

Update on the Traffic Technologies (TTI) Board Replacement Initiative

From: TTI Shareholders' Group, 12 October 2009

TTI blunders giving confidential information to journalist

Chairman of TTI Ray Horsburgh was cited in *The Age* on 2 October:

The plan to sell the company's road sign business and traffic management division should wipe \$14 million off the bank debt, and give the company about \$4 million of cash, with minimal impact on earnings. Independent adviser 333 Capital has recommended the deal, and banker Westpac supports it.

This method of providing information to shareholders and the market is highly imprudent:

- It breaches the company's full disclosure obligation. Two divisions are up for sale for \$18 million with specifics on how the cash will be used. This information has not been lodged with ASX for shareholder access. Yet this information is very material.
- In negotiations with future purchasers, this puts a ceiling on the value. Your average real estate agent wouldn't make such a mistake.
- We understand that TTI employees in the two divisions were not advised that their divisions are being sold. Is *The Age* the best way to communicate with employees about their futures with the company?
- It appears that TTI has given up on its failed profit improvement program and now is trying to dispose assets at near bottom values.

It is also astonishing that TTI has made no disclosure subsequent to *The Age* article about the truth or otherwise of the quote. This suggests shareholders may have to source media outlets to get important TTI news.

Corporate costs likely to go even higher after TTI engages more consultants

According to *The Age*, TTI has engaged 333 Capital, a division of Korda Mentha insolvency specialists, to advise on vending the signage and traffic management divisions. Since 2007, corporate costs have roughly doubled from \$2.5m to \$5m per annum. This has included a period when there was no success in attempts to sell parts of the business.

In addition Sydney-based public relations outfit Cannings has been engaged to help argue to shareholders to retain existing directors.

Other allegations

I have been personally attacked through the media with a range of inaccurate allegations by TTI chairman Ray Horsburgh. In the midst of untruthful allegations against me Ray stated that he joined the TTI board two years ago. The truth is that Ray was appointed to the TTI board in November 2006 – *three years ago* and oversaw four acquisitions and the additional debt. This is an extraordinary misstatement.

The board seems fixated on blaming everyone else for the mess. Some of the blame has even been directed at Australia's climate. The board should accept some responsibility and confront the fact they have failed. The fact the Board met 22 times during 2008-2009 is not the sign of a company that is well managed and not in trouble.

The difficulty for Ray is that he is chairman of the \$6 billion Toll Holdings, a director of CSR and chairman of Essendon Football Club, among many other commitments. He cannot be expected to give TTI the devotion it needs. He's trying to drive the car from the passenger's seat and unless something happens that car might soon be a wreck.

I am happy to talk with anyone about the detail of arguments raised or any other matter about our effort to rescue and rebuild Traffic Technologies.

Yours faithfully

Con Scrinis
(on behalf of a group of investors in TTI)
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