

Redflex Holdings Limited

LTI Performance Rights Plan Rules

Table of contents

1.	Introduction	2
2.	Definitions and interpretation	3
3.	Invitation to participate	8
4.	Application and allocation of Performance Rights	9
5.	Performance Rights and Shares	10
6.	Restrictions on hedging and Dealing	11
7.	Vesting of Performance Rights	12
8.	Exercise of the Performance Rights	14
9.	Expiry	16
10.	Adjustment of Performance Rights on capital reorganisation	16
11.	Calculations and fractional entitlements	17
12.	Administration of the Plan	17
13.	Amendment, suspension and termination	18
14.	Compliance with law, Corporations Act and Listing Rules	19
15.	General rights and obligations under the Plan	20
16.	General provisions	22
17.	United States Provisions	24
	Annexure 1	26
	Participation Letter	26
	Annexure 2	33
	Exercise Notice	33
	Annexure 3	34
	US Investor Certificate	34
	Redflex Holdings Limited	34

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LTI Performance Rights Plan Rules

Recitals

- A The Company has established this Plan to enable Eligible Persons to share in the ownership of the Group in order to:
- (a) promote the long-term success of the Group;
 - (b) provide a strategic, value based reward for Eligible Persons who make a key contribution to that success;
 - (c) align Eligible Person's interests with the interests of the Company's shareholders; and
 - (d) promote the retention of Eligible Persons.
- B Performance Rights issues under this Plan are subject to these Rules.

Operative provisions

1. Introduction

Commencement and term of Plan

- 1.1 This Plan commences forthwith and will continue until terminated by the Board.

Advice

- 1.2 There are legal and tax consequences associated with participation in the Plan. Eligible Persons and Participants must ensure that they understand these consequences before submitting an Application.
- 1.3 Each person who completes and returns an Application to the Company acknowledges and agrees that each Group Company and its officers and employees make no representation or warranty concerning the financial consequences or benefits, or taxation consequences, of participating in the Plan.
- 1.4 Participants are advised that any advice given by a Group Company and its officers, employees and representatives is general advice only. Participants should consider obtaining their own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission to give such advice.

Inconsistency

- 1.5 To the extent of any inconsistency between this Plan, any Participation Letter and any Application:
- (a) a Participation Letter takes priority over this Plan unless a provision of this Plan is expressed to be incapable of modification;

- (b) a Participation Letter takes priority over any Application;
- (c) this Plan takes priority over any Application; and
- (d) any modifications to the terms of any Application as issued by the Company are not binding on the Company unless the Company expressly agrees to those modifications in writing.

2. Definitions and interpretation

Definitions

- 2.1 In these Rules, unless the contrary intention appears, the following terms have the meanings given below:

Application means an application for one or more Performance Rights which has been completed by an Eligible Person in accordance with Rule 4.1.

ASX means ASX Limited (ACN 008 624 691) or the securities market which it operates, as the case may be.

ASX Listing Rules means the official listing rules of the ASX, as amended or replaced from time to time, as they apply to the Company to the extent any express written waiver by the ASX is applicable.

Bad Leaver means any Relevant Person who ceases to be Engaged and is not a Good Leaver.

Board means all or some of the directors of the Company acting as a board, a duly constituted committee of the Board or a delegate of the Board.

Business Day means a day that is not a Saturday, Sunday, a public holiday or bank holiday in either of Melbourne, Australia.

Company means Redflex Holdings Limited (ACN 069 306 216).

Constitution means the constitution of the Company from time to time.

Controller has the meaning given in section 9 of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

A Change of Control Event occurs:

- (a) when a Takeover Bid is made for the Shares which results in the bidder acquiring a Relevant Interest (as defined in the Corporations Act) in at least 50% of the Shares; or
- (b) either:
 - (i) pursuant to an application made by the Company to the court under section 411 of the Corporations Act, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company and that resolution is passed by the requisite majorities; or
 - (ii) the Company passes a resolution for a selective capital reduction or other transaction is initiated,

which has a similar effect to a Takeover Bid made for the Shares which will result in a person (and its Related Bodies Corporate) being registered as the holder of more than 50% of the Shares.

Deal when used in relation to an item of property or a right or obligation, includes sell, offer for sale, transfer, assign or grant or allow to exist any Encumbrance, trust, option or other right in relation to the whole or any part of the item of property, right or obligation (as applicable), and **Dealt with** and **Dealing** have a corresponding meaning.

Eligible Person means any person who is an employee, officer, consultant or director of any Group Company and who is an eligible participant for the purposes of ASIC Class Order 14/1000, or other person approved by the Board.

Encumbrance means any interest which provides security for, or protects against default by, a person for the payment of money or satisfaction of a debt or liability or the performance of obligations, including a mortgage, lien, charge, bill of sale, deposit, pledge, hypothecation, trust, power, preferential right, interest or arrangement, restrictive or positive covenant or any agreement or arrangement to create or grant such an interest or right, or to allow any of them to exist.

Engagement means:

- (a) employment by any Group Company; or
- (b) engagement as a director or contractor of any Group Company,

and **Engaged** has a corresponding meaning.

Exercise means the act of exercising the right attached to a Performance Right to require the issue, transfer or allocation of a Share to the holder of the Performance Right pursuant to Rule 8.

Exercise Notice means a notice that a Performance Right is Exercised, completed in accordance with Rule 8.6.

Exercise Price means, in relation to a Performance Right, the amount (if any) payable by the Performance Rights Holder on the Exercise of that Performance Right, as determined pursuant to Rules 8.7 and 10.

Expiry means, in relation to a Performance Right, the point in time at which that Performance Right can no longer be Exercised (including if the Exercise Period ends), as determined under Rule 9 and **Expire** has a corresponding meaning.

Expiry Date means, in relation to a Performance Right, the date on which that Performance Right lapses and ceases to be exercisable, being the date specified in the relevant Participation Letter or determined pursuant to these Rules.

Good Leaver means any Relevant Person who ceases Engagement:

- (a) because of death (except for death which arises as a result of the Relevant Person's criminal act or intentional self-harm); or
- (b) because of sickness, disability or incapacity (other than sickness, disability or incapacity which arises as a result of the Relevant Person's criminal act or intentional self-harm) which renders the Relevant Person incapable of continued full time Engagement in his or her current position with any Group Company; or

- (c) because the Group Company by which he or she is Engaged ceases to be a Group Company; or
- (d) because the business or part of any business of any Group Company by which he or she is Engaged is transferred to a person other than any Group Company and the Relevant Person transfers their Engagement to that other person with the consent of the Company; or
- (e) otherwise in circumstances where the Board agrees that the Relevant Person is to be treated as a Good Leaver for the purposes of this Plan.

Government Agency means any government, governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity and includes any other person authorised by law to give consents, or impose requirements.

Group means the Company and the Company's Subsidiaries, from time to time.

Group Company means any entity which forms part of the Group.

Insolvency Event means, in respect of the Company:

- (a) except for the purpose of a solvent reconstruction or amalgamation:
 - (i) process is filed in a court seeking an order that it be wound up or that a Controller be appointed to it or any of its assets, unless the application is withdrawn, struck out or dismissed within 14 days of it being filed;
 - (ii) an order is made that it be wound up or that a Controller be appointed to it or any of its assets; or
 - (iii) a resolution that it be wound up is passed;
- (b) a liquidator, provisional liquidator, controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertaking;
- (c) an administrator is appointed to it, a resolution that an administrator be appointed to it is passed or proposed, or any other steps are taken to appoint an administrator to it;
- (d) it is insolvent within the meaning of section 95A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or it is presumed to be insolvent under any applicable law;
- (e) anything having a substantially similar effect to any of the events specified in paragraphs (a) to (d) (each inclusive) happens to it under the law of any jurisdiction.

Issue Price means, in respect of a Performance Right, the price (if any) determined in accordance with Rule 4.4.

ITAA 1997 means the *Income Tax Assessment Act 1997* (Cth).

Listed means admitted to the official list of a Stock Exchange.

Listing Rules means the listing rules of any Stock Exchange on which the Company is Listed, including the ASX Listing Rules.

Participant means, subject to Rule 15.7:

- (a) an Eligible Person who has been issued a Participation Letter and has returned a corresponding Application to the Company which has been accepted by the Company pursuant to Rule 4.5; and
- (b) to the extent the content requires, a Performance Rights Holder who holds Performance Rights on behalf of, at the nomination of, or by transfer from, an Eligible Person who has been issued a Participation Letter and has returned a corresponding Application to the Company which has been accepted by the Company pursuant to Rule 4.5.

Participation Letter means an invitation to an Eligible Person to apply for Performance Rights pursuant to Rule 3.2 and in relation to a Performance Right, means the Participation Letter pursuant to which the relevant Participant was invited to apply for that Performance Right.

Performance-based Vesting Condition means a Vesting Condition based on the achievement of a Performance Target.

Performance Right means a performance right issued pursuant to this Plan.

Performance Rights Holder means a person who is registered as the holder of a Performance Right in the register of the Company.

Performance Target means an objective, target or status which must be achieved or maintained in order to satisfy a Performance-based Vesting Condition, as set out in the relevant Participation Letter.

Plan means the Redflex Holdings Limited LTI Performance Rights Plan, the rules of which are set out in this document.

Related Body Corporate has the meaning given to it in the Corporations Act.

Relevant Person, in respect of a Performance Right and a Participant, means:

- (a) the person specified as the Relevant Person in the relevant Participation Letter; or
- (b) if not person is specified pursuant to paragraph (a), the Eligible Person to whom the Participation Letter in respect of that Performance Right was originally issued.

Rules means these Plan rules as amended from time to time and **Rule** means a numbered paragraph of these Plan rules.

Scheme of Arrangement means a scheme of arrangement constituted under Part 5.1 of the Corporations Act.

Service-based Vesting Condition means a Vesting Condition based on the period of Engagement of the Participant by a Group Company or the continued Engagement of the Participant by a Group Company.

Share means a fully paid ordinary share in the capital of the Company.

Share Price Vesting Condition means a Vesting Condition based on the Share price of the Company.

Share Trading Policy means the share trading policy of the Company (as amended from time to time) which governs the trading in securities in any Group Company (or financial products such as Performance Rights, warrants, futures or other financial products issued over or in respect of securities in any Group Company) by any Participant or Eligible Person.

Stock Exchange means any stock exchange or securities market on which any part of the share capital of the Company is quoted.

Subsidiary has the same meaning given to it in Division 6 of Part 1.2 of the Corporations Act.

Takeover Bid has the meaning given in section 9 of the Corporations Act.

Taxes means a tax, levy, charge, impost, deduction, withholding or duty of any nature (including stamp and transaction duty) imposed or levied by any Government Agency or required to be remitted to, or collected, withheld or assessed by, any Government Agency, together with any related interest, penalty, fine, expense or other charge on those amounts.

Unvested Performance Right means a Performance Right which is not a Vested Performance Right.

Vested Performance Right means a Performance Right which is a Vested Performance Right pursuant to Rule 7.3.

Vesting Condition means, in relation to a Performance Right, a condition which must be satisfied or waived before that Performance Right becomes a Vested Performance Right, as set out in the relevant Participation Letter.

Interpretation

2.2 In these Rules, unless the context otherwise requires:

- (a) terms defined in the Corporations Act and, while the Company is Listed, the Listing Rules, have the same meaning in these Rules;
- (b) words importing:
 - (i) the singular include the plural and vice versa; and
 - (ii) any gender includes the other genders;
- (c) if a word or phrase is defined, cognate words and phrases have corresponding definitions;
- (d) a reference to:
 - (i) a person includes any, individual, firm, association, body corporate, partnership, joint venture, trust and government or statutory body, agency or authority;
 - (ii) a person includes its legal personal representatives, executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
 - (iii) a law includes any statute, ordinance, code, legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, regulations, by-law or other subordinate legislation or statutory instrument and is a reference to that law as amended, consolidated, supplemented, re-enacted or replaced;
 - (iv) a right includes a benefit, remedy, discretion, authority or power;

- (v) an agreement includes any undertaking, representation, deed, agreement or legally enforceable arrangement or understanding whether written or not;
 - (vi) a Rule or annexure is a reference to a Rule of or annexure to this Plan and a reference to this Plan includes any annexure;
 - (vii) "dollars", "\$" or "A\$" is a reference to the lawful currency of Australia;
 - (viii) time is a reference to time in Melbourne, Australia;
 - (ix) this or any other document includes the document as amended, consolidated, supplemented, novated, varied or replaced, notwithstanding any change in the identity of the parties; and
 - (x) anything (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them;
- (e) the words "**includes**" or "**including**", "**for example**" or "**such as**" when introducing a list of items do not exclude a reference to other items, whether of the same class or genus or not;
 - (f) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day; and
 - (g) if a period starts from, after or before a day or the day of an act or event, it excludes that day.

2.3 Headings are for convenience only and do not affect the interpretation of these Rules.

2.4 This Plan is a plan to which Subdivision 83A-C of the ITAA 1997 applies (subject to the conditions in that Act).

3. Invitation to participate

Introduction

3.1 The Company may, from time to time, invite any Eligible Person to participate in the Plan.

Participation Letter

3.2 If the Company chooses to invite an Eligible Person to participate in the Plan, the Company must issue the Eligible Person with a Participation Letter.

Contents of Participation Letter

3.3 A Participation Letter must:

- (a) be in writing and substantially in the form of **Annexure 1**, with such amendments as the Board determines; and
- (b) set out the particulars of the Eligible Person's proposed participation in the Plan including, in relation to the Performance Rights which would be issued to the Eligible Person in accordance with the Participation Letter:
 - (i) the number of Performance Rights;
 - (ii) any Issue Price(s);

- (iii) the Expiry Date(s);
 - (iv) any Exercise Price(s); and
 - (v) any Vesting Conditions; and
 - (c) set out the time and date by which the Eligible Person must return the Participation Letter as a completed Application.
- 3.4 Inadvertent non-compliance with Rules 3.2 and 3.3 does not invalidate a Participation Letter, or an Eligible Person's participation in the Plan.

Power to revoke Participation Letters

- 3.5 The Company may revoke a Participation Letter it has issued at any time until the Company formally accepts an Application in respect of the Participation Letter under Rule 4.5.
- 3.6 A Participation Letter is not an offer which is capable of acceptance and an Eligible Person is:
- (a) not entitled to be granted any Performance Rights until; and
 - (b) only able to participate in the Plan once,
- the requirements of Rules 4.1, 4.2 and 4.5 are satisfied.

Company's discretion

- 3.7 Subject to Rules 3.1, the Company may determine in its discretion:
- (a) whether to invite any person to participate in the Plan;
 - (b) whether to revoke any Participation Letter or invitation made to any person to participate in the Plan;
 - (c) the timing of any Participation Letter; and
 - (d) the terms of any person's proposed participation in the Plan including the number and terms of Performance Rights to be granted under the Plan.
- 3.8 Eligible Persons may be invited to participate in the Plan on different terms.
- 3.9 An Eligible Person may be issued with more than one Participation Letter, in which case each Participation Letter may contain different terms.

4. Application and allocation of Performance Rights

Application for Performance Rights

- 4.1 Once an Eligible Person has received a Participation Letter, the Eligible Person may apply to be issued with the Performance Rights detailed in the Participation Letter by:
- (a) validly signing the Application attached to the Participation Letter (in the form set out in **Annexure 1** with such amendments as are agreed to by the Board) and returning it to the Company;
 - (b) paying to the Company the Issue Price (if any) for each Performance Right applied for by the Eligible Person under the relevant Participation Letter; and

- (c) if required by the Constitution, signing any other documents necessary to enable the issue of the Performance Rights to the Eligible Person and delivering them to the Company,

(together referred to as an **Application**).

Time limit to submit Applications

- 4.2 Subject to Rule 4.3, an Eligible Person must submit an Application pursuant to Rule 4.1 within 14 days of the date of the relevant Participation Letter or the Application will not be valid.
- 4.3 The Company may extend or shorten the time for submission of an Application beyond the period referred to in Rule 4.2 and accept an Application after that period has elapsed.

Issue Price

- 4.4 The Issue Price of a Performance Right is the price determined by the Board from time to time and described in the relevant Participation Letter, and may be nil.

Acceptance of Applications

- 4.5 Once an Eligible Person has complied with Rule 4.1, the Company may accept the Application by issuing, or procuring the transfer of, the Performance Rights detailed in the relevant Participation Letter to the Eligible Person.

Lapse of Applications

- 4.6 An Application lapses if it is not accepted in accordance with Rule 4.5 within 28 days of its receipt by the Company, unless the Company determines otherwise.

Allocation of Performance Rights and participation in Plan

- 4.7 If the Company accepts an Application in accordance with Rule 4.5:
 - (a) the Company must issue to the Eligible Person the Performance Rights referred to in the Application by the Eligible Person; and
 - (b) the Eligible Person will be entitled to participate in the Plan as a Participant.

5. Performance Rights and Shares

Rights attaching to Performance Rights

- 5.1 Subject to Rule 10, each Performance Right entitles the Participant to subscribe for, and be issued with the number of Shares set out in the Participation Letter in respect of that Performance Right provided:
 - (a) the Performance Right is a Vested Performance Right; and
 - (b) the Participant Exercises the Performance Right prior to the Expiry Date (or such later date determined by the Company), in accordance with these Rules and the relevant Participation Letter.

Rights of Shares

- 5.2 A Share issued on the Exercise of a Performance Right will:

- (a) rank equally, on and from its date of issue, in all respects with any Shares of the same class which are then on issue; and
- (b) be subject to these Rules, the relevant Participation Letter and the Constitution.

Participation rights

- 5.3 Performance Rights confer no right to participate in, and a Participant is not entitled to participate in, any new issue of Shares to existing holders of Shares in the capital of the Company, unless a Performance Right is Exercised and the Participant is registered as a holder of Shares, and then only to the extent that the registered holder of those Shares would otherwise be entitled to participate as a member of the Company.

Participants' obligations

- 5.4 Any holder of Performance Rights issued under this Plan are bound by the Constitution, these Rules and the relevant Participation Letter.

Quotation of Performance Rights and Shares

- 5.5 Performance Rights will not be quoted on the ASX or any other securities exchange unless the Company determines otherwise.

6. Restrictions on hedging and Dealing

Restrictions on hedging

- 6.1 Subject to Rule 6.2, Participants must not enter into any schemes, arrangements or transactions, including hedging arrangements, that hedge or protect the value of Performance Rights allocated under the Plan or Shares which will be issued, transferred or allocated on Exercise of Performance Rights.
- 6.2 Rule 6.1 does not apply to Vested Performance Rights provided that the details of that scheme, arrangement or transaction are fully disclosed to the Company.

Restrictions on Dealing

- 6.3 A Participant must not Deal with any Performance Right or any right or obligation under this Plan (including appointing a nominee to hold the Performance Rights) unless the following conditions are satisfied:
- (a) the Dealing has the prior written consent of the Company;
 - (b) the Dealing does not otherwise contravene the Constitution, these Rules and the relevant Participation Letter; and
 - (c) the Dealing complies with the Share Trading Policy.

General requirements for Dealing

- 6.4 Any Dealing with a Performance Right or any right or obligation under this Plan must be undertaken in a form and manner approved by the Company.

Void Dealings

- 6.5 If any Dealing with a Performance Right or any right or obligation under this Plan, or any scheme, arrangement or transaction, breaches this Rule 6:

- (a) unless the Company determines otherwise, it will be treated as void as against the Company, the members of the Company and any Participant; and
 - (b) the Company may cancel, on terms determined by the Company, some or all of the Performance Rights of the Participant that has breached this Rule 6, which may include cancelling those Performance Rights for nil consideration.
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7. Vesting of Performance Rights

Vesting Conditions

- 7.1 A Performance Right may be subject to Vesting Conditions as determined by the Company.
- 7.2 Vesting Conditions may be:
- (a) a Service-based Vesting Condition;
 - (b) a Performance-based Vesting Condition;
 - (c) a Share Price Vesting Condition; and/or
 - (d) based on any other matter determined by the Company.

Vested Performance Rights

- 7.3 A Performance Right is a Vested Performance Right if:
- (a) it is not subject to any Vesting Conditions; or
 - (b) it is no longer subject to any unsatisfied Vesting Conditions; or
 - (c) all Vesting Conditions in respect of the Performance Right have been satisfied or waived by the Company pursuant to these Rules.

Vesting Conditions satisfied at the discretion of the Company

- 7.4 Notwithstanding any other provision of this Plan, the Company may:
- (a) waive any Vesting Condition; and
 - (b) determine that any of the following is satisfied notwithstanding that they may not be:
 - (i) a Performance Target;
 - (ii) a Performance-based Vesting Condition;
 - (iii) a Service-based Vesting Condition; and/or
 - (iv) a Share Price Vesting Condition.
- 7.5 A waiver of a Vesting Condition under Rule 7.4(a) or determination under Rule 7.4(b) may be expressed to be effective from the time the relevant Participant or Relevant Person ceases to be Engaged, notwithstanding that the waiver or determination may not occur until after that time.

Satisfaction of Service-based Vesting Condition

- 7.6 Unless otherwise specified in the relevant Participation Letter, a Service-based Vesting Condition is satisfied if:

- (a) the Relevant Person is Engaged by a Group Company on a continuous basis until the date specified in the relevant Participation Letter; or
- (b) the Relevant Person completes the number of years continuous Engagement (allowing for any leave to which the Relevant Person is entitled) as specified in the relevant Participation Letter; or
- (c) the Company determines that the Service-based Vesting Condition is to be treated as satisfied notwithstanding that it may not have been.

7.7 For the purpose of Rule 7.6:

- (a) Engagement may be with one or more Group Companies and need not be continuously with any particular Group Company, provided that the Participant is at all relevant times Engaged by at least one Group Company; and
- (b) any approved leave taken by a Participant will be treated as forming part of that Participant's period of Engagement.

Satisfaction of Performance-based Vesting Condition

7.8 A Performance-based Vesting Condition is satisfied if, and only if:

- (a) the relevant Performance Target is achieved, as determined by the Company; or
- (b) the Company determines that the Performance-based Vesting Condition is to be treated as satisfied notwithstanding that it may not have been.

Satisfaction of Share Price Vesting Condition

7.9 A Share Price Vesting Condition is satisfied if, and only if:

- (a) the relevant requirement set out in the Participation Letter is achieved; or
- (b) the Company determines that the Share Price Vesting Condition is to be treated as satisfied notwithstanding that it may not have been.

Vesting of Unvested Performance Rights on Change of Control or Good Leaver

7.10 Subject to the terms of the relevant Participation Letter, if a Change of Control Event occurs or the Relevant Person is a Good Leaver:

- (a) all Vesting Conditions in respect of the Performance Rights will be deemed to be satisfied; and
- (b) all Unvested Performance Rights will automatically become Vested Performance Rights.

Clawback

7.11 Notwithstanding that:

- (a) a Relevant Person may have been considered to be a Good Leaver at the time the Relevant Person ceased to be Engaged; or
- (b) the Company may have waived any Vesting Condition; or
- (c) the Company may have determined that a Vesting Condition was satisfied,

if:

- (d) it is later discovered that a Relevant Person was, in reality, not a Good Leaver at the time the person ceased to be Engaged; or
 - (e) the Relevant Person later ceases to be a Good Leaver; or
 - (f) the Relevant Person could have been treated as a Bad Leaver; or
 - (g) it is later discovered that a Vesting Condition was not, in fact, satisfied,
- then the Board may determine that:
- (h) all or some of the Performance Rights held by a Participant Expire and are incapable of being Exercised; and
 - (i) the Participant must, or must procure that any relevant third party, immediately on request by the Company:
 - (i) transfers any or all Shares issued upon the exercise of a Performance Right, as determined by the Board, on terms, and to a person, determined by the Company (which may include transferring them for nil consideration); and
 - (ii) pays the Company any:
 - (A) proceeds received from the sale of any Shares issued upon the exercise of Performance Rights; and
 - (B) any distributions or dividends paid on Shares issued upon the exercise of Performance Rights,as a debt due to the Company.

8. Exercise of the Performance Rights

Exercise

- 8.1 Vested Performance Rights may be Exercised at any time prior to their Expiry or, at any time the Company determines.
- 8.2 The Exercise of a Vested Performance Right is conditional upon:
 - (a) the Performance Rights Holder complying with Rules 8.4 and 8.6; and
 - (b) the Performance Rights Holder first executing a consent to become a member of the Company in a form acceptable to the Company.

Unvested Performance Rights not to be Exercised

- 8.3 Notwithstanding any other provision of this Plan, Unvested Performance Rights may not be Exercised under any circumstance.

Exercise subject to Share Trading Policy

- 8.4 A Participant must not Exercise any Performance Right unless the Exercise of that Performance Right complies with the Share Trading Policy.

Expired Performance Rights not to be Exercised

8.5 Notwithstanding any other provision of this Plan, no Performance Right may be Exercised after it has Expired.

Manner of Exercise

8.6 Subject to Rule 8.3 and 8.5 and the relevant Participation Letter, a Performance Rights Holder may Exercise any of its Vested Performance Rights by:

- (a) delivering to the Company:
 - (i) a written notice substantially in the form of **Annexure 2** (or in such other form approved by the Company) duly completed and executed by the Performance Rights Holder;
 - (ii) the certificate(s) for those Performance Rights (if any has been issued); and
- (b) paying the Company the Exercise Price (if any) in respect of the Performance Rights as required by Rules 8.7 and 8.8,

each prior to the Expiry of the Performance Right.

Exercise Price

8.7 Subject to any adjustment under Rule 10, the Exercise Price of a Performance Right is the price (if any) determined by the Company from time to time and set out in the relevant Participation Letter.

Payment of Exercise Price

8.8 The Exercise Price of a Performance Right must be paid to the Company, or to a third party at the direction of the Company, by:

- (a) cheque;
- (b) electronic funds transfer to a bank account nominated by the Company; or
- (c) in any other manner approved by the Company.

Issue of Shares on Exercise

8.9 If a Performance Right is Exercised in accordance with Rule 8.6, the Company must issue to the Performance Rights Holder the number of Shares which the Performance Right entitles the Performance Rights Holder to subscribe for.

Procedures for issue of Shares

8.10 The Company may adopt procedures for the issue of Shares on the Exercise of a Performance Right which may (amongst other things) specify times, intervals or periods at or during which the Company will issue Shares on the Exercise of a Performance Right.

8.11 Each Participant acknowledges and agrees that:

- (a) there will be some delay between the date that a Participant Exercises any Performance Right and the time that Participant is registered as the holder of Share resulting from the Exercise of that Performance Right; and

- (b) neither the Company, nor any of its officers, employees, advisers, representatives, nor any other person, will have any liability in connection with any change in value of Shares between the time a Participant Exercises a Performance Right and is registered as the holder of Shares and able to Deal with those Shares.

9. Expiry

Expiry

- 9.1 A Performance Right (whether vested or unvested) Expires on the earlier of:
- (a) **(Expiry Date)** 5.00pm (local time in Melbourne, Australia) on the Expiry Date applicable to that Performance Right;
 - (b) **(Bad Leaver - Ceasing to be Engaged)** where the Relevant Person is a Bad Leaver, 5 Business Days after the Relevant Person ceased to be Engaged;
 - (c) **(Change of Control – all Performance Rights)** the earlier of:
 - (i) 5 Business Days after the occurrence of a Change of Control Event; and
 - (ii) if the Board determines that it expects a Change of Control Event to occur, the date determined by the Board (in which case the Company must give Participants notice that the Board has determined Performance Rights will expire under this rule at least 5 Business Days' prior to the determined date for expiry); and
 - (d) **(Insolvency Event)** immediately on the Company suffering an Insolvency Event, unless otherwise determined by the Company.

Effect of Expiry

- 9.2 All rights and obligations attaching to a Performance Right cease to be of any force or effect once the Performance Right Expires.

Leave of absence

- 9.3 Leaves of absence approved by the Company will not be construed as a termination or cessation of Engagement if the underlying relationship of employment or officeholding remains during that absence.

10. Adjustment of Performance Rights on capital reorganisation

Reconstructions

- 10.1 ASX Listing Rule 7.22 applies to Performance Rights.
- 10.2 The Company may alter the rights of any Performance Rights Holder to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation of the share capital of the Company.

Adjustment on pro rata issue or bonus issue

- 10.3 ASX Listing Rules 6.22.3 but not ASX Listing Rule 6.22.2 applies to Performance Rights unless the relevant Participation Letter states otherwise.

11. Calculations and fractional entitlements

Application and calculation

- 11.1 The Company may make any decisions on adjustments or rounding of fractional entitlements or Performance Rights which it considers necessary or desirable in connection with Rule 10 or another provision of these Rules.

Fractional Shares

- 11.2 Where any provision of these Rules or a Participation Letter would result in the issue, transfer or allocation of a fractional number of Shares that provision is to be construed so that the number is to be rounded down to the nearest whole number, unless expressly stated otherwise or determined by the Company.

Calculations binding

- 11.3 The decisions of the Board or the Company respectively as to all calculations made by them under these Rules are final, conclusive and binding on the Participant and any person with any interest in any Performance Rights.

12. Administration of the Plan

Administration by the Company

- 12.1 The Plan will be administered by the Company in accordance with these Rules.
- 12.2 The Company may make further provisions for the operation of the Plan which are consistent with these Rules.

Company and Board powers

- 12.3 Subject to the general purpose, terms and conditions of this Plan, the Company and Board will have full power and authority to implement and carry out this Plan including the power and authority to:
- (a) delegate some or all of the administration of the Plan to any person or persons or committee or sub-committee, for any period and on any terms and conditions it decides, to exercise any of its powers or discretions under the Plan;
 - (b) decide on appropriate procedures for administering the Plan, including the forms and notices to be issued under the Plan;
 - (c) construe, interpret and resolve all questions of fact or interpretation concerning the Plan and these Rules and any dispute of any kind that arises under the Plan;
 - (d) amend (in accordance with Rule 13), add to or waive any provision of the Plan (including this Rule) in relation to any or all Participants;
 - (e) correct any defect, supply any omission or reconcile any inconsistency in this Plan;
 - (f) determine that any decision made, or permission given, under the Plan, is subject to further conditions decided by the Company; and
 - (g) make all other administrative determinations which the Board considers necessary or desirable for the administration of this Plan.

Company and Board's discretion

- 12.4 Subject to the express requirements of these Rules, including Rule 3.1, the Company and the Board each have absolute and unfettered discretion:
- (a) to act or refrain from acting under these Rules or concerning the Plan; and
 - (b) in exercising any power or discretion concerning the Plan or any rights under the Plan.

Limit on powers, discretions and obligations

- 12.5 Any power or discretion which is conferred on the Company or the Board respectively by these Rules must be exercised in the interests, or for the benefit, of the Company. The Company and the Board are not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.

Decisions final and conclusive

- 12.6 The decisions of the Company and Board respectively as to the interpretation, effect or application of these Rules and all determinations made by the Company or Board under these Rules are final, conclusive and binding the Participants, Performance Rights Holders and any person with any interest in any Performance Rights.

Documents

- 12.7 The Company may from time to time require a Participant to complete and return any documents that are required by law to be completed by the Participant and any other documents which the Company considers should, for legal or taxation reasons, be completed by the Participant.

Foreign government requirements and sub-plans

- 12.8 The Company may take any action consistent with the terms of this Plan, either before or after a Performance Right has been granted, which the Company deems necessary or advisable to comply with any laws or regulatory requirements of a foreign country, including but not limited to, modifying or amending the terms and conditions governing any Performance Rights, or establishing any local country plans as sub-plans to this Plan. In addition, under all circumstances, the Company may make amendments to this Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

13. Amendment, suspension and termination

Amendment of the Rules

- 13.1 Subject to Rules 13.2 and 13.5, the Board may, by written instrument amend, vary, add to, delete or modify all or any of the provisions of these Rules, including this Rule 13.

Limitation on amendment

- 13.2 No amendment of the provisions of these Rules may materially reduce the rights or increase the obligations of any Participant in respect of their Performance Rights held at the date of the amendment, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to any present or future applicable law (including State, Territory or Commonwealth legal requirements) applicable to this Plan or the Performance Rights;
 - (b) to take into consideration possible adverse Tax implications in respect of this Plan arising from, amongst others, adverse Tax rulings, changes to Tax legislation (including an official announcement) and/or changes in the interpretation of Tax law by a court of competent jurisdiction;
 - (c) to correct any manifest error or mistake;
 - (d) to enable contributions or other amounts paid by any Group Company to qualify as income tax deductions for that Group Company or any other Group Company; or
 - (e) to enable any Group Company to comply with the Corporations Act, the Listing Rules and the constituent document of a Group Company.
- 13.3 Subject to Rule 14.2, in respect of Performance Rights which have already been issued as at the date of any alteration proposed to be made under Rule 13.1, the Company may not make any alteration which would be materially prejudicial to the rights of the Participant without the agreement of the relevant Participant.
- 13.4 As soon as reasonably practicable after making any amendment under this Rule, the Company must give notice in writing of that amendment to any Participant and any Group Company affected by the amendment.

Listing Rules

- 13.5 If the Company is Listed, no amendment may be made to the Plan except in accordance with, and in the manner (if any) stipulated by, the Listing Rules.

Amendments may be retrospective

- 13.6 Subject to the provisions of this Rule 13, any amendment made pursuant to Rule 13.1 may be given retrospective effect.

Suspension and termination

- 13.7 Subject to Rule 13.8, the Company may suspend the operation of the Plan or terminate the Plan.
- 13.8 The suspension or termination of the Plan must not prejudice the existing rights of Participants except as permitted pursuant to Rule 13.2.

14. Compliance with law, Corporations Act and Listing Rules

Compliance with law, Corporations Act and Listing Rules

- 14.1 Notwithstanding any other provision of these Rules or any term or condition of the participation of any Participant in the Plan, the Company must not issue a Performance Right under the Plan, and no Performance Right may be transferred or otherwise Dealt with unless:
- (a) all necessary approvals from any Government Agency in respect of the issue, transfer or Dealing have been obtained; and

- (b) the issue, transfer or Dealing complies with the Constitution, all applicable laws, regulations and rules that may govern the Company including the Corporations Act and, while the Company is Listed, the Listing Rules.

Listing Rules to take precedence

14.2 While the Company is Listed, the following applies:

- (a) notwithstanding anything contained in this Plan, if the Listing Rules prohibit an act being done, the act must not be done;
- (b) nothing contained in this Plan prevents an act being done that the Listing Rules require to be done;
- (c) if the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);
- (d) if the Listing Rules require this Plan to contain a provision and it does not contain such a provision, this Plan is deemed to contain that provision;
- (e) if the Listing Rules require this Plan not to contain a provision and it contains such a provision, this Plan is deemed not to contain that provision; and
- (f) if any provision of this Plan is or becomes inconsistent with the Listing Rules, this Plan is deemed not to contain that provision to the extent of the inconsistency.

The Company may amend, vary, add to, delete or modify all or any of the provisions of these Rules in any way it considers necessary to give effect to this Rule 14.2.

Termination Benefits

14.3 This Rule 14.3 applies to any benefit which may be required to be provided by any entity within the Group (**Benefit**). This Rule 14.3 applies notwithstanding, and overrides, any other provision of this Plan and any agreement, understanding, policy, plan, scheme or arrangement (**Arrangement**). Notwithstanding any Arrangement, no person will be entitled to any Benefit in connection with any person's cessation of Engagement, if the giving of the Benefit would give rise to a breach of Part 2D.2 of the Corporations Act, any other provision of the Corporations Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such Benefits (**Limiting Legislation**). If any Limiting Legislation limits the amount of the Benefit, or the amount of the Benefit that may be given without obtaining shareholder approval, the Benefit is capped at that amount and no further Benefit is required to be provided to the relevant person. The Group may reduce any Benefit in such manner as it determines appropriate to ensure compliance with Limiting Legislation and so that shareholder approval does not need to be obtained. No entity in the Group is required to seek or obtain the approval of its shareholders for the purpose of overcoming any limitation or restriction imposed by any Limiting Legislation.

15. General rights and obligations under the Plan

Participants' rights

15.1 Except as expressly provided in these Rules, nothing in these Rules:

- (a) confers on any person any expectation to become a Participant;

- (b) confers on any person the right to be invited to apply for, to be offered, or to receive, any Performance Rights;
- (c) confers on any Participant the right to continue as an employee, officer or contractor of any Group Company (as the case may be);
- (d) affects an Eligible Person's terms of Engagement with any Group Company;
- (e) affects any rights which any Group Company may have to terminate the Engagement of any Participant;
- (f) may be used to increase damages in any action brought against any Group Company in respect of any termination of Engagement;
- (g) confers on an Eligible Person or a Participant person any rights to compensation or damages in consequence of the termination of their Engagement with a Group Company for any reason whatsoever including ceasing to have rights under the Plan as a result of such termination; or
- (h) confers on any Participant the right to assign his or her actual or prospective rights under the Plan, or any Performance Rights, to any person without the consent of the Company.

Relevant Persons' and Participants' acknowledgments

- 15.2 By accepting an invitation to participate in the Plan and submitting an Application to the Company, the Participant acknowledges that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, suspended or terminated by the Company at any time, as provided in the Plan;
 - (b) participation in the Plan is voluntary and occasional and does not create any contractual or other right to future participation in the Plan, or benefits in lieu of participation in the Plan, even if participation is offered repeatedly;
 - (c) all decisions with respect to future participation in the Plan, if any, will be at the sole discretion of the Company;
 - (d) the Participant's participation in the Plan will not create a right to further employment with his or her employer;
 - (e) Performance Rights and Shares acquired pursuant to the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to any Group Company or the Participant's employer, and which are outside the scope of the Participant's employment contract, if any;
 - (f) the future value of the underlying Shares is unknown and cannot be predicted with certainty and the Shares may increase or decrease in value, even below the Exercise Price; and
 - (g) the Participant will have no entitlement to compensation or damages as a result of any loss or diminution in value of Shares or any other rights acquired pursuant to the Plan, including, without limitation, as a result of the termination of the Participant's employment by any Group Company or other affiliate for any reason whatsoever and whether or not in breach of contract, and, upon commencing participation in the Plan,

the Participant will be deemed irrevocably to have waived any such entitlement as might arise.

Rights on cessation of Engagement

- 15.3 No person, whether a Participant or otherwise, has any claim, right or interest in respect of this Plan or other property, whether against any Group Company or any other person, as a consequence of cessation of that person's Engagement or otherwise, except in accordance with these Rules.
- 15.4 Without limiting Rules 15.1 to 15.3, participation in the Plan does not form part of the Participant's remuneration for the purposes of determining payments in lieu of a notice of termination of Engagement, severance payments, leave entitlements, or any other compensation payable to a Participant upon the cessation of Engagement.

Other benefits scheme calculations

- 15.5 No payment under the Plan will be taken into account in determining any benefits under any pension, retirement, savings, profit-sharing, group insurance, welfare or benefit plan of any Group Company.

Participation in other schemes

- 15.6 Participation in the Plan does not affect, and is not affected by, participation in any other incentive or other scheme of a Group Company unless the terms of that incentive or scheme provide otherwise.

Cessation of membership

- 15.7 A person ceases to be a Participant when all rights and obligations which the Participant is entitled to, or subject to, under the Plan have been satisfied or discharged in accordance with these Rules.

16. General provisions

Power of attorney

- 16.1 In consideration of the issue of the Performance Rights, each Participant irrevocably appoints each current director and current secretary, from time to time, of the Company as his or her attorney, to do all acts and things and to complete and execute any documents, including Share and Performance Right transfers, in his or her name and on his or her behalf that may be convenient or necessary for the purpose of giving effect to the provisions of these Rules and any relevant Participation Letter.
- 16.2 A Participant (or after his or her death, his or her legal personal representative) will be deemed to ratify and confirm any act or thing done under Rule 16.1 and to indemnify the attorney in respect of doing so.

Notices

- 16.3 The address for the delivery, transmission and postage of notices to a Participant is the address of the Participant indicated on the Participation Letter or such other address as the Participant may notify to the Company in writing from time to time.

Expenses

- 16.4 Except as provided in these Rules, the Company will meet the ongoing administration expenses of the Plan.

Taxes

- 16.5 The Company is not responsible for any Taxes which may become payable by a Participant in connection with the issue or transfer of Performance Rights, the issue, transfer or allocation of Shares, or any other Dealing by a Participant with such Performance Rights or Shares including the payment of any cash amount. Relevant Persons and Participants are solely responsible for all such amounts.
- 16.6 Notwithstanding any other Rule, if the Company is required to make or deemed to make a payment to a Participant under these Rules, the Company may deduct or withhold any amount in respect of Taxes payable as a result of the payment (including by withholding Performance Rights or Shares and selling them to raise the necessary funds at any price reasonably obtainable by the Company).

Severability

- 16.7 If the whole or any part of a provision of this Plan, any Participation Letter, any Application or the terms of any Performance Right is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remaining provisions have full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This Rule has no effect if the severance alters the basic nature of this Plan, any Participation Letter, any Application or any Performance Right, or is contrary to public policy.

Entire agreement

- 16.8 This Plan any Participation Letter and any Application constitute the entire agreement between the Company and the relevant Participant about their subject matter.

Discretion in exercising rights

- 16.9 The Company and Board may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this Plan expressly states otherwise.

Partial exercise of rights

- 16.10 If the Company does not exercise a right or remedy fully or at a given time, the Company may still exercise it later.

No liability for loss

- 16.11 The Company is not liable for costs or loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this Plan.

Variation and waiver

- 16.12 A provision of this Plan, any Participation Letter or any Application, or a right created under any of them, may not be waived or varied except in writing, signed by the party or parties to be bound.

Construction

- 16.13 No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this Plan any Participation Letter any Application or any part of it.

Governing law

- 16.14 These Rules are governed by and are to be construed in accordance with the laws of the State of Victoria, Australia. Each of the Company, each Participant, each Relevant Person and each Performance Rights Holder submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

17. United States Provisions

Application

This Rule 17 applies to an Eligible Person who is subject to tax in the United States (and only applies to any such person), and prevails over the remainder of these Rules in the event of any inconsistency.

US Securities Law Restrictions

- 17.1 Neither the Performance Right nor the Shares have been registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in a transaction registered or exempt from registration under the US Securities Act and any applicable US state securities laws.
- 17.2 In connection with the receipt of Performance Rights, a Participant resident in the United States must complete a US Investor Certificate, substantially in the form set out in Annexure 3, relating to certain US securities law matters.

Vesting and Settlement of Performance Rights

- 17.3 Upon the vesting of a Performance Right, such right shall be deemed exercised by the Participant, and the Company must issue the Participant the number of Shares to which the Participant is eligible to receive as soon as practical after the vesting date, but no later than March 15 of the calendar year immediately following the calendar year in which the Performance Right vested.
- 17.4 If a Participant ceases employment with his or her employer for any reason, the Participant shall forfeit any Unvested Performance Rights. Notwithstanding the foregoing, the Company in its sole discretion may accelerate the vesting of any Unvested Performance Rights in accordance with the terms of this Plan, provided that the settlement of such Performance Rights shall be made in accordance with Rule 17.3 above.

Tax Withholdings

- 17.5 Shares allocated to a Participant in accordance with these Rules will be subject to U.S. federal and state tax withholdings as required by law.

Payment of Cash Awards

- 17.6 The Board may determine in its absolute discretion that instead of allocating Shares to a Participant upon the vesting of Performance Rights, a cash payment will be made to the Participant within 2 months of the vesting date equal to the total market value of the Shares on the vesting date for those Performance Rights subject to U.S. federal and state tax

withholdings as required by law, and the Company will immediately notify the Participant accordingly.

Tax Authority

- 17.7 In the event a Group Company is required to withhold any tax related items as a result of the grant or vesting of Performance Rights or the subsequent issue or sale of Shares or receipt of dividends, the Participant:
- (a) agrees to make payment arrangements which are satisfactory to the Group Company to enable it to satisfy all withholding requirements;
 - (b) authorises the Group Company to withhold all applicable tax related items from the Participant's wages or other cash compensation paid by the Group Company or from the proceeds of the sale of Shares. Alternatively, or in addition, if permissible under local law, a Group Company may:
 - (i) sell or arrange for the sale of Shares that the Participant acquires to meet the withholding obligations for tax related items; and
 - (ii) withhold the equivalent value in Shares provided that only the minimum number of Shares necessary to satisfy the minimum withholding amount are withheld; and
 - (iii) agrees to pay the Group Company any amount of the tax related items that are not satisfied by the means described above.

Tax Amendments

- 17.8 The Company reserves the right to the extent the Company deems necessary or advisable in its sole discretion to unilaterally amend or modify the Plan and Participation Letter to ensure that all Performance Rights granted to U.S. taxpayers are either exempt from or comply with Section 409A of the U.S. Internal Revenue Code of 1986 (**Code**); however, the Company makes no representations that such awards of Performance Rights will be exempt from or otherwise comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the awards of Performance Rights. No Group Company, nor any Group Company directors, officers, employees or advisers shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant may owe as a result of participation in the Plan, and no Group Company shall have any obligation to indemnify or otherwise protect any Participant from the obligation to pay any taxes pursuant to Code Section 409A or otherwise.

Governing Law

- 17.9 The laws of Arizona govern this Rule 17.

Annexure 1

Participation Letter

The following is an example of the form of Participation Letter. It needs to be customised as appropriate to cover the relevant circumstances.

<<insert date>>

<<insert name of Participant>>

<<insert address of Participant>>

Dear <<insert name>>

Redflex Holdings Limited – Invitation to Participate in its Performance Right Plan

The Board of Redflex Holdings Limited (ACN 069 306 216) (the **Company**) is pleased to formally invite you to participate in its Performance Right Plan (**Plan**).

The Company has established the Plan to allow people such as you to participate in the long-term success of the Company's business by giving those persons the opportunity to share in the ownership of the Company. This Plan offers select, high-achieving and loyal staff a generous opportunity to share in the Company's growth and profits alongside the Company's shareholders.

Key Features of the Plan

The Plan offers Eligible Persons (**Participants**) ownership of Performance Rights that may be converted into Shares. These Performance Rights are Exercisable and convertible into Shares in the future upon the satisfaction of certain Vesting Conditions (listed below), in accordance with the Plan Rules (**Rules**).

Capitalised terms used in this letter have the meaning given in the Rules unless the contrary intention appears.

Particulars of the Invitation

The particulars of this invitation to you are set out below:

Feature	Particulars
Relevant Person for the Purposes of the Plan	You.
Number of Performance Rights Offered to You (Rule 3.3)	<<insert>> Performance Rights
Average 90, 180 and 360 day VWAP for Redflex Shares	<<insert>>
Issue Price per Performance Right (Rule 4.4)	<<Nil >>
Proposed Grant Date	<<insert>>

Feature	Particulars
Exercise Price per Performance Right (Rules 8.7 and 10)	<<Nil >>
Vesting Conditions:	
• Service-based Vesting Conditions (Rule 7.6)	<<insert quantities of Performance Rights and vesting dates>>
• Performance-based Vesting Conditions (Rule 7.8)	<<Nil or insert>>
• Share Price Vesting Condition (Rule 7.9)	<<Nil or insert>>
• Other Vesting Conditions	<<Nil or insert>>
Expiry Date (Rule 9.1(a))	<<insert>> Performance Rights may Expire earlier than this in certain situations, such as where the Relevant Person ceases to be Engaged by the Company (see Rule 9.1) and below.
Restrictions on Dealing and Hedging	Performance Rights cannot be Dealt with and are not transferrable otherwise than in accordance with Rule 6.
Other Amendments to Rules	<<insert, or say nil>>

Rules

A copy of the current Rules is enclosed. You should refer to them as they contain important information concerning the Plan.

Australian Taxation <<Delete if not applicable>>

The following summary is generally applicable to you assuming you are an Australian resident who is granted Performance Rights by the Company under the Plan.

It assumes you hold any Shares acquired on exercise of the Performance Rights on capital account (which typically will be the case if you are not a trader or otherwise carry on a business of investing in Shares). It also assumes:

- (a) you are an employee of the Company or a wholly owned subsidiary; and
- (b) immediately after the acquisition of the Performance Rights you (together with your associates) do not hold a beneficial interest in more than 10% of aggregate of all the Shares in the company and you (together with your associates) are not in a position to cast, or control the casting of, more than 10% of the maximum number of votes that might be cast at a general meeting of the Company. For the purposes of these tests, you must take into account the shares you could acquire by exercising any rights to acquire shares in the Company. If this 10% threshold is exceeded, you will be taxed on the value of the Performance Rights at the time of grant, rather than at the deferred taxing point as discussed below.

1. General

Division 83A of the *Income Tax Assessment Act 1997* (Cth) contains specific rules governing the taxation of Shares and Rights (called ESS interests) acquired by employees under employee share schemes (ESS). The general rule is that ESS interests (such as the Performance Rights) will be subject to tax at the time of grant unless the ESS interest meets the conditions for tax deferral. Once the ESS interest has been subject to tax under the ESS rules (at the time of grant or, where relevant, the later time of deferral) any subsequent gains may be subject to tax under the capital gains provisions in Part 3-1 and Part 3-3 of the 1997 Act.

2. Taxing point for Performance Rights

You should be subject to tax on the Performance Rights at the time you acquire them, unless the Performance Rights meet the conditions for tax deferral. The Performance Rights should qualify for tax deferral provided that when you acquire them either:

- (a) the Plan genuinely restricts you from immediately disposing of the Performance Rights; or
- (b) the Performance Rights are subject to a "real risk of forfeiture".

The real risk of forfeiture test requires that:

- (a) there must be a real risk that, under the conditions of the Plan, the Participant will forfeit the Performance Rights or lose them (other than by disposing of them, the Performance Rights vesting or letting them lapse); or
- (b) there must be a real risk that, under the conditions of the Plan, if the Performance Rights vest, the Participant will forfeit the underlying Shares (other than by disposing of them).

Whether or not the Performance Rights are subject to a real risk of forfeiture is a question of fact and may depend on your personal circumstances. With that said, the Australian Taxation Office (ATO) has indicated that there will be a real risk of forfeiture where the minimum term of employment is at least six months and the maximum deferral is no more than three years; or where the minimum term of employment is at least 12 months.

Assuming the conditions set out above are met, you should be eligible for tax deferral until the deferred taxing point. The deferred taxing point for the Performance Rights will be the earliest of the following:

- (a) when there is no real risk of forfeiting the Performance Right and the scheme no longer genuinely restricts the disposal of Performance Right;

- (b) when the Performance Right is exercised and there is no real risk of forfeiting the resulting Share and there is no genuine restriction on the disposal of the resulting Share;
- (c) when your employment within the Company group ceases; and
- (d) fifteen years after you acquired the Performance Right.

Based on the terms of the Plan, assuming you remain as currently employed (or with an appropriate group entity), you should generally be subject to tax on the Performance Rights when you exercise them and Shares are issued (assuming that you are permitted to then sell the resulting Shares at that time e.g. the Share Trading Policy does not apply). If you are not permitted to sell the resulting Shares at the time you exercise your Performance Rights, you will be subject to tax at the first time you are permitted to sell the resulting Shares, whether or not you choose to do so,

If you cease employment prior to exercise and the Performance Rights expire or are forfeited, you should be treated as having never acquired the forfeited Performance Rights in which case, no amount will be included in your assessable income. If you cease employment prior to exercise and you are allowed to retain any Performance Rights, those Performance Rights will generally be subject to tax at the date you cease employment.

If you dispose of your Performance Rights or resulting Shares within 30 days of the original deferred taxing point, the deferred taxing point for the Performance Rights will be pushed back to the time of sale.

3. The taxable amount

You must include the market value of the Performance Rights or underlying Shares, in your assessable income at the deferred taxing point (as determined above). The market value should be determined according to ordinary principles. If you sell Shares acquired upon exercise of your Performance Rights within 30 days of the original deferred taxing point in an arm's length transaction, the market value should be the sales proceeds. If the Shares are sold in a transaction that is not arm's length, the market value must be determined (and used). In addition to income taxes, the taxable amount may also be subject to Medicare Levy as well as the Temporary Budget Repair Levy on taxable income over \$180,000.

4. Capital gains tax on subsequent sale

If you sell the Shares acquired upon exercise of your Performance Rights within 30 days of the original deferred taxing point, no amount will be assessed under the capital gains tax (CGT) provisions in Part 3-1 and Part 3-3 of the 1997 Act (the amount will be taxable as set out in section 1.3 above)

If you sell the Shares acquired upon exercise of your Performance Rights more than 30 days after the original deferred taxing point), any gain will be assessed under the CGT provisions. The gain is determined by reference to the amount by which the sales proceeds exceed the cost base of the Shares sold, assuming that the sale of Shares occurs in an arm's-length transaction. The cost base of the Shares will generally include the market value of the Performance Rights or shares, as relevant, at the deferred taxing point plus the exercise price (if any, if you exercise your Performance Rights after the deferred taxing point) and any incremental costs incurred in connection with the sale (e.g., brokers fees).

The amount of any capital gain realised must be included in your assessable income for the income year in which the Shares are sold. However, if you hold the Shares for at least one year prior to selling (excluding the date you acquired and sold the Shares), you may be able to apply a discount to the amount of capital gain that you are required to include in your assessable income. If this discount is available, you may calculate the amount of capital gain to be included in your assessable income by

first subtracting all available capital losses from their capital gains and then multiplying each capital gain by the discount percentage of 50%.

You, rather than the Company, are responsible for reporting any capital gain realised from the sale of Shares and paying any applicable taxes due on such income.

If your sales proceeds are lower than your cost base in the Shares sold (assuming the sale occurred in an arm's-length transaction), you may realise a capital loss. Capital losses may be used to offset capital gains realised in the current tax year or in any subsequent tax year, but may not be used to offset other types of income (e.g., salary or wage income).

5. Tax withholding and reporting

You are responsible for reporting on your income tax return and paying any tax liability in connection with your participation in the Plan (including income arising at the deferred taxing point, any gains realised on sale of the Shares and dividends paid on the Shares).

The Company will be required to pay withholding tax in respect of the taxable amount only if you have not provided your Tax File Number to the Company by the end of the income year in which the deferred taxing point occurs. In the unusual event that you have not provided this information, the Company is required to pay withholding tax based on the highest marginal tax rate plus Medicare Levy as well as the Temporary Budget Repair Levy on taxable income over \$180,000. The Company is entitled to recover any such withholding tax from you, including by offsetting amounts owing to you.

The Company will provide you (no later than 14 July after the end of the income year) and the Commissioner of Taxation (no later than 14 August after the end of the income year) with a statement containing certain information after the end of the income year in which the taxing point occurs, including the discount given in respect of the Performance Rights or underlying Shares, as relevant, at the deferred taxing point. However, if you sell your Shares acquired upon exercise of your Performance Rights within 30 days of the deferred taxing point and the Company is not aware of the sale, the amount to be included in their assessable income may be different to the amount reported by the Company.

United States Taxation <<Delete if not applicable>>

<<Your Performance Rights will be subject to the terms and conditions of Section 17 of the Plan, including the vesting, deemed exercise and settlement of your Performance Rights.>>

The following summary is generally applicable to you assuming you are subject to tax in the United States and are granted Performance Rights by the Company under the Plan.

U.S. federal and state income tax and social insurance charges (the "tax-related items") will apply with respect to the vesting and deemed exercise of your Performance Rights. The amount subject to tax-related items will be based on the value of the shares at such time. State income tax and social insurance charges may vary from state to state and from time to time. The Company (or, if different, your employer) is required to withhold and report on the tax-related items at the time of the vesting and deemed exercise of your Performance Rights. At such time, the Company (or, if different, your employer) may sell, or arrange for the sale of Shares necessary to satisfy the tax-related items and provide you with the net amount of Shares following such withholdings. Alternatively, such amounts may be withheld from your wages at the time of vesting and deemed exercise of your Performance Rights.

If you are issued Shares in settlement of Performance Rights, then upon sale of those Shares any subsequent gain or loss will be taxed as a capital gain or loss (long-term or short-term depending on how long the Shares have been held).

United States Securities <<Delete if not applicable>>

Attached is a US Investor Certificate for completion and return related to U.S. securities aspects.

Further Advice

You are advised that any advice given by the Company, its Related Bodies Corporate and their respective officers, employees and representatives is general advice only and does not take account of your particular objectives, financial situation and needs. You should consider obtaining your own financial product advice from a person who is licensed by the Australian Securities and Investments Commission to give such advice. There are risks of acquiring and holding Performance Rights and Shares. You can from time to time ascertain the market price of Shares by checking it on ASX.

The taxation consequences of participation in the Plan may differ among different persons. The Company, its Related Bodies Corporate, and their respective officers, employees and representatives make no representation concerning the financial benefit or taxation consequences of participating in the Plan.

Application for Performance Rights

If you would like to participate in this Plan you must sign the enclosed Application where indicated and return it to <<insert>> by <<insert date>> (**Acceptance Period**).

Obtaining further Information

If you have any questions concerning this letter or the Plan you should contact <<insert appropriate contact>>.

We hope you will join us in this opportunity.

Yours sincerely,

<<insert details of signatory>>
Redflex Holdings Limited

**APPLICATION FOR PARTICIPATION IN THE REDFLEX HOLDINGS LIMITED
PERFORMANCE RIGHT PLAN**

1. I confirm I have been given a copy of:
 - (a) the accompanying Participation Letter from Redflex Holdings Limited (the **Company**) to me; and
 - (b) the Company's Performance Right Plan Rules (**Plan**),
2. I covenant with the Company, each other Group Company and the parties to the Plan (whether original or by accession) to observe, perform and be bound by all terms of the Plan and the Participation Letter.
3. I agree to:
 - (a) accept the number of Performance Rights that are allotted by the Company to me in accordance with the terms of the Plan;
 - (b) be bound by and abide by the terms of the Plan, the Participation Letter, the Constitution and any Share Trading Policy of the Company; and
 - (c) have my name and address placed on the register of Performance Rights Holders of the Company, register of members of the Company and any other applicable statutory register.
4. I consent to the use and disclosure of my personal information for purposes related to, or required by, the Plan by the Company.
5. Capitalised terms used in this Application have the meaning given in the Plan.

.....
Name of Eligible Person

.....
Signature of Eligible Person

.....
Date

Annexure 2

Exercise Notice

To: The Company Secretary
Redflex Holdings Limited

From: <<specify name of Participant>>

Redflex Holdings Limited – Performance Right Plan

I refer to the Redflex Holdings Limited Performance Right Plan (**Plan**) and the letter to me inviting me to apply for Performance Rights under the Plan (**Participation Letter**).

Terms defined in the Plan and Participation Letter have the same meaning in this Notice.

Pursuant to Rule 8.6 of the Plan and the Participation Letter, I hereby notify the Company that I Exercise <<insert number>> of Performance Rights as detailed in the Participation Letter.

I consent to becoming a member of the Company and agree to be bound by the terms of its Constitution.

[Insert the following only if applicable] [I <<enclose a cheque for \$<<insert>>/have deposited \$<<insert>> into the Company's bank account>> by way of payment of the Exercise Price for each of the Performance Rights.]

.....
Name of Eligible Person

.....
Signature of Eligible Person

.....
Date

Annexure 3

US Investor Certificate

Redflex Holdings Limited

Investor Certificate for U.S. Employees

The undersigned makes this certificate in connection with his/her receipt of Performance Rights to acquire ordinary shares (the **Shares**) of Redflex Holdings Limited, an Australian corporation (the **Company**), pursuant to the terms and conditions of the Company's LTI Performance Rights Plan.

The undersigned certifies that he/she:

1. is acquiring the Performance Rights, and may acquire the Shares, for his/her own account with the present intention of holding these securities for the purpose of investment and not with the intention of selling these securities in a public distribution in violation of the U.S. federal securities laws or any applicable state securities laws.
2. understands that:
 - (a) the Performance Rights and the Shares have not been registered under the U.S. Securities Act of 1933 (**Securities Act**) or the securities laws of any U.S. state; and
 - (b) any Shares acquired upon exercise of the Performance Rights cannot be transferred or sold unless they are (i) registered under the Securities Act; (ii) sold or transferred in a transaction exempt from registration under the Securities Act or (iii) sold outside the United States in compliance with Regulation S under the Securities Act, including in regular way transactions on the Australian Securities Exchange if neither he/she nor any person acting on his/her behalf knows that the sale has been prearranged with a person in the United States.
3. confirms that he/she:
 - (a) is knowledgeable in relation to the business of the Company and capable of evaluating the merits and risks of an investment in the Shares, including income tax consequences of acquiring and disposing of the Shares;
 - (b) has been afforded access to information about the Performance Rights, the Shares and the Company, including publicly available information that can be obtained from the Australian Securities Exchange's website (www.asx.com.au);
 - (c) understands that any purchase of the Shares involves a degree of risk; and
 - (d) is able to bear the economic risk of any investment in the Shares.
4. understands that the Shares will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act and, for so long as they remain restricted securities, such Shares may not be deposited in any unrestricted American Depositary Receipt facility of the Company.

Name of Investor: _____

Signature: _____

Date: _____