

SECURITIES AND EXCHANGE COMMISSION

FORM 10SB12G

Form for initial registration of a class of securities for small business issuers pursuant to Section 12(g)

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TRAFFIC TECHNOLOGY INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES
OF SMALL BUSINESS ISSUERS
Under Section 12(b) or (g) of The Securities Exchange Act of 1934

TRAFFIC TECHNOLOGY, INC.
(Name of Small Business Issuer and its charter)

ARIZONA
(State or other jurisdiction of
incorporation or organization)

86-0932112
(I.R.S. Employer
Identification No.)

8350 East Evans Road, Suite B-4, Scottsdale, Arizona 85260
(Address of principal executive offices) (Zip code)

Issuer's telephone number (480) 607-0033

Securities to be registered pursuant to Section 12(b) of the Act.

Title of each class Name of each exchange on which registered

None.

Securities to be registered pursuant to Section 12(g) of the Act.

Common Stock, \$0.01 par value
(Title of Class)

PART I

Description of Business

DEVELOPMENT

Traffic Technology, Inc. ("the Company") was organized as an Arizona corporation in May 1998 for the purpose of designing, manufacturing and marketing a line of unique traffic signal products called "Unilights." These products are described below. Upon its organization, the Company acquired from its founders certain patent rights covering the Unilights in exchange for shares of its common stock. That transaction is described under "Certain Relationships and Related Transactions", below. The patents are described under "Patents and Trademarks", below.

PRODUCTS

Standard traffic control signals, the type most widely in current use, consist of three lamps, each with a lens to display one of three common signals: Red for STOP, Yellow for CAUTION and Green for GO. The colors in a standard signal are produced by directing incandescent white light through a colored lens. In contrast to standard signals, Unilights use Light Emitting Diodes ("LEDs"), which display those three signals from a single lens unit, or lamp. Each signal is generated by a different array of colored LEDs within that single unit. By using geometric shapes in addition to colors, the Unilight signals can be

RAMP METERING SIGNALS. Unilight Ramp Metering signals are intended for use at freeway on-ramps. They are designed to maintain an efficient traffic flow by timing the entry of vehicles onto freeways. The signals are available in two different sizes, 8-inch and 12-inch. They are programmed for Red and Green phases only. Selling prices for these signals range from \$570 to \$630, depending on conformation. Since its inception, the Company has sold approximately 37 of these products.

HIGH VISIBILITY RED SIGNAL RETROFIT. This product is offered as an LED replacement of a standard signal incandescent bulb; a red LED ball is displayed for the red phase of a standard traffic signal. It consists of only the STOP phase of a Unilight signal, the red octagon and white border with the border

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flashing. Its function is to provide a cost effective, high visibility strobe-like appearance desired at high-risk intersections. It features the same ease of installation as an incandescent bulb, plus the energy savings of an LED retrofit, with no need to wire a separate strobe into the signal face. Selling prices for these signals range from \$370 to \$410, depending on conformation. Since its inception, the Company has sold approximately 6 of these products.

LANE CONTROL SIGNALS. Unilight Lane Control signals are intended for use in specific lane control traffic management situations, such as those found in tunnels and tollbooth areas. These signals display a Red X and a Green "down" arrow in a single unit. The Lane Control Signals are available with a Yellow Triangle or Yellow Ball. They are offered in 8-inch and 12-inch models. Selling prices for these signals range from \$550 to \$600, depending on conformation. Since its inception, the Company has sold approximately 37 of these products.

STANDARD SIGNAL LED RETROFITS. These products include green, amber and red ball LED units that convert existing incandescent signals for the use of LED modules. They are offered by the Company primarily as part of a program in which the resulting energy savings cover the cost of the replacement and conversion. Selling prices for these signals range from \$80 to \$100, depending on conformation. Since its inception, the Company has sold approximately 70 of these products.

PORTABLE OR TEMPORARY SIGNALS

EMERGENCY CONTROL. The Unilight Emergency Control signal is a portable, remote-controlled, battery operated signal for use in intersection traffic control. The Company believes that it is one of the safest solutions for more visible control of vehicular traffic during power outages and emergencies and when the permanent traffic signals are not working or have not been installed. It is a 12-inch, 4-faced signal displaying a Red Octagon, Yellow Triangle and a Green Ball in a single housing. It can easily be transported to a location where it is tripod mounted or assembled and wheeled into the intersection within a few minutes. The remote control feature allows the officer operating it to be safely out of the intersection. Conflict control circuitry prevents the lighting of the Green Ball in both directions at the same time. The standard model is manually cycled through the Red, Yellow and Green symbols and once a symbol is selected it stays lit until changed by the operator using the remote control. Optionally, any symbol can be flashed, or "strobed", for greater visibility. The unit also has a programmed function that allows the officer to set a repeating cycle from Green to Yellow to Red. The signal can be bundled with the Company's Turn Arrow signals. Selling prices for these signals range from \$9,000 to \$10,500, depending on conformation. Since its inception, the Company has sold one of these products.

TRAILBLAZER. The Unilight Trailblazer is a portable, battery-operated signal for traffic management. It is designed for special event traffic and other intermittently heavy traffic areas. This signal displays the Red Octagon with its white border, the Yellow inverted Triangle and three-directional Green arrows. The remote control allows the operator to be safely out of the intersection and direct the signal to select the left, right, straight-ahead arrow, or a sequence from Red to Yellow to Green symbols. Once an operator selects a signal, such as a Green arrow, it stays lit until changed by the operator with the remote control. As with the other Unilight products, any

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symbol can be flashed or "strobed" for greater attention. The Company believes that the Trailblazer is well suited for instantaneous rerouting of large event traffic on roads to, from and in parking areas associated with an event. The Trailblazer can also be customized for use in parking lots and garages and in warehouse or distribution facilities. In November 1999, the Company sold five Unilight Trailblazers to the Maricopa County, Arizona, Department of Transportation and five signals to the Arizona Department of Transportation. The two departments also used an additional 14 signals loaned by the Company in directing traffic associated with a NASCAR race at Phoenix International Raceway. The Phoenix International Raceway is located in a relatively remote area on the outskirts of the Phoenix Metropolitan area, with limited roadways leading into and out of the raceway. Selling prices for these signals range from

\$4,100 to \$5,000, depending on conformation. Since its inception, the Company has sold 26 of these products.

WORK ZONE SIGNAL. The Unilight Work Zone signal is designed for the safer management of traffic in work zones and around construction sites, trucking yards, warehouse and distribution centers. For roadway work zones, the system uses two portable, battery-operated signals with one programmable remote control to direct one-way traffic safely around a work zone, providing time for the traffic to clear the zone before the direction is reversed for traffic in the opposite direction. Selling prices for these signals range from \$14,500 to \$16,000, depending on conformation. Single signals used for the remote management of one-way traffic are priced from \$5,500 to \$7,500. Since its inception, the Company has sold 10 of these products

SCHOOL CROSSING SIGNAL. This remote controlled signal is a lightweight version of the Trailblazer, either single faced or facing in two opposite directions to direct traffic in a school-crossing zone. It allows a crossing guard to bring traffic to a stop before proceeding into the street and directing children across the street. Selling prices for these signals range from \$3,900 to \$4,800, depending on conformation. None of these products have yet been sold.

MARKETING AND DISTRIBUTION.

The Company believes that both its domestic and international markets are divided into three segments. The first segment is public traffic control devices for Intersection Control, Lane Control and Toll Booth signals that must, in the United States, meet specifications set in the Manual for Uniform Traffic Control Design ("MUTCD"), published by the Federal Highway Administration. The second is public traffic management in areas outside developed power grids, such as roadways without adequate adjacent power lines. The third is specialized commercial applications for traffic control such as school crossings, road construction sites, parking lots and structures, emergency and temporary intersection control, special event traffic management, shipping terminals and yards and warehouse and distribution facilities.

Based on its own market research and on an estimate by the Institute of Traffic Engineers ("ITE"), the Company believes that there are about 4,300,000 traffic signals operating in the United States and that over 200,000 signals are replaced each year. Annual additions, replacements and upgrades are estimated at about 300,000 signals, representing a domestic intersection control market for new signals of about \$120,000,000. There is a separate market, estimated at

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\$150,000,000 annually, for portable signals, including the Unilight Trailblazer, Emergency Control and School Crossing products.

The world market for traffic signals consists of two geographic areas. The primary market is the developed countries market, including the United States, Canada, the European Economic Community, Japan, Taiwan, Hong Kong, etc. The second market includes the developing countries market, including Eastern Europe, Russia, Mexico, Central and South America, India, China, and other countries in Asia and the Far East.

The Company believes that the lower power consumption and maintenance costs of its products, when compared to conventional products, will make them particularly attractive in the international market. The fact that Unilights can be battery operated, and its batteries recharged by solar panels, is expected to be an attractive feature in areas with undependable power and intersections that are outside established power grids. The Company believes that the international market for battery operated, solar rechargeable units is much larger than the domestic market due to the prevalence of undependable electric power supplies, or no electric power supply.

The Company plans to sell its products in the United States through a network of independent sales representatives and distributors. Internationally, the Company is in the process of forming a network of distributors and manufacturing licensees who will operate exclusively in their respective countries/markets. The Company has entered into contracts for sales representation with Ed Campbell, Montesano and Philips Group. Sales representatives are paid commissions of 10% of sales made through them. The Company has entered into distribution agreements with the following dealers, who purchase items from the Company at wholesale prices and resell them to customers: Western Signal, Capital Enterprises, Pacific Lighting, Temple, Texas Highway Products, Phoenix Highway Products, S&A Supply and Advanced Equipment. Collectively these representatives and distributors cover the majority of the US and Canadian markets.

International distribution contracts have been signed with Supremetech Engineering (Hong Kong), Taiwan Signal Technologies (Taiwan and Malaysia), IMS Industries (Australia), Layton Solar Ltd. (India), and Artflex (Brazil). In general, these international agreements provide for exclusive representation within the respective territories provided that the distributor achieve a specified minimum of sales and that Distributor purchases are made at the

Company's published distributor price list. The Company has also entered into agreements with J.C. International, an international business intelligence and technology transfer consulting firm, whereunder that company will advise the Company on finding licenses who would manufacture and market the Company's products in China and Japan. In payment for such services, the Company has agreed to pay a percentage of sales revenue in those countries; 25% for Japan and 12% for China. Contract negotiations are pending with INMER of Mexico to establish local production as well as distribution in Mexico and Central America.

Product and distributor inquiries are generated through media advertising, trade shows, and the Company's website. The Company supports the sales efforts of its distributors and representatives by advertising in trade publications, sharing of the costs of local trade shows, and by providing professionally prepared product brochures and other promotional literature. The Company has produced a product video available in both CD-ROM and VHS versions, and has an ongoing public relations program.

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The Company has funded two Human Factors Tests by an independent lab and scientist that demonstrates the acceptability of the Unilight design to both fully sighted and color-deficient drivers. These tests were conducted by Lighting Sciences, Inc., a FHWA certified testing laboratory. User information from field-testing at actual intersections, including the signal at the United States Army base at Fort Hood in Texas and Cheyenne Wyoming, appear to verify the acceptability of the Unilight products and the symbols they use. Permanent installation of Unilights at those two locations will depend on final approval by the Federal Highway Administration. See "Government Regulation."

During 2001, the Company has completed Emergency Control and Work Zone product engineering and development and begun shipment of these products. The Company intends to concentrate its domestic marketing and sales efforts on: a) Emergency Control and Work Zone products, b) Trailblazer and event traffic management portable signals, and c) Unilight Turn Arrow and Lane Control permanent signals. International marketing efforts are focused on Asian markets, with emphasis on Japan and China. Sales efforts are being made in other international markets; England, Greece, India, Mexico, Chile, Argentina, Brazil and Australia.

Since May 2000, several dual turn arrow signals (combined green and yellow arrows) have been installed in Scottsdale, Arizona as part of a continuing replacement program. Test installations of Unilight Intersection Control signals were completed at the United States Army base at Ft. Hood in Killeen, Texas and in Cheyenne, WY. Since September 2000, Unilights have been installed by INMER at four intersections in Mexico City. In December 2000, the first High Visibility Red Signal Retrofits were installed in Glendale, AZ.

To date, sales of Unilight products have been limited. The Company has sold Unilight Trailblazers to the Arizona Department of Transportation, the Maricopa County Department of Transportation and Dupont Corporation and various municipalities. Other Unilight products have been purchased by General Electric Supply and Alcan Aluminum. The Company also installed Unilight Intersection Control signals in Killeen, Texas; Cheyenne, Wyoming; Mexico City, Mexico. Test installations are being planned to gather data on motorists' reaction to the Unilight products in Guadalajara, Turreon Mexico, Taipei, Taiwan and Hong Kong. The Company has already completed Human Factors Testing that demonstrates the acceptability of the Unilight design to both fully sighted and color-deficient drivers. These tests were conducted by Lighting Sciences, Inc., a human factors and lighting testing laboratory.

COMPETITIVE CONDITIONS AND METHODS OF COMPETITION.

The Company uses independent sales representatives and distributors as well as the direct efforts of its own personnel to obtain customer orders.

The Company generally competes against the standard three-lens incandescent traffic signals now in general use throughout the world. In addition, the Company competes against companies that sell, as its primary products, replacement modules for standard signals, using Red and Green LEDs only. The traffic signal industry is highly competitive and the Company is a relatively small participant compared with most of its competitors. Many of the Company's competitors have substantially greater financial, production, marketing,

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distribution and other resources than the Company as well as greater name recognition.

The Company faces challenges in having Unilights accepted and approved for use in the traffic signal market because its products are based on a new technology and are different from existing three lens traffic signals using incandescent light bulbs. Because the Unilights are based upon LEDs, their manufacturing costs and selling prices are typically greater than those of standard signals using incandescent light bulbs. The Company believes its ability to compete will

depend on its success in demonstrating that savings from lower energy consumption (estimated at 80% to 90% less reduced electrical consumption than is required for standard signals), maintenance costs and deployment costs associated with the Unilight more than compensate for the higher initial purchase price. While the Company believes that it can compete successfully in the traffic signal industry based upon the operational efficiencies of the Unilight, there can be no assurance that it will be able to do so. Although others in the industry make replacement modules using Green and Red LEDs, the Company believes that the other characteristics of the Unilight, its smaller size and weight, lower wind resistance and the display of signals by shape in addition to color, will permit the Company to compete successfully in the market.

PRINCIPAL CUSTOMERS

During the fiscal year ended on December 31, 2000, each of the following customers accounted for more than 10% of total sales: Capital Enterprise, City of Glendale, Arizona, DuPont and the U.S. Army Corps of Engineers.

MANUFACTURING

There are four major components to the Company's Unilight products: Light Emitting Diodes ("LEDs"), printed circuit boards, an electronic power supply and a polycarbonate or aluminum housing. The Company believes there are numerous potential suppliers for each of these components. Electro-Tech's (located in Corona, CA) is currently the contract manufacturer who assembles the Unilight products. Electro-Tech's is a California corporation that is owned by Ray Deese, a shareholder and director of the Company. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS", below. The Company is in negotiations with Asian suppliers to ensure access to multiple sources and adequate assembly capacity to meet international domestic market demands.

LED traffic signals cost from 30% to 80% more than a standard incandescent signal, depending on the brand selected. In most cases, the LED component accounts for 50% to 60% of the total cost of an LED signal. LED prices are declining due to their increasing usage, and larger manufacturers are entering the market, especially in Japan and Taiwan. The Company does not believe the procurement of LEDs or the other components of its Unilight products will be a problem in the foreseeable future.

PATENTS AND TRADEMARKS.

Generally, the effect of a patent is that the courts will grant to the patent holder the right to prevent others from making, using, offering for sale and selling the combination of elements or combination of steps covered by the patent. The Company's ability to compete may be enhanced by its ability to

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protect its proprietary information, including the issuance of patents and trademarks. While no intellectual property right of the Company, including its patents, has been invalidated or declared unenforceable, there can be no assurance that such rights will be upheld in the future. There can be no assurance that in the future products, processes or technologies owned by others, necessary to the conduct of the Company's business could be licensed on commercially reasonable terms.

The Company has two United States patents on its Unilight products. The first patent generally covers the use of three or more symbols in a single lens. The second patent covers the use of a contrasting border around one of the symbols displayed in the lens. The Company has also filed for patent protection for its Unilight products in several countries around the world, based upon the second of the patents.

The Company's first United States patent (Patent No. 5,898,381) was filed on June 17, 1997 and issued on April 27, 1999 and its second U.S. patent (Patent No. 6,054,932) was filed on November 20, 1998 and issued April 25, 2000. United States patents expire twenty years after the date they are filed.

The Company has applied for a trademark on the product name "Unilight." The trademark application was filed on February 25, 2000 and has been assigned serial no. 75/929,152 by the U.S. Patent Office.

GOVERNMENT REGULATION

The manufacture, sale and marketing of the Company's Unilight products are subject to a number of rules and regulations from various federal and state agencies. A United States government agency, the Federal Highway Administration ("FHWA"), has jurisdiction over traffic control devices used on federal roadways. The FHWA sets standards for traffic control signals, which are set forth in the Manual for Uniform Traffic Control Devices ("MUTCD"). These standards have been adopted as standards by Departments of Transportation in most of the States. Currently the Unilight Turn Arrow and Lane Control signals and single color LED retrofits are the only Company products that meet MUTCD

standards. The effect of this situation is that sales of other products are limited to private (non-governmental) customers (such as transportation companies and other industrial users) and entities located overseas where the other products meet government standards.

In the US any change in the FHWA specifications requires action initiated by a municipality or state department of transportation to extend the specifications to include the desired signal. The sponsoring agencies are required to present laboratory and field test data to establish that the proposed signal yields economic benefits and does not create undue risks for the driving population. A sponsoring agency may initiate a test by requesting a Permit to Experiment from the FHWA. Upon the collection of a sufficient and favorable set of field test data, the sponsoring agency or agencies can request the modification of the Manual of Uniform Traffic Control Devices (MUTCD) to include the proposed signal. The Company has begun a process to obtain acceptance by the FHWA or the California Department of Transportation of the Unilight as a traffic signal meeting current roadway standards. This process will involve working jointly with municipalities to contract for necessary "human factors" tests, designing subsequent experimental intersection tests and presenting resulting data to the appropriate regulatory agencies for their approval. The Company is,

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however, unable to predict when, if ever, those other products will be approved as meeting such standards.

Specifications established by the Institute of Traffic Engineers ("ITE") are among the standards and specifications set forth in the MUTCD. The ITE specifications require that all signals meet certain requirements for color (chromaticity) and intensity (luminosity) for incandescent and LED signals. The Company resells single color LED retrofit modules manufactured by Electro-Techs that currently meet the ITE specifications for Red and Green LED signals, but not for Yellow, which is common to all industry participants. As a result, most cities undertake LED replacement of red and green signals only. ITE is currently re-evaluating the specifications for yellow signals with a view to make it economically feasible to meet requirements with existing technology. The Company expects to market yellow LED retrofits if and when they become available.

In the international market, the International Commission on Illumination ("CIE") sets standards for traffic control signals similar to ITE. Many countries have adopted these CIE standards as enforceable legal requirements. The Company has been advised by Electro-Techs that Unilight single and dual color LED retrofits, lane controls and dual arrow signals meet the standards and specifications set by the CIE.

Unilight signals meet ITE and CIE color and luminosity standards by the use of the same LED components as are used in other products on the market. However, in displaying three or more signals through a single opening, Unilights are at variance with both ITE and CIE three face lens specifications for single color signals.

RESEARCH AND DEVELOPMENT.

During fiscal years 1999 and 2000 the Company expended approximately \$34,200 and \$69,400, respectively, on research and development. These expenditures were funded from the proceeds of the sale of equity.

EMPLOYEES AND CONSULTANTS

The Company currently has three full time employees: Mr. Marc Messina, President and a director of the Company (and co-inventor of the Unilight); Mr. Richard Bourke, the Company's Chief Financial Officer, who is also Secretary/Treasurer and a director and Mr. Robert Johnson, Sales Engineer and Product Development Manager. There are three part-time consultants: Mr. Dan Sugaski, Vice President-Marketing; Mr. Norman Plagge, international trade consultant, and Mr. Joe Chao, asian business development consultant. The Company's employees are not represented by any collective bargaining organization and the Company has never experienced a work stoppage. The Company believes that its relations with its employees are good. All of the full time employees are deferring payment of all or part of their compensation or are being paid on a sales commission basis. See "Executive Compensation", below.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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GENERAL

The Company commenced operations and began development of working prototypes of its Unilight traffic signals in 1998. It was subsequently awarded two U.S. patents for the Unilight covering the design and use of its symbols in a single lens traffic signal. During 1999 the Company raised \$474,614 in equity capital enabling it to continue prototype development and final product design and

development, design and produce marketing and sales materials, construct its website, begin Institute of Traffic Engineers ("ITE") testing and certification, establish contract manufacturing capabilities, and open its Scottsdale, Arizona office in January, 2000. In November 1999, the Company completed its first sale of its Unilight products, selling ten Unilight Trailblazers to the Arizona Department of Transportation and the Maricopa County Department of Transportation. Upon inquiry, the Company believes that approximately \$73,000 of general and administrative expense for that year represented the amount lost because of the unauthorized diversion of cash by a former officer and director.

The Company hired its initial employees in January 2000. During the first quarter of 2000, the Company first exhibited the Unilight at a major trade show, the American Traffic Safety Services Association Annual Conference. Following that trade show, Better Roads magazine selected the Unilight products as one of its Best New Products for 2000.

During 2000, the Company had net revenue of \$99,264 and a corresponding cost of goods sold and freight of \$87,295 and \$11,344, respectively, resulting in gross profit of \$626. These results included the effect of the sale of five portable signals built specifically for use outside a warehouse facility of the DuPont Company. During this period, the Company had general and administrative expenses of \$404,164, salary expense of \$227,400 and marketing and advertising expenses of \$108,873. Increases in expenses resulted from start up costs to support an office and maintain a full time staff, broadened marketing and advertising due to initial product launch and trade show participation and the preparation of revised marketing and advertising materials, continued product development expenses and legal and associated costs resulting from litigation with a former officer and director. The net loss in 2000 was \$816,886. Upon inquiry, the Company believes that approximately \$21,000 of general and administrative expense for that year represented the amount lost because of the unauthorized diversion of cash by a former officer and director and that an additional \$19,000 of working capital was diverted for unauthorized transactions by the same person. The Company brought a legal action against that person for the amount so lost but, because that person was unable to pay money damages, the Company accepted the return of 2,990,550 shares of its common stock by that person in full payment of its claim.

PLAN OF OPERATION

Since its inception the Company has been financed primarily through the sale of common stock in private transactions amounting in total to approximately \$1,388,590. On April 16, 2001, the Company obtained a secured line of credit from a group of investors among whom are one of the Company's Directors and the relatives of another Director who is also the Chief Executive Officer (see "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS"). As of the date of this Registration Statement, the Company had borrowed \$75,000 against that line. That loan bears interest at the rate of 12% per annum, is due and payable on April 16, 2002 and is secured by collateral consisting of all of the Company's assets.

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If that loan is not repaid when it is due, the lenders might have the right to foreclose on the Company's assets and the Company would not be able to continue in business. The Company does not expect to generate sufficient funds from operations to repay the loan; accordingly its ability to do so will depend on its ability to raise funds from the sale of equity or further borrowings.

As of June 30, 2001, the Company had cash on hand in the approximate amount of \$18,000 and accounts receivable in the amount of approximately \$21,700, which is expected to be collected within thirty days. Based on information from customers, the Company expects, but without any assurance or guarantees, to have sales of approximately \$40,000 within the next sixty days and to collect that amount within three months. These amounts are expected to be sufficient for five months of operations, assuming that the Company's operating expenses continue at approximately \$15,000 per month. No capital expenditures are planned during this period. The Company is engaged in discussions with prospective private investors about possible debt and equity financing. There are no agreements with respect to any financing and there is no assurance that the Company will be able to obtain financing from any source.

The foregoing estimate does not take into account the possible effect of claims in the aggregate amount of approximately \$40,000 that might be made against the Company arising out of the following described circumstances. The Company sold shares its common stock in a series of private offerings from September 1998 through May 2000 for aggregate proceeds in the amount of \$788,014. Subsequently, in June 2000, it was, upon inquiry deemed possible that some of the purchasers in that offering may not have been properly qualified to participate. In order to resolve doubt as to the matter, the Company offered to rescind the purchases of those investors who may not have been qualified. Each of the affected investors declined the rescission offer. Upon inquiry in August 2000, the belief of the Board of Directors was that an officer of the Company, who is no longer employed by or affiliated with the Company, had diverted funds to his own use without the knowledge or authorization of the Board of Directors. It was also their belief that the course of conduct of that former officer may not have been

disclosed to investors who had purchased the common stock of the Company while that former officer was acting as such or to those investors to whom the rescission offer had been made. In order to resolve claims which any such investors might have against the Company because of that disclosure issue, the Board of Directors determined to offer each of them one additional share of its common stock for every five shares purchased by them in exchange for an agreement releasing the Company from such claims. As of the date of this Registration Statement, releases have been received by the Company from approximately ninety percent of those investors in consideration of the issuance of additional shares of common stock, but investors who in the aggregate have invested approximately \$40,000 in the Company's common stock have failed to agree to the release. While the Company has no knowledge of any threatened litigation on account of such claims, the possibility of such litigation cannot be excluded.

RESULTS OF OPERATIONS

The Company's operations to date have been limited to start up activities, prototype development, patent filings and initial product sales. Furthermore, upon inquiry, the Board of Directors believes that operating results were

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materially affected by certain unauthorized cash expenditures. Accordingly, the Company's revenue and expenses are not believed to be indicative of the results of future operations.

During 1998, the Company had no revenue and incurred expenses of \$83,012, resulting in a net loss of \$83,012. The Company's expenses were primarily associated with patent filings, prototype development costs and independent testing of the Unilight performance with respect to lighting and human factors.

The Company made its first sales during the last quarter of 1999, in the amount of \$18,596. The corresponding cost of sales was \$19,437. This cost was higher than would be expected under normal production due to start up costs associated with initial product manufacture. For that entire year, the Company's selling, general and administrative expenses were \$155,655, of which \$111,657 were attributed to management and administrative contract labor and engineering consultants; and \$42,623 was attributed to marketing and advertising expenses, which were largely for the design and production of marketing materials, including the production of a ten minute video showcasing the Unilight Trailblazer in use at the DuraLube 500 NASCAR race at Phoenix International Raceway in November, 1999. Research and development expenses for that year were \$31,762, comprised of \$22,378 in payments to Electro-Tech's and related testing and certification expenditures. The net loss in 1999 was \$248,817. The Company believes that approximately \$17,000 of general and administrative expense for that year represented the amount lost because of the unauthorized diversion of cash by a former officer and director and that an additional \$12,000 of working capital was diverted for unauthorized transactions by the same individual.

During 2000, the Company had net revenue of \$99,264 and a corresponding cost of goods sold and freight of \$87,295 and \$11,344, respectively, resulting in gross profit of \$626. These results included the effect of the sale of five portable signals built specifically for use outside a warehouse facility of the DuPont Company. During this period, the Company had general and administrative expenses of \$404,164, salary expense of \$227,400 and marketing and advertising expenses of \$108,873. Increases in expenses resulted from start up costs to support an office and maintain a full time staff, broadened marketing and advertising due to initial product launch and trade show participation and the preparation of revised marketing and advertising materials, continued product development expenses and legal and associated costs resulting from litigation with a former officer and director. The net loss in 2000 was \$816,886. Upon inquiry, the Board of Directors believes that approximately \$21,000 of general and administrative expense for that year represented the amount lost because of the unauthorized diversion of cash by a former officer and director and that an additional \$19,000 of working was diverted for unauthorized transactions by the same person. The Company brought a legal action against that person for the amount so lost but, because that person was unable to pay money damages, the Company accepted the return of 2,990,550 shares of its common stock by that person in full payment of its claim.

During the first six months of 2001, the Company had product revenue of \$36,052 and a corresponding cost of goods sold of \$27,674, resulting in a gross profit of \$8,378, or 24% of sales. Sales increased by 3% over the corresponding period in 2000, but gross profit increased \$3,373, or 67%, over the same period. The increase in margin is a result of improved pricing and increased acceptance of the Company's products.

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During the first six months of 2001, total expenses were \$262,191, a 35% reduction from total expenses during the corresponding period in 2000. During the first six months of 2001, salaries and benefits were \$72,530, or 32% less than the \$107,243 expended during the same period in 2000. General and

administrative expenses were \$162,969, compared with \$206,248 during the same period in 2000, or a reduction of 21%. Marketing and advertising expenses were \$11,267, or 85% less than was expended during the same period in 2000. The Company's operations during the first six months of 2001 were not affected by unauthorized diversions of cash as compared with approximately \$40,000 during the same period of 2000.

The net loss during the first six months of 2001 was \$249,831, which was 37% less than the net loss of \$398,976 incurred during the first six months of 2000. This significant reduction in net loss is due to the new management team adopting improved pricing policies, and instituting more efficient operations.

FACILITY

The Company currently leases approximately 1,500 square feet of office and warehouse space at its principal office in the Scottsdale Airpark, in Scottsdale, Arizona, at a monthly rent of \$1,530. The lease term expires at the end of February 2002. The Company believes that, if necessary, it can lease additional office space at the location at lease rates similar to those in its existing lease.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the holders of five percent (5%) or more of the Company's voting securities.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Capital Resources, Inc. 145 E. Snow King Ave. Jackson Hole, WY 83001	2,000,000 Shares	13.6%
Common Stock	Marco Messina (1) (2) (3) (7) (8) 11703 N. 123rd Way, Scottsdale, AZ 85259	4,339,750 Shares	29.3%
Common Stock	Stephen Ziomek (1) (2) 8390 E. Corrine Drive, Scottsdale, AZ 85260	810,400 Shares	5.5%

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The following table shows the voting securities of the Company held by all directors, nominees to be directors and executive officers of the Company.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Raymond Deese (2) (9) 1875 Sampson Avenue, Corona, CA 92879	710,000 Shares	4.8%
Common Stock	Marco Messina (1) (2) (3) (7) (8) 11703 N. 123rd Way, Scottsdale, AZ 85259	4,339,750 Shares	29.3%
Common Stock	Stephen Ziomek (1) (2) (9) 8390 E. Corrine Drive, Scottsdale, AZ 85260	810,400 Shares	5.5%
Common Stock	Gary Pinkston (4) 55 Main Street, #200, Tiburon, CA 94920	334,817 Shares	2.2%
Common Stock	Richard Bourke (5) (6) (8) (9) 7714 E. Vista Drive, Scottsdale, AZ 85250	492,500 Shares	3.3%
Common Stock	Five directors and officers as a group	6,687,467 Shares	45.2%

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- (1) Includes 10,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, with an exercise price of \$2.50 per share.
- (2) Includes 30,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, with an exercise price of \$2.00 per share.

- (3) Includes 150,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, with an exercise price of \$0.10 per share.
- (4) Includes 103,750 shares of Common Stock issuable upon the exercise of presently exercisable warrants, at an exercise price of \$0.10
- (5) Includes 320,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, at an exercise price of \$0.10 per share.
- (6) Includes 50,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, at an exercise price of \$0.01 per share.
- (7) Includes 40,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, at an exercise price of \$0.10 per share.
- (8) Includes 22,500 shares of Common Stock issuable upon the exercise of presently exercisable options, at an exercise price of \$0.10 per share
- (9) Includes 30,000 shares of Common Stock issuable upon the exercise of presently exercisable warrants, at an exercise price of \$0.10 per share.

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DIRECTORS AND EXECUTIVE OFFICERS

The following are the names, ages and business experience during the past five years of all directors and executive officers of the Company and of those nominated to be such:

Name	Age	Position
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Marco Messina	49	Director, President and Chief Executive Officer
Richard Bourke	55	Director, Secretary, Treasurer and Chief Financial Officer
Stephen Ziomek	50	Director
Ray Deese	59	Director
Gary Pinkston	59	Director
Dan Sugaski	50	Vice President, Marketing
Robert Johnson	55	Product Development Manager

Marco Messina was one of the Company's founders, has been a Director since its inception, was its President and Secretary during 1998, a Vice President from May 2000 and has been its President and Chief Executive Officer since August 2000. He is one of the co-inventors of the Company's Unilight product. He was Consulting Practice Director for Information Systems at Platinum Technology and Computer Associates In 1999. From 1996 to 1998, he was the President of National Scientific Corp., a semiconductor research and development and intellectual property development company located in Scottsdale, Arizona. From 1984 to 1996, he was President of Fenix Consulting Co., Inc., an information technology consulting company with clients in the Pacific Northwest and Europe. During the same period he was Associate Professor of Management Information Science at Seattle University, teaching undergraduate and graduate courses in Management Information Science and Entrepreneurship. Prior to consulting he was a Seafirst Bank Vice President in computer systems operations, corporate finance, and international banking. He holds a Bachelor of Arts degree in psychology and a Master of Business Administration degree from Indiana University Graduate School of Business.

Richard Bourke has been the Company's Chief Financial Officer since March 2000, a director since June 2000 and also its Secretary/Treasurer since August 2000. Since 1998 he has been Chairman and Chief Executive Officer of National Integrative Medicine, Inc., a start-up Internet healthcare company located in Scottsdale, Arizona. From 1994 to 1997, he was Executive Vice President and Chief Financial Officer of The Little Gym International, Inc., Scottsdale, AZ, an international provider of children's development programs. In 1992 - 1993, he was Vice President of Corporate Finance for Norcross Securities, a registered securities broker-dealer in Phoenix, Arizona. From 1987 to 1994, he was President of Bourke & Company, a financial consulting firm. From 1982 to 1987, he was President of the Development Corporation of Montana, a geographically targeted risk capital firm. From 1982 to 1986, he was President of Montana Beverages, Ltd. and from 1976 to 1990, he was Vice President of Air Plastics, Inc. He holds a B.A. from Northwestern University and an M.B.A. from Columbia University Graduate School of Business.

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Stephen Ziomek has been a Director since February 1999. Since 1987, Mr. Ziomek has been Executive Vice President for FAS Relocation Network, a company located in Scottsdale, Arizona that provides full range relocation services for executives. From 1995 to 1996, he was the Chief Operating Officer of The Homebuyer's Fair, an Internet company also based in Scottsdale, Arizona. He has an engineering degree from the U.S. Coast Guard Academy and served for ten years in various roles providing search and rescue services at several Coast Guard

bases.

Ray Deese has been a Director since May 1999. He was the founder in 1981 of R & M Deese, Inc. dba Electro-Tech's, a manufacturer of LED products for transportation and other industries located in Corona, California, and has since then been its President and General Manager. Electro-Tech's assembles the components for the Company's Unilights products. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS".

Gary Pinkston has been a Director since November 2000. Mr. Pinkston is Principal Owner/President of Meridian/Pacific, Ltd., which he founded in 1988. Meridian Pacific, Ltd. provides real estate financing and consulting services to major corporations, with a focus on commercial properties and shopping centers. Since 1997 it has participated in over \$700 million of real estate loans. Prior to forming Meridian/Pacific, Gary was Principal Owner and Vice President of Walker Pinkston Co., and Vice President of Rubloff, Inc. He holds a BS from Kansas State University and is a member of the International Council of Shopping Centers and the Mortgage Bankers Association of America.

Dan Sugaski has been Vice President-Marketing of the Company since October 2000 and currently serves as such on a part-time consulting basis. He was previously, for approximately eight years, Director of Regional Sales and Regional Business Manager with GAF Material Corporation and at Owens Corning Fiberglas.

Robert Johnson has been the Company's Product Development Manager and Sales Engineer since December 2000. He has been, for approximately thirty years, a consultant in product design, development and production.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid to the Company's executive officers listed below in the year ended December 2000, and the period January 1, through June 30, 2001.

Name and Position	Compensation Paid	
	2000	2001
William J. Gartner, President and CEO (1)	\$72,720	None
Marco Messina, President and CEO (2)(3)	27,500	\$15,000
Richard Bourke, Chief Financial Officer (3)	74,000	21,000
Dan Sugaski, Vice President- Marketing (4)	9,000	
Robert Johnson, Product Manager	1,100	3,543

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- (1) Mr. Gartner resigned as an officer and director of the Company on August 9, 2000. Of the total compensation paid to him during fiscal 2000, the Board of Directors believes, upon inquiry, that \$28,720 had not been authorized.
 - (2) Mr. Messina's employment began June 1, 2000.
 - (3) Mr. Messina and Mr. Bourke have accrued, through June 30, 2001, \$70,000 and \$17,000, respectively, in compensation.
 - (4) During 2000, Mr. Sugaski was granted warrants for the purchase of 40,000 shares of common stock at a price of \$0.20 each and during 2001 he was granted additional warrants for the purchase of 20,000 shares at a price of \$0.20 each and the purchase of 12,000 shares at a price of \$0.10 each.

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The Company provides its directors warrants to purchase 30,000 shares of its Common Stock at the then market price, for each year of service. The Chairperson receives warrants for 40,000 shares of Common Stock. The Company also reimburses directors who are not employees for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors.

STOCK OPTIONS

In March, 2001, the Company adopted a plan covering Marco Messina, Richard Bourke and Dan Sugaski, whereby these individuals are eligible to earn stock options for up to 1,350,000 shares of Common Stock, vested quarterly over a five year period.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On April 16, 2001, the Company entered into an agreement with Patent Technology LLC ("Patent"), an Arizona limited liability company, whereunder Patent loaned \$75,000 to the Company. The loan is due and payable on or before April 16, 2001 and bears interest at the rate of 12% per annum. The Company has pledged all of its assets as collateral for the loan and these assets may be taken by the lender if the amount of the loan and accrued interest is not repaid in full when due. The Members of Patent include Mr. Gary Pinkston, a Director of the Company and Alfonso and Pia Messina and Andrew Messina. Alfonso and Pia Messina are the parents of Mr. Marco Messina, a Director and the Chief Executive Officer of the Company and Andrew Messina is his brother.

At its inception, the Company's founders, Messrs William Gartner and Marco Messina, together with the assignee of another co-inventor, assigned all of their patent rights in the Unilight product to the Company in consideration of the issuance and sale to them by the Company of 3,000,000, 4,000,000 and 3,000,000 shares, respectively, of the Company's common stock. The total value of the shares was \$100,000. The cost to the founders of developing the patent rights was approximately \$15,000. Subsequently, in their capacities as directors, Messrs. Messina and Mr. Gartner were issued warrants to purchase 230,000 and 50,000 shares respectively. They were also issued 36,250 and 140,550 shares of Common Stock, respectively, in consideration of services. Mr. William Gartner subsequently sold 140,000 shares to various third parties and returned 2,990,550,000 shares and warrants for 50,000 shares to the Company in settlement of certain litigation between them (described elsewhere herein under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINAL CONDITION AND RESULTS OF OPERATIONS").

DESCRIPTION OF SECURITIES

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, \$0.01 par value. The Company is not presently authorized to issue any shares of Preferred Stock. As of June 30, 2001, there were outstanding 12,421,805 shares of Common Stock and warrants to purchase an additional 2,304,750 shares of Common Stock.

The holders of the Common Stock are entitled to receive dividends when and as declared by the Board Directors, out of funds legally available therefore. The Company has not paid cash dividends in the past and does not expect to pay any dividends on its Common Stock within the foreseeable future since any earnings are expected to be reinvested. In the event of liquidation, dissolution, or winding up of the Company, wither voluntarily or involuntarily, each outstanding share of the Common Stock is entitled to share equally in the Company's assets, subject to any preferential liquidation rights, if any, of the holder of shares of Preferred Stock which may then be outstanding.

Each outstanding share of the Common Stock is entitled to equal voting rights, consisting of one vote per share. Under the laws of Arizona, all of the shares may be voted cumulatively in the election of directors; that is, each shareholder may multiply the number of his or her shares by the number of directors to be elected and cast the resulting number of votes in favor of one or more of the director nominees.

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During 1998 and early 1999, the Company issued warrants to purchase 910,000 shares of Common Stock to its shareholders. The warrants permit the holders to acquire such shares at any time during the three-year period after the warrant was issued at an exercise price of \$0.10 per share. During 2000, warrants for 435,000 shares were exercised.

During January 2000, the Company issued warrants to purchase 250,000 shares of its Common Stock to its directors, exercisable at any time during the next five years at \$2.00 per share. The Gartner Settlement resulted in the cancellation of warrants for the purchase of 40,000 shares.

In connection with the June 2000 Rescission Offer, the Company granted to six of its directors warrants to purchase 60,000 shares of Common Stock, such warrants to be exercisable at any time during the next five years at an exercise price of \$2.50 per share. The Gartner Settlement resulted in the cancellation of warrant for the purchase of 10,000 shares.

In October 2000, the Company issued warrants to purchase 25,000 shares of its Common Stock to an investor, exercisable at any time during the next five years at \$0.10 per share.

During 2000, the Company issued warrants to purchase 105,000 shares of its Common Stock to its employees and consultants, exercisable at any time during the next five years at exercise prices from \$0.20 to \$2.00 per share. During 2000, warrants for 16,000 shares were exercised.

During 2001 the Company issued warrants to purchase 532,000 shares of its Common Stock to its employees and consultants, exercisable at any time during the next five years at exercise prices ranging from \$0.01 to \$0.20 per share.

During 2001, the Company also issued warrants to purchase 193,750 shares of its Common Stock to its directors, exercisable at any time during the next five years at an exercise price of \$0.10 per share.

CONTROL SHARE ACQUISITIONS

Sections 10-2721 through 10-2727 of the Arizona Revised Statutes apply to any acquisition of outstanding securities of the Company (other than pursuant to the laws of descent and distribution), a gift, an acquisition from the Company, the satisfaction of a security interest or in connection with certain mergers or reorganizations resulting in the ownership of one of the following categories of

the Company's then outstanding voting securities: (a) twenty percent or more but less than thirty-three percent; (b) thirty-three percent but not more than fifty percent; or (c) fifty percent or more. The voting rights of the securities acquired in such acquisition are denied (except the voting rights associated with the election of directors) unless a majority of the non-interested securities holders approve the granting of such voting rights. Unless the Company's Articles of Incorporation or Bylaws then in effect provide otherwise, such securities acquired are also redeemable in part or whole by the Company at the market price of the securities within 30 days if (a) the acquiring person has not given a timely information statement to the Company or (b) the shareholders voted not to grant voting rights to the acquiring person's securities.

BUSINESS COMBINATION WITH INTERESTED SHAREHOLDERS

Sections 10-2741 through 10-2743 of the Arizona Revised Statutes prohibit business combinations between the Company and shareholders owning 10% or more of the Company's Common Stock or affiliates of such shareholders ("Interested Shareholders") for a period of three years after the date the Interested Shareholder becomes a holder of 10% of the Company's Common Stock ("Acquisition Date") unless the business combination with the Interested Shareholder or the acquisition of the shares by the Interested Shareholder is approved by a committee of disinterested directors prior to such Interested Shareholder's Acquisition Date. Business combinations are generally defined to include: (a) mergers and consolidations with the Interested Shareholder; (b) an exchange of shares with the Interested Shareholders; (c) a sale, lease, mortgage, pledge or other transfer to the Interested Shareholder of assets with an aggregate market value of at least 10% of the Company's total assets, 10% of the Company's market value of all outstanding shares, 10% of the Company's revenues or 10% of the Company's net income; (d) the issuance or a transfer of shares to the Interested Shareholder that have a market value of 5% or more of the market value of all outstanding shares; (e) the adoption of any plan or proposal by the interested shareholder to liquidate or dissolve the Company or reincorporate the Company in another state; (f) any reclassification of securities that is proposed by the Interested Shareholder which has the effect of increasing his proportionate share of outstanding shares or of securities that are exchangeable or convertible into securities owned by the Interested Shareholder; and (g) the receipt by the Interested Shareholder of any loans, advances or other financial assistance that is not otherwise made available to all shareholders.

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PART II

MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

There is no public market for the Company's common stock or any other of its securities.

As of the date of this Registration Statement, 12,421,805 shares of the Company's common stock were outstanding. In addition, there are outstanding warrants for the purchase of up to 50,000 shares at a price of \$2.50 per share; warrants to purchase up to 210,000 shares at a price of \$2.00 per share; warrants to purchase up to 1,423,750 shares an exercise price of \$.10 per share; and warrants issued to employees and consultants for the purchase of up to 621,00 shares at prices ranging from \$0.01 to \$1.50 per share.

As of the same date, 9,626,651 shares would be eligible to be sold to the public pursuant to Rule 144 of the Securities and Exchange Commission if a public trading market were to exist.

There are approximately 110 holders of record of the Company's common stock.

The Company has never declared or paid any dividends on its stock and there are no plans to do so in the future.

LEGAL PROCEEDINGS

None

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

None

RECENT SALES OF UNREGISTERED SECURITIES

The following securities were sold by the Company within the past three years, none of which were registered under the Securities Act of 1933, as amended (the "Act"):

A.

1. September 1998 - 10,404,000 shares of common stock.

2. The shares were issued to eight private investors, two of whom were directors of the Company.

3. The consideration for the shares was an assignment of patent rights and services rendered to the Company in the aggregate amount of \$149,775. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 10 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

B.

1. October and November 1998 - 180,000 shares of common stock and warrants to purchase an additional 180,000 shares of common stock.

2. The securities were issued to nine private investors.

3. The consideration for the securities was cash in the aggregate amount of \$17,000 and services rendered to the Company in the amount of \$1,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 10 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

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C.

1. February and March 1999 - 987,527 shares of common stock and warrants to purchase an additional 730,000 shares of common stock.

2. The securities were issued to seventeen private investors, five of whom were directors of the Company.

3. The consideration for the securities was cash in the aggregate amount of \$73,000 and services rendered to the Company in the amount of \$25,752.70. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 25 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

D.

1. June and July 1999 - 385,000 shares of common stock.

2. The shares were issued to twelve private investors, three of whom were directors of the Company.

3. The consideration for the shares was cash in the aggregate amount of \$77,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 15 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. All but three of the investors were existing shareholders. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

E.

1. October and November 1999 - 153,000 shares of common stock.

2. The shares were issued to thirteen private investors, two of whom were directors of the Company.

3. The consideration for the shares was cash in the aggregate amount of \$153,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 15 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. All but three of the investors were existing shareholders. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

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F.

1. December 1999 - 97,574 shares of common stock.

2. The shares were issued to twenty-three private investors, four of whom were directors of the Company.

3. The consideration for the shares was cash in the aggregate amount of \$146,860. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 30 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Most of the investors were existing shareholders. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

G.

1. January 2000 - 48,500 shares of common stock.

2. The shares were issued to four private investors.

3. The consideration for the shares was cash in the aggregate amount of \$96,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 5 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

H.

1. March 2000 - 51,600 shares of common stock.

2. The shares were issued to seventeen private investors.

3. The consideration for the shares was cash in the aggregate amount of \$129,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 25 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

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I.

1. May 2000, the Company issued 220,000 shares of common stock.

2. The shares were issued to two private accredited investors.

3. The consideration for the shares was services rendered to the Company in the amount of approximately \$20,000 and cash in the amount of \$50,000.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering and under Section 4(6) as a transaction exclusively with an accredited investor. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

J.

1. July and August 2000 - 93,660 shares of common stock.

2. The shares were issued to seventeen private investors, two of whom were directors of the Company.

3. The consideration for the shares was cash in the aggregate amount of \$231,150 and services rendered to the Company in the amount of \$3,000. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 25 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investors. All of the shares were appropriately treated as restricted as to transfer.

K.

1. In September 2000, the Company issued 860 shares of common stock.

2. The shares were issued to one private investor.

3. The consideration for the shares was services rendered to the Company in the amount of approximately \$2,400.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. The investor was a person known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. The investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investor. All of the shares were appropriately treated as restricted as to transfer.

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L.

1. In October 2000, the Company issued 1,897,000 shares of common stock and warrants to purchase an additional 25,000 share of common stock.

2. The securities were issued to sixteen private investors, four of whom were directors of the Company.

3. The consideration for the shares was cash in the aggregate amount of \$190,900. No commissions were paid.

4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 25 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Each investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investors. All of the shares were appropriately treated as restricted as to transfer.

M.

1. December 2000 - 8,000 shares of common stock.

2. The shares were issued to one private investor.

3. The consideration was for the services rendered to the Company in the amount of approximately \$2,000 against the exercise price of options accruing to the investor, who was an employee of the Company.

4. This transaction was exempt under Section 4(2) of the Act as a transaction

not involving any public offering. The investor was a person known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. The investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investor. All of the shares were appropriately treated as restricted as to transfer.

N.

1. May 2001 - 485,633 shares of common stock.
2. The shares were issued to the Company's existing shareholders, including six of its officers and directors.
3. The consideration for the shares was a release of liability of the Company from certain possible claims.
4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made only to its existing shareholders who purchased common stock from the Company during certain dates, approximately seventy persons. Each shareholder had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investors. All of the shares were appropriately treated as restricted as to transfer.

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O.

1. May 2001 - a promissory note in the principal amount of \$75,000 and warrants to purchase an additional 750,000 shares of common stock.
2. The securities were issued to a limited liability company having a total of 13 members, one of whom is an executive officer of the Company, one of whom is a director of the Company and two of whom are immediate family members of the Company's Chief Executive Officer.
3. The consideration for the securities was cash in the aggregate amount of \$75,000. No commissions were paid.
4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. Solicitations were made of not more than 20 persons who were selected from a group of persons known to be possessed of adequate net worth, investment experience and knowledge and experience of business and finance and to be familiar with the Company's business. Information as would have been disclosed in a registration statement under the Act, to the extent reasonably available, was furnished to the investor. The investor had access to the Company's facilities and had an opportunity to discuss the Company's business with its executive officers. All of the shares were appropriately treated as restricted as to transfer.

P.

1. June 2001 - 310,001 shares of common stock.
2. The shares were issued to eight officers and directors of the Company.
3. The consideration was for services rendered to the Company by the officers and directors in the amount of approximately \$30,000.
4. This transaction was exempt under Section 4(2) of the Act as a transaction not involving any public offering. The investors, executive officers and directors of the Company, had access to the same kind of information as would have been disclosed in a registrations statement under the Act. All of the shares were appropriately treated as restricted as to transfer.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The right of the shareholders to sue any director for misconduct in conducting the affairs of the Company is limited by Article X of its Articles of Incorporation and Arizona statutory law to actions for damages resulting from a breach of a directors fiduciary duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law, the lawful payment of dividends or stock repurchases or transactions in which a director receives an improper personal benefit. Ordinary negligence is not a ground for such a suit.

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The Company also has the right, pursuant to Article IX of the Articles and Arizona statutory law, to indemnify any present or former director or officer of the Company for all expenses incurred by them in connection with any legal action brought or threatened against such person for or on the account of any action or admission alleged to have been committed while acting in the course and scope of the persons duties, if the person acted in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Company, and with respect to criminal actions, had no reasonable cause to believe the person's conduct was unlawful, provided that such indemnification is made pursuant to the then existing provisions of Arizona statutory law at the time any such indemnification. The statute does not limit the liability of directors or officers for monetary damages under Federal securities laws.

In so far as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provision, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is therefore unenforceable.

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PART F/S

TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

[LETTERHEAD OF EIDE BAILLY LLP]

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
Scottsdale, Arizona

We have audited the balance sheets of TRAFFIC TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY) as of December 31, 2000 and 1999 and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRAFFIC TECHNOLOGY, INC. as of December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Eide Bailly LLP

Eide Bailly LLP
Phoenix, Arizona
June 21, 2001

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TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

<TABLE>
<CAPTION>

	2000	1999
	-----	-----
<S>	<C>	<C>
ASSETS		

CURRENT ASSETS		
Cash	\$ 113,595	\$ 150,191
Accounts receivable	39,007	10,222
Inventory	14,052	32,789
Due from former officer and stockholder	--	12,001
Due from former employee	13,880	4,000
	-----	-----
Total current assets	180,534	209,203
PROPERTY AND EQUIPMENT, NET		
	21,432	5,055
PATENTS, less accumulated amortization of \$7,170 in 2000 and \$0 in 1999		
	125,483	123,793
DEPOSIT		
	2,703	2,703
	-----	-----
	\$ 330,152	\$ 340,754
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 54,503	\$ 7,194
Accrued liabilities		
Payroll and payroll taxes	11,206	--
Salary and consulting officers/stockholders	45,500	--
Other	--	1,246
	-----	-----
Total current liabilities	111,209	8,440
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock		
Voting, \$0.01 par value, authorized 20,000,000 shares; 14,626,721 and 12,337,101 shares issues at 2000 and 1999, respectively	146,267	123,371
Additional paid in capital	1,232,326	540,772
Deficit accumulated during development stage	(1,148,715)	(331,829)
	-----	-----
	229,878	332,314
Less cost of treasury stock, 2,990,550 shares in 2000	(10,935)	--
	-----	-----
	218,943	332,314
	-----	-----
	\$ 330,152	\$ 340,754
	=====	=====

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

<TABLE>
<CAPTION>

	2000	1999	May 15, 1998 (Inception) to December 31, 2000
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Sales	\$ 99,264	\$ 18,596	\$ 117,860
Interest	2,148	--	2,148
	-----	-----	-----
	101,412	18,596	120,008
	-----	-----	-----
EXPENSES			
Cost of Sales	98,638	19,437	118,075
General and administrative expenses			

Salaries and benefits	213,003	--	213,003
Consulting	140,677	50,432	217,209
Contract labor	42,959	60,630	103,589
Legal and accounting	80,184	1,334	81,756
Travel and entertainment	32,250	21,231	55,191
Insurance	16,905	--	16,905
Office supplies and other	33,866	12,531	48,786
Occupancy	20,766	1,505	22,271
Telephone	13,745	1,168	15,450
Auto	6,088	6,824	12,912
Moving	10,401	--	10,401
Legal settlement	21,000	17,661	38,661

Marketing and advertising	108,593	42,623	152,680
Research and development	69,373	31,762	151,709
Depreciation and amortization	9,850	275	10,125
	-----	-----	-----
	918,298	267,413	1,268,723
	-----	-----	-----

NET LOSS \$ (816,886) \$ (248,817) \$ (1,148,715)
=====

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
AND MAY 15, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 2000

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL	DEFICIT	TREASURY	TOTAL
	NUMBER	AMOUNT	PAID-IN	ACCUMULATED	STOCK	STOCKHOLDERS'
	OF SHARES		CAPITAL	DURING		EQUITY
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
		\$	\$	\$	\$	\$
Balances, May 15, 1998 (Date of Inception)	--	--	--	--	--	--
Issuance of common stock for cash	180,000	1,800	16,200	--	--	18,000
Issuance of common stock for services	504,000	5,040	45,360	--	--	50,400
Issuance of common stock for patents	10,000,000	100,000	10,129	--	--	110,129
Net loss	--	--	--	(83,012)	--	(83,012)
	-----	-----	-----	-----	-----	-----
BALANCES, DECEMBER 31, 1998	10,684,000	106,840	71,689	(83,012)	--	95,517
Issuance of common stock for cash	1,395,844	13,958	445,903	--	--	459,861
Issuance of common stock for services	257,257	2,573	23,180	--	--	25,753
Net loss	--	--	--	(248,817)	--	(248,817)
	-----	-----	-----	-----	-----	-----
BALANCES, DECEMBER 31, 1999	12,337,101	123,371	540,772	(331,829)	--	332,314
ISSUANCE OF COMMON STOCK FOR CASH	2,073,560	20,736	666,914	--	--	687,650
Issuance of common stock for services	216,060	2,160	24,640	--	--	26,800
Treasury stock acquired	(2,990,550)	--	--	--	(10,935)	(10,935)
Net loss	--	--	--	(816,886)	--	(816,886)
	-----	-----	-----	-----	-----	-----
Balances, December 31, 2000	11,636,171	\$ 146,267	\$ 1,232,326	\$ (1,148,715)	\$ (10,935)	\$ 218,943
	=====	=====	=====	=====	=====	=====

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
AND MAY 15, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 2000

<TABLE>
<CAPTION>

	2000	1999	May 15, 1998 (Inception) to December 31, 2000
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (816,886)	\$ (248,817)	\$ (1,148,715)
	-----	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	3,745	275	4,020
Amortization	7,170	--	7,170
Loss on disposal of patent	--	--	2,184
Treasury stock settlement	(10,935)	(10,935)	
Common stock issued for services	26,800	25,753	102,953
(Increase) in accounts receivable	(28,785)	(10,222)	(39,007)
(Increase) decrease in inventory	18,737	(32,789)	(14,052)
(Increase) decrease in due from former officer/stockholder	12,001	(12,001)	--
(Increase) in due from employee	(9,880)	(4,000)	(13,880)
(Increase) in deposit	--	(2,703)	(2,703)
Increase (decrease) in accounts payable	47,311	(5,282)	54,503
Increase in accrued liabilities	55,458	1,246	56,706
	-----	-----	-----
Net adjustments	121,622	(39,723)	146,959
	-----	-----	-----
Net cash used in operating activities	(695,264)	(288,540)	(1,001,756)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(20,122)	(5,330)	(25,452)
Purchases of patents	(8,860)	(15,848)	(24,708)
	-----	-----	-----
Net cash used in investing activities	(28,982)	(21,178)	(50,160)
	-----	-----	-----
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
Sale of common stock	687,650	459,861	1,165,511
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(36,596)	150,143	113,595
CASH, beginning of year	150,191	48	--
	-----	-----	-----
CASH, end of year	\$ 113,595	\$ 150,191	\$ 113,595
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

	2000	1999	May 15, 1998 (Inception) to December 31, 2000
	-----	-----	-----
Issuance of common stock for patents	\$ --	\$ --	\$ 110,129
	=====	=====	=====

</TABLE>

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TRAFFIC TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1 -- OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATING ACTIVITIES

Traffic Technology, Inc., an Arizona Corporation, (the Company) is a development

stage company, organized to design, manufacture and market a line of traffic signal products called Unilights, using Light Emitting Diodes (LEDs) to produce universally recognized symbols in a revolutionary, single lens unit. Additionally, the traffic signals reduce energy consumption, maintenance costs and deployment costs. The products are based on U.S. Patent No. 5,898,381 filed January 17, 1997 issued April 27, 1999 and U.S. Patent No. 6,054,932 filed November 20, 1998 issued April 24, 2000. The Company was incorporated in 1998.

The Company develops product concepts and brings them to the prototype stage with the assistance of Electro-Tech's, a contract manufacturer and shareholder located in Corona, California. Once a product is ready for market, it is assembled by one of several contract manufacturers, depending upon whether it is sold domestically or into the export market.

The Company's products are sold domestically through a network of manufacturer's representatives or distributors. These parties are required to purchase an initial sales kit, and maintain minimum quarterly sales to retain their relationship with the Company. Internationally, TTI is appointing a network of distributors or representatives who may have exclusive markets, and will also be expected to attain minimum sales targets.

Product and distributor inquiries are generated through international consultants, the Company website, media advertising, and trade shows.

TTI conducts its business from its headquarters office in Scottsdale, Arizona.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. The Company maintains, at financial institutions, cash and cash equivalents, which, at times exceed federally insured amounts.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the respective assets.

PATENTS

Patents are stated at cost. Amortization beginning in 2000 has been recorded using the straight-line method over the estimated useful life of the respective patents.

ADVERTISING EXPENSES

Advertising costs are expensed as incurred.

(Continued)

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NOTES TO FINANCIAL STATEMENTS

INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (Statement No. 109). Under the asset and liability method of Statement No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

At December 31, 2000, the Company has approximately \$1,125,000 of net operating loss carryforwards available to reduce future taxable income. The recoverability of these loss carryforwards is contingent upon the Company's ability to generate future taxable income and accordingly will be recognized as the Company generates taxable income.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In management's opinion, methodologies used to determine estimates are adequate and consistent with prior periods.

NOTE 2 -- DEVELOPMENT STAGE OPERATIONS

In 1998, the Company initiated research and development of its future line of traffic signals. During 1999 the Company raised in excess of \$450,000 of equity capital to begin prototype development and final product design and development, design and produce marketing and sales materials, construct its website, begin Institute of Traffic Engineers (ITE) testing and certification, establish contract manufacturing capabilities, and open it's Scottsdale, Arizona office in January, 2000. In late 1999, the Company completed its initial product sale to the Arizona Department of Transportation and Maricopa County Department of Transportation.

The Company first exhibited the Unilight at the American Traffic Safety Services Association Annual Conference in early 2000. Following that trade show, BETTER ROADS magazine selected the Unilight product as one of its Best New Products for 2000. During 2000, the Company sold approximately \$100,000 of Unilight products to customers, including municipalities, a federal government agency and private corporations. The Company incurred a loss in 2000 resulting from start up costs to support an office and maintain a full time staff, broadened marketing and advertising due to initial product launch and trade show participation, the preparation of revised marketing and advertising materials, continued product development expenses and legal and associated costs resulting from litigation with a former officer and director.

Since its inception the Company has been financed primarily through the sale of common stock in private transactions amounting in total to approximately \$1,390,000. On April 16, 2001, the Company obtained a secured line of credit from a group of investors among whom are one of the Company's Directors and the relatives of another Director who is also the Chief Executive Officer. The Company does not expect to generate sufficient funds from operations to repay the loan; accordingly its ability to do so will depend on its ability to raise funds from the sale of equity or further borrowings. The Company is engaged in discussions with prospective private investors about possible debt and equity financing.

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NOTE 3 -- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2000	1999
	-----	-----
Furniture and fixtures	\$ 19,062	\$ 5,330
Test Equipment	6,390	--
	-----	-----
	25,452	5,330
Accumulated depreciation	(4,020)	(275)
	-----	-----
	\$ 21,432	\$ 5,055
	=====	=====

NOTE 4 -- COMMON STOCK

ISSUANCE OF COMMON STOCK

In 2000, the Company issued 2,073,560 shares of stock, with cash proceeds of \$687,650 and issued 216,060 shares for services totaling \$26,800. In 1999, the Company issued 1,395,844 shares of stock, with cash proceeds of \$459,861 and issued 257,257 shares for services totaling \$25,753.

STOCK WARRANTS

The Company's stock warrants are exercisable at \$.01 to \$2.50 per share, subject to certain adjustments, as stated in the Common Stock Purchase Warrant. All stock warrants are exercisable for a period of five years from the date of issue. All stock warrants are exercisable in whole or in part. The warrant and shares of stock underlying the warrant have not been registered under the Securities Act of 1933 as amended and have not been registered or qualified under the securities laws of any state.

A summary of the activity of stock warrants is as follows:

	COMMON WARRANTS -----
Outstanding at December 31, 1998	180,000
Expired - 1999	--
Issued - 1999	730,000

Outstanding at December 31, 1999	910,000
EXPIRED - 2000	--
CANCELLED - 2000	(50,000)
EXERCISED - 2000	(471,000)
ISSUED - 2000	440,000

OUTSTANDING AT DECEMBER 31, 2000	829,000
	=====

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NOTE 5 -- STOCK RESCISSION OFFER

In June 2000, the Company's Board of Directors determined that certain errors and omissions may have been made by the Company in connection with certain offerings and sales of its shares of Common Stock at various times during 1999 and 2000, which may have resulted in violations of federal and state securities laws. Therefore, the Company offered certain shareholders who invested in those offerings the right, if they chose, to rescind their purchase of the Company's securities or, if they chose, to retain the purchased securities and continue their investment in the Company (the "June 2000 Rescission Offer"). None of the shareholders to whom the June Rescission Offer was made, accepted the Company's offer to rescind their purchase of securities.

Immediately following the June 2000 Rescission Offer, the Company made a private offering of its common stock. The same information describing the Company and its business was given to the rescission offerees and the private placement offerees. That information included the Company's audited financial statements for the period ended December 31, 1999 ("the December Financial Statements").

In August, 2000, the Board of Directors determined that an officer of the Company, who is no longer employed by or affiliated with the Company, had diverted funds to his own use without the knowledge or authorization of the Board of Directors. It was also determined that disclosure of the course of conduct of that former officer had not been disclosed to investors who had purchased the common stock of the Company while that former officer was acting as such or to those investors to whom the rescission offer had been made. In order to resolve claims which any such investors might have against the Company because of that disclosure issue, the Board of Directors determined to offer each of them one additional share of its common stock for every five shares purchased by them in exchange for an agreement releasing the Company from such claims ("the Exchange Agreement"). Stock issued under this exchange agreement occurred subsequent to December 31, 2000.

NOTE 6 -- SUBSEQUENT EVENTS

Subsequent to the December 31, 2000 year-end, releases were received by the Company from approximately ninety percent of those investors offered the Exchange Agreement providing for the issuance of additional shares of common stock, but investors who in the aggregate have invested approximately \$40,000 in the Company's common stock have failed to agree to the release. While the company has no knowledge of any threatened litigation on account of such claims, the possibility of such litigation can not be excluded.

In April 2001 the Company entered into a loan agreement with an entity affiliated through common ownership and management (the entity is comprised of certain stockholders, a Director and consultant to the Company). The Company has borrowed \$75,000 at an annual interest rate of 12%, payable in semi-annual installments beginning October 2001. The loan is due and payable in April 2002 and is collateralized by a security interest in substantially all Company assets including issued patents. Additionally, the affiliate will receive warrants to purchase 10 shares of common stock, at \$.10 per share, for every dollar loaned to the Company.

On May 9, 2001, the Company entered into a settlement agreement with a former officer/stockholder and his spouse, whereby the parties agreed to settle all disputes which gave rise to the respective legal actions, with neither party admitting any liability with respect to the matters in dispute between the parties. This settlement has been reflected in the December 31, 2000 financial statements. The Company received all the outstanding common stock held by the former officer/stockholder (2,990,550 shares) and the settlement extinguished certain assets and liabilities recorded at December 31, 2000, which resulted in treasury stock with a cost of \$10,395 at December 31, 2000. As part of the settlement, 70,000 shares of the common stock returned, may be reissued/transferred to a stockholder/director upon certain future defined conditions occurring, should the conditions not be met the shares will remain as treasury stock.

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Subsequent to the December 31, 2000 year-end certain officers/stockholders received warrants to purchase approximately 500,000 shares of common stock and are exercisable at \$.01 to \$.20 per share. Additionally, certain officer/stockholders received options to purchase 1,350,000 shares of common stock at \$.10 per share under an incentive stock option plan, which will vest quarterly over a period of sixty months.

#

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TRAFFIC TECHNOLOGY, INC.
INTERIM FINANCIAL STATEMENTS (UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTH PERIOD ENDED JUNE 30			
	2000	2001	FROM INCEPTION	
			To	To
			2000	2001
<S>	<C>	<C>	<C>	<C>
STATEMENTS OF INCOME (UNAUDITED)				
REVENUE				
Sales	35,957	36,052	54,553	153,912
Other		3,982		6,130
	-----	-----	-----	-----
	35,957	40,034	54,553	160,042
EXPENSES				
Cost of sales	30,952	27,674	50,389	145,749
General and administrative	313,491	235,499	517,781	1,071,353
Salaries and benefits	107,243	72,530	107,243	289,664
Consulting	48,658	54,950	125,190	266,159
Directors fee		30,000		30,000
Legal and accounting	31,542	44,163	33,114	125,919
Travel and entertainment	21,373	4,191	40,587	59,382
Contract labor	19,244	3,778	80,439	107,931
Moving	10,401		10,401	10,401
Office supplies and other	10,627	7,163	18,255	55,949
Telephone	7,417	5,128	9,122	20,578
Occupancy	8,504	10,216	10,008	32,486
Auto	21,862	171	27,546	14,693
Settlement	21,000		38,661	38,661
Marketing and advertising	75,725	11,267	119,812	164,227
Research and development	9,308	9,135	91,644	160,844
Depreciation and amortization	5,457	6,290	5,732	16,415
	-----	-----	-----	-----
	434,933	289,865	785,358	1,558,588
NET LOSS	-398,976	-249,831	-730,805	-1,398,546
</TABLE>				

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<TABLE>
<CAPTION>

	SIX MONTH PERIOD ENDED JUNE 30			
	2000	2001	FROM INCEPTION	
			To	To
			2000	2001
<S>	<C>	<C>	<C>	<C>
STATEMENTS OF CASH FLOWS (UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	-398,976	-249,831	-730,805	-1,398,546
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation	1,872	2,705	2,147	6,725
Amortization	3,585	3,585	3,585	10,755
Loss on disposal of patent			2,184	2,184
Treasury stock settlement				-10,935
Stock settlement		4,856		4,856
Common stock issued for services		30,000		132,953
(Increase) decrease in accounts receivable	-9,156	17,243	-19,378	-21,764
(Increase) decrease in inventory	-4,171	-4,791	-36,960	-18,843
(Increase) decrease in due from former	12,001		12,001	

officer/stockholder				
(Increase) in due from employee	-9,661		-13,661	-13,880
(Increase) in deposit and prepaid		-23,013	-2,703	-25,716
Increase (decrease) in accounts payable	27,550	22,549	22,268	77,052
Increase in accrued liabilities	12,105	35,149	13,351	91,855
	-----	-----	-----	-----
Net adjustments	34,125	88,283	-17,166	235,242
Net cash used in operating activities	-364,851	-161,548	-747,971	-1,163,304
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	-13,081		-18,411	-25,452
Purchases of patents	-6,670	-7,843	-22,518	-32,551
Net cash used in investing activities	-19,751	-7,843	-40,929	-58,003
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Sale of common stock	267,041		726,902	1,165,511
Loans		75,000		75,000
NET INCREASE (DECREASE) IN CASH	-117,561	-94,391	-61,998	19,204
CASH, beginning of year	150,191	113,595	--	--
CASH, end of period	32,630	19,204	21,014	19,204

</TABLE>

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BALANCE SHEET (UNAUDITED)

SIX MONTH PERIOD ENDED JUNE 30

ASSETS	2001

Current assets	
Cash	19,204
Accounts receivable	21,764
Inventory	18,843
Due from former employee	13,880
Prepaid expense	20,639
Property & Equipment, net of depreciation	18,728
Patents, net of amortization	129,739
Deposit	5,078

Total Assets	247,875
LIABILITIES AND STOCKHOLDERS EQUITY	
Current Liabilities	
Accounts payable	77,052
Accrued liabilities	
Payroll and payroll taxes	
Salary and consulting officers/stockholders	91,855

Total	91,855
Loan payable	75,000
Stockholders Equity	
Common stock, 20 million shares authorized, 12,421,805 shares issued at 6/30/01	124,218
Add'l paid in capital	1,289,231
Retained earnings	-1,148,715
Net Income	-249,831
Less cost of treasury stock	-10,935

	3,968

Total Liabilities and Stockholders Equity	247,875
	=====

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NOTES

NOTE 1. COMMON STOCK

Issuance of Common Stock

During the first six months of 2001, the Company issued 485,633 shares of common stock to stockholders in exchange for an agreement releasing the Company from any future claims arising from the misconduct of a former officer and director, and 300,001 shares of common stock to its directors as compensation for additional services related to the negotiations and settlement with its former officer and director.

Stock Warrants

During the first six months of 2001, the Company issued warrants for 750,000 shares of its common stock, exercisable at \$0.10 per share, to an entity which made a loan to the company. In addition, the Company issued warrants for 193,750 shares to its directors, and 532,000 shares to its officers and employees.

NOTE 2. LOAN AGREEMENT

In April, 2001, the Company entered into a loan agreement with an entity affiliated through common ownership and management. SEE NOTE 6 TO AUDITED FINANCIAL STATEMENTS.

NOTE 3. SETTLEMENT AGREEMENT

On May 9, 2001, the Company entered into a settlement agreement with a former officer/stockholder and his spouse, whereby the parties agreed to settle all disputes which gave rise to the respective legal actions. SEE NOTE 6 TO AUDITED FINANCIAL STATEMENTS.

NOTE 4. SUBSEQUENT EVENT

On July 2, 2001, Capital Resources, Inc., an investment company, purchased 2,000,000 shares of common stock from Kathryn Gartner, thus acquiring a 13.6% ownership interest, on a fully diluted basis, in the company.

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PART III

Exhibit Index

The following is a list of exhibits filed with this Registration Statement:

Exhibit No. -----	Description -----
2.1	Articles of Incorporation
2.1.1	Articles of Amendment to Articles of Incorporation, dated September 16, 1998
2.2	Bylaws
2.2.1	Amendment to Bylaws, dated November 17, 2000
2.2.2	Amendment to Bylaws, dated January 11, 2001
6.1	Consulting Agreement with Pinnacle West Capital Corporation, dated May 30, 2000
6.2	Distributor Agreement with Layton Solar, dated April 3, 2000
6.2.1	Amendment to Distributor Agreement with Layton Solar, dated August 24, 2000
6.3	Distributor Agreement with IMS Industries, dated March 17, 2000
6.4	Distributor Agreement with Taiwan Signal Technologies Co., Ltd., dated June 30, 2000
6.5	Distributor Agreement with Artflex Sinalizacao Viaria Ltda., dated August 7, 2000
6.6	Distributor Agreement with Supremetech Engineering Co., Ltd., dated August 15, 2000
6.7	LED Single Lens Traffic Signal Technology Transfer and Consulting Service Agreement with JCI Group, Inc. (Japan), dated April 25, 2001
6.8	Form of Distributor Agreement (United States)

III-1

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration to be signed on its behalf by the undersigned, thereunto duly authorized.

TRAFFIC TECHNOLOGY, INC.

Date: By: /s/ Mark Messina

Mark Messina, President and Chief
Executive Officer

Date: By: /s/ Richard Bourke

Richard Bourke, Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
2.1	Articles of Incorporation
2.1.1	Articles of Amendment to Articles of Incorporation, dated September 16, 1998
2.2	Bylaws
2.2.1	Amendment to Bylaws, dated November 17, 2000
2.2.2	Amendment to Bylaws, dated January 11, 2001
6.1	Consulting Agreement with Pinnacle West Capital Corporation, dated May 30, 2000
6.2	Distributor Agreement with Layton Solar, dated April 3, 2000
6.2.1	Amendment to Distributor Agreement with Layton Solar, dated August 24, 2000
6.3	Distributor Agreement with IMS Industries, dated March 17, 2000
6.4	Distributor Agreement with Taiwan Signal Technologies Co., Ltd., dated June 30, 2000
6.5	Distributor Agreement with Artflex Sinalizacao Viaria Ltda., dated August 7, 2000
6.6	Distributor Agreement with Supremetech Engineering Co., Ltd., dated August 15, 2000
6.7	LED Single Lens Traffic Signal Technology Transfer and Consulting Service Agreement with JCI Group, Inc. (Japan), dated April 25, 2001
6.8	Form of Distributor Agreement (United States)
10	Consent of Eide Bailly LLP

ARTICLES OF INCORPORATION
OF
TRAFFIC TECHNOLOGY, INC.

I. NAME

The name of the corporation is Traffic Technology, Inc.

II. PURPOSE

The purpose for which this Corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of Arizona as they may be amended from time to time.

III. INITIAL BUSINESS

The Corporation initially intends to manufacture and market an LED based, single signal traffic light.

IV. AUTHORIZED CAPITAL

The Corporation shall have the authority to issue 1,000,000 shares of common stock. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

V. KNOWN PLACE OF BUSINESS

The Corporation's known place of business is 11703 N. 123rd Way, Scottsdale, AZ 85259.

VI. STATUTORY AGENT

The name and address of the statutory agent is:

Marc Messina
11703 N. 123rd Way
Scottsdale, AZ 85259

VII. INITIAL BOARD OF DIRECTORS

The business and affairs of the Corporation shall be conducted by the Board of Directors, the size of which shall be established from time to time as set forth in the Corporation's Bylaws. The following named persons, who shall serve until the first annual meeting of the shareholders or until his successors are elected and qualified, shall constitute the Board of Directors, the size of which is set at one:

Marc Messina
11703 N. 123rd Way
Scottsdale, AZ 85259

VIII. INCORPORATOR

The name and address of the incorporator is:

Marc Messina
11703 N. 123rd Way
Scottsdale, AZ 85259

All powers and responsibilities of the incorporator shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

IX. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

The Corporation shall indemnify any person who incurs expenses or liabilities by reason of the fact that he or she is or was an officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. This indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

LIMITATION OF LIABILITY

To the fullest extent permitted by the Arizona revised Statutes as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any action taken or any failure to take action as a director. No repeal, amendment or modification of these articles whether direct or indirect, shall eliminate or reduce its effect with respect to any act or omission of a director of the Corporation occurring prior to such repeal, amendment or modification.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto affixed his signature this 15th day of May, 1998.

/s/ Marc Messina

Marc Messina

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
TRAFFIC TECHNOLOGY INC.

PURSUANT to the provisions of the Arizona Revised Statutes, the corporation has adopted an amendment to its Articles of Incorporation, and, therefore, causes these Articles of Amendment and a copy thereof to be executed by its duly authorized officers, as follows:

The name of the corporation is Traffic Technology Inc.

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation as of September 16, 1998, in the manner prescribed by the Arizona Revised Statutes:

ARTICLE IV IS REPLACED IN ITS ENTIRETY BY THE FOLLOWING:

ARTICLE IV - AUTHORIZED CAPITAL

The Corporation shall have the authority to issue twenty million (20,000,000) shares of stock at a par value of \$0.01 per share.

There were 100,000 shares of the corporation issued and outstanding and entitled to be cast in connection with the proposed Amendment, of which 100,000 were cast in favor of the Amendment, representing unanimous approval of the proposed Amendment.

DATED: September 16, 1998.

/s/ Marc Messina

Marc Messina, President

ATTEST:

/s/ William Gartner

William Gartner, Secretary

BYLAWS OF
TRAFFIC TECHNOLOGY, INC.

AN ARIZONA CORPORATION

ARTICLE I - OFFICES

SECTION 1. KNOWN PLACE OF BUSINESS

The known place of business of the Corporation, which shall also be known as its principal place of business, shall be at the address designated in the Articles of Incorporation, or if no address is so designated, at the address of the Corporation's statutory agent as set forth in the Articles of Incorporation. The address of the Corporation's known place of business any be changed from time to time by the Board in a manner provided in Title 10 of the Arizona Revised Statutes and without amending the Articles of Incorporation.

SECTION 2. OTHER OFFICES

The Corporation may also have offices at such other places both within and without the State of Arizona as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II - STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS

An annual meeting of the stockholders shall be held on the second Tuesday of May, commencing in 1998, at the principal place of business of the Corporation in the state of Arizona, or such other date and at such other place as the Board of Directors may specify, within or without the State of Arizona, at which meeting the stockholders entitled to vote shall elect a board of directors, by the cumulative system of voting if, but only if, the same shall then be mandatory for corporations organized under the laws of the State of Arizona, and shall transact such other business as may properly be brought before the meeting.

SECTION 2. SPECIAL MEETINGS

A Special Meeting of Stockholders, for any purpose or purposes, unless otherwise provided by statute or by the Articles of Incorporation, may be called by the Chairman of the Board and shall be called by the Chairman of the Board or Secretary at the request in writing of at least ten percent (10%) of the Board of Directors, or at the request in writing of stockholders owning at least ten percent (10%) in amount of all of the stock of the Corporation issued and outstanding and entitled to vote at such meeting. Such request shall state the purpose or purposes of the proposed meeting.

SECTION 3. NOTICE OF MEETINGS

Written notice of the place, date and time of all meeting of the stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning here and hereinafter as required from time to time by Title 10 of the Arizona Revised Statutes or the Articles of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting, if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 4. QUORUM

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the Chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date or time.

SECTION 5. ORGANIZATION

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chief Executive Officer of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as Chairman of the meeting. In the absence of the Secretary of the Corporation, the Secretary of the meeting shall be such person as the Chairman appoints.

SECTION 6. CONDUCT OF BUSINESS

The Chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the

meeting.

SECTION 7. PROXIES AND VOTING

At any meeting of the stockholders, every stockholder entitled to vote may vote in person, by proxy authorized by an instrument in writing, or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of directors, but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or by his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law shall, in advance of any meeting of stockholders, appoint one (1) or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one (1) or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law shall, appoint one (1) or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the Chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

SECTION 8. STOCK LIST

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the

whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

SECTION 9. CONSENT OF STOCKHOLDERS IN LIEU OF MEETING

Any action required to be taken at any Annual or Special Meeting of Stockholders of the Corporation, or any action which may be taken at any Annual or Special Meeting of Stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by each stockholder and shall be delivered to the Corporation by delivery to its registered office in Arizona, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent, and so written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the date of the earliest dated consent delivered to the Corporation, a written consent or consents signed by every stockholder are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

ARTICLE III - BOARD OF DIRECTORS

SECTION 1. MANAGEMENT OF BUSINESS AND AFFAIRS

The business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

SECTION 2. NUMBER AND TERM OF OFFICE

The number of directors who shall constitute the whole Board shall be fixed from time to time by resolution of the Board of Directors within the limits (if any) prescribed by the Articles of Incorporation. The directors shall be elected at the Annual Meeting of Stockholders, or by written consent of stockholders (in accordance with Article II hereof), except as provided in Section 3 of this Article; and each director elected shall hold office until his successor is elected unless sooner displaced. Directors need not be stockholders. Subject to the limitations imposed by applicable law, the holders of a majority of the shares then entitled to vote at an election of directors may remove a director or directors (or all directors) at any time, with or without cause.

Whenever the authorized number of directors is increased between Annual

Meetings of Stockholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office, unless at the time of such decrease, there shall be vacancies on the Board of Directors which are being eliminated by the decrease.

SECTION 3. VACANCIES

If the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, a majority of the directors remaining in office, although less than a quorum, may elect a successor for the unexpired term and until his or her successor is elected and qualified.

SECTION 4. REGULAR MEETINGS

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

SECTION 5. SPECIAL MEETINGS

Special Meetings of the Board of Directors may be called by one-third (1/3) of the directors then in office (rounded up to the nearest whole number) or by the Chief Executive Officer and shall be held at such place, on such date and at such time as they, he or she shall fix. Notice of the place, date and time of each such Special Meeting shall be given each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telegraphing, telexing or facsimile transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a Special Meeting.

SECTION 6. QUORUM

At any meeting of the Board of Directors, a majority of the total number of the whole Board shall constitute a quorum for all purposes. If a quorum, shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date or time, without further notice or waiver thereof.

SECTION 7. PARTICIPATION IN MEETINGS BY CONFERENCE TELEPHONE

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 8. CONDUCT OF BUSINESS

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present,

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except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting, if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

SECTION 9. POWERS

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- a. To declare dividends from time to time in accordance with law;
- b. To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
- c. To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
- d. To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;
- e. To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;
- f. To adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;
- g. To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and
- h. To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

SECTION 10. COMPENSATION OF DIRECTORS

Directors as such may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors,

including, without limitation, their services as members of committees of the Board of Directors.

ARTICLE IV - COMMITTEES

SECTION 1. COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to the Arizona General Corporation Law, if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in place of the absent or disqualified member.

SECTION 2. CONDUCT OF BUSINESS

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members shall constitute a quorum, unless the committee shall consist of one (1) or two (2) members, in which event, one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of each committee.

ARTICLE V - OFFICERS

SECTION 1. GENERALLY

The officers of the Corporation shall consist of a President, one or more Vice Presidents, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board and/or one or more Vice Chairmen, one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors at the first meeting of the Board of

Directors after every annual meeting of Stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. Any number of offices may be held by the same person unless prohibited by Title 10 of the Arizona Revised Statutes or the Articles of Incorporation.

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SECTION 2. CHAIRMAN

The Chairman of the Board of Directors if elected, or failing his election, the President, shall preside at all meetings of the Board of Directors, shall be the general executive officer, and shall perform such other duties as may be prescribed from time to time by the Board of Directors or the Bylaws.

SECTION 3. PRESIDENT

The President shall be the chief executive officer of the Corporation. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of President or which are delegated by the Board of Directors. The President shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

SECTION 4. VICE PRESIDENT

Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One (1) Vice President shall be designated by the Board to perform the duties and exercise the powers of the President, in the event of the President's absence or disability.

SECTION 5. TREASURER

The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe.

SECTION 6. SECRETARY

The Secretary shall issue all authorized notices for and shall keep minutes of all meetings of the stockholders and the Board of Directors. The Secretary shall have charge of the corporate books and records and shall perform such other duties as the Board of Directors may from time to time prescribe.

SECTION 7. DELEGATION OF AUTHORITY

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

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SECTION 8. REMOVAL

Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

SECTION 9. ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS

Unless otherwise directed by the Board of Directors, the Chief Executive Officer or the President or any officer of the Corporation authorized by the Chief Executive Officer or the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation, may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI - STOCK

SECTION 1. CERTIFICATES OF STOCK

Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board, the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

SECTION 2. TRANSFERS OF STOCK

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article VI of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

SECTION 3. RECORD DATE

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted, and which record date shall not be more than

seventy (70) nor less than ten (10) days before the date of any meeting of stockholders, nor more than seventy (70) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date for determining stockholders is fixed, the record date for determining shareholders

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entitled to notice of or to vote at a meeting of shareholders shall be at four o'clock in the afternoon on the day before the day on which notice is given or, if notice is waived, at the commencement of the meeting.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting; and further provided that the adjournment or adjournments do not exceed thirty (30) days in the aggregate.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than ten (10) days after the date upon which the resolution fixing the record date is adopted. If no record date has been fixed by the Board of Directors, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Article II, Section 9 hereof.

SECTION 4. LOST, STOLEN OR DESTROYED CERTIFICATES

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

SECTION 5. REGULATIONS

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VII - NOTICES

SECTION 1. NOTICES

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram. Any such notice shall be addressed to such stockholder, director, officer, employee

or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered or dispatched, if delivered through the mails or by telegram or mailgram, shall be the time of the giving of the notice.

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SECTION 2. WAIVERS

A written waiver of any notice signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent in the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VIII - MISCELLANEOUS

SECTION 1. FACSIMILE SIGNATURES

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of an officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

SECTION 2. CORPORATE SEAL

The Board of Directors may provide a suitable seal containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary of Assistant Treasurer.

SECTION 3. RELIANCE UPON BOOKS, REPORTS AND RECORDS

Each director, member of any committee designated by the Board of Directors and officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers, employees or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

SECTION 4. FISCAL YEAR

The fiscal year of the Corporation shall be as originally determined, or from time to time changed, by the Board of Directors.

SECTION 5. TIME PERIODS

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. RIGHT TO INDEMNIFICATION

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by Title 10 of the Arizona Revised Statutes, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnatee in connection therewith; provided, however, that except as provided in Section 3 of this Article IX with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

SECTION 2. RIGHT TO ADVANCEMENT OF EXPENSES

The right to indemnification conferred in Section 1 of this Article IX shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that if Title 10 of the Arizona Revised Statutes requires an advancement of expenses incurred by an indemnatee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnatee, including, without limitation, service to an employee benefit plan) and if such indemnatee is not an outside director, then advancement shall be made only upon delivery to the Corporation of; (i) an affirmation of indemnatee's good faith belief that indemnatee has met the standard of conduct described in Section 10-851 of the Arizona Revised Statutes, as amended; and

(ii) and undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 1 and 2 of this Article IX shall be contract rights, and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

SECTION 3. RIGHT OF INDEMNITEE TO BRING SUIT

If a claim under Section 1 or 2 of this Article IX is not paid in full by the Corporation within sixty (60) days after written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also for the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met any applicable standard for indemnification set forth in Title 10 of the Arizona Revised Statutes. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances, because the indemnitee has met the applicable standard of conduct set forth in Title 10 of the Arizona Revised Statutes nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses under this Article IX or otherwise shall be on the Corporation.

SECTION 4. NON-EXCLUSIVITY OF RIGHTS

The rights to indemnification and to the advancement of expenses conferred in this Article IX shall not be exclusive of any other right which any person

may have or hereafter acquire under any statute, the Corporation's Articles of Incorporation, Bylaws, agreement, vote of shareholder or disinterested directors or otherwise.

SECTION 5. INSURANCE

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the applicable Arizona law.

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SECTION 6. INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE X - AMENDMENTS

These Bylaws may be altered, amended or repealed by majority vote of the Board of Directors at any meeting or by the stockholders at any meeting.

Adopted on: May 10, 1998 Confirmed as to adoption.

/s/ Marc Messina

Secretary

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AMENDMENT TO CORPORATE BY-LAWS
OF TRAFFIC TECHNOLOGY, INC.

The Board of Directors of Traffic Technology, Inc. hereby resolve and agree to amend ARTICLE III of its By-laws by adding the attached paragraphs following SECTION 10.

I hereby certify that the attached By-law amendment, ARTICLE III, SECTIONS 11 AND 12, was ratified and adopted by the Board of Directors of the Corporation on November 17, 2000.

/s/ Richard Bourke

Richard Bourke, Secretary
Traffic Technology, Inc.

ARTICLE III, SECTION 11

DIRECTOR QUALIFICATIONS. No person shall be eligible for election and service as a Director of the Corporation if:

- (i) the person has been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the election of such person;
- (ii) the person has been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the election of such person;
- (iii) the person has been or is subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the election of such person wherein such injunction, judgment, decree or permanent order: (a) involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or (b) involved the violation of the consumer fraud laws of that jurisdiction; or (c) involved the violation of the antitrust or restraint of trade laws of that jurisdiction;
- (iv) a majority of the Board of Directors of the corporation determines in good faith and reasonably believes that the person has engaged in fraudulent conduct or intentional criminal conduct with respect to the corporation or in connection with its business and affairs; or

- (v) the person is an adverse party in pending or threatened litigation in which the corporation is a party, and which is reasonably determined in good faith by a majority of the Board of Directors of the corporation to be material to the corporation and its business or prospects; or
- (vi) the person (a) is controlled by, (b) is under common control with or (c) has entered into an agreement with a person described in the preceding paragraphs of this Section of the Bylaws with respect to voting by the person as a Director of the corporation.

ARTICLE III, SECTION 12

NOMINATIONS FOR DIRECTOR. It shall be a condition to the nomination of any person at any meeting of the shareholders of the corporation to be elected as a Director of the corporation ("prospective nominee") that the Secretary of the corporation be notified in writing, not less than 30 days before such meeting if it is the annual meeting, and 5 days before any special meeting at which directors are to be elected, of the name and address of the prospective nominee, the present or past association of the prospective nominee with the corporation and whether, to the best knowledge of the person giving the notice, the prospective nominee is qualified for election and service as a Director under the provisions of Article 3, Section 11 of these Bylaws.

AMENDMENT TO CORPORATE BYLAWS
OF TRAFFIC TECHNOLOGY, INC.

The Board of Directors of traffic Technology, Inc. ("TTI") hereby resolve and agree to amend ARTICLE III, SECTION 8, of its Bylaws by adding the following paragraphs following the existing paragraph in that Section.

The confidentiality of the discussions, deliberations and decisions of the Board of Directors of the Company is of utmost importance. All communications and/or disclosure regarding those matters shall only be made by either the (1) President of the Company or other officer designated by the Board of Directors; or (2) in the case of any shareholder requesting information about such matters, by the Secretary providing that shareholder with a copy of the official Minutes of any meetings of the Board requested by that shareholder.

Each member of the Board of Directors shall sign a Confidentiality Agreement promptly after the commencement of his or her service on the Board. Failure by any member of the Board of Directors to maintain the discussions, deliberations, decisions and other matters that come before the Board in the strictest confidence of the disclosure of any such matters by a Board member in any manner other than as set forth specifically above, shall constitute cause for the immediate removal of that person from the Board of Directors upon a majority vote of the remaining members of the Board. Refusal to execute the Confidentiality Agreement shall also constitute cause for removal of that person from the Board upon a majority vote of the remaining members of the Board.

I hereby certify that the foregoing bylaws amendment was ratified and adopted by the Board of Directors of the Corporation on January 11, 2001.

/s/ Richard Bourke

Richard Bourke, Secretary

CONSULTING AGREEMENT

This Agreement ("Agreement") is effective as of the date of the last signature below (the "Effective Date") and is by and between PINNACLE WEST CAPITAL CORPORATION ("PNW") located at 400 North Fifth Street, Phoenix, Arizona, 85072-2099 ("PNW") and TRAFFIC TECHNOLOGY INC., ("TTI"), having a principal place of business located at 8350 East Evans Road, Suite B-4, Scottsdale, Arizona, 85260.

1. SCOPE

PNW shall perform consulting services or be available for consultation for TTI in the area of Traffic Control System Integration. A statement of all Consulting Services Work ("Consulting Services") appears in Attachment A. This work shall be performed at a place mutually agreeable to the parties hereto. PNW will use a mutually agreed upon methodology in conducting the Attachment A, Consulting Services. Other than representing that the tests were conducted in accordance with such methodology, the tests and recommendations will be provided on an "as is" basis, without any representations or warranties.

2. TERMS AND TERMINATION

This Agreement shall remain in effect for a period of twenty-four (24) months after the Effective Date. The parties, by mutual written agreement, may extend the validity of this Agreement by additional periods of twelve (12) months. PNW may terminate this Agreement for convenience, or if T-H breaches any of its obligations contained herein, by providing TIT seven (7) days prior written notice.

The nondisclosure provisions contained in Section 6, shall survive the expiration, or early termination of this Agreement.

3. COMPENSATION

As compensation for the consulting services described in Attachment A, PNW will be paid in the form of receipt of 200,000 shares of TTI stock, within 30 days of the Effective Date of this Agreement. PNW will have no voting or management rights or obligations to TTI.

Time spent on travel shall not be deemed to be time spent on the Services, and shall be reimbursed as set forth in Section 4.

4. REIMBURSABLE EXPENSES

Expenses of PNW incurred or arising out of the Consulting Services hereunder shall be reimbursable, but only to the extent provided herein. TTI shall

reimburse Consultant for preapproved reasonable and necessary out of town travel, meals, and hotel expenses (which in no event shall exceed actual cost) incurred by PNW in connection with the Consulting Services ("Reimbursable Expenses"). Air transportation shall be economy class or standard coach. Hotel accommodations shall be single room at corporate rates, if available, and car rentals shall be compact class.

Reimbursable Expenses shall be invoiced by PNW to TTI as such expenses are incurred, each invoice shall enumerate expenses actually incurred. Invoices shall be accompanied by documentation such as receipts, vouchers and invoices that are reasonably necessary to verify the amount, date, and nature of each expense. TTI shall reimburse PNW within 10 business days after receipt of invoice.

5. INDEPENDENT CONTRACTOR

PNW shall perform the services contemplated by this Agreement as an independent contractor, and not as an employee or agent of TTI. As such, PNW shall not be entitled to or claim any benefits or rights afforded employees of TTI. Further, PNW shall pay all wages, salaries and other amounts due its employees and shall be responsible for all reports, payments, withholdings, and other obligations in respect to such employees.

This Agreement does not make or appoint, and nothing contained in this Agreement shall be construed to appoint PNW as an agent of TTI, or to create a partnership or joint venture between TTI and PNW. PNW shall not act or represent itself as an agent of TTI, and shall not bind or obligate TTI in any manner.

TTI shall not be responsible to PNW, PNW employees or any governing body for any federal or state income tax, social security tax, unemployment tax or any other taxes related to the performance of the Services. However, TTI shall pay the amount of any sales, use, excise or similar taxes applicable to the performance of the Services, if any.

6. NONDISCLOSURE

Both parties agree that all information obtained from the other party gathered in connection with the performance of this Agreement shall be deemed proprietary and confidential information of the other party. Both parties shall use such information solely for the purpose of developing the specification for an Integrated Traffic Control System.

For a period of five (5) years after the early termination, or expiration of this Agreement, the parties shall safeguard the confidential information against disclosure to third parties by using not less than the same degree of care as for their own similar confidential information of like importance, and restrict the use of confidential information solely to the purpose contemplated by this Agreement.

Both parties shall not be bound by the obligation of confidentiality created by this Agreement with respect to confidential information which: i) Can be shown

to be already known to the other party at the time of the disclosure, or ii) is or becomes publicly known through no wrongful act on the other parties part, or iii) is rightfully received by the other party from a third party without similar confidentiality restrictions, or iv) is required to be disclosed by law or by the order of a court or similar judicial or administrative body, or v) is approved for release by written authorization of the other party.

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Both parties acknowledge that the restrictions and obligations contained in this Agreement are a reasonable and necessary protection of the legitimate interest of the other party, and third parties, and that any violation of such restrictions or obligations could cause substantial injury to the other party. Both parties further acknowledge that an action for damages would not be expected to provide full and adequate compensation to the other party in the event of a violation of the restrictions or obligations. Therefore, in the event of a violation, each party shall be entitled, in addition to any other remedy available at law, to immediate preliminary injunctive relief against disclosure.

In conducting the Consulting Services, PNW will use certain of its intellectual property, which property TTI may have access to. TTI agrees to keep such property confidential and to not use the property for any purpose not approved by PNW. TTI shall have no rights, licenses or claim to the PNW intellectual property.

7. RIGHTS IN INVENTIONS

7.1 All right, title and interest to any know-how, trade secret, patentable invention copyrightable material, or the like, which a party first conceives, originates or first reduces to practice or tangible form, and which arises out of the performance of this Agreement, will be the property of that party. In the event such property is jointly conceived, originated, reduced to practice or tangible form, or the like, the parties shall meet and mutually agree on the respective ownership rights of the parties with respect to such property.

7.2 Any teaching tools, materials, manuals, handouts, visuals, videos, or instruments supplied by PNW or created in the performance of Agreement shall be the property of PNW.

8. INDEMNITY

Each party shall indemnify and hold harmless the other party, its directors, employees and officers from and against any and all liabilities, losses, damages, costs, and expenses, including, but not limited to, fees and charges of attorneys and court and arbitration costs, which the indemnified party, its directors, officers, and employees may hereafter suffer in connection with any claim, action, or right of action, at law or in equity, because of any injury, including death, damage to person, entity or property, fines and penalties, violation of government laws, regulations or orders, or failure of performance which arises from any negligent acts, errors, or omissions on the part of the indemnifying party, its directors, officers, subcontractors and employees in the

performance of this Agreement.

9. LIMITATION OF LIABILITY

IT IS EXPRESSLY AGREED THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INDIRECT, CONTINGENT OR CONSEQUENTIAL LOSS OR DAMAGE (INCLUDING, WITHOUT LIMITATION, LOSS OF CONTRACT, LOSS OF BUSINESS, LOSS OF REVENUE, LOSS OF GOODWILL, LOSS OF MARKET, LOSS OF PROFIT OR LOSS OF ANTICIPATED PROFIT), EXPENSE OR COST WHATSOEVER OR HOWSOEVER SUFFERED OR INCURRED, WHETHER OR NOT THE SAME ARE FORESEEABLE AND WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, RELATING TO

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OR ARISING OUT OF PERFORMANCE OF THIS AGREEMENT PURSUANT TO THIS AGREEMENT, EVEN IF EITHER PARTY HAD BEEN ADVISED, KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY THEREOF.

10. RESTRICTIONS ON HIRING

Each party agrees not to solicit in any manner the employment of any employee of the other party during the Term of this Agreement, other than in the ordinary course of business (e.g. general advertising for employment).

11. COMPLIANCE WITH LAWS AND REGULATIONS

The parties shall comply with and shall ensure that their employees and subcontractors at all times, comply with any and all federal, state and local laws, ordinances, statues, rules, and regulations, including but not limited to, applicable safety and security regulations. TTI shall comply with all PNW facility security requirements.

12. ADDITIONAL RIGHTS

PNW will be granted the first right of refusal for future capital investitures and will receive notice of future investment opportunities.

PNW will be granted first right of refusal to provide and perform any additional services relating to solar/battery design, applications, maintenance, integration, or related services.

PNW will be granted first right of refusal for distribution rights of any commercially available products or equipment to electric utilities and energy suppliers throughout the United States.

TTI will make available to PNW any commercially available products or equipment at 10 percent better than best customer price for non-exclusive distribution in the Southwestern United States.

13. ANNOUNCEMENTS

Any TTI publication, advertisement, press release, or other type of announcement

made or growing out of this Agreement, or the Consulting Services, shall be subject to PNW's prior written approval. PNW reserves the right to withhold such approval when PNW considers such an uncement to have a proprietary or advertising significance with regard to PNWs ongoing business.

TTI shall not use the name Pinnacle West, APS, or any PNW affiliate in any manner, including, but not limited to, as an endorsement of their products without PNW prior written consent which consent PNW may withhold in its sole and absolute discretion.

14. GOVERNING LAW

This Agreement and the legal relations of the parties shall be governed by the laws of the State of Arizona without regard to any conflicts of law provisions contained therein.

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15. COMPLETE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior understandings, proposals, negotiations and communications, oral or written, between the parties or their representatives. This Agreement may not be modified except in a writing signed by the duly authorized representatives of the parties hereto.

16. SEVERABILITY

Should any provision of this Agreement be invalid, illegal or unenforceable in any respect, such provision shall be severed and the parties specifically intend that the remaining provisions shall continue as valid, legal and enforceable, and these provisions shall be integrated and interpreted in such a way as to give them maximum enforceability and validity under the applicable law, while retaining the original intent of the parties with respect to such provisions.

17. ASSIGNMENT

The terms and provisions of this Agreement shall be binding upon and inure to the benefit of any permitted successor of a party hereto. This Agreement may not be assigned, in whole or in part, by either party, by operation of law or otherwise, without the express written consent of the other party, which consent may be withheld of any reason; provided, however, that PNW may assign this Agreement, in whole or in part, without TTI prior consent to an affiliate or subsidiary thereof.

18. NOTICES

AD legal notices and communications required by this Agreement shall be in writing and shall be delivered to the individuals set forth below, or mailed thereto by certified mail, postage prepaid, return receipt requested. Notice shall be effective on the date delivered.

If to PNW:

Nancy L. Turley, Business Development Consultant
400 North Fifth Street
Phoenix, Arizona 85072
Telephone: 602.250.2242
Facsimile: 602.250.2526

If to TTI:

Mr. William Gartner, President
8350 East Evans Road, Suite B-4
Scottsdale, Arizona 85260
Telephone: 480.607.0033
Facsimile: 480.607.6688

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

Pinnacle West Capital Corporation,

Traffic Technology Inc.,

By /s/ Peter Johnson

By /s/ William Gartner

Peter Johnson

William Gartner

Title: Manager Technical Development

Title: President

Date: May 30, 200

Date: 15 May 2000

Attachments to this Agreement:

Attachment A - PNW Consulting Services Work Scope

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ATTACHMENT A
PNW CONSULTING SERVICES WORK SCOPE
OPTION A

I. Power Consumption Testing as follows:

- a. Intersection Control Signal IC-12
- b. Standard Incandescent Signal
- c. Standard LED Signal
- d. Turn Arrow TA-12

II. Written Report Detailing an Integrated Product Specification for 3

Applications/Scenarios (TBD)

- a. Battery/Solar Requirements
- b. Battery Technology Recommendation
- c. Solar Technology Recommendation
- d. Control System Recommendations
- e. Battery UPS Recommendation

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this Third day of April, 2000 ("Effective Date"), by and between Traffic Technology, Inc., an Arizona Corporation, ("TTI") and LAYTON SOLAR SYSTEMS. LTD. ("Distributor"), a corporation.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling the patented Unilight products as shown in TTI's literature and incorporated herein by reference ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as an exclusive distributor in India (Territory); and

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the exclusive distributor for the territory, as hereinafter defined, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the exclusive distributor to sell the Products of TTI in the Territory.

2.1. Distributor hereby agrees not to make any sales whatsoever of the types of Products now being sold by TTI in any other territory, without the express written consent of TTI.

2.2. Distributor shall have the sole and exclusive right to appoint any or more sub-distributors in its territory, however, the terms and conditions of this Agreement shall bind such sub-distributors.

2.3. Distributor agrees that in the event the total purchases of Products should fall below \$30,000 during a calendar year quarter, beginning with the fifth full calendar quarter after the date hereof, the exclusive right to distribute the Products granted hereunder shall become a non-exclusive right, effective the first day of the first month following the subject calendar year quarter and shall be effective for the remainder of the term of this Agreement. Said calendar quarter minimum sales are to be annualized carrying sales over the minimum into each successive quarter.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement. TTI shall not be required to deduct or withhold any payroll taxes out of any payments made to Distributor.

3.1. Distributor shall provide its own vehicles, office space, furniture, fixtures, equipment, clerical help and the like to perform its tasks and obligations pursuant to this Agreement.

3.2. Each party understands that they are fully responsible to file their own income tax return, corporate or otherwise, as independent contractors of each other pursuant to Federal and Arizona State income tax laws.

3.3. Distributor shall maintain its own Worker's Compensation insurance policy, and shall not be covered under TTI's worker's compensation policy.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published Distributor Price List. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory.

5. WARRANTIES.

5.1 All Products sold to Distributor shall be of good and careful manufacture and shall be free of material defects in materials or workmanship. Distributor shall notify TTI of any defects in materials or workmanship of any Products within 60 days of receipt of such Products by Distributor in the Territory. The sole liability of TTI shall be to promptly repair or replace defective Products for which it is so notified, or at TTI's option, credit Distributor's account for the purchase price of such Products.

5.2 In addition to the foregoing, all Products sold to Distributor shall be warranted by TTI to customers of Distributor purchasing or receiving Products, in accordance with TTI's express written warranties, if any, with respect to the Products. Distributor may inform customers of the TTI warranties and provide customers with copies of any manufacturer's warranty materials provided by TTI. Distributor agrees that, with respect to its resale of the Products, Distributor shall give or make no other express warranty as to quality

or merchantability other than may be made by TTI. TTI will issue to Distributor all necessary information and warranties, and other relevant information as to

the quality of the Products.

5.3 TTI will work directly with the Distributor to support its efforts by assisting with sales, promotion, and lead generation and qualification, and to provide technical expertise with respect to the Products.

5.4 TTI will periodically provide Distributor with sales and promotional brochures and literature and information on advertising and warranty programs.

6. COMMENCEMENT; TERM; AND TERMINATION.

6.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 6.2.

6.2 This Agreement may be terminated as follows:

6.2.1. By either party in the event of a material breach or default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

6.2.2. By agreement in writing by the parties to this Agreement;

6.2.3. Automatically upon the expiration of 5 years from the commencement date of this Agreement, unless extended by mutual agreement;

6.2.4. By TTI at the end of any 12 consecutive month period during which Distributor has not purchased any Products.

6.2.5. Assignment of this Agreement by Distributor without the written consent of the other party;

6.2.6. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

6.2.7. Failure of Distributor to timely pay its obligations hereunder.

7. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products. Orders that exceed \$20,000 in total must be approved by the TTI as to delivery time.

8. INSURANCE. Distributor agrees to indemnify and hold harmless TTI from any claims arising out of the selling activities of Distributor.

9. NON-COMPETE DURING TERM. Distributor may engage in any other business activity and carry any other products or lines of goods, so long as such

activities or products are not inconsistent with Distributor's status as a distributor of TTI's Products

10. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

10.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

10.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

"DISTRIBUTOR"

Layton Solar Systems, Ltd.
10-B, Chari Layout
Anna Road, Palavakkam,
Chennai - 600 041
Tamilnadu, India

"TTI"

William Gartner
Traffic Technology, Inc
6342 E. Alta Hacienda Dr.
Scottsdale AZ 85251

10.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

10.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

10.5. AUTHORITY. Each of the parties hereto represents and warrants to each other than this Agreement has been duly authorized by all necessary action, that this Agreement constitutes and will constitute a binding obligation of each such

party, and that this Agreement has been (and each instrument delivered

hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

10.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

10.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

10.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

10.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

10.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

10.11. CAPTIONS. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

10.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

10.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or indirectly, to the breach by such indemnifying party of any obligation hereunder or the

inaccuracy of any representation or warranty made by such indemnifying party

herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

10.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

10.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

10.16 EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

10.17 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

10.19. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

"DISTRIBUTOR"

TRAFFIC TECHNOLOGY INC.

LAYTON SOLAR SYSTEMS (INDIA) - PVT LTD

/s/ William Gartner

/s/ P.K. Rajan

WILLIAM GARTNER

P.K. Rajan

Its President

Its Managing Director

AMENDMENT TO DISTRIBUTOR AGREEMENT

This Amendment to the Distributor Agreement between Layton Solar and Traffic Technology Inc. (TTI) is entered into on this 24th day of August, 2000.

Whereas Layton Solar is the current exclusive distributor for TTI products in the territory of India

Whereas the parties wish to permit other parties to distribute TTI products for applications to be used in the railroads industry

The parties agree as follows:

- * Layton Solar rescinds its distribution rights for TTI products for applications in the railroads industry
- * TTI will assign the territory of India for railroads applications to other parties as may be selected and approved
- * TTI will inform Layton Solar of its assignment of a Distributor for Railroads Applications in India immediately following such assignment.

/s/ P.K. Rajan

Layton Solar
P.K. Rajan
President

08/24/2000

Date

/s/ Marco Messina

Marco Messina
President
Traffic Technology, Inc.

08/24/2000

Date

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this 17th day of March 2000 ("Effective Date"), by and between Traffic Technology, Inc., an Arizona Corporation, ("TTI") and IMS Industries. ("Distributor"), a sole proprietorship.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling the patented Unilight products as shown in TTI's literature and incorporated herein by reference ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as an exclusive distributor;

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the exclusive distributor for the territory, as hereinafter defined, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the exclusive distributor to sell the Products of TTI in Australia and New Zealand (Territory); and

2.1. Distributor hereby agrees not to make any sales whatsoever of the types of Products now being sold by TTI in any other territory, without the express written consent of TTI.

2.2. Distributor shall have the sole and exclusive right to appoint any or more sub-distributors in its territory, however, the terms and conditions of this Agreement shall bind such sub-distributors.

2.3. Distributor agrees that in the event the total purchases of Products should fall below \$25,000 during a calendar year quarter, beginning with the fifth full calendar quarter after the date hereof, the exclusive right to distribute the Products granted hereunder shall become a non-exclusive right, effective the first day of the first month following the subject calendar year quarter and shall be effective for the remainder of the term of this Agreement. Said calendar quarter minimum sales are to be annualized carrying sales over the minimum into each successive quarter.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement. TTI shall not be required to deduct or withhold any payroll taxes out of any payments made to Distributor.

3.1. Distributor shall provide its own vehicles, office space, furniture, fixtures, equipment, clerical help and the like to perform its tasks and obligations pursuant to this Agreement.

3.2. Each party understands that they are fully responsible to file their own income tax return, corporate or otherwise, as independent contractors of each other pursuant to Federal and Arizona State income tax laws.

3.3. Distributor shall maintain its own Worker's Compensation insurance policy, and shall not be covered under TTI's worker's compensation policy.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published Distributor Price List. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory.

5. WARRANTIES.

5.1 All Products sold to Distributor shall be of good and careful manufacture and shall be free of material defects in materials or workmanship. Distributor shall notify TTI of any defects in materials or workmanship of any Products within 60 days of receipt of such Products by Distributor in the Territory. The sole liability of TTI shall be to promptly repair or replace defective Products for which it is so notified, or at TTI's option, credit Distributor's account for the purchase price of such Products.

5.2 In addition to the foregoing, all Products sold to Distributor shall be warranted by TTI to customers of Distributor purchasing or receiving Products, in accordance with TTI's express written warranties, if any, with respect to the Products. Distributor may inform customers of the TTI warranties and provide customers with copies of any manufacturer's warranty materials provided by TTI. Distributor agrees that, with respect to its resale of the Products, Distributor shall give or make no other express warranty as to quality or merchantability other than may be made by TTI. TTI will issue to Distributor

all necessary information and warranties, and other relevant information as to the quality of the Products.

5.3 TTI will work directly with the Distributor to support its efforts by assisting with sales, promotion, and lead generation and qualification, and to provide technical expertise with respect to the Products.

5.4 TTI will periodically provide Distributor with sales and promotional brochures and literature and information on advertising and warranty programs.

6. COMMENCEMENT; TERM; AND TERMINATION.

6.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 6.2.

6.2 This Agreement may be terminated as follows:

6.2.1. By either party in the event of a material breach or default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

6.2.2. By agreement in writing by the parties to this Agreement;

6.2.3. Automatically upon the expiration of 5 years from the commencement date of this Agreement, unless extended by mutual agreement;

6.2.4. By TTI at the end of any 12 consecutive month period during which Distributor has not purchased any Products.

6.2.5. Assignment of this Agreement by Distributor without the written consent of the other party;

6.2.6. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

6.2.7. Failure of Distributor to timely pay its obligations hereunder.

7. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products. Orders that exceed \$20,000 in total must be approved by the TTI as to delivery time.

8. INSURANCE. Distributor agrees to indemnify and hold harmless TTI from any claims arising out of the selling activities of Distributor.

9. NON-COMPETE DURING TERM. Distributor may engage in any other business

activity and carry any other products or lines of goods, so long as such activities or products are not inconsistent with Distributor's status as a distributor of TTI's Products.

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10. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

10.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

10.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

"DISTRIBUTOR"
Ilya Sippen
IMS Industries
7 Bovington St.
Birkdale, Brisbane
QLD 4159 Australia

"TTI"
William Gartner
Traffic Technology, Inc
8350 E. Evans Road, Suite B-4
Scottsdale AZ 85260

10.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

10.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

10.5. AUTHORITY. Each of the parties hereto represents and warrants to each other that this Agreement has been duly authorized by all necessary action, that this Agreement constitutes and will constitute a binding obligation of each

such party, and that this Agreement has been (and each instrument delivered

hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

10.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

10.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

10.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

10.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

10.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

10.11. CAPTIONS. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

10.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

10.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or indirectly, to the breach by such indemnifying party of any obligation hereunder

or the inaccuracy of any representation or warranty made by such indemnifying party herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

10.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

10.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

10.16 EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

10.17 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

10.19. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

IMS INDUSTRIES

TRAFFIC TECHNOLOGY INC.

/s/ ILYA SIPPEN

/s/ WILLIAM GARTNER

ILYA SIPPEN
Its Owner

WILLIAM GARTNER
Its President

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this 30th day of May 2000 ("Effective Date"), by and between Traffic Technology, Inc., an Arizona Corporation, ("TTI") and Taiwan Signal Technologies Co., Ltd ("Distributor"), a Taiwan Corporation.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling the products collectively known as Unilights and incorporated herein by reference ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as an exclusive distributor in Taiwan and Malaysia (Territory); and

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the exclusive distributor for the territory, as hereinafter defined, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the exclusive distributor to sell the Products of TTI in the Territory.

2.1. Distributor hereby agrees not to make any sales whatsoever of the types of Products now being sold by TTI in any other territory, without the express written consent of TTI.

2.2. Distributor shall have the sole and exclusive right to appoint any or more sub-distributors in its territory, however, the terms and conditions of this Agreement shall bind such sub-distributors.

2.3. Distributor agrees that in the event the total purchases of Products should fall below Thirty Thousand U.S. Dollars (US\$30,000) during a calendar year quarter, beginning with the fifth full calendar quarter after the date hereof, the exclusive right to distribute the Products granted hereunder shall become a non-exclusive right, effective the first day of the first month following the subject calendar year quarter and shall be effective for the

remainder of the term of this Agreement. Said calendar quarter minimum sales are to be annualized carrying sales over the minimum into each successive quarter.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement. TTI shall not be required to deduct or withhold any payroll taxes out of any payments made to Distributor.

3.1. Distributor shall provide its own vehicles, office space, furniture, fixtures, equipment, clerical help and the like to perform its tasks and obligations pursuant to this Agreement.

3.2. Each party understands that they are fully responsible to file their own income tax return, corporate or otherwise, as independent contractors of each other pursuant to Federal and Arizona State income tax laws.

3.3. Distributor shall maintain its own Worker's Compensation insurance policy, and shall not be covered under TTI's worker's compensation policy.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published Distributor Price List. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory.

5. WARRANTIES.

5.1 All Products sold to Distributor shall be of good and careful manufacture and shall be free of material defects in materials or workmanship. Distributor shall notify TTI of any defects in materials or workmanship of any Products within 60 days of receipt of such Products by Distributor in the Territory. The sole liability of TTI shall be to promptly repair or replace defective Products for which it is so notified, or at TTI's option, credit Distributor's account for the purchase price of such Products.

5.2 In addition to the foregoing, all Products sold to Distributor shall be warranted by TTI to customers of Distributor purchasing or receiving Products, in accordance with TTI's express written warranties, if any, with respect to the Products. Distributor may inform customers of the TTI warranties and provide customers with copies of any manufacturer's warranty materials

provided by TTI. Distributor agrees that, with respect to its resale of the Products, Distributor shall give or make no other express warranty as to quality or merchantability other than may be made by TTI. TTI will issue to Distributor all necessary information and warranties, and other relevant information as to the quality of the Products.

5.3 TTI will work directly with the Distributor to support its efforts by assisting with sales, promotion, and lead generation and qualification, and to provide technical expertise with respect to the Products.

5.4 TTI will periodically provide Distributor with sales and promotional brochures and literature and information on advertising and warranty programs.

6. COMMENCEMENT; TERM; AND TERMINATION.

6.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 6.2.

6.2 This Agreement may be terminated as follows:

6.2.1. By either party in the event of a material breach or default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

6.2.2. By agreement in writing by the parties to this Agreement;

6.2.3. Automatically upon the expiration of 5 years from the commencement date of this Agreement, unless extended by mutual agreement;

6.2.4. By TTI at the end of any 12 consecutive month period during which Distributor has not purchased any Products.

6.2.5. Assignment of this Agreement by Distributor without the written consent of TTI;

6.2.6. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

6.2.7. Failure of Distributor to timely pay its obligations hereunder.

7. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products. Orders that exceed \$20,000 in total must be approved by the TTI as to delivery time.

8. INSURANCE. Distributor agrees to indemnify and hold harmless TTI from

any claims arising out of the operation of such automobile or other vehicle by Distributor.

9. NON-COMPETE DURING TERM. Distributor may engage in any other business activity and carry any other products or lines of goods, so long as such activities or products are not inconsistent with Distributor's status as a distributor of TTI's Products

10. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

10.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

10.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

"DISTRIBUTOR"

Alex Chang
Taiwan Signal Technologies Co., Ltd.
2F, No. 68, Nei-Chiang St.
Taipei, Taiwan
email: twsignal@ms6.hinet.net

"TTI"

William Gartner
Traffic Technology, Inc
6342 E. Alta Hacienda Dr.
Scottsdale AZ 85251
email: gartnerw@unilights.com

10.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

10.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out

the provisions, intent and purpose of this Agreement.

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10.5. AUTHORITY. Each of the parties hereto represents and warrants to each other than this Agreement has been duly authorized by all necessary action, that this Agreement constitutes and will constitute a binding obligation of each such party, and that this Agreement has been (and each instrument delivered hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

10.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

10.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

10.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

10.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

10.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

10.11. CAPTIONS. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

10.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

10.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or indirectly, to the breach by such indemnifying party of any obligation hereunder or the inaccuracy of any representation or warranty made by such indemnifying party herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

10.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

10.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

10.16 EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

10.17 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

10.19. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

"DISTRIBUTOR"

TRAFFIC TECHNOLOGY INC.

/s/ Alex Chang

/s/ William Gartner

ALEX CHANG
Its President

WILLIAM GARTNER
Its President

[SEAL]

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this 7th day of August, 2000 ("Effective Date"), by and between Traffic Technology, Inc., an Arizona Corporation, ("TTI") and Artflex Sinalizacao Viaria Ltda. ("Distributor"), a Brazil Corporation.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling the patented Unilight products as shown in TTI's literature and incorporated herein by reference ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as an exclusive distributor, and

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the exclusive distributor for the territory, as hereinafter defined, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the exclusive distributor to sell the Products of TTI in the Territory as completely listed in Exhibit A.

2.1. Distributor hereby agrees not to make any sales whatsoever of the types of Products now being sold by TTI in any other territory, without the express written consent of TTI.

2.2. Distributor shall have the sole and exclusive right to appoint any or more sub-distributors in its territory, however, the terms and conditions of this Agreement shall bind such sub-distributors.

2.3. Distributor agrees that in the event the total purchases of Products should fall below US\$50,000 during a calendar year quarter, beginning with the fifth full calendar quarter after the date hereof, the exclusive right to distribute the Products granted hereunder shall become a non-exclusive right, effective the first day of the first month following the subject calendar year quarter and shall be effective for the remainder of the term of this Agreement.

Said calendar quarter minimum sales are to be annualized carrying sales over the minimum into each successive quarter.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement. TTI shall not be required to deduct or withhold any payroll taxes out of any payments made to Distributor.

3.1. Distributor shall provide its own vehicles, office space, furniture, fixtures, equipment, clerical help and the like to perform its tasks and obligations pursuant to this Agreement.

3.2. Each party understands that they are fully responsible to file their own income tax return, corporate or otherwise, as independent contractors of each other pursuant to Federal and Arizona State income tax laws.

3.3. Distributor shall maintain its own Worker's Compensation insurance policy, and shall not be covered under TTI's worker's compensation policy.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published Distributor Price List. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory.

5. WARRANTIES.

5.1 All Products sold to Distributor shall be of good and careful manufacture and shall be free of material defects in materials or workmanship. Distributor shall notify TTI of any defects in materials or workmanship of any Products within 60 days of receipt of such Products by Distributor in the Territory. The sole liability of TTI shall be to promptly repair or replace defective Products for which it is so notified, or at TTI's option, credit Distributor's account for the purchase price of such Products.

5.2 In addition to the foregoing, all Products sold to Distributor shall be warranted by TTI to customers of Distributor purchasing or receiving Products, in accordance with TTI's express written warranties, if any, with respect to the Products. Distributor may inform customers of the TTI warranties and provide customers with copies of any manufacturer's warranty materials provided by TTI. Distributor agrees that, with respect to its resale of the Products, Distributor shall give or make no other express warranty as to quality or merchantability other than may be made by TTI. TTI will issue to Distributor

all necessary information and warranties, and other relevant information as to the quality of the Products.

5.3 TTI will work directly with the Distributor to support its efforts by assisting with sales, promotion, and lead generation and qualification, and to provide technical expertise with respect to the Products.

5.4 TTI will periodically provide Distributor with sales and promotional brochures and literature and information on advertising and warranty programs.

6. COMMENCEMENT; TERM; AND TERMINATION.

6.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 6.2.

6.2 This Agreement will be automatically renewed unless it is terminated as follows:

6.2.1. By either party in the event of a material breach or default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

6.2.2. By agreement in writing by the parties to this Agreement;

6.2.3. By TTI at the end of any 12 consecutive month period during which Distributor has not purchased any Products.

6.2.4. Assignment of this Agreement by Distributor without the written consent of the other party;

6.2.5. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

6.2.6. Failure of Distributor to timely pay its obligations hereunder.

7. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products. Orders that exceed US\$20,000 in total must be approved by the TTI as to delivery time.

8. INSURANCE. Distributor agrees to indemnify and hold harmless TTI from any claims arising out of the selling activities of Distributor.

9. NON-COMPETE DURING TERM. Distributor may engage in any other business activity and carry any other products or lines of goods, so long as such activities or products are not inconsistent with Distributor's status as a distributor of TTI's Products.

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10. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

10.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

10.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

"DISTRIBUTOR"

Mr. Jose Santos
Artflex Sinalizacao Viaria Ltda.
R. Heneide S. Ribeiro 186
Jandira, SP 06600-970
Brazil

"TTI"

William Gartner
Traffic Technology, Inc
8350 E. Evans Road, Suite B-4
Scottsdale AZ 85260

10.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

10.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

10.5. AUTHORITY. Each of the parties hereto represents and warrants to

each other than this Agreement has been duly authorized by all necessary action, that this Agreement constitutes and will constitute a binding obligation of each such party, and that this Agreement has been (and each instrument delivered hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

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10.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

10.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

10.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

10.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

10.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

10.11. CAPTIONS. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

10.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

10.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or

indirectly, to the breach by such indemnifying party of any obligation hereunder

or the inaccuracy of any representation or warranty made by such indemnifying party herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

10.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

10.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

10.16 EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

10.17 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

10.19. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

ARTFLEX SINALIZACAO VIARIA LTDA.

TRAFFIC TECHNOLOGY INC.

/s/ JOSE SANTOS

/s/ WILLIAM GARTNER

JOSE SANTOS

WILLIAM GARTNER

Its Managing Director

Its President

EXHIBIT A

DISTRIBUTOR'S TERRITORY

Distributor shall have the exclusive right to sell TTI's products, as described

in the Agreement to which this exhibit is attached and made a part hereof, in the territory so listed below:

Brazil

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this 15th day of August, 2000 ("Effective Date"), by and between Traffic Technology, Inc., an Arizona Corporation, ("TTI") and Supremetech Engineering Co., Ltd. ("Distributor"), a Hong Kong Corporation.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling the patented Unilight products as shown in TTI's literature and incorporated herein by reference ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as an exclusive distributor, and

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the exclusive distributor for the territory, as hereinafter defined, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the exclusive distributor to sell the Products of TTI in the Territory as completely listed in Exhibit A.

2.1. Distributor hereby agrees not to make any sales whatsoever of the types of Products now being sold by TTI in any other territory, without the express written consent of TTI.

2.2. Distributor shall have the sole and exclusive right to appoint any or more sub-distributors in its territory, however, the terms and conditions of this Agreement shall bind such sub-distributors.

2.3. Distributor agrees that in the event the total purchases of Products should fall below US\$50,000 during a calendar year quarter, beginning with the fifth full calendar quarter after the date hereof, the exclusive right to distribute the Products granted hereunder shall become a non-exclusive right, effective the first day of the first month following the subject calendar year quarter and shall be effective for the remainder of the term of this Agreement.

Said calendar quarter minimum sales are to be annualized carrying sales over the minimum into each successive quarter.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement. TTI shall not be required to deduct or withhold any payroll taxes out of any payments made to Distributor.

3.1. Distributor shall provide its own vehicles, office space, furniture, fixtures, equipment, clerical help and the like to perform its tasks and obligations pursuant to this Agreement.

3.2. Each party understands that they are fully responsible to file their own income tax return, corporate or otherwise, as independent contractors of each other pursuant to Federal and Arizona State income tax laws.

3.3. Distributor shall maintain its own Worker's Compensation insurance policy, and shall not be covered under TTI's worker's compensation policy.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published Distributor Price List. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory.

5. WARRANTIES.

5.1 All Products sold to Distributor shall be of good and careful manufacture and shall be free of material defects in materials or workmanship. Distributor shall notify TTI of any defects in materials or workmanship of any Products within 60 days of receipt of such Products by Distributor in the Territory. The sole liability of TTI shall be to promptly repair or replace defective Products for which it is so notified, or at TTI's option, credit Distributor's account for the purchase price of such Products.

5.2 In addition to the foregoing, all Products sold to Distributor shall be warranted by TTI to customers of Distributor purchasing or receiving Products, in accordance with TTI's express written warranties, if any, with respect to the Products. Distributor may inform customers of the TTI warranties and provide customers with copies of any manufacturer's warranty materials provided by TTI. Distributor agrees that, with respect to its resale of the Products, Distributor shall give or make no other express warranty as to quality or merchantability other than may be made by TTI. TTI will issue to Distributor

all necessary information and warranties, and other relevant information as to the quality of the Products.

5.3 TTI will work directly with the Distributor to support its efforts by assisting with sales, promotion, and lead generation and qualification, and to provide technical expertise with respect to the Products.

5.4 TTI will periodically provide Distributor with sales and promotional brochures and literature and information on advertising and warranty programs.

6. COMMENCEMENT; TERM; AND TERMINATION.

6.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 6.2.

6.2 This Agreement will be automatically renewed unless it is terminated as follows:

6.2.1. By either party in the event of a material breach or default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

6.2.2. By agreement in writing by the parties to this Agreement;

6.2.3. By TTI at the end of any 12 consecutive month period during which Distributor has not purchased any Products.

6.2.4. Assignment of this Agreement by Distributor without the written consent of the other party;

6.2.5. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

6.2.6. Failure of Distributor to timely pay its obligations hereunder.

7. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products. Orders that exceed US\$20,000 in total must be approved by the TTI as to delivery time.

8. INSURANCE. Distributor agrees to indemnify and hold harmless TTI from any claims arising out of the selling activities of Distributor.

9. NON-COMPETE DURING TERM. Distributor may engage in any other business activity and carry any other products or lines of goods, so long as such activities or products are not inconsistent with Distributor's status as a distributor of TTI's Products.

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10. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

10.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

10.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

"DISTRIBUTOR"

Stanley Lam
Supremetech Engineering Co., Ltd.
Unit 1006, Yan Hing Centre
9-13 Wong Chuk Yeung Street
Fo Tan Shatin, N.T. Hong Kong

"TTI"

William Gartner
Traffic Technology, Inc
8350 E. Evans Road, Suite B-4
Scottsdale AZ 85260

10.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

10.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

10.5. AUTHORITY. Each of the parties hereto represents and warrants to each other that this Agreement has been duly authorized by all necessary action,

that this Agreement constitutes and will constitute a binding obligation of each such party, and that this Agreement has been (and each instrument delivered hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

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10.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

10.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

10.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

10.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

10.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

10.11. CAPTIONS. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

10.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

10.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or indirectly, to the breach by such indemnifying party of any obligation hereunder

or the inaccuracy of any representation or warranty made by such indemnifying

party herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

10.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

10.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

10.16 EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

10.17 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

10.19. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

SUPREMETECH ENGINEERING CO., LTD.

TRAFFIC TECHNOLOGY INC.

/s/ Stanley Lam

/s/ William Gartner

Stanley Lam
Its Managing Director

WILLIAM GARTNER
Its President

EXHIBIT A

DISTRIBUTOR'S TERRITORY

Distributor shall have the exclusive right to sell TTI's products, as described in the Agreement to which this exhibit is attached and made a part hereof, in the territory so listed below:

Macau
Hong Kong
Guangdong Province

TRAFFIC TECHNOLOGY, INC.

DISTRIBUTOR AGREEMENT

This Distributor Agreement is made and entered into this _____ day of _____, 2000 ("Effective Date"), by and between Traffic Technology, Inc. ("TTI"), an Arizona Corporation and _____ ("Distributor"), a _____ Corporation.

RECITALS:

WHEREAS, TTI is in the business of manufacturing and selling traffic signals including the Unilight brand and related products ("Products"); and

WHEREAS, TTI wishes to sell to Distributor and Distributor wishes to purchase from TTI the Products for resale;

WHEREAS, TTI is desirous of appointing Distributor as a distributor in the territory identified in Attachment A (Territory); and

WHEREAS, Distributor is desirous of receiving such an appointment.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

1. NATURE OF APPOINTMENT. TTI hereby appoints Distributor as the distributor for the territory, and Distributor hereby accepts such appointment by TTI as a distributor of TTI Products.

2. DISTRIBUTOR TERRITORY. Distributor is hereby appointed as the distributor to sell the Products of TTI in the Territory.

2.1. Distributor hereby agrees not to make any sales whatsoever of like types of Products now being sold by TTI in the assigned territory, without the express written consent of TTI.

2.2. Distributor agrees that in the event the total purchases of Products should fall below the amount defined in Attachment A as "Minimum Quarterly Purchases" during a calendar quarter, the right to distribute the Products can be terminated.

3. STATUS OF DISTRIBUTOR. It is the intent of the parties that Distributor's status be that of an independent contractor and not an employee of TTI. The relationship between the parties shall be that of buyer and seller. The Distributor shall not be considered the agent or representative of TTI. Neither party shall have the right to bind the other contractually in any respect

whatsoever. As a result of this Agreement, no joint venture, partnership or other entity or association is created and Distributor shall have complete control over the time, place and method of performing its obligations pursuant to this Agreement.

4. PURCHASE OF PRODUCTS. TTI shall sell to Distributor and Distributor shall purchase from TTI, in accordance with the terms and conditions of this Agreement, the Products pursuant to the published TTI Distributor Price List. The Distributor shall set the resell prices. It is the intention of the parties that Products shall be purchased by Distributor hereunder for the purpose of resale and that the Distributor shall sell the Products solely within the Territory unless otherwise agreed to and be responsible for the collection and reporting of any and all sales tax or use tax in its territory. TTI reserves the right to change the design of its products from time to time.

4.1. At the time of execution of this Agreement, Distributor shall place with TTI an initial order for a Demonstration Kit including products and related sales materials as defined and priced in Attachment A.

4.2. Beginning the first day of the month following 90 days from the execution of this Agreement, Distributor shall purchase from TTI the amount defined as the "Initial Quarterly Minimum Purchases" in Attachment A.

5. DELIVERY. All deliveries shall be made and delivered to Distributor F.O.B. point of shipment. Title to and risk of loss shall pass to the Distributor on TTI's placing same in the custody of a carrier for shipment to the Distributor. It is the sole responsibility of the Distributor to file any appropriate claims with the carrier for reimbursement. TTI will fully cooperate with the Distributor in making such claims. The Distributor may return any products, which are defective at the expense of TTI within ten (10) days of delivery of such products to the Distributor. TTI will then replace such defective products at its own expense as soon as practicable.

6. PARTS. Distributor agrees to not replace any component parts of TTI products without the express written consent of TTI.

7. FINANCIAL STATUS OF DISTRIBUTOR. The Distributor agrees to maintain adequate finances for satisfactory execution of this Agreement and recognizes that up-to-date and accurate information regarding the Distributor's stock on hand, and sales records are necessary.

8. COMMENCEMENT; TERM; AND TERMINATION.

8.1 This Agreement shall commence on the Effective Date as referred above and will continue until terminated in accordance with Section 8.

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8.2 This Agreement may be terminated as follows:

8.2.1. By either party in the event of a material breach or

default by the other party in compliance with any term or condition of this Agreement, which breach or default has not been cured or rectified within 30 days after written notice to the breaching or defaulting party; however, the inability to deliver Products for causes beyond TTI's reasonable control shall not be a material breach;

8.2.2. By either party by giving 90 days prior written notice to the other party, stating the date of intended termination.

8.2.3. By TTI at the end of any 3 consecutive month period during which Distributor has not purchased the minimum amount of TTI products.

8.2.4. Assignment of this Agreement by Distributor without the written consent of the other party;

8.2.5. Bankruptcy or insolvency of Distributor, which materially affects the operation of its business hereunder; or

8.2.6. Failure of Distributor to timely pay its obligations hereunder.

9. OBLIGATIONS OF TTI. TTI agrees to exercise its best efforts to have available and to sell to Distributor reasonable requirements for the Products.

10. CUSTOMER COMPLAINTS. The Distributor agrees to handle all of the complaints of its customers. The Distributor realizes that it must properly fulfill its responsibility in this regard in order to protect the good will of TTI and the Distributor in the sale of the products. The Distributor agrees to make every reasonable effort to satisfy its customers. The Distributor shall report to TTI all complaints, which it is unable to resolve promptly.

11. ORDER PROCESSING AND SHIPMENT TO DISTRIBUTOR. TTI will use its best efforts to fill the orders of the Distributor promptly upon receipt but reserves the right to apportion available inventories as it deems best. The Distributor agrees to submit its orders as far as possible in advance of the required deliveries. All orders are subject to approval and acceptance by TTI.

12. INSURANCE. Distributor shall procure and maintain in force a liability insurance policy that is reasonable consider the Distributor's business and geographic location. Distributor shall name TTI as an additionally named insured. Distributor shall deliver a true copy of such liability insurance policy to TTI. Distributor agrees to indemnify and hold harmless TTI from any claims arising out of the operation of the Distributor's vehicle or operation of the Distributor's business.

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13. NON-competition; confidential information. For so long as this Agreement shall remain in effect:

(a) Distributor shall not, directly or indirectly, be involved as

owner, partners, shareholder, joint venturer, director, employee or otherwise, in the conduct of any business that manufactures or sells like products with TTI line of single-lens-multi-face signals such as the Unilight signal (those that display two or more faces through a single opening by the use of suitably arranged LED's).

- (b) Distributor shall not solicit business from any of TTI's customers, except on behalf and for the benefit of TTI, nor shall Distributor solicit any of TTI's employees or other sales representatives for the purpose of being employed by Distributor, or by any party in which Distributor is an owner or employee.
- (c) Distributor acknowledges that certain information of TTI, such as TTI's sales manuals, price lists, customer lists and similar materials, are TTI's trade secrets and shall be and remain TTI's sole and exclusive confidential property. Distributor shall not disclose any such information to others. Distributor shall not use such confidential information in any way except in furtherance of his services on TTI's behalf.

14. MISCELLANEOUS. Except to the extent inconsistent with the express language of the foregoing provisions of this Agreement, the following provisions shall govern the interpretation, application, construction and enforcement of this Agreement:

14.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement (and in any certificate or other instrument delivered or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby) are true in all material respects on and as of the date so made, will be true in all material respects on and as of the date on which the transactions contemplated hereby are closed, and will survive such closing regardless of any investigation made by or on behalf of any party.

14.2. NOTICES. Any notice to any party under this Agreement shall be in writing, shall be effective on the earlier of (i) the date when received by such party, or (ii) the date which is three days after mailing (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth as follows:

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"DISTRIBUTOR"

"TTI"

Marco Messina

14.3. SEVERABILITY. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

14.4. ADDITIONAL ACTS AND DOCUMENTS. Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

14.5. AUTHORITY. Each of the parties hereto represents and warrants to each other than this Agreement has been duly authorized by all necessary action, that this Agreement constitutes and will constitute a binding obligation of each such party, and that this Agreement has been (and each instrument delivered hereunder, when so delivered, will have been) duly and validly executed on behalf of such party.

14.6. ATTORNEYS' FEES. In the event suit is brought (or arbitration instituted) or any attorney is retained by any party to this Agreement to enforce the terms of this Agreement or to collect any moneys due hereunder, or to collect money damages for breach hereof, the prevailing party shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

14.7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns, but in no event shall any party be relieved of its obligations hereunder without the express written consent of each other party.

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14.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

14.9. TIME. Time is of the essence of this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

14.10. WAIVER. Failure of any party to exercise any right or option arising out of a breach of this Agreement shall not be deemed a waiver of any right or option with respect to any subsequent or different breach, or the continuance of any existing breach.

14.11. CAPTIONS. Captions and paragraph headings used herein are for

convenience only and are not a part of this Agreement and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Agreement.

14.12. GOVERNING LAW. This Agreement shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of Arizona, and to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be only brought in Superior Court, Maricopa County, Arizona, and for this purpose each party hereby expressly and irrevocably consents to the jurisdiction of said court.

14.13. INDEMNITY. Each party to this Agreement agrees to indemnify each other party, and hold it harmless, from and against all claims, damages, costs and expenses (including attorneys' fees) attributable, directly or indirectly, to the breach by such indemnifying party of any obligation hereunder or the inaccuracy of any representation or warranty made by such indemnifying party herein or in any instrument delivered pursuant hereto or in connection with the transactions contemplated hereby.

14.14. INTERPRETATIONS. To the extent permitted by the context in which used, (i) words in the singular number shall include the plural, words in the masculine gender shall include the feminine and neuter, and vice versa, and (ii) references to "persons" or "parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnership, trusts and all other entities.

14.15. SPECIFIC PERFORMANCE. In addition to such other remedies as may be available under applicable law, the parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper in the event any party fails or refuses to perform its duties hereunder.

14.16. EXHIBITS. Any Exhibit attached hereto shall be deemed to have been incorporated herein by this reference, with the same force and effect as if fully set forth in the body hereof.

14.17. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes any prior verbal or written agreement.

14.18. MODIFICATIONS. This agreement may not be modified or changed without the written consent of all parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date first above written.

"DISTRIBUTOR"

TRAFFIC TECHNOLOGY INC.

Marc Messina President

Its

Phone # (480) 607-0033

Fax # (480) 607-6688

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ATTACHMENT A

EFFECTIVE DATE:

TERRITORY:

MINIMUM QUARTERLY PURCHASES: \$6,000.00

DEMONSTRATION KIT

CONTENTS:

1	TB12	TRAILBLAZER
1	IC12	INTERSECTION CONTROL
1	LC12	LANE CONTROL
1	TA12B	TURN ARROW 3 FACE (RYG)
25		VIDEO CD ROMS
25		VHS VIDEO TAPES
25		SETS OF PRODUCT SHEETS

PRICE: \$ 6,000

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CONSULTING SERVICE AGREEMENT FOR THE LED TRAFFIC SIGNAL TECHNOLOGY
TRANSFER AND LICENSING

LED Single Lens Traffic Signal Technology Transfer
Consulting Service Agreement
For
Japan

This Agreement is made by and between Traffic Technology Inc (hereinafter refers to "TTI"), a traffic signal technology development company with the office at 8350 E. Evans Road. B-4 Scottsdale, AZ 85260 and JCI Group, Inc, aka, J.C. International (hereinafter refers to "JCI"), an international business intelligence and technology transfer consulting firm with office at 37 West Golf Road, Arlington Heights, IL 60005.

WITNESSETH:

WHEREAS, JCI possesses expertise in the fields of technology transfer and business intelligence consulting services in Asian countries;

WHEREAS, TTI desires to engage JCI to perform professional technology transfer and licensing consulting services; and

WHEREAS, JCI is willing and able to provide such consulting services to TTI in the above-mentioned business consulting fields.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. RETENTION OF CONSULTANT

- A. TTI hereby retains the services of JCI to provide professional consulting service to market TTI's single lens LED traffic signal manufacturing technology during the term of this agreement. In this regards, JCI shall advise and assist TTI in the following fields including, Intellectual property valuing, Technology marketing, Licensor searching and qualifying, Contract negotiation, Technology transfer coordination, Licensing program monitoring.
- B. JCI is an independent contractor and not an employee of TTI. JCI shall not be entitled to or eligible for any benefits or programs otherwise given by TTI to its employees.

2. TTI'S TECHNOLOGY

TTI's technology here means the patented LED single lens traffic signal with US patent number 5,898,381 and US patent number 6,054,932.

3. GEOGRAPHIC MARKET

The geographic market that JCI will assist TTI to market the above technology is Japan.

4. TERM OF THE AGREEMENT

- A. The consulting period shall extend from the following agreement date through and including the whole THIRD YEAR from the agreement date, unless sooner terminated as provided herein.
- B. This agreement may be renewed for an additional three (3) years period of time which can be determined later on the same or modified terms and conditions based on a mutual agreement.

5. OBLIGATIONS OF CONSULTANT

- A. Utilizing its own consulting capacities and resources, JCI shall be responsible for providing professional consulting services on a best efforts basis.
- B. JCI shall regularly contact with TTI via phone, email, postal service and/or physical visit to advise TTI on project progress and/or status
- C. JCI shall not be held to be responsible for any business decisions that TTI will make.

6. COMPENSATION

- A. In full consideration for the services being rendered by JCI, TTI agrees to pay JCI 25% of its total sales revenue in Japan that is generated by the technology transfer, including, but not limited to, technology licensing fee. This payment shall be made payable to JCI within 5 working days after TTI receives it for each time. TTI agrees to continuously make the payment to JCI within 12 months after the agreement is terminated;
- B. JCI shall be responsible for all expenses that it may incur in connection with this project.

7. CONFIDENTIAL INFORMATION

- A. JCI recognizes that during the course of its retention during the Consulting Terms, it may have occasion to review and receive confidential or proprietary information or material from TTI including information relating the inventions, patent, trademarks and copyright applications, improvements, know-how, specifications, drawings, cost and pricing data, process flow diagrams, bills, customer and vender

lists, ideas, and/or any other written material referring to same.

- B. JCI covenants and agrees that both during and after termination of this Agreement, it and its employees, affiliates, and subsidiaries will retain such Confidential Information in confidence pursuant to the following terms and conditions:
1. JCI agrees to maintain in confidence any such Confidential Information disclosed by TTI relating to the Field that was not previously know to JCI or to the general public, or that was not in the public domain prior to such disclosure.
 2. Such Confidential Information shall be maintained in confidence by JCI unless or until:
 - a. It shall have been made public by an act or omission of a party other than JCI.
 - b. JCI receives such Confidential Information from an unrelated third party on a non-confidential basis; or
 - c. The passage of Three (3) years from the date of disclosure, whichever shall first occur.
 3. JCI agrees that it will not, without first obtaining the prior written permission of TTI:
 - a. Directly or indirectly utilize such Confidential Information in its business;
 - b. Manufacture or sell any product that is based in whole or in part on such Confidential Information; or
 - c. Disclose such Confidential Information to any third party.

8. NON-COMPETITION

JCI shall not during the Term of this Agreement provide the same type of consulting services, directly or indirectly, to any other organizations engaged in the creation, design, development, and/or marketing of the same type of LED traffic signal technology.

9. TERMINATION

- A. Either party may terminate this Agreement if the other party fails to implement its obligation and fails to improve the situation upon the other party requests. The agreement termination request should be sent to the other party in writing 30 days in advance. Such termination to become effective at the conclusion of such 30 day period.
- B. In the event of a termination or expiration of this Agreement, all covenants and obligations of the parties shall expressly survive termination; only except:
- C. TTI shall, within one (1) full year after the termination,

continuously make full payment from this technology transfer to China as identified under "4. COMPENSATION, Item A" to JCI.

- C. JCI may immediately terminate this Agreement in the event of disability or death of Mr. Joe Chao, or other natural reasons.

10. NOTICES

Any notice required to be given pursuant to this Agreement shall be in writing and provided via fax or certified and/or registered mail.

11. SETTLEMENT OF DISPUTE

11. 1. Consultation: In the event a dispute arises in connection with the interpretation or implementation of this contract, the parties shall attempt in the first instance to resolve such dispute through friendly consultations. If the dispute cannot be resolved in this manner within 60 days after the commencement of discussions, either party may submit the dispute to arbitration.

11. 2. Arbitration: Arbitration shall be conducted in Phenix in accordance with the rules of the State of Arizona arbitration authority and/or Arizona court and in such case:

The arbitration award shall be final and binding on both parties. The costs of arbitration shall be borne by the losing party or as otherwise determined by the arbitration panel. Any award of the arbitrators shall be enforceable by any court having jurisdiction over the party against which the award has been rendered, or wherever assets of the party against which the award has been rendered can be located.

12. GOVERNING LAW

The formation, execution, validity, interpretation and implementation of this contract and the settlement of disputes concerning this contract shall be governed by the laws of the State of Arizona

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13. AGREEMENT BINDING ON SUCCESSORS

This Agreement shall be binding on and shall insure to the benefit of the parties hereto, and there heirs, administrators, successors, and assigns.

14. WAIVER

No waiver by either party of any default shall be deemed as a waiver of any prior or subsequent default of the same of other provisions of this Agreement.

15. SEVERABILITY

If any provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other provision, and such invalid provision shall be deemed to be severed from the Agreement.

16. INTEGRATION

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents that may be in conflict therewith.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

TRAFFIC TECHNOLOGY INC.

J.C. INTERNATIONAL

By: Marco Messina

By: Joe Chao

Title: President

Title: President

Signature: /s/ Marco Messina

Signature: /s/ Joe Chao

Date: 04/25/01

Date: 04/25/01

[LETTERHEAD OF EIDE BAILLY LLP]

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Traffic Technology, Inc. on Form 10-SB of our report dated June 21, 2001 relating to the financial statements as of and for the years ended December 31, 2000 and 1999 appearing within this Registration Statement.

/s/ Eide Bailly LLP

Eide Bailly LLP
Phoenix, Arizona

August 2, 2001