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10 **ARIZONA SUPERIOR COURT**

11 **MARICOPA COUNTY**

12 REDFLEX TRAFFIC SYSTEMS, INC., a)
13 Delaware corporation,)
14 Plaintiff,)
15 vs.)
16 AARON M. ROSENBERG and LISA F.)
17 ROSENBERG, husband and wife,)
18 Defendants.)

Cause No. **CV2013-001166**

COMPLAINT

Jury Trial Demanded

19 Plaintiff Redflex Traffic Systems, Inc. (“Redflex”), for its Complaint against Aaron M.
20 Rosenberg (“Mr. Rosenberg”) and Lisa F. Rosenberg (collectively, “Defendants”) alleges as
21 follows:

22 **NATURE OF THE CASE**

23 1. This action arises out of Mr. Rosenberg’s intentional and secret scheme while
24 Redflex’s Executive Vice President of Sales to misappropriate funds from Redflex and to
25 commit other dishonest and unethical acts in violation of Mr. Rosenberg’s agreements with,
26 and obligations to, Redflex. Redflex seeks in this action both compensatory damages for the
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1 substantial injury to its business caused by Mr. Rosenberg's misconduct and exemplary damages
2 to deter him and others from engaging in similar misconduct in the future.

3 2. Redflex also seeks declaratory relief regarding Mr. Rosenberg's recent allegations,
4 transparently made in an attempt to deflect attention from his misconduct, that Redflex
5 somehow mistreated him and made defamatory remarks relating to his employment related
6 misconduct. Mr. Rosenberg's allegations and resulting demands upon Redflex are without any
7 merit and have created an actual controversy between the parties.
8

9 **PARTIES, JURISDICTION AND VENUE**
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11 3. Plaintiff Redflex is a corporation organized and existing under the laws of the
12 State of Delaware, with its principal place of business in Phoenix, Arizona.

13 4. Defendants Aaron M. Rosenberg and Lisa F. Rosenberg are husband and wife
14 and are residents of California. Until February 20, 2013, Mr. Rosenberg served as the
15 Executive Vice President of Sales and Business Development for Redflex. Mrs. Rosenberg is
16 included as a defendant for the sole purpose of ensuring jurisdiction over the Rosenberg marital
17 community. Mr. Rosenberg's conduct alleged in this Complaint was on his own behalf and on
18 behalf of the Rosenberg marital community.
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20 5. This Court has subject matter jurisdiction over this action pursuant to the
21 Arizona Constitution, Article VI, § 14, and A.R.S. § 12-123.
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23 6. Personal jurisdiction and venue are proper in this Court, as Defendants have
24 caused events to occur in Maricopa County, Arizona, which give rise to this Complaint and as
25 Redflex's principal place of business is in Maricopa County. Moreover, pursuant to Mr.
26 Rosenberg's written employment agreements with Redflex, Mr. Rosenberg agreed that any
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1 claims arising out of or related to his employment at Redflex “shall be brought or maintained
2 exclusively” in Maricopa County.

3 **ALLEGATIONS COMMON TO ALL CLAIMS FOR RELIEF**

4 **Redflex: A Brief Introduction**

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6 7. Redflex is a provider of photographic traffic law enforcement services, including
7 automated services designed to aid in the enforcement of roadway speed limits, traffic signals at
8 roadway intersections and adherence to school bus stop laws (“Photo Traffic Enforcement
9 Services”). Redflex offers its Photo Traffic Enforcement Services to cities, towns, county
10 organizations and/or government agencies in Arizona and throughout the United States.
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12 **Mr. Rosenberg’s Employment at Redflex**

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14 8. From March 2002 to February 2013, Mr. Rosenberg was an at-will employee of
15 Redflex. During his employment, a series of employment agreements between Mr. Rosenberg
16 and Redflex defined Mr. Rosenberg’s duties and obligations to the company.

17
18 9. Effective March 4, 2002, Mr. Rosenberg and Redflex entered into a letter
19 agreement setting forth the terms of Mr. Rosenberg’s employment as Vice President of Sales
20 for North America and attaching, among other items, the Redflex Personnel Policies and
21 Procedures Handbook (“2002 Employment Agreement”).

22
23 10. Mr. Rosenberg acknowledged and agreed in the 2002 Employment Agreement
24 that his position with Redflex required “fiscally responsible management practices.” Mr.
25 Rosenberg’s 2002 Employment Agreement further provided for reimbursement of only
26 “[a]pproved business-related means and client entertainment expenses,” submitted via “a
27 monthly expense report to document all expenses for reimbursement.”

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11. On June 22 and August 4, 2006, Mr. Rosenberg and Redflex entered into a second letter agreement setting forth the terms of Mr. Rosenberg’s employment as Vice President of Sales & Marketing (“2006 Employment Agreement”).

12. On November 18 and December 2, 2008, Mr. Rosenberg entered into a third letter agreement setting forth the terms of Mr. Rosenberg’s employment as Executive Vice President of Business Development for the company (“2008 Employment Agreement”).

13. On September 13, 2011, Mr. Rosenberg and Redflex entered into fourth letter agreement setting forth the terms of Mr. Rosenberg’s employment as Redflex’s Executive Vice President of Sales and Business Development (“2011 Employment Agreement”).

14. In the 2006, 2008 and 2011 Employment Agreements, Mr. Rosenberg agreed to, among other items, (i) “at all times abide by Redflex’s policies, procedures and professional service standards as in place from time to time”; (ii) “at all times display a thorough and professional manner, upholding and maintaining Redflex’s reputation and goodwill and relationships with its customers”; and (iii) “display the highest ethical and professional standards of service delivery and confidentiality towards Redflex and its customers.”

15. Mr. Rosenberg’s 2006, 2008 and 2011 Employment Agreements further provided that Redflex would reimburse Mr. Rosenberg for “reasonable business-related travel and accommodation expense . . . and reasonable entertainment and out-of-pocket expenses incurred by [him] on behalf of [Redflex] . . . [with] appropriate records to support [his] business expenses as required by the Company.”

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16. Under each of the Employment Agreements, expense reimbursement was available to Mr. Rosenberg only for “reasonable business-related” expenses and was unavailable for expenses of a personal nature.

17. Moreover, under each of the Employment Agreements, expense reimbursement for “entertainment” was limited to “reasonable” expenses, with appropriate supporting documentation.

18. Mr. Rosenberg agreed in each of the Employment Agreements to abide by all provisions in the Redflex Employee Handbook and Redflex Personnel Policies and Procedures Handbook, including but not limited to Redflex’s standards of conduct, code of ethics, conflicts of interest and expense reimbursement policies set forth in the Handbooks. Moreover, during the course of his employment, Mr. Rosenberg repeatedly executed updated versions of the Redflex Employee Handbook and Redflex Personnel Policies and Procedures Handbook.

19. Mr. Rosenberg further executed the Redflex Employee Code of Ethics and agreed to, among other items, (i) “always act in a manner that merits public trust and confidence”; (ii) refrain from taking “any action, either personally or on behalf of the company, which will violate any law or regulation affecting our business”; (iii) “avoid all circumstances that could produce conflicts or the appearance of conflicts between your personal interests and those of the Company”; (iv) “adhere to and fully comply with all of the Company’s policies and procedures, including the Code, the Policy and the Redflex Traffic Systems Personnel Policies and Procedures Handbook”; and (v) “refrain from behavior or conduct that is offensive or undesirable, or which is contrary to the Company’s best interests.”

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20. Although Mr. Rosenberg was an “at-will” employee, his 2006, 2008 and 2011 Employment Agreements defined the parties’ rights and obligations if Redflex terminated Mr. Rosenberg’s employment for “Cause.”

21. The 2006, 2008 and 2011 Employment Agreements defined “Cause” as a “reasonable belief by the CEO and/or a majority of the Board of Directors that any of the following has occurred: (1) Employee’s misappropriation (or attempted misappropriation) of any of the Company’s funds or property; . . . (4) Employee has committed acts that jeopardize (or might jeopardize) the good will, reputation and/or business standing in the community of the Company or its management; (5) Employee has committed acts of dishonesty or insubordination toward the Company or its management; and/or (6) Employee’s breach of any of the material terms of this Agreement.”

22. Mr. Rosenberg also agreed in the 2006, 2008 and 2011 Employment Agreements that his “employment and any and all agreements related to such employment shall be governed in all respects by Arizona (or U.S. federal law, if applicable), as applies to transactions occurring entirely within Arizona between Arizona residents. Any action arising out of [his] employment or any agreement related to [his] employment shall be brought or maintained exclusively in the Arizona State or Federal Courts of appropriate jurisdiction sitting in Maricopa County, Arizona.”

Mr. Rosenberg’s Wrongful Conduct

23. Over a number of years Mr. Rosenberg engaged in a pattern of intentional and wrongful conduct in direct violation of the 2002, 2006, 2008 and 2011 Employment Agreements and Redflex’s policies and practices. Mr. Rosenberg’s misconduct includes: (i)

1 numerous submissions to Redflex for reimbursement of thousands of dollars in expenses of a
2 personal nature, wholly unrelated to the business of Redflex; (ii) numerous submissions to
3 Redflex for reimbursement of thousands of dollars in expenses that were not for legitimate
4 Redflex-related business; (iii) inappropriate payments and gifts on behalf of Redflex to
5 employees or agents of Redflex customers or potential Redflex customers; (iv) attempts to
6 conceal his misconduct by, for example, submitting expense reports without supporting
7 documentation, altering the dates the charges were incurred and altering the description of the
8 charges on the expense reports so as to disguise their true nature; and (v) misrepresenting and
9 concealing his misconduct when directly questioned about that conduct.
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12 24. Mr. Rosenberg's misleading and disguised reimbursement requests for personal
13 and other inappropriate expenses, and his resulting receipt of Redflex funds, were contrary to
14 and breached the 2002, 2006, 2008 and 2011 Employment Agreements.
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16 25. When confronted with evidence of his serious misconduct, Mr. Rosenberg in fact
17 admitted to some of the misconduct. Mr. Rosenberg, however, has failed to return the
18 misappropriated funds to Redflex.
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20 26. Mr. Rosenberg's dishonest and unethical conduct has substantially harmed
21 Redflex's business reputation and goodwill throughout the United States and has and will
22 continue to cause Redflex significant damage.
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24 27. As a result of his misconduct, Redflex terminated Mr. Rosenberg's employment
25 for Cause on February 20, 2013.
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Mr. Rosenberg's Allegations of Defamation

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2 28. In October 2012, Redflex received inquiries from a reporter with the Chicago
3 Tribune concerning allegations of misconduct by Redflex employees or representatives.

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5 29. Redflex responded to these inquiries generally and without identifying any
6 specific Redflex-employee involved in the alleged misconduct. Redflex also specifically
7 requested that the Chicago Tribune refrain from identifying the names of any Redflex
8 employees the Chicago Tribune believed from information provided by others may have been
9 involved.
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11 30. Notwithstanding Redflex's statements and request, the Chicago Tribune, on its
12 own, attributed some of the alleged misconduct to Mr. Rosenberg.

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14 31. On December 10, 2012, Mr. Rosenberg, through counsel, sent Redflex a demand
15 letter accusing Redflex of making "a number of false public statements about Mr. Rosenberg,
16 erroneously accusing him of wrongdoing . . . and misrepresenting the company's response to
17 Mr. Rosenberg's supposed conduct." Mr. Rosenberg further accused Redflex of identifying
18 him by name to the Chicago Tribune and distributing false statements about him to the
19 financial markets, to Redflex employees and to Redflex customers.
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21 32. Mr. Rosenberg alleged that Redflex's statements have tarnished his reputation
22 and seeks significant damages from Redflex.

23 33. Mr. Rosenberg has threatened litigation against Redflex based on his accusations.
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25 34. Mr. Rosenberg's allegations that Redflex defamed him are without merit.
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REQUESTED RELIEF

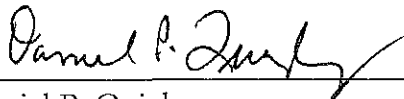
Plaintiff Redflex Traffic Systems, Inc. requests judgment against Defendants Aaron M. Rosenberg and Lisa F. Rosenberg as follows:

- A. For actual damages in an amount to be proved at trial;
- B. For punitive damages in an amount sufficient to punish Mr. Rosenberg and deter him and others similarly situated from engaging in like conduct in the future;
- C. For a declaration that Redflex has not published false or defamatory statements about Mr. Rosenberg;
- D. For Redflex's reasonable attorneys' fees, costs and expenses incurred in this action as permitted by law, including A.R.S. § 12-341.01;
- E. For pre- and post-judgment interest on all amounts awarded at the highest rate permitted by law; and
- F. For such relief as this Court deems proper.

DATED this 20th day of February, 2013.

COHEN KENNEDY DOWD & QUIGLEY, P.C.

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