

**SECOND AMENDMENT TO AGREEMENT BETWEEN THE CITY OF ENCINITAS
AND REDFLEX TRAFFIC SYSTEMS, INC. (CALIFORNIA) FOR
PHOTO RED LIGHT ENFORCEMENT PROGRAM**

This Agreement ("Agreement") is made and entered into this 8TH day of February, 2011. This amendment is made and entered into by and between Redflex Traffic Systems, Inc., a California corporation with offices at 6076 Bristol Parkway, Culver City, California 90230 ("Redflex"), and the City of Encinitas, a municipal corporation, with offices at 505 S. Vulcan Avenue, Encinitas, California (the "Customer").

WHEREAS, Redflex and the Customer have previously entered into an agreement dated 9th Day of February 2004 (hereafter referred to as the "Agreement"); and

WHEREAS Redflex and the Customer have previously amended the Agreement and extended the Term by 1 year dated January 28, 2009; and

WHEREAS Redflex and the Customer have previously amended the Agreement and extended the Term an additional 1 year dated January 25, 2010; and

WHEREAS, under the Agreement, Redflex provides certain services to the Customer concerning the use of traffic cameras to enforce certain traffic violations in order to improve traffic safety by reducing red-light violations; and

WHEREAS Redflex and the Customer wish to amend the Agreement;

NOW THEREFORE, in consideration of mutual promises and obligations set forth herein, the parties agree that the Agreement shall be amended as follows:

AGREEMENT

1. Paragraph 2 of the Agreement, entitled "TERM", is amended in its entirety to read as follows:

"From the executed date of the Second Amendment, the term of this Agreement will continue for a period of seven (7) years (the "Initial Term"). The Customer shall have the right, but not the obligation, to extend the term of this Agreement for up to three (3) additional consecutive one (1) year periods following the expiration of the Initial Term (each a Renewal Term" and collectively with the Initial Term, the ("Term"). The Customer may exercise the right to extend the term of this Agreement for a Renewal Term by providing written notice to Redflex not less than thirty (30) days prior to the last day of the initial Term or the Renewal Term, as the Case may be."

2. Exhibit "D" is replaced in its entirety with the attached revised Exhibit "D". Revised Exhibit "D" shall become operative upon the executed date of this Agreement.
3. All other provisions of the Agreement shall remain in full force and effect.

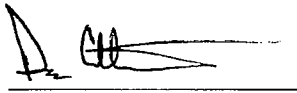
IN THE WITNESS WHEREOF, the parties hereto have executed the Amendment as of the first date set forth above.

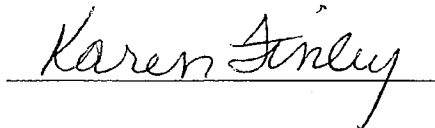
"Customer"

"Redflex"

CITY OF ENCINITAS

REDFLEX TRAFFIC SYSTEMS, INC.

By: 

By: 

P. E. Cotton
City Manager

Karen Finley
President & CEO

EXHIBIT "D"
COMPENSATION AND PRICING

Tier One Pricing: Commencing on the execution of this Agreement, Customer shall be obligated to pay Redflex a fixed monthly fee of \$5932.98 per Intersection Approach through 30 June, 2011. Commencing on 1 July, 2011, Customer shall be obligated to pay Redflex a fixed monthly fee of \$3700.00 per Intersection Approach and continuing until contract expiration or termination in accordance with the provisions as set forth herein for the continued operation of the following approaches:

El Camino Real and Encinitas Blvd, Northbound
El Camino Real and Encinitas Blvd, Eastbound
Leucadia Blvd/Olivenhain Road and El Camino Real, Westbound

Tier Two Pricing: At the expiration of the Warning Period, Customer shall be obligated to pay Redflex a fixed monthly fee of \$6070.00 per additional Intersection Approach and continuing until contract expiration or termination in accordance with the provisions as set forth herein.

Redflex shall invoice the Customer monthly. The monthly fee shall be reduced on a prorated basis for any system that is not fully operational for a period over 48 hours unless such period is as a result of actions on the part of the Customer or its agents.

BUSINESS ASSUMPTIONS FOR ALL PRICING OPTIONS

1. Redflex construction will be able to utilize existing conduit for installation where space is available. Where it is determined by both parties that additional conduit is necessary, the cost shall be born by Redflex; however, the Customer shall provide at no cost the necessary encroachment permits.
2. The Customer agrees to pay Redflex within thirty (30) days after the invoice is received. A monthly late fee of 1.5% is payable for payments past due 60 days.
3. Prices do not include supply of power and supply of DSL, cable or other broadband services. The Customer shall be solely responsible for power and communication infrastructure.
4. Each year, on the anniversary date of this Agreement, the pricing will increase by the CPI. The CPI will be derived from the publication of the U.S. Department of Labor Consumer Price Index for U.S. City average. The index to be used is the "West A" (1,500,000 residents or more).
5. An 8% annual downtime will be premitted for regularly scheduled routine maintenance by Provider, so long as such maintenance is performed on non-peak, midweek days (Tuesday through Thursday). Any pro-rata rate adjustment will not apply to the 8% downtime for regular maintenance.

6. If a system is deactivated at the Customer's request due to roadway construction, the monthly fee will continue.
7. Upon mutual agreement that upgrades to existing facial cameras would significantly improve the prosecution of violations, Redflex will upgrade face cameras where appropriate at no cost to the Customer.
8. Twelve (12) months after the implementation of this Agreement, and annually thereafter, both parties will meet and evaluate financial feasibility of the program. Based on generally accepted accounting principles (consideration of Customer costs for the CSO, invoicing and revenues received), if the Customer and Redflex determine that the program is not financially feasible to maintain, the Customer will have the right to terminate the contract and Redflex shall have the right to remedy the cause for termination within forty-five (45) calendar days (or within such other time period as the Customer and Redflex shall mutually agree) after written notice from the Customer. Said evaluation of financial feasibility will not apply to newly installed approaches until twelve (12) months after the first citation issuance to allow for court process and billing procedures.
9. Should current standards related to red light camera enforcement undergo significant changes as a result of legislative action, both parties will meet to evaluate the effect of the change in accordance with the guidelines of paragraph 7 above.