Pennsylvania, as the same may be moved from time to time.

"INFRINGEMENT MATERIAL" has the meaning set forth in Paragraph 8.3.

"INITIAL CURE PERIOD" has the meaning set forth in Paragraph 2.9(a)(i).

"INITIAL FEE" has the meaning set forth in Paragraph 5.1.

"ITRON EQUIPMENT" means the equipment and materials, as set forth in Schedule "E", that are in Pittsburgh as of the Effective Date and used extensively for maintenance of the Covered Components and that will remain Itron assets and be used in performing the Services.

"ITRON HOLIDAY" means each of the dates in a year, not to exceed a total of 10 in number per year, that are designated as holidays in writing by Itron to DataCom by December 15 of the preceding year.

"ITRON SERVICE ADMINISTRATOR" has the meaning set forth in Paragraph 4.2(a).

"L/C AMOUNT" means an amount equal to \$5,000,000 less all amounts drawn by DataCom against the Letter of Credit.

"LETTER OF CREDIT" has the meaning set forth in Paragraph 5.4.

"LOSSES" has the meaning set forth in Paragraph 8.1

"MAINTENANCE INVENTORY" has the meaning set forth in Paragraph 4.2(h).

"MAINTENANCE RELEASE" means any revision to Software that Itron may prepare, or that Itron may have prepared by or may receive from any third party, from time to time after the Effective Date that maintains or enhances Software operability and functionality, including available fixes for reported or identified Software problems and Nonconformities which are not Critical Nonconformities, but not including Custom Releases.

"MAMR" means mobile automated meter reading.

"MATERIALS OF ENVIRONMENTAL CONCERN" means chemicals, pollutants, contaminants, wastes, toxic or hazardous substances, petroleum and petroleum products and residual wastes.

"MV90" means a system component of the Fixed Network that processes meter reading data generally originating from commercial and industrial meters.

"MVWEB" means a software component of the Fixed Network that operates in connection with the MV90 to post customer data to a website.

"MV-PBS" means a system component of the Fixed Network that processes billing data provided by MV90 for the purpose of generating custom designed bills for customers.

"NCN" means network control node.

"95% COVERAGE" means 95% (520,000 as of the Effective Date, to increase by no more than 2% per annum) of DLC's residential and small commercial customers in the Service Territory.

"NONCONFORMING" means having a Nonconformity.

"NONCONFORMITY" means, with respect to a Covered Component or Fixed Network and Disaster Recovery communications circuits, a deviation from normal functionality or a failure to conform to the requirements of this Agreement, including, without limitation, the warranties set forth herein.

"OUTAGE MANAGEMENT SYSTEM" means the system implemented by DLC for the purpose of processing outage messages from the Fixed Network as of the Effective Date and as expanded hereafter pursuant to the Agreement.

"PARTY" or "PARTIES" means DataCom and Itron, individually or collectively as the case may be.

"PERSON" means any individual, company, corporation, partnership or other legal entity.

"PREFERRED PRICE" means, with respect to any goods or services, the lowest of (i) the most favorable price or rate then offered by Itron to any Person for the same quantity of such goods or services, (ii) if such goods or services are the subject of a then current list price published by Itron, (a) for goods, a quantity discount based on the accumulated quantity of such goods purchased by DataCom since the Effective Date and (b) for services, a 20% discount off the list price, (iii) the price determined by Itron as commercially reasonable for such goods or services, or (iv) if DataCom is not satisfied with the price under (i), (ii) or (iii), then such price as the Parties may negotiate in good faith.

"PREMIUM STANDARD SERVICE" has the meaning set forth in Paragraph 2.6.

"PUC" means the Pennsylvania Public Utility Commission.

"PURCHASE AGREEMENT" means the Asset Purchase Agreement dated the date of this Agreement between DataCom and Itron.

"QUALIFYING BANK" means ABN AMRO Bank N.V. or a commercial bank reasonably acceptable to DataCom with a minimum credit rating of at least two of the following ratings: (i) AA as determined by Standard & Poor's Corporation, or (ii) Aa2 as determined by Moody's Investors Service, Inc., or (iii) a comparable rating by another nationally recognized rating service reasonably acceptable to DataCom.

"RADIO FREQUENCY SHARING AGREEMENT" means the Radio Frequency Sharing Agreement dated the date of this Agreement between DataCom and Itron.

"RECEIVING PARTY" means a Party that receives Confidential Information from the other Party under this Agreement.

"RESERVE INVENTORY" has the meaning set forth in Paragraph 4.2(g).

"RMA" has the meaning set forth in Paragraph 4.2(f).

"SENTRY DEVICE" means the telephone based meter device used for reading residential and small commercial meters over the Fixed Network.

"SENTRY MRP SYSTEM" means a system component of the Fixed Network that processes meter data to determine the outage and restoration of electrical service.

"SERVICE TERRITORY" means the service territory of DLC as of the Effective Date.

"SERVICES" means the Itron responsibilities identified in Section 2 of this Agreement, as such may be expanded from time to time pursuant to this Agreement or by the agreement of the Parties.

"SOFTWARE" means all licensed and unlicensed Genesis System network software, computer programming object code, DNI software, and other software now or hereafter owned by Itron or licensed from third parties and necessary for effective system operation of the Fixed Network from time to time and all related documentation and scripts furnished by or through Itron, as identified in Schedule "C" and as added to the Fixed Network from time to time pursuant to this Agreement, and all Software Releases.

"SOFTWARE RELEASES" means Maintenance Releases, Critical Maintenance Releases and Custom Releases. Software Releases include any now or hereafter existing Itron or third party programs or computer programming code that (i) involve or support the installation or use of any computer software or hardware that is a Covered Component,

(ii) is required to install the release, (iii) becomes a Covered Component, (iv) is added through use of Supplemental Services, or (v) is necessary for the continued satisfactory operation of the Fixed Network.

"SPOKANE OPERATIONS CENTER" means the Itron customer support center located in Spokane, Washington, as the same may be moved from time to time.

"STANDARD SERVICES" has the meaning set forth in Paragraph 2.1.

"SUPPLEMENTAL SERVICES" has the meaning set forth in Paragraph 2.8.

"TERM" has the meaning set forth in Paragraph 7.1.

SECTION 2. ITRON SERVICES

2.1 STANDARD SERVICES

During the Term, Itron will perform the Services described in Paragraphs 2.2, 2.3, 2.4 and 2.5 for the Fixed Network and all Covered Components ("Standard Services").

2.2 SOFTWARE RELEASES AND SUPPORT

(a) Critical Maintenance Releases. Whenever Itron prepares or has prepared a Critical Maintenance Release, Itron shall provide DataCom an electronic copy of, and obtain all necessary licenses for DataCom to use, the Critical Maintenance Release. Unless directed otherwise by DataCom in writing, Itron shall (i) give any request for a Critical Maintenance Release priority over all other DataCom reported problems and (ii) provide DataCom with corrective action reports and project timetables with respect to the Critical Nonconformity on not less than a weekly frequency. Itron shall provide, at its sole cost and expense, assistance and on-site support to DataCom for the implementation of Critical Maintenance Releases in the form of installation, testing and training of designated DataCom personnel identified in writing to Itron.

(b) Test Releases. Upon the receipt of a written request from DataCom, Itron shall provide DataCom with an electronic copy of any Critical Maintenance Release both before and after Itron has completed its full test of the Critical Maintenance Release. Itron will have no responsibility for installation or Standard Services for, or for results, errors or damages caused by DataCom's use of, a pre-test version of any Critical Maintenance Release provided by Itron under this paragraph.

(c) Maintenance Releases. Itron shall provide DataCom an electronic copy of and, if necessary, a license to use, all Maintenance Releases as soon as they have been prepared or received, and tested for release, by Itron. All Maintenance Releases,

and related training of DataCom personnel as required, will be provided upon DataCom's request without any additional cost or expense to DataCom; provided, however, that Itron shall not be obligated to provide Maintenance Releases for, or to otherwise support, any Software which is not a Covered Component. Itron shall notify DataCom promptly upon scheduling of and completion of any Maintenance Release and upon its receipt of a Maintenance Release from a third party. Such notice shall describe, in reasonable detail, the nature and subject of the forthcoming Maintenance Release.

(d) Documentation. Itron shall provide DataCom such documentation, including commands and/or scripts, as may be necessary to install and operate the Fixed Network, the Covered Components, Software and Software Releases. Such publications need not, however, include engineering blue prints, source code, proprietary protocols, and other Itron technical documents unless otherwise agreed to in writing by the Parties. Technical publications, object and source codes, protocols, and other proprietary Itron information not provided under this Agreement shall be made available to DataCom pursuant to the terms of the Escrow Agreement.

(e) Software Release Support. During the installation of, and for a period of ninety (90) days after the installation of any Software Release, Itron shall make one or more qualified technical representatives available via the toll-free telephone number set forth in Schedule "D" during the routine support hours set forth in Schedule "D", to assist the DataCom Service Administrator with installation, use and maintenance of the Software Release.

(f) Third Party Software. If and when necessary to support Fixed Network operations, Itron shall maintain third party Software at levels that are supported by the respective third party vendors. Itron shall provide Maintenance Releases of Itron Software to insure compatibility of Itron Software with supported releases of third party Software.

2.3 TECHNICAL SUPPORT

(a) Fixed Network and Covered Components Routine Technical Support. Itron shall make one or more qualified technical representatives available via the toll-free telephone number set forth in Schedule "D" during the routine support hours set forth in Schedule "D", to assist the DataCom Service Administrator with technical support for routine Nonconformities and other general technical support for the Fixed Network and Covered Components that may be required from time to time.

(b) Fixed Network and Covered Components Critical Technical Support. Itron shall make one or more qualified technical representatives available via the toll-free telephone number set forth in Schedule "D" on a twenty-four (24) hour basis to assist the DataCom Service Administrator with any Critical Nonconformity. Such assistance shall

include, if requested by the DataCom Service Administrator, the dispatch of a technician to correct the Critical Nonconformity within the time periods set forth in Schedule "D" and in accordance with the other requirements set forth in this Agreement.

(c) Configuration Changes. Upon request from DataCom or Itron's personnel, Itron shall take such actions as shall be necessary to support a Configuration Change. If the Parties have a good faith dispute over whether a requested change is a Configuration Change, such dispute shall be submitted for resolution to an officer of DataCom and an officer of Itron who shall have the authority to settle the dispute.

(d) Disaster Recovery. Itron shall continue and, by October 31, 2000 shall complete its installation of, and shall thereafter operate and maintain, a disaster recovery program at its Spokane Operations Center for the Greentree Operations Center. Itron shall provide DataCom with the disaster recovery services listed in Schedule "F" (the "DISASTER RECOVERY SERVICES") for the identified Covered Components, on a 24 hour per day basis for a period of up to 96 consecutive hours following commencement of Disaster Recovery Services. Thereafter, Itron will provide Disaster Recovery Services, including operations personnel for up to eight hours per day, and DataCom shall be responsible for providing operations personnel for the remaining hours per day, unless DataCom's requirement for Disaster Recovery Services was caused by Itron's negligence, willful misconduct or failure to perform its obligations hereunder, in which case, Itron shall continue to provide, at its cost and expense, Disaster Recovery Services on a 24 hour per day basis until completed. All Disaster Recovery Services after the first 96 hours will be deemed Supplemental Services.

(e) Advice. At DataCom's reasonable request, Itron will advise DataCom regarding the technical effects of any changes to the Fixed Network contemplated or implemented by DataCom or on DataCom's behalf.

2.4 FIXED NETWORK INSTALLATION, INVESTIGATION AND MAINTENANCE

(a) Field Investigations. In situations where DataCom's standard troubleshooting activities in accordance with Paragraph 4.3(f) cannot identify or correct a Nonconformity, and problem analysis by telephone or remote system access is neither successful nor expedient, and upon receipt of a service request from DataCom, Itron will provide services as set forth in Schedule "D", and shall dispatch appropriate employees or contract personnel to investigate any Nonconformity. As part of its field investigation process, Itron will make available all labor, material, exchange equipment, tools, and consumable supplies (e.g., wire, batteries, brackets, and cables) necessary for de-installation and re-installation of Nonconforming Covered Components, as well as CCUs requiring battery replacement. If Itron discovers site characteristics that adversely impact CCU performance, Itron will attempt to relocate the affected CCU to an alternative site if

an alternative site is available within fifty (50) yards of the original site location. If CCU performance cannot be restored, Itron will remove the CCU from the field and report the site(s) to DataCom as out of service. In any case, Itron will take such action as may be necessary to eliminate the Nonconformity.

(b) Covered Components Corrective Maintenance. Itron shall provide corrective maintenance for Nonconforming Covered Components during regular hours at Itron's servicing location, within the response/return times documented in Schedule "D". Upon receiving the Covered Component at the servicing location, Itron will complete the corrective maintenance, or arrange for all corrective maintenance necessary, to return the Covered Component to its original operating specifications, excluding minor cosmetic deficiencies (e.g., minor cracks, dents, and scratches). Itron will furnish all parts and materials necessary to complete the corrective maintenance and eliminate any Nonconformity. Parts furnished will be new, or in a condition equivalent to new, and shall be functionally equivalent to those parts removed from service. Nonconforming, malfunctioning or inoperative parts so replaced by Itron will become Itron property.

(c) Covered Component Installation and Maintenance. Itron will ensure all Covered Components have been installed properly as of the Effective Date, and subsequently if installed by or under Itron's direction pursuant to this Agreement or the EnSite Agreement. Itron will maintain all Covered Components within manufacturer specifications, including performing all necessary or appropriate preventative maintenance on such Covered Components.

2.5 FIXED NETWORK EXPANSION

(a) Fixed Network Expansion to 95%. Itron shall install, using the most economical means that balances both Parties' interests, such Equipment and Software and provide such other related services as are necessary to expand the Fixed Network to 95% Coverage (the "FIXED NETWORK EXPANSION") on or before December 31, 2002. Itron shall, at its own cost and expense, provide all labor, material, equipment, tools and consumable supplies necessary for the Fixed Network Expansion. All Equipment and Software installed in connection with the Fixed Network Expansion shall become the property of DataCom and become Covered Components. Itron shall not be required to commence the Fixed Network Expansion prior to January 1, 2001, and shall not be required to expend more than \$2 million in total costs for the Fixed Network Expansion during 2001. In the event that the Fixed Network Expansion is not completed on or before December 31, 2002, in addition to all other remedies which may be available to DataCom hereunder, the fee payable by DataCom pursuant to Paragraph 5.2 may be reduced, at DataCom's sole option, by up to 15% until such time as the Fixed Network Expansion is completed. In no event shall any amount by which such fee is reduced be recoverable by Itron.

(b) Telenetics Installation. Itron shall provide and install such number of telenetics boxes and Sentry Devices as are necessary to support up to 1,500 additional residential or demand meters to be installed in the Fixed Network and become Covered Components. Itron shall, at its own cost and expense, provide all labor, material, equipment, tools and consumable supplies necessary for such installation, and all telenetics boxes so installed shall become the property of DataCom. DataCom shall procure for Itron the access it requires to perform such installation and shall subsequently be responsible for all communication costs associated with the installed telenetics boxes and Sentry Devices.

(c) MV90 Upgrade. At DataCom's request and in accordance with DataCom's requirements, Itron will provide equipment, materials, software and services necessary to upgrade the MV-Web and MV-90 applications systems included in the Fixed Network to support (i) DataCom's e-business applications agreeable to both Parties and (ii) posting of power quality data to MV-Web. Itron shall bear all costs and expenses for all of the foregoing, including, but not limited to, development and implementation charges, up to a maximum of \$250,000.

(d) Sentry MRP System. Itron, at its sole cost and expense, shall complete, on or before June 30, 2001 (provided that, by September 30, 2000, DataCom shall have defined, and Itron shall have approved, such approval not to be unreasonably withheld, the specifications for the system), the development, testing and installation of, and shall provide DataCom with a license to use, Software for implementation of a Sentry MRP outage notification system designed to accommodate up to 10,000 customers. Such Software license shall be unrestricted as to the number of customers within the service territory as of the Effective Date, of DLC and any of its Affiliates that may be serviced. DataCom, at its sole cost and expense, shall provide all equipment and communication circuits necessary for such system, provided that DataCom shall have the right to purchase any such equipment which is available from Itron at the Preferred Price.

2.6 ADDITIONAL CHARGE FOR STANDARD SERVICES

If, but only to the extent that, Itron is required to perform any Standard Services as a result of any of the following events or circumstances (a "PREMIUM STANDARD SERVICE"), then (i) Itron shall use its reasonable best efforts to perform said Premium Standard Services, in which case the provisions of Schedule D and Paragraph 2.9(a) shall not apply, and (ii) at Itron's option, DataCom shall pay for such Premium Standard Service as if it were a Supplemental Service at the Preferred Price;

(a) Any repair, maintenance, service, modification to or alteration of the Fixed Network performed after the Effective Date by any personnel other than Itron personnel (including its employees, agents and contractors) or Itron-trained DataCom

personnel (including its employees, agents and contractors) after the Effective Date without prior notice to and approval by Itron, which approval shall not be unreasonably withheld;

(b) Any damage to or accident involving the Fixed Network or Covered Components due primarily to the negligence of, or an intentional act of sabotage by, DataCom or any of its employees, contractors, subcontractors or agents;

(c) Any material breach by DataCom of its obligations under this Agreement;

(d) Any Nonconformity resulting from a major modification to or alteration of the Fixed Network by DataCom which had not been approved or otherwise permitted pursuant to the Change Control procedures attached as Schedule "A"; or

(e) Any Service required because DataCom did not operate the Fixed Network or Covered Components within the normal operating standards employed at the Greentree Operations Center as of the Effective Date and as modified from time to time pursuant to this Agreement.

2.7 FAILURE TO PERFORM STANDARD SERVICES

Itron shall perform the Standard Services within the time periods set forth in Schedule "D" or as otherwise required by this Agreement, and such Standard Services shall comply with all performance standards and other requirements of this Agreement. In the event that Itron fails to perform any of the Standard Services as and when required under the terms of this Agreement, and provided that DataCom has followed the escalation process provided in Schedule "G", then, in addition to any other rights and remedies it may have hereunder, at law, in equity or otherwise, upon written notice to Itron, DataCom may perform or cause a third party to perform such Standard Services and shall be entitled to (i) offset the costs and expenses of performing or having performed such Standard Services against any amounts owed to Itron pursuant to Section 5, and (ii) upon offsetting all such amounts then due and payable to Itron pursuant to Section 5, draw upon the Letter of Credit for payment of the costs and expenses of such Standard Services.

2.8 SUPPLEMENTAL SERVICES

Upon receipt of a written request from DataCom, Itron shall provide the following Supplemental Services to DataCom, each of which shall be at the Preferred Price:

(a) Excluded Equipment. At DataCom's request and after Itron's agreement, which will not be unreasonably withheld, Itron shall make commercially reasonable efforts to provide Services at a commercially reasonable price for any Excluded Equipment.

(b) Custom Releases. Within 30 days of receipt of a written request from DataCom for a Custom Release, Itron shall provide DataCom with a firm estimate of Itron's price and time required to prepare or cause preparation of the Custom Release. The firm estimate shall include, but not be limited to, the following information: a requirements definition, and estimates and descriptions of project management, design, tooling, programming, documentation, testing, implementation and on-going service. If DataCom provides Itron with a written notice to proceed within 30 days of the receipt of the firm estimate, Itron shall, as soon as commercially reasonable, (i) prepare or cause to be prepared, (ii) provide DataCom an electronic form copy of, and (iii) obtain all necessary licenses for DataCom to use, the Custom Release in accordance with the firm estimate, and shall otherwise perform all services and obligations as set forth in the firm estimate.

(c) Optional Support and Training Services. Within 15 days of receipt of a written request from DataCom, Itron shall provide DataCom with a firm estimate of Itron's price and time required to provide DataCom with support and/or training services that are not Standard Services, in each case as may be set forth in the request. If DataCom provides Itron with a written notice to proceed within 30 days of the receipt of the firm estimate, Itron shall provide the services in accordance with the firm estimate.

(d) Covered Component Upgrades. Within 30 days of receipt of a written request from DataCom, Itron shall provide DataCom with a firm estimate of Itron's price and time required to prepare or cause preparation of and to implement an upgrade of or enhancement to a Covered Component that is not otherwise provided for in this Agreement. If DataCom provides Itron with a written notice to proceed within 30 days of the receipt of the firm estimate, Itron shall prepare and implement the upgrade or enhancement in accordance with the firm estimate.

(e) Other Supplemental Services. Upon request from DataCom, Itron shall provide the following Supplemental Services at the Preferred Price for labor, materials, and expenses:

(i) Services and expenses outlined as obligations of DataCom in this Agreement;

(ii) Service requests that include services, overtime or holiday coverage, response/return times, special freight or expenses over and above the Standard Services;

(iii) Additional services that are required due to DataCom's inability to provide Itron with reasonable access to system performance data and use of operational tools available to the Fixed Network;

(iv) Any field investigations or corrective maintenance that are not otherwise caused by Nonconformities or Critical Nonconformities;

(v) Field investigation support for meters, ERTs, Sentry Devices and Excluded Equipment;

(vi) Installation and/or acceptance tests, data, reports, documentation, upgrades and/or enhancements not specifically related to Covered Components or included as part of this Agreement;

(vii) Assistance to DataCom for the implementation of a Maintenance Release in the form of installation and testing;

(viii) Support services for any pre-test version of a Critical Maintenance Release; and

(ix) Services that are required in connection with a move of the Greentree Operations Center.

(f) Fixed Network Expansion to 100%. At DataCom's request, Itron will provide equipment, materials and services necessary to expand the Fixed Network beyond 95% Coverage and up to 100% coverage of DLC's residential and small commercial customers in the Service Territory at the Preferred Price, unless the expansion is requested pursuant to the EnSite Agreement, in which case the terms of the EnSite Agreement shall apply.

(g) MV-PBS Upgrade. At DataCom's request, Itron will provide, at the Preferred Price, equipment, materials and services necessary to upgrade the MV-PBS to (i) automate DLC's current S-bill programs, edits, and interfaces used for large customer

billing, and (ii) support market requirements for new complex tariffs and other billing requirements imposed by Pennsylvania's customer choice legislation.

2.9 WARRANTIES AND PERFORMANCE STANDARDS

(a) Critical Nonconformities. Notwithstanding anything to the contrary set forth elsewhere in this Agreement and except as otherwise provided in Paragraph 2.6, in performing the Standard Services, the following requirements shall apply to any and all Critical Nonconformities:

(i) Itron shall exercise its reasonable best efforts to eliminate a Critical Nonconformity within 120 hours after it receives written notice from DataCom that a Critical Nonconformity exists (the "INITIAL CURE PERIOD"). If a Critical Nonconformity has not been eliminated within the Initial Cure Period, DataCom shall have the option, exercisable in its sole discretion, to require Itron to pay a penalty of \$5,000 to DataCom within ten days after the end of the Initial Cure Period.

(ii) With respect to any Critical Nonconformity which has not been eliminated within the Initial Cure Period, Itron shall exercise its best efforts to eliminate such Critical Nonconformity as soon as possible, but in any event on or before the date which is 15 days after the end of the Initial Cure Period (the "FINAL CURE DATE"). If a Critical Nonconformity has not been eliminated on or before the Final Cure Date (as it may be extended pursuant to (iii) below), an Event of Default under Paragraph 6.1 shall be deemed to exist.

(iii) If it would not be possible through the exercise of best efforts for Itron or any other similar company to eliminate the Critical Nonconformity on or before the Final Cure Date, then the Final Cure Date may be extended at DataCom's sole discretion if DataCom is satisfied that continuing best efforts by Itron will eliminate the Critical Nonconformity.

(b) Itron Warranties. Itron represents, warrants and guarantees that any Services provided under this Agreement shall be (i) provided in accordance with the requirements of this Agreement; (ii) provided in a timely, skillful, workmanlike and professional manner; and (iii) suitable for providing the Services required hereunder.

(c) Third Party Warranties. To the extent permitted and subject to Paragraph 9.1, Itron will assign to DataCom, without recourse to Itron, all third party manufacturer's warranties related to the Covered Components which are in effect on the Effective Date. The expiration of such warranties, however, shall not be acceptable cause for non-delivery, or unsatisfactory delivery, of Services under this Agreement.

(d) Applicable Standards. Itron will perform, and will cause its contractors to perform Services under Section 2 safely, reliably, efficiently, in compliance with all Applicable Laws, including FCC and PUC requirements, in conformance with industry standards and under conditions reasonably required by DataCom's insurers.

(e) CCU, NCN and Communications Equipment Performance. A CCU will be considered Nonconforming when communications have failed for three (3) consecutive days or if its continued operation interferes with other Fixed Network components. Itron's Services shall be performed in a manner that ensures that CCU/NCN reads (data collection) are successful for ninety-six percent (96%) of the attempts during each month during the Term. Itron agrees that maintenance and support activities will be reviewed and revised, if necessary, in consultation with DataCom, if aggregate CCU/NCN read performance falls below ninety-six percent (96%) for any consecutive seven day period.

(f) Relations with Labor. Itron shall maintain good relations with its employees and contractors with regard to its performance of the Services. Itron shall promptly notify DataCom in writing of any material complaint made by or any material dispute that arises with any of these Persons in connection with the Services.

(g) Environmental Compliance.

(i) Prior to commencement of any Services involving Materials of Environmental Concern, Itron shall provide to DataCom a list of all Materials of Environmental Concern that may be used or generated in connection with the Services.

(ii) In furtherance of and not in limitation of any other portion of this Agreement, Itron shall, and shall cause its subcontractors to comply with all Applicable Laws relating to safety and the protection of the environment including, but not limited to, handling, protection, transportation and disposal of all Materials of Environmental Concern ("ENVIRONMENTAL LAWS"). The Services shall at all times comply with Environmental Laws.

2.10 PERSONNEL AND QUALIFICATIONS

(a) General. Itron shall provide all labor and personnel required in connection with the performance of the Services. All personnel used by Itron in the performance of Services shall be qualified by training, licenses or certifications, as required, and experienced to perform their assigned tasks. Itron shall ensure that all personnel assigned to perform Services are subject to the same current background checks, security requirements and other protective personnel procedures, including, without limitation, drug testing procedures, as are personnel of DLC in similar positions. At DataCom's request, Itron shall remove from performing Services any employee whom

DataCom, in its reasonable discretion and with sufficient cause, deems unqualified, incompetent, disorderly, insubordinate, careless or otherwise objectionable (except that Itron shall have no obligation to remove any employee if such removal would violate Applicable Law).

(b) Use of Contractors. Itron may, at its sole discretion, use contract personnel to perform any Services pursuant to this Agreement. Such contract personnel shall possess the required qualifications, training and experience necessary to perform the required tasks in accordance with applicable industry standards. Such contract personnel will be dispatched by and responsible to Itron. DataCom shall not direct Itron's contract personnel to perform any tasks not included as Standard Services or Supplemental Services under this Agreement.

2.11 INTERFERENCE WITH DATACOM'S FACILITIES

Itron shall not materially and adversely interfere or tamper with any of DataCom's facilities in any way that is not necessary or appropriate to the performance of the Services without the prior written consent of DataCom, and Itron shall take all actions necessary or appropriate to prevent its employees, other contractors or subcontractors from doing so.

2.12 ASSUMPTION OF RISK AND INSURANCE

(a) Assumption of Risk. Itron acknowledges that the Services to be provided under this Agreement may involve work at or near energized electric lines or equipment, above and below ground, and potential exposure to Materials of Environmental Concern and that, for this reason, there are certain risks attendant to the performance of the Services. Itron explicitly assumes these risks and the risks of pre-existing conditions during the performance of the Services, excluding any conditions resulting from DataCom's sole negligence or willful misconduct.

(b) Insurance. During the Term, Itron shall maintain, at no cost to DataCom, at least the following kinds and amounts of insurance to cover bodily injury (including death) and tangible property damage suffered or (in the case of liability insurance) caused by Itron or its employees, if any, in connection with the performance of the Services:

(i) Employer's Liability Insurance. Limit of not less than \$500,000.

(ii) Comprehensive General Liability Insurance. Includes premises operation, independent contractor's protective, products, completed operation, and blanket contractual liability coverage with a combined single limit of not less than

\$1,000,000 per occurrence and \$2,000,000 in the aggregate, and coverage for blasting or explosion, collapse and underground work if applicable. The property damage liability insurance shall include the broad form comprehensive general liability coverage and shall include coverage (on a replacement cost basis) for Covered Components while in the care, custody and possession of Itron.

(iii) Excess Umbrella Liability Insurance. Single limit of not less than \$15,000,000.

(iv) Worker's Compensation. A worker's compensation policy in such coverage and with such limits as may be required from time to time by Applicable Law.

Itron's liability policies required under this paragraph shall contain a waiver of subrogation in favor of DataCom. DataCom shall be named as an additional insured on Itron's liability policies required under this Paragraph, as its interests may appear. Upon DataCom's request, Itron shall provide written evidence that Itron complies with the requirements of this Paragraph, stating the policy number and the inception and expiration data of all policies. A "notice of cancellation/material alteration" clause shall be included in Itron's liability policies required under this Paragraph that shall require the policy issuer or policy holder to give DataCom at least thirty (30) days notice prior to cancellation or material alteration under such policy.

2.13 CHANGE CONTROL

The Change Control Policy attached as Schedule "A" will govern material changes to the Fixed Network and the Fixed Network test environment.

2.14 ITRON REPORTS

Promptly after the filing with the Securities and Exchange Commission thereof, Itron shall furnish or cause to be furnished to DataCom a copy of each current, quarterly and annual report on Form 8-K, 10-Q and 10-K, respectively, any amendment, supplement, modification or addition to any such report, and any other report, definitive proxy statement and registration statement filed by Itron with the Securities and Exchange Commission. Concurrently with furnishing its 10-K, Itron shall provide to DataCom a certificate, signed by its President or Chief Financial Officer, stating that no Event of Default has occurred and is continuing or, if an Event of Default has occurred and is continuing, a statement as to the nature thereof and any action that Itron proposes to take with respect thereto.

SECTION 3. LICENSES

3.1 LICENSES

To the extent permitted by third party licensors (if applicable) and with no additional cost to Itron, Itron hereby grants DataCom a non-exclusive, unrestricted, royalty-free license (for Itron owned Software) or sublicense (for third party owned Software) to use, in connection with the Fixed Network, all Software, including commands and/or scripts, and all subsequent Software Releases. The terms of Itron's end-user license for any third party Software as in effect on the Effective Date shall apply to any sublicense for such third party Software under this paragraph. Notwithstanding the forgoing, if the effective operation of the Fixed Network requires that DataCom own any Software or Software Release, Itron shall, at its sole cost and expense, take such commercially reasonable steps as may be necessary to procure for DataCom the ownership of such Software or Software Release.

3.2 OWNERSHIP OF SOFTWARE AND SOFTWARE RELEASES

All Software and Software Releases not owned by a third party are owned by Itron unless and until such ownership has been transferred to DataCom pursuant to the Purchase Agreement or Paragraph 3.1 hereof.

SECTION 4. IMPLEMENTATION

4.1 COOPERATION

The Parties will cooperate in good faith in performing their respective obligations under this Agreement.

4.2 GENERAL OBLIGATIONS

(a) Service Administrators. DataCom will identify at least two employees to act as primary and backup service administrators (each, an "DATACOM SERVICE ADMINISTRATOR"), and Itron will identify at least two employees to act as primary and backup service administrators (each, an "ITRON SERVICE ADMINISTRATORS"). The DataCom Service Administrators and the Itron Service Administrators shall act as liaisons between DataCom and Itron for all Service issues.

(b) Service Requests.

(i) Itron shall maintain and make available to DataCom, a staff of service personnel to respond to DataCom service requests in accordance with Schedule "D", on the following basis:

(A) 24 hours per day, seven days per week for Critical Nonconformities, and

(B) Routine working hours for all other Nonconformities.

(ii) Service requests for Nonconformities other than Critical Nonconformities shall be reported to Itron by DataCom's Service Administrator via Itron's Customer Support Hotline at (800) 635-8725.

(iii) Service requests for Critical Nonconformities shall be reported by the DataCom Service Administrator to the on-duty Itron Service Administrator at (800) 635-8725. The on-duty Itron Service Administrator will take all necessary action to restore service on an urgent basis, including immediately dispatching a technician to the Greentree Operations Center if necessary or if requested by DataCom as set forth in Schedule "D".

(iv) Upon initiating a Service Request, DataCom's Service Administrator should provide, at a minimum, the following information:

Contact Name:
 Telephone Number:
 Description of Problem:
 Type of Equipment:
 Equipment Item/Part Number:
 Software (Version):
 Materials to be Returned: Y/N

(c) Security. DataCom, at its expense, shall establish and maintain physical and remote access to the Fixed Network, which will include security badges, facilities entry security, and computer passwords for mutually designated service providers. At a minimum, Fixed Network access (24 hours per day, seven days per week) and computer passwords will allow Itron service personnel to access, but not, without DataCom's consent, to make changes to, Fixed Network menus, commands, and databases as necessary for Itron to provide Services. Itron shall hold, and shall cause each of its employees and contractors to hold, all security badges, computer passwords and other security codes and information relating to the Fixed Network in strict confidence, and neither Itron nor any of its employees, contractors or agents shall permit any unauthorized person to have any access to or possession of any of said items.

(d) Technical Library. DataCom shall maintain, and provide Itron with access to, a technical library at the Greentree Operation Center for storage and maintenance of all related Fixed Network agreements, back-up software, installation

guides, operators manuals, service manuals, engineering change orders, specifications, service bulletins and reports associated with installation, operation, maintenance and administration of the Fixed Network and Software. Itron will support DataCom as the co-proprietor of this library. Unless specifically identified as "Public Information", all materials maintained in the technical library shall be Confidential Information, and each Party agrees to not copy, make available or distribute materials, documents, or Software from the technical library to any third party for any reason without prior written consent from the other Party.

(e) Communications. Itron will maintain the routers and other frame relay communications Equipment as set forth on Schedule "C" between the NCN sites and the Greentree and Spokane Operation Centers at its own cost and expense, other than the communications charges, which will be the responsibility of DataCom. In addition to the circuits required for operation of the Fixed Network, these circuits will include links to Itron for Disaster Recovery Services and remote access support services. Itron shall use these support links solely for its system maintenance and support activities as documented herein, and shall not make changes to the Fixed Network without prior authorization of DataCom. DataCom shall work with Itron and the communications service provider toward establishing a working relationship that will enable Itron to perform the Services hereunder.

(f) Returned Materials. Prior to returning any Covered Component to Itron for Service, DataCom will request Itron to assign a return materials authorization ("RMA") number to the request. Upon issuance of the RMA, DataCom will return the Covered Component via prepaid freight to Itron's servicing location with reference to the assigned RMA number on all shipping labels and documents. Upon receiving returned Covered Components from DataCom and completion of Services, if applicable, Itron will return materials to DataCom via prepaid freight.

(g) Reserve Inventory. The following items (the "RESERVE INVENTORY") are among the assets purchased by DataCom pursuant to the Asset Purchase Agreement:

Item	Quantity
----	-----
DataPak	1
ERTs	3,000
Sentry Devices	1,000
CCUS	300
NCNs	2

DataCom shall have the right to hold and use the Reserve Inventory as and when it, in its sole discretion, determines. Itron shall have no right to use any of the Reserve Inventory in connection with its services hereunder without the prior written approval of DataCom. Itron shall have no obligation to replenish any of the Reserve Inventory used by DataCom.

(h) Maintenance Inventory. The following items (the "MAINTENANCE INVENTORY") are among the assets purchased by DataCom pursuant to the Asset Purchase Agreement:

Item -----	Quantity -----
DCU	1
ERTs	2,000
Sentry Devices	1,000
CCUS	200
NCNs	3
Routers	3
Telestructures	10

DataCom, at its expense, will own, warehouse and make available to Itron the Maintenance Inventory for the performance of the maintenance responsibilities described herein and at no cost to Itron. DataCom shall supply Itron with information regarding the disposition of any such assets used for maintenance or expansion purposes that are not Itron's responsibility under this Agreement. DataCom agrees that the Maintenance Inventory will be used exclusively in connection with the Fixed Network for exchange of field equipment on a "like for like basis", or, upon payment of any associated incremental cost (including the cost of additional CCU or NCN equipment that may be required to be installed), on a "non-like for like" (e.g., Sentry to ERT, or ERT to Sentry), basis and, will also make these materials available to Itron service representatives. As additional consideration for the fees payable by DataCom pursuant to Section 5, from time to time, within 30 Business Days after its receipt of a written report from DataCom showing that the quantities of the Maintenance Inventory held by DataCom are less than the numbers shown above, Itron, upon DataCom's request, shall transfer title, free and clear of all liens and encumbrances, and deliver to DataCom, such additional quantities of such materials as are necessary to maintain the quantities of Maintenance Inventory as listed above.

(i) Service Reports/Data. Itron and DataCom will complete applicable installation, operation, and maintenance reports/data as documented and listed in Schedule "B", relating to any/all services performed on Covered Components. Reports may be submitted in a machine-readable format via standard media or pre-determined file formats on a monthly basis.

4.3 OBLIGATIONS OF DATACOM

(a) Software Releases. Any Software Releases provided to DataCom pursuant to this Agreement are exclusively for DataCom's operation of the Covered Components and Fixed Network. DataCom, in accordance with the terms of the Agreement, shall install or permit Itron to install all fully tested and approved Maintenance Releases made available by Itron that do not adversely affect the functionality of any portion of the Fixed Network.

(b) Covered Components. DataCom shall maintain a database of all Equipment, Software, Software Releases and other Covered Components, including installed quantities, in a format that allows printing of a report similar to that set forth on Schedule "C". The database information will initially be provided by Itron and will include manufacturer, model and serial numbers, equipment and software revision numbers, physical location, accessories, etc., and be maintained in machine readable format with updated summaries prepared every thirty (30) days and made available to Itron upon request.

(c) Operation Standards. DataCom agrees to operate the Fixed Network and Covered Components with appropriately trained personnel and in accordance with the standard operating practices that were in effect as of the Effective Date and modified from time to time thereafter pursuant to this Agreement as provided to DataCom by Itron.

(d) Leases, License and Permits. DataCom, with Itron's cooperation as necessary, shall maintain all NCN site leases, City of Pittsburgh license fees and FCC licenses required to operate the Fixed Network, except such licenses as may be sub-licensed to DataCom by Itron pursuant to the Radio Frequency Sharing Agreement, which licenses shall be maintained by Itron at its sole cost and expense throughout the Term of this Agreement.

(e) Facilities. DataCom shall make reasonable and appropriate office space for four people and warehouse space for the Itron Equipment available at no cost to Itron in connection with Itron's performance of its obligations hereunder. DataCom will, in good faith, attempt to accommodate up to an additional two people if reasonably required by Itron to perform Services hereunder.

(f) Troubleshooting. Prior to initiating any request for Standard Service under Article II of this Agreement, DataCom shall follow the standard operating procedures (as they exist on the Effective Date and as they may be modified thereafter) for the Fixed Network data center to qualify and correct operationally related Covered Component problems. These efforts include activities that can be performed by DataCom as part of its Fixed Network data center operations. Examples of such procedures include, but are not limited to, normal execution of monitoring or diagnostic software,

system tests, communications tests, electrical power checks, component reset or recovery routines. Once these efforts have been made, the Itron Customer Support Center will be contacted for routine issues. DataCom may contact the Itron Service Administrator immediately for Critical Nonconformity issues to review other alternatives and to take such action as may be required by this Agreement.

(g) System Data. Upon receipt of a written request from Itron, DataCom shall provide such up-to-date Fixed Network configuration and system performance data as is reasonably requested in writing by Itron in connection with its delivery of Services as outlined herein, provided that if a Critical Nonconformity exists, such request may be oral.

(h) Test Environment. DataCom shall have and operate a test environment that mirrors a portion of its production Fixed Network environment for acceptance testing of Covered Components. DataCom will provide Itron with assistance for Fixed Network testing of Covered Components as required prior to installation into the Fixed Network. All test environment equipment is considered a Covered Component.

(i) DataCom Contractors. DataCom shall require that all contractors who may perform DataCom's responsibilities as documented herein incorporate Itron's published installation and/or operating procedures as a contractor requirement. Itron may consider any request for Service (including any Supplemental Service for which the charges pursuant to this Agreement will apply) initiated by a contractor identified by DataCom to Itron in writing as an "authorized DataCom contractor".

(j) Field Investigation. DataCom shall dispatch appropriate employee or contract personnel to investigate, and if necessary exchange, Nonconforming ERTs, Sentry Devices, telenetics equipment and meters. As part of its field investigation process, DataCom shall make available all labor, materials, meters, equipment from the Maintenance Inventory, tools, and consumable supplies (meter seals, wire, equipment, etc.), necessary for de-installation and re-installation of ERTs, Sentry Devices and meters, as necessary to restore proper operation.

(k) Disposal. DataCom agrees to dispose of all DataCom owned materials removed from service in accordance with Applicable Laws and reasonable Itron recommendations. DataCom agrees that any DataCom-owned materials forwarded to Itron that require disposal, exclusive of units returned for repair or replacement at Itron's request, may be returned to DataCom at DataCom's expense.

(l) Backup. DataCom shall follow standard operating practices to periodically check the operation of all Fixed Network backup Covered Components located in the Greentree Operations Center as of the Effective Date as modified thereafter pursuant to the Agreement.

(m) Use of Covered Components. DataCom agrees to use all Covered Components for the purpose of operating, maintaining and expanding the Fixed Network pursuant to the Agreement.

SECTION 5. COMPENSATION; CONDITIONS PRECEDENT

5.1 INITIAL FEE

On or prior to the first anniversary of the Effective Date, DataCom will pay to Itron the sum of four hundred and seventy five thousand dollars (\$475,000.00) (the "INITIAL FEE") payable via wire transfer as instructed by Itron.

5.2 ANNUAL FEE FOR STANDARD SERVICES

(a) Initial Annual Fee. For each twelve month period of the Term, DataCom will pay Itron, via wire transfer, for the Standard Services a fee of six hundred and ninety five thousand five hundred dollars (\$695,500.00), payable in four (4) equal installments due on the last day of each consecutive three month period of the Term, beginning June 30, 2000. Undisputed payments not received within thirty (30) days after the date upon which such payment is due will bear interest at a rate equal to the lesser of one and one-half percent (1-1/2%) per month or the maximum rate permitted under Applicable Law. Payments to be made under this Paragraph 5.2 are subject to offset and/or reduction pursuant to the applicable provisions of this Agreement and the Purchase Agreement.

(b) Increases in Annual Fee. The fee payable pursuant to Section 5.2(a) is subject to increase from time to time, as agreed by the Parties, upon the addition of additional Covered Components to the Fixed Network pursuant to the EnSite Agreement or Supplemental Services (other than under Paragraph 2.8(g)).

(c) Withholding of Annual Fee. In the event that all items required to be initially delivered by Itron pursuant to the Escrow Agreement are not so delivered on or before May 31, 2000, the fee payable by DataCom pursuant to Section 5.2(a) may, at DataCom's option, be withheld until such delivery is made, at which time all amounts so withheld by DataCom shall be paid to Itron.

5.3 FEES FOR SUPPLEMENTAL SERVICES

For all Supplemental Services, unless otherwise provided in this Agreement, Itron will invoice DataCom at the Preferred Price. Payment will be due within 30 days of submission. Undisputed invoices not paid within 30 days of receipt will bear interest at a rate equal to the lesser of one and one-half percent (1-1/2%) per month or the maximum rate permitted under Applicable Law.

5.4 LETTER OF CREDIT

Itron shall, on or prior to the Effective Date, furnish and throughout the Term maintain for the benefit of DataCom a standby letter of credit, issued by a Qualifying Bank acceptable to DataCom (the "LETTER OF CREDIT"), containing the terms and conditions set forth in Paragraph 5.5, and in the L/C Amount. The Letter of Credit shall be security for Itron's faithful performance of all Services and its other obligations hereunder during the Term of this Agreement. Itron shall be responsible for making sure the Letter of Credit does not expire (without renewal) prior to the expiration of the Term.

5.5 Conditions of Letter of Credit

(a) Conditions of Draw. DataCom shall be entitled to draw any amounts up to the total amount available under the Letter of Credit established under Paragraph 5.4 upon any of the following conditions:

(i) an Event of Default has occurred under Paragraph 6.1;

(ii) a replacement Letter of Credit has not been delivered to DataCom on or before 30 days before the expiration of the Letter of Credit;
or

(iii) a draw on the Letter of Credit is permitted pursuant to Paragraph 2.7 or Paragraph 8.5.

(b) Other Conditions. The Letter of Credit shall provide (i) that DataCom may draw on such Letter of Credit in any amount up to the total amount of the Letter of Credit by providing a certificate executed by two officers of DataCom stating that DataCom is entitled to draw on the Letter of Credit pursuant to Paragraph 5.5 (a) and specifying the amount of such draw; and (ii) that draws will be in immediately available funds no later than the next three (3) Business Days following delivery of the certificate.

SECTION 6. EVENTS OF DEFAULT

6.1 EVENTS OF DEFAULT

(a) The following shall constitute Events of Default, each of which shall entitle DataCom to exercise the remedies set forth in Paragraph 6.2 hereof:

(i) Itron's failure to perform its obligations pursuant to Paragraph 2.9(a);

(ii) Itron's failure to perform its obligations pursuant to Paragraph 5.4;

(iii) Itron's sale of all or substantially all of its assets or business to, any Person, and either (A) such Person does not specifically assume all of Itron's obligations under this Agreement or (B) such Person is not acceptable to DataCom in its sole discretion;

(iv) Itron assigns this Agreement in violation of Paragraph 10.3; and

(v) The appointment of a receiver, custodian, or trustee of Itron for all or substantially all of the property of Itron; Itron makes an assignment for the benefit of creditors other than an assignment for security or collateral purposes in connection with a financing; Itron convenes a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts and thereafter is unable to obtain an agreement with such creditors for a moratorium upon or extension or composition of its debts; Itron shall have been adjudicated bankrupt or insolvent or all or substantially all of its property shall have been sequestered by an order of federal, state, foreign or other court of competent jurisdiction; there shall have been a filing of an involuntary petition against Itron seeking liquidation, reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code or under any other act or law pertaining to insolvency or debtor relief, whether state, federal or foreign, now or hereafter existing, which petition shall not be dismissed within sixty (60) days after such filing; Itron has commenced any bankruptcy, reorganization or insolvency proceeding or other proceeding under the Bankruptcy Code or under any other act or law pertaining to insolvency or debtor relief, whether federal, state or foreign, now or hereafter existing, or Itron has consented to the taking of any of the foregoing actions; or Itron voluntarily dissolves or terminates its corporate existence or is terminated or dissolved, liquidates or is liquidated.

(b) In the event that Itron breaches or fails to perform any of its covenants, agreements or obligations under this Agreement, and such breach or failure continues for a period of forty-five (45) days following Itron's receipt of written notice from DataCom of such breach or failure to perform (the "CURE PERIOD"), then for each day following such Cure Period that the breach or failure continues, DataCom shall have the option, exercisable in its sole discretion, to withhold and deduct from the next scheduled fee payment under Paragraph 5.2, an amount equal to (i) the annual fee then payable under Paragraph 5.2, divided by (ii) 365. If such breach or failure to perform continues for a period of thirty (30) days beyond the end of the Cure Period, then DataCom shall have the right, at its option, to terminate the Agreement pursuant to Paragraph 7.2, and upon such termination, DataCom may exercise any or all of the remedies in Paragraph 6.2 (in addition to any other rights and remedies it may have at law, in equity or otherwise, including those under this Agreement, the Purchase Agreement, the Escrow Agreement and the Radio Frequency Sharing Agreement). If

Itron has advised DataCom in writing that the breach or failure is not capable of being cured within the Cure Period through the exercise of Itron's reasonable best efforts, and provided that (x) Itron has commenced and is continuing to use its reasonable best efforts to cure the breach or failure, and (y) DataCom is satisfied that such reasonable best efforts will result in a timely cure, then the Cure Period shall be extended for the additional time necessary to achieve such cure.

6.2 REMEDIES FOR EVENTS OF DEFAULTS

Upon the occurrence of an Event of Default under Paragraph 6.1(a), and as permitted by Paragraph 6.1(b), DataCom shall be entitled to exercise any or all of the following remedies in addition to any other rights and remedies it may have, at law, in equity or otherwise, including those under this Agreement, the Purchase Agreement, the Escrow Agreement and the Radio Frequency Sharing Agreement:

(a) DataCom may immediately draw down all or any portion of the Letter of Credit required to be maintained at that time;

(b) DataCom may cause all items held in escrow pursuant to the Escrow Agreement to be delivered to it; and

(c) DataCom may terminate this Agreement pursuant to Paragraph 7.2 hereof.

6.3 CHANGE IN CONTROL

Upon the occurrence of a Change in Control, DataCom may cause all items held in escrow pursuant to the Escrow Agreement to be delivered to it for its use, to the extent necessary in DataCom's sole judgement, in connection with the Fixed Network.

SECTION 7. TERM AND TERMINATION

7.1 TERM

The term of this Agreement will commence on the Effective Date, unless earlier terminated as provided elsewhere in this Agreement, and will automatically terminate at the end of December 31, 2013 (the "TERM"); provided, however, that the Term shall be automatically extended for an additional two year period at the end of the Term and at the end of each subsequent two year extension period unless either (a) Itron has given DataCom written notice of its intent not to renew at least two years prior to the end of the Term or any extension period or (b) DataCom has given Itron notice of its intent not to renew at least six months prior to the end of the Term or any extension period. Each extension of Term shall be subject to a commercially reasonable adjustment

to the compensation payable under Paragraphs 5.2 and 5.3 hereof. The Term shall include each such additional extension period.

7.2 TERMINATION BY DATACOM

Without limiting any other rights or remedies (including, without limitation, any right to seek damages and other monetary relief) that DataCom may have in law or otherwise, DataCom may terminate this Agreement (a) upon the occurrence of an Event of Default, (b) as provided in Paragraph 6.1(b), or (c) at any time at its convenience upon 120 days notice to Itron. In the event of such termination for convenience, Itron shall discontinue Services hereunder in accordance with the termination notice, effective on the date of such termination, the Parties shall mutually agree on the procedures for termination and DataCom shall make payment to Itron in the amount of (i) \$1.0 million if the termination notice is given on or prior to the fifth anniversary of the Effective Date, (ii) \$500,000 if the termination notice is given after the fifth anniversary but on or prior to the tenth anniversary of the Effective Date and (iii) \$250,000 if the termination notice is given after the tenth anniversary of the Effective Date. Upon making such payment, DataCom shall receive from Itron all licenses and other rights necessary or appropriate to operate the Fixed Network and Covered Components.

7.3 TERMINATION BY ITRON

Without limiting any other rights or remedies (including, without limitation, any right to seek damages and other monetary relief) that Itron may have in law or otherwise, Itron may terminate this Agreement upon written notice if:

(a) DataCom breaches its obligations to make payments under Section 5 hereof, unless such failure to pay is covered by a bona fide, good faith dispute, provided that (i) Itron sends written notice to DataCom describing the breach, and (ii) DataCom does not cure the breach within thirty (30) days following its receipt of such notice; or

(b) There is an appointment of a receiver, custodian, or trustee of DataCom for all or substantially all of the property of DataCom; DataCom makes an assignment for the benefit of creditors other than an assignment for security or collateral purposes in connection with a financing; DataCom convenes a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts and thereafter is unable to obtain an agreement with such creditors for a moratorium upon or extension or composition of its debts; DataCom shall have been adjudicated bankrupt or insolvent or all or substantially all of its property shall have been sequestered by an order of federal, state, foreign or other court of competent jurisdiction; there shall have been a filing of an involuntary petition against DataCom seeking liquidation, reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code or under any other act or law pertaining to

insolvency or debtor relief, whether state, federal or foreign, now or hereafter existing, which petition shall not be dismissed within sixty (60) days after such filing; DataCom has commenced any bankruptcy, reorganization or insolvency proceeding or other proceeding under the Bankruptcy Code or under any other act or law pertaining to existing or DataCom has consented to the taking of any of the foregoing actions; or DataCom voluntarily dissolves or terminates its existence or is terminated or dissolved, liquidates or is liquidated.

SECTION 8. INDEMNIFICATION

8.1 OF DATACOM

Itron will indemnify, hold harmless and defend DataCom, its directors, officers, employees and agents from and against any and all losses, damages, liabilities, claims, penalties, fines and other costs and expenses, including reasonable attorneys' fees and costs of settlement ("LOSSES") that DataCom reasonably incurs arising from Itron's performance of or failure to perform any Services required to be performed by Itron under this Agreement, including, without limitation, customer claims relating to Sentry Device telephone line seizures. However, Itron will have no such obligation regarding any Losses to the extent they arise from DataCom's negligence or willful misconduct.

8.2 OF ITRON

DataCom will indemnify, hold harmless and defend Itron, its directors, officers, employees and agents from and against any and all Losses that Itron reasonably incurs from DataCom's performance or failure to perform any obligation under this Agreement. However, DataCom will have no such obligation regarding any Losses to the extent they arise from Itron's negligence or willful misconduct.

8.3 INTELLECTUAL PROPERTY INDEMNIFICATION

Itron will indemnify, hold harmless and defend DataCom, its directors, officers, employees and agents from and against all Losses that DataCom reasonably incurs in connection with any third party claim that any Covered Component, Software or Software Release provided by Itron under this Agreement infringes or misappropriates the U.S. copyright, trade secret or trademark rights of a third party ("INFRINGEMENT MATERIAL"). If the use of any Infringing Material is enjoined by a court of competent jurisdiction, Itron, shall, at Itron's option and sole cost and expense, either (a) procure for DataCom the right to continue use of the Infringing Material, (b) replace the Infringing Material with material that is substantially similar in functionality and performance, but noninfringing, (c) modify the Infringing Material to eliminate the infringement or misappropriation, or (d) terminate the enjoined activity with an appropriate reduction in

the Annual Fee; provided however, that such termination and reduction shall not excuse Itron from performance of its obligations pursuant to its Agreement. Itron will have no liability under this Paragraph for any infringement or misappropriation due to any repair, maintenance, service modification to or alteration of the Fixed Network performed by any personnel other than Itron personnel (including its employees, agents and contractors) or Itron-trained DataCom personnel (including its employees, agents and contractors) after the Effective Date which has not been approved by Itron as required by the terms of this Agreement; or (ii) any combination of the Fixed Network in whole or in part with any material or software not included in the Fixed Network which has not been installed by Itron personnel or Itron-trained DataCom personnel and which has not been approved by Itron as required by the terms of this Agreement.

8.4 PROCEDURE

In connection with any claim or action described in this Section 8, the Party seeking indemnification will (a) give the indemnifying Party prompt written notice of the claim, (b) cooperate with the indemnifying Party (at the indemnifying Party's expense) in connection with the defense and settlement of the claim, and (c) permit the indemnifying Party to control the defense and settlement of the claim, provided that the indemnifying Party must diligently defend the claim and may not settle the claim without the indemnified Party's prior written consent (which will not be unreasonably withheld or delayed). Further, the indemnified Party (at its cost) may participate in the defense and settlement of the claim.

8.5 PAYMENT OF INDEMNIFICATION CLAIMS

Losses which are indemnified against hereunder shall be paid by the Indemnifying Party within 30 days after such Party's receipt of notice of such Losses, which notice shall include such evidence as is reasonably necessary to establish the amount of the Losses and the Indemnifying Party's liability therefor. If and to the extent Itron does not pay for any indemnified Losses within such 30 day period, then, in addition to any other rights and remedies it may have at law, in equity or otherwise, including those under the Agreement, the Purchase Agreement, the Escrow Agreement and the Radio Frequency Sharing Agreement, DataCom may, at its option, (a) set off the full amount of such unpaid Losses against the next payment(s) due under Paragraphs 5.2 and/or 5.3 hereof and/or (b) draw up to the full amount of such unpaid Losses under the Letter of Credit.

SECTION 9. LIMITATION ON LIABILITY

9.1 DISCLAIMER

EXCEPT AS OTHERWISE SET FORTH HEREIN, ITRON HEREBY DISCLAIMS ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF ITRON, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ALL SERVICES, EQUIPMENT, SOFTWARE, GOODS, AND OTHER ITEMS FURNISHED BY ITRON HEREUNDER OR ANY OTHER ITEMS SUBJECT TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION: (A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; (B) ANY IMPLIED WARRANTY ARISING FROM COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE; AND (C) ANY IMPLIED WARRANTY OF NON-INFRINGEMENT.

9.2 LIMITATION ON LIABILITY

THE TOTAL CUMULATIVE LIABILITY OF ITRON WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE PERFORMANCE OF THE SERVICES (INCLUDING, WITHOUT LIMITATION, AMOUNTS DRAWN AGAINST THE LETTER OF CREDIT), SHALL IN NO CASE EXCEED \$30 MILLION, AND DATACOM HEREBY RELEASES ITRON FROM ANY LIABILITY IN EXCESS OF SUCH AMOUNT. THIS MONETARY LIMITATION SHALL SURVIVE THE FAILURE OF ANY EXCLUSIVE REMEDY.

ITRON SHALL NOT BE LIABLE, WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT

LIABILITY), OR OTHERWISE, FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE OR INCIDENTAL LOSS OR DAMAGE, LOSS BY REASON OF SERVICE INTERRUPTION, COSTS OF CAPITAL OR EXPENSES THEREOF, LOSS OF PROFITS OR REVENUES OR THE LOSS OF USE THEREOF, CLAIM OF ANY THIRD PARTY FOR LOSS CAUSED BY DELAYS IN MANUFACTURE OR OPERATION, AND DATACOM HEREBY RELEASES ITRON FROM ANY LIABILITY FOR ALL SUCH LOSSES AND DAMAGES.

THIS SECTION 9.2 SHALL NOT LIMIT OR RESTRICT THE AVAILABILITY OF SPECIFIC PERFORMANCE OR OTHER INJUNCTIVE RELIEF TO THE EXTENT OTHERWISE AVAILABLE UNDER APPLICABLE LAW.

SECTION 10. MISCELLANEOUS

10.1 EXCUSABLE DELAY

(a) Neither Party will be liable for, or be considered to be in breach of or default under this Agreement because of a Force Majeure Event.

(b) A Party affected by a Force Majeure Event shall notify the other Party promptly after becoming aware of the Force Majeure Event, giving details of the circumstances constituting the Force Majeure Event and the likely duration thereof, if reasonably known, and shall keep the other Party informed of any changes in circumstances, including when such Force Majeure Event ends. Each Party shall also notify the other Party of any events of which it is aware which may reasonably be expected, with the lapse of time or otherwise, to become a Force Majeure Event. Following the receipt of such notice, the Parties shall consult in good faith to assess the Force Majeure Event and any ways in which the same may be avoided or its effects mitigated.

(c) A Party affected by a Force Majeure Event shall use reasonable best efforts to place itself in a position to fulfill its obligations hereunder, and if unable to fulfill any obligation by reason of a Force Majeure Event such Party shall exercise all reasonable best efforts to remove such disability at the earliest practicable time.

(d) A Party's performance shall be excused only for the minimum period necessary to return to performance hereunder through the exercise of all reasonable best efforts. To the extent a Force Majeure Event prevents Itron from performing any Services, DataCom shall be relieved of the obligation to make payments for the pro rata period of time during which the Services are not performed only if Itron is not exercising all reasonable best efforts to perform the Services.

10.2 NONDISCLOSURE

Each Party will protect the Confidential Information of the other Party from misappropriation and unauthorized use or disclosure, and at a minimum, will take precautions at least as great as those taken to protect its own confidential information of a similar nature. Without limiting the foregoing, the Receiving Party will: (a) use such Confidential Information solely for the purposes for which it has been disclosed; and (b) disclose such Confidential Information only to those of its employees, agents, consultants, and others who have a need to know the same for the purpose of performing this Agreement and who are informed of and agree to a duty of nondisclosure. The Receiving Party may also disclose Confidential Information of the Disclosing Party to the extent necessary to comply with Applicable Law or legal process, provided that the Receiving Party uses reasonable efforts to give the Disclosing Party prompt advance notice thereof. Subject to the rights of DataCom under the Escrow Agreement and the Purchase Agreement, upon request of the other Party, or in any event upon any termination or expiration of the Term, each Party shall return to the other all materials, in any medium, which contain, embody, reflect or reference all or any part of any Confidential Information of the other Party.

10.3 ASSIGNMENT

Neither Party will assign all or any part of this Agreement or any of its rights under this Agreement without the prior written consent of the other Party, which may be given or withheld in such other Party's sole discretion. However (a) either Party may assign all of its rights, title, and interest in this Agreement, upon thirty (30) days' prior written notice to the other Party, to an affiliate which controls, is controlled by or is under common control with, such Party, where such successor agrees in writing to be bound by all of the provisions of this Agreement and (b) DataCom may assign all of its rights, title and interest in this Agreement with 30 days prior written notice to Itron, to a non-affiliated Party which is not a competitor of Itron. No assignment, with or without the other Party's consent, will relieve a Party from its obligations under this Agreement. Subject to the foregoing restriction on assignment, this Agreement will be fully binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and assigns.

10.4 NOTICES

Any notice or other communication under this Agreement given by either Party to the other Party shall be either (a) in writing and delivered by first class, registered, or certified U.S. mail or overnight delivery service, return receipt requested, postage prepaid, or (b) sent by telex or facsimile and then acknowledged as received by return telex or facsimile by the intended recipient. Notices shall be deemed received only upon actual receipt. Notices shall be directed to the intended recipient at the address or numbers specified below. Either Party may from time to time change such address or numbers by giving the other Party notice of such change in accordance with this paragraph.

Itron: Itron, Inc.
2818 North Sullivan Road
Spokane, Washington 99215
Attn: Chief Financial Officer
Phone: (509) 924-9900
Fax: (509) 928-1465

DataCom: DataCom Information Systems, LLC
Seven Parkway Center, Suite 440
875 Greentree Road
Pittsburgh, Pennsylvania 15220
Attn: President
Phone: (412) 937-4850
Fax: (412) 919-7546

With a copy to:

Duquesne Light Company
411 Seventh Avenue
Mail Drop 16-006
Pittsburgh, PA 15219
Attn: Legal Dept.
Fax: (412) 393-6645

10.5 WAIVER

The failure of either Party to insist upon or enforce strict performance of any of the provisions of this Agreement or to exercise any rights or remedies under this Agreement will not be a waiver to any extent of such Party's right to assert or rely upon

any such provisions, rights, or remedies in that or any other instance; rather, the same will be and remain in full force and effect.

10.6 INDEPENDENT CONTRACTOR

Each Party is engaged in an independent business and will perform its obligations under this Agreement as an independent contractor and not as an agent, partner, franchisee, or representative of any other Party. Neither Party will have any right or authority to create any obligation or make any representation or warranty in the name or on behalf of the other Party.

10.7 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

10.8 HEADINGS

The headings of sections, paragraphs, and subsections of this Agreement are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of this Agreement.

10.9 GOVERNING LAW

The laws of the Commonwealth of Pennsylvania will govern this Agreement without regard to any choice of law principles to the contrary.

10.10 ENTIRE AGREEMENT

This Agreement and the exhibits hereto constitute the entire agreement, and supersedes any and all prior agreements, between the Parties with regard to the subject matter hereof. No amendment, modification or waiver of any of the provisions of this Agreement will be valid unless set forth in a written instrument signed by the Party to be bound thereby.

10.11 DISPUTE RESOLUTION

(a) Any dispute, controversy or claim arising out of or relating to this Agreement (including all schedules and exhibits that are related to or incorporated by the Agreement) or the breach, termination or validity thereof (a "DISPUTE") shall be submitted to management of the Parties for resolution. In the event said Dispute is not resolved within fourteen (14) days, then either Party may chose to bring an action in a

court of competent jurisdiction, or the Parties may, by mutual agreement, agree to proceed with arbitration in accordance with Paragraph 10.11(b).

(b) Arbitration.

(i) Disputes may, by mutual agreement of the Parties, be referred to arbitration administered by the American Arbitration Association (the "AAA") under its Commercial Arbitration Rules then in effect (the "RULES") except as modified herein. The arbitration shall be held in Pittsburgh, Pennsylvania.

(ii) There shall be three arbitrators of whom each Party shall select one within five (5) days of respondent's receipt of claimant's demand for arbitration. The two Party-appointed arbitrators shall within five (5) days of the selection of the second arbitrator, select a third arbitrator to serve as chair of the tribunal, who shall be qualified by professional experience and education to rule upon the issue presented. If any arbitrator has not been appointed within the time limits specified herein, such appointment shall be made by the AAA upon the written request of either Party within five (5) days of such request.

(iii) The hearing shall be held no later than forty-five (45) days following the appointment of the last of the three arbitrators and the award shall be rendered no later than fifteen (15) days following the close of the hearing.

(iv) The arbitral tribunal shall permit prehearing discovery that is relevant to the subject matter of the Dispute taking into account the Parties' desire that the arbitration be conducted expeditiously and cost effectively. All discovery shall be completed within forty-five (45) days of the appointment of the third arbitrator.

(v) The award of the arbitrators shall be final and binding between the Parties, and a judgment may be entered enforcing it in any court having jurisdiction over the Parties.

(vi) Each Party shall bear its own costs of arbitration, and the costs of the arbitrators shall be divided equally between them. If a Party chooses to file an appeal, however, and does not substantially prevail on the merits of its claim, that Party shall bear all of the reasonable costs and expenses of both Parties for the appeal.

(c) Continued Performance. This Agreement and the rights and obligations of the Parties shall remain in full force and effect pending the resolution of any Dispute in any arbitration proceeding hereunder, and both Parties shall continue to perform hereunder.

10.12 CONSENT

Whenever the consent or authorization of a Party is required hereunder, such consent or authorization shall not be unreasonably withheld or delayed, unless specifically provided otherwise herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their duly authorized representatives as of the Effective Date with the intent to be legally bound.

ITRON:
ITRON, INC.

DATAKOM:
DATAKOM INFORMATION SYSTEMS, LLC

By: -----
LeRoy D. Nosbaum
President and Chief Executive
Officer

By: -----
Edmund P. Finamore
President

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