

ASX ANNOUNCEMENT

2 August 2017

Redflex Holdings Limited | ABN 96 069 306 216

Redflex 

Group Chief Executive Officer Transition

Redflex Holdings Limited (**ASX:RDF**) (**Company**) today announces the resignation of Mr Paul Clark as Group Chief Executive Officer. The Company is also pleased to announce the appointment of Mr Mark J. Talbot as the new Group Chief Executive Officer of the Company. Mr Talbot's employment will commence on 21 August 2017.

Mr Talbot comes to the Company from CONDUENT (formed through a divestiture from Xerox Corporation) where in May 2017 he was named the General Manager of State and Local Solutions. Prior to this role, Mr Talbot spent nine years in Xerox's Transportation Sector segment rising to Group President Americas managing a portfolio of transportation related businesses before becoming Global Sales Leader for the entire Transportation Solutions Group with annual revenue in excess of US\$850 million. Mr Talbot has extensive experience in product development, sales and strategy in the Intelligent Transportation Services market and has operated effectively throughout the major markets in the world. Mark holds a Bachelor of Science from Catholic University of America and a Masters of Business Administration from the University of Maryland.

Mr Talbot will be commencing in the role of Group Chief Executive Officer following the resignation of Mr Clark.

Mr Clark was appointed as a non-executive director of the Company in April 2014 and at the request of the Board he transitioned to become the Group Chief Executive Officer in September 2014.

Mr Clark said:

"Over the last three years, with the help of an outstanding team, we've driven a significant change agenda including new people, a new culture and new processes and systems. Redflex is now positioned for the future, and consistent with the plan agreed to with the Board, it is time for new leadership and for me to move onto my next challenge."

Mr Clark will also be resigning as a director of the Company and all group companies of which he is currently a director effective 21 August 2017. Mr Clark will remain employed by the Company to assist in the handover process until 5 September 2017. Following this, unless the Company and Mr Clark agree that a further period of employment is required, the remaining portion of Mr Clark's 6 month notice period will be paid in lieu of service. The Board has also determined that Mr Clark's 494,560 earned but unvested performance rights will immediately vest on termination of his employment.

Mr Adam Gray, Chairman, commented:

"On behalf of the entire Board, the Company and all associates, I wish to sincerely thank Paul for his hard work and dedication to the Company. He has contributed greatly to reshaping the Company and we wish him well in his future plans. The Board and I are extremely pleased to welcome Mark to the Redflex Group. Mark brings distinguished qualifications and extensive ITS market experience to the global team and we look forward to him leading the Company in its next phase of market expansion and growth."

Mr Talbot will divide his time between the Redflex facilities in Phoenix, Arizona and Melbourne, Australia.

A summary of the material terms of Mr Talbot's employment agreement are set out in the Annexure to this ASX Announcement.

About Redflex

The Redflex Group has established itself as a world leader in traffic enforcement products and services, developing leading enforcement camera technology and owning and operating one of the largest networks of

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digital speed and red-light cameras in the world. Redflex develops and manufactures a wide range of digital photo enforcement solutions including red light camera, speed camera and school bus stop arm camera systems, all utilising the most advanced sensor and image capture technologies.

The Redflex Group runs its own systems engineering operations, system integration technologies and innovation centre for research and development. With our continuous development of new safety products, the Redflex Group has been helping to reduce collisions and to save lives for more than 20 years.

Redflex Holdings Limited was listed on the Australian Securities Exchange in January 1997.

For further information:

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Annexure

Position

Mr Talbot is employed by Redflex Traffic Systems, Inc. (RTSI) in the position of Group Chief Executive Officer of the Company and its related bodies corporate from time to time (together, the **Group**).

Term

The term of Mr Talbot's employment is not fixed. RTSI may terminate Mr Talbot's employment on one month's notice or by making a payment in lieu of notice equivalent to one month's pay. Summary termination of Mr Talbot's employment is permitted for various reasons including serious misconduct.

Mr Talbot may terminate his employment by giving one month's prior notice to RTSI.

Remuneration

Mr Talbot is entitled to be paid an annual base salary of US\$435,000 (**Base Pay**), plus employment benefits (including health care, disability insurance and 401K contributions). The Board may increase the Base Pay at its discretion. Mr Talbot is also entitled to reimbursement of all reasonable business expenses directly related to RTSI, the Company or the Group.

Should Mr Talbot be terminated without cause, he is entitled (subject to any restrictions imposed by applicable law) to a severance package that consists of:

- continued salary payments equivalent to twelve months of his then-current Base Pay;
- continued payments of his health insurance premiums for a period of 18 months following termination (if he elects to continue the relevant insurance coverage); and
- continued payment of any employee benefits received at the date of termination for a period of 18 months.

Mr Talbot is subject to a 12 month non-compete restraint and a 24 month non-solicit restraint on termination of his employment. Should Mr Talbot and RTSI mutually agree to reduce the period of the non-compete restraint, the continued salary payment and the continued payments of his employee benefits will be reduced by a proportionate amount.

Mr Talbot is also entitled to a relocation reimbursement benefit of up to US\$150,000 (as long as he remains employed by RTSI for at least one year following such relocation).

Short Term Incentives

Mr Talbot may be entitled to Short Term Incentives (**STIs**) as follows.

STIs will be assessed annually against key performance indicators (**KPIs**), with an entitlement of 40% of Base Pay for achieving such objectives, and a maximum entitlement of 60% of Base Pay for out-performance. Any STIs earned will be calculated and payable in \$US.

The weighting of KPIs for the purposes of determining STIs will be assessed annually by the Board on a scale between zero and the maximum payable:

- 85% related to achievement of certain financial metrics set by the Board of the Company; and



- 15% related to individual performance objectives.

The STI outcomes are expected to be determined on or about 1 October each year after consideration of the financial year results and individual performance for the previous year ending 30 June. STIs earned (if any) will be paid on or before March 15th of the calendar year following the calendar year in which the financial year is completed.

The first STI assessment will occur with respect to the financial year ending 30 June 2018, and Mr Talbot will be entitled to a minimum STI payment of US\$120,000 for this first year only.

Long Term Incentives – Performance Rights

Mr Talbot may be entitled to Long Term Incentives (LTIs) as follows.

On the commencement date of his employment, RTSI will procure the Company to grant Mr Talbot 1,597,523 performance rights.

Each performance right will entitle Mr Talbot to be issued one fully paid ordinary share in the Company (**Share**) on vesting for nil consideration and will be granted in accordance with, and subject to, the terms of the Company's CEO Long Term Incentive Plan Rules, which incorporates the terms of the Company's Long Term Incentive Performance Rights Plan Rules (**Rules**). A full copy of the Rules is contained on the Company's website.

The performance rights will vest in three equal tranches over three years from the date of commencement of Mr Talbot's employment, with each tranche vesting on the anniversary date of the commencement of his employment provided that the vesting of each tranche will be subject to Mr Talbot continuing to be engaged by a member of the Group at all times from the commencement of his employment up to and including the relevant vesting date.

Performance rights will be deemed to be exercised upon vesting, following which the Company will apply for the Shares issued on exercise of that performance right to be admitted for quotation on the Official List of the Australian Securities Exchange. Should Mr Talbot be terminated without cause, all performance rights issued to him will vest on termination, subject to any restrictions imposed by applicable law. Any Shares so issued will be subject to a 12 month holding lock.

Equity Grant – Options

On the commencement date of his employment, RTSI will procure the Company to grant to Mr Talbot 2,218,195 options (**Options**) to subscribe for 2,218,195 ordinary shares in the Company in aggregate (**Shares**).

Each Option will entitle Mr Talbot to acquire one Share in the Company on exercise.

The key terms of the Options are as follows:

Exercise Period

- The Options will vest in 48 effectively equal tranches over 48 months. The first tranche will vest six calendar months from the date of commencement of Mr Talbot's employment, with each tranche vesting on a monthly basis thereafter until each tranche has vested, provided that the vesting of each tranche will be subject to Mr Talbot continuing to be the Chief Executive Officer of the Company at all times from the commencement of his employment up to and including the relevant vesting date, and not be serving at the relevant vesting date a period of notice in relation to the termination of his employment.
- Each Option will expire on the date which is five years after the relevant vesting date of that Option (assuming that the Options have not otherwise expired or lapsed).



- On termination of Mr Talbot’s employment, all unvested Options issued to Mr Talbot will immediately lapse.

Exercise Price

- The exercise price of each Option will be A\$0.5086, being the volume-weighted average price of Shares on the Australian Securities Exchange over the twenty trading days prior to the date of this announcement.

Quotation of Options and Shares

- The Options will not be listed for quotation on the Australian Securities Exchange or any other exchange.
- As soon as reasonably practicable following the exercise of an Option, the Company will apply for the Shares issued on exercise of that Option to be admitted for quotation on the Official List of the Australian Securities Exchange. Any Shares so issued will be subject to a 12 month holding lock.