



REDFLEX
TRAFFIC SYSTEMS

MAKING A **SAFER** WORLD.

March 7, 2013

Ashley Osborne
Sergeant
Redwood City Police Department
1301 Maple Street
Redwood City, CA 94062

Dear Sergeant Osborne:

As you may be aware, Redflex has been conducting an internal investigation, in connection with our red-light-camera contract in Chicago and other matters. The internal investigation addressed concerns that several former employees violated our own code of conduct, legal requirements and the standards that all our customers deserve. As a valued customer of Redflex, I wanted to provide you with additional information about the now-concluded investigation and advise you of the corrective actions we have taken designed to prevent such conduct in the future.

Redflex intends to be a constructive force in our industry, promoting ethical and compliance-centered practices. We have set – and will meet – high ethical standards as indicated by our comprehensive compliance and training program and we will encourage communities to evaluate our competitors by that same measure, making it a central part of the procurement and evaluation process.

Redflex Corrective Actions

First, the individuals who engaged in inappropriate conduct – our former CEO, former Executive Vice President for Business Development, former General Counsel and former Chief Financial Officer – are no longer with the company.

The company engaged in a four-month investigation conducted by the Sidley Austin law firm. During the investigation, Redflex provided complete access to its people and records and directed that the inquiry run in any direction the evidence suggested. The law firm concluded its Chicago investigation and other investigative activities are expected to conclude over the coming weeks.

Second, we are implementing a comprehensive compliance and training program to ensure that we conduct business in a way that meets the highest ethical standards. A detailed description of the remediation actions is available on request. Information can also be found on our website under a new section identified as the Compliance Corner.

The key elements of the program include:

New Position: The appointment of Kim Tomena to a new position as Director of Compliance. Ms. Tomena's role is focused on ensuring Redflex employees are in compliance with our Anti-bribery/Anti-Corruption Policies and Procedures. She will report directly to the Audit Committee of our Board of Directors', which is made up of independent directors;



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New Training: An enhanced program to train all employees on compliance policies on a regular basis;

New Tracking Software: New processes on the approval of gifts, hospitality and expenses as well as membership in TRACE International, an association that provides compliance solutions and software that will enable us to track observance of our policies; and

Hotline and Compliance Email: A whistleblower program, including a 24-hour hotline and dedicated email address, compliance@redflex.com, enabling employees, customers and others, to report suspicions of illegal or unethical behavior on an anonymous basis and an assurance that those reports will be investigated.

These elements were developed from recommendations made by Sidley Austin and other well-respected advisors.

Moving Forward

When this investigation started I pledged to do everything within my power to regain the trust of the Chicago community and that of all our clients. For the last six months I've been serving as the CEO for Redflex Holdings, the parent company of our U.S. operations, and as of March 1st, 2013 I have also assumed the position of CEO for Redflex Traffic Systems, Inc. I'm taking on the role of CEO because I am committed to helping to rebuild the trust that we've lost. If you have any questions about our Chicago situation, our corrective actions, or any other aspect of our relationship, please contact me directly at rdevincenzi@redflex.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert T. DeVincenzi", with a stylized flourish at the end.

Robert T. DeVincenzi
President and CEO of Redflex Holdings Limited
CEO Redflex Traffic Systems, Inc.