

2/10/2013

**Mark Fletcher**  
**Via Email**

Dear Mark,

I hope you are well, Thank you for your email and for letting me know about the server issue I will have our IT partner look into this.

I have responded to Jim's questions as I would willingly to anyone else. I have had conversations with many newsagents who have asked me varied questions to which I always respond to openly and honestly.

In relation to the research I have conducted I have read the board minutes during the bill express period I am satisfied within these minutes with the information I have provided; There is no record in the minutes of you asking for further due diligence on Bill Express. The minutes I refer to are:

- a) In the minutes of the board meeting December 3 and 4 of 2003 you were appointed as Deputy Chairman of the Australian Newsagent federation and as a director of ANF commercial ltd and ANA Pty Ltd. Please find extracts below in italics.

Deputy Chairperson

*Mark Fletcher nominated by Bob Dean, seconded Tom Carter.*

*Peter Murdoch nominated by Richard Hatch, seconded Tony Jeffries.*

*Mark Fletcher requested a secret poll, seconded Tom Carter.*

*As a result of the secret ballot, Mark Fletcher was elected Deputy Chairperson.*

*ANF Commercial Ltd & Australian Newsagents' Association Pty Limited*

*It was agreed that Bob Dean, Mark Fletcher and Amanda Bronn be the Directors of the above companies.*

- b) In the minutes of the board meeting 18th and 19th September 2004 it is recorded

*Mark Fletcher believes that this Board needs to express to Dial Time that the ANF will do whatever it takes to get Bill Express over the line and express that the list of outlets should not be given to anyone unless the ANF approves.*

- c) In the minutes of the board meeting 18th and 19th September 2004 it is recorded

*Mark Fletcher queried the 1st Digital contract regarding the supply of phone lines and emphasised that it may not be possible for 1st Digital to piggyback on existing ADSL connections. It was agreed that the ANF should clarify the financial responsibilities of the newsagent in this regard.*

*On the motion of Mark Fletcher, seconded Tony Jeffries, the recommendation to proceed with 1st Digital was approved subject to further discussion regarding the newsagents' contract term, ADSL compatibility and cost responsibilities as reported back to the Executive Committee.*

There were also multiple issues with the first digital contracts and the sale of lease component and then the subsequent sale of the consumable business. I raise this not because there was no due diligence but as a reference to the fact that sometimes regardless of the efforts applied to ensure safe and secure conditions dodgy people still exist. I can't imagine you would have been happy with the outcome of the first digital ending. As many people were unhappy with the outcome of Bill Express – The ANF Board and management of the day may or may not have handled Bill Express well. We could encourage everyone never to try anything new again and they will surely not get burnt, Or we can conduct our research – work to find appropriately skilled partners with the required capital and encourage everyone to assess the opportunity based on their own individual circumstances and then work with a continuous improvement attitude toward what we believe will add significant new revenue to the newsagents business.

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I find it slightly ironic that you refer to false and misleading information as I feel this is what has been publicly displayed on your blog. I also feel confused as to why you have opted to do this without consultation as there have been no occasions to my recollection that myself or anyone at the ANF have declined to speak with you.

In response to your questions please see the below in numbered order.

I will answer as many as possible but some questions have a level of ambiguity around them to which I propose we catch up and discuss face to face at a mutually convenient time and location.

1. 1. What due diligence has the ANF done on the proposed Hubbed business models (Lite and Premium)?

Our due diligence has been focused on Hubbed as an entity and the shareholders skill sets, employee's experience and capital provider's ability to maintain a level required to achieve optimum levels of success. We have conducted research on hero products and the need for these products in a cash purchase environment. Obviously as we have mentioned on more than one occasion we are not suggesting this is for everybody. Over a year ago the ANF sat with David Mclean and we explained the newsagency channel to David and went through some of the requests we have been receiving from agents in regards to new revenue streams and introducing new customers to the newsagency. Hubbed went out and started to look for backers to help finance the development and technology behind this.

The company was formed and the ANF members received a 5% share of the business. The other shareholders are David Mclean, Rick Lazar and Matt Handbury. Matt has 51% of the shares and is the Chairman of Hubbed. In simple terms, CONNECT is a portfolio of products and services that are exclusive to the newsagent channel. All of the products have been selected based on delivering one of the following:

- A. Increased margin and revenue
- B. Increased baskets sizes
- C. Unique solution for the customer

2. Has the ANF developed a business plan factoring in direct and indirect costs associated with Hubbed?

I am not sure what you are asking here are you referring to a business plan for the ANF, Hubbed or Members. In the current business climate, leading companies are adopting an approach where they specialise solely in what they do well—and then outsourcing and/or establishing relationships with outside organisations to fulfil gaps in their respective value chains.

At the ANF, we understand this dynamic, and have proceeded to identify, vet, and conduct due diligence on all partners who can assist our members with multiple needs. We focus on partners who are specialists in how the channel operates—and we continuously seek out partners who will help our members get up and running quickly in concert with their strategic priorities.

All in all, our partner network is extensive and regularly growing as we identify new partners who can meet the critical needs of our members. With our rigorous due diligence process, our

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network of specialists can fill important operational and functional gaps that help our members succeed with their initiatives.

3. What research has been done by the ANF and or Hubbed on consumer appetite for in-store bill payment?

We have conducted detailed research around the number of over the counter bills paid in Australia each year, detailed research around the need for cash payment of bills, detailed research on the availability of credit cards for bill payment either online and or over the counter. We have used resources and contacts through ABS, RBA and Australia post. The ANF has worked with CONNECT to see how all the different products will work. We have been insistent that all transactions must be finalised at the point of sale at the newsagent's counter. We believed this would help the newsagent build a rapport with these customers and potentially upsell other products within store. Over the last six months we have engaged with a number of current newsagents to ask their opinion and what would and wouldn't work for them. It is true that what works well in one area will not necessarily work well in another, but CONNECT offers enough products to keep the platform profitable in a large number of diverse demographics.

We at the ANF are excited about the opportunity of CONNECT and we have every confidence that it will work with the right agents behind it.

4. What is the use of the difference between the wholesale cost of Hubbed equipment and the monies released to Hubbed through the finance agreement newsagents are being asked to commit to?

I would imagine Hubbed would have the answer for this, given this information is commercial in confidence and would be no different to say a point of sale provider providing finance for a system that is purchased, even if I was privy to this information I would be unable to share it with you due to its commercial nature. I encourage you to contact Hubbed and discuss as I know that they have had many discussions with newsagents around an upfront purchase price.

5. What is the use of the difference between the wholesale cost of Hubbed equipment and the monies released to Hubbed through the finance agreement newsagents are being asked to commit to?

Refer to answer for question 4.

6. Has the ANF Board considered the situation where newsagents are told they can cancel Hubbed in a matter of months yet they are left with a finance agreement that runs for years?

I'm unsure of the direction of your question - It is my understanding under any lease arrangement that you enter for your business that you are bound by the terms and conditions, if however if Hubbed were willing to redeploy the unit to an alternate location and another person entered into the lease there would be no residual for that party.

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7. Has the ANF Board looked carefully at the situation of multiple separate agreements for newsagents in the Hubbed package running with different terms?

You will need to elaborate please, as whilst I'm clear that there are 3 different agreements that serve 3 different purposes I'm unclear on the question.

8. What other bill payment, parcel inbound/outbound services did the ANF assess as part of its due diligence of Hubbed?

The ANF has over the last 3 years met with researched and proceeded down the path of at least 8 different bill payment service providers and 4 alternate parcel providers, On each occasion the research and due diligence undertaken has lead us to terminate the relationship before exposing the provider to the channel. We have continuously been reminded of the sins of past management and directors in relation to dial time; bill express, first digital and others I don't care to mention. We have been so thorough in our dealings to get to this point where we are confident that those newsagents who feel this suits their business model, personal and business financial risk profile will benefit.

9. Does any ANF employee or Director have any commercial relationship or connection with Hubbed including free access to the Hubbed service?

I am concerned that you feel the need to question our integrity, We have been constantly open and transparent in all of our dealings with you and everyone else in the channel. Do you care to provide an example of where we have been less than honest and open with you?

No ANF Employee or Director has an individual or collective relationship with Hubbed. No ANF Employee or Director is receiving, has or will receive any financial advantage from Hubbed. One Director has volunteered to be a trial site for Connect, This director received identical treatment and conditions to the other 6 trial locations for the effort, inconvenience , business interruption and time they have assisted in piloting the connect process. The final summation is that all pilot stores will need to sign or have signed an agreement. ANF members hold a 5% share, and when there are dividends to be paid out then we will receive those funds and continue to invest in new member services.

The commissions earned by the newsagents are spilt between the agent and Hubbed. The ANF is supportive of this system as we believe that it will bring new customers to the store for many reasons.

10. Beyond the 5% shareholding, is the ANF receiving or has the ANF received any other revenue stream from Hubbed?

The ANF has not received any financial or non-financial benefit from Hubbed other than acquiring the 5% share for Members. I'm also unclear why this would be an issue for you or our members – this would generate more revenue to support member services and continue the reduction of membership fees. One could be forgiven for wondering whether these questions stemmed from someone's own revenue and competition concerns.

11. Has the ANF spoken with anyone with good knowledge of Bill Express as part of its due diligence of Hubbed?

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The ANF has spoken with many ex Senior Managers of Bill Express and supply partners and customers from Bill Express; we have spoken with many newsagents who were affected by Bill Express.

12. What is the specific commercial experience of the Hubbed leadership team in rolling out a start-up like Hubbed? I've heard David Mclean, for example talk at length about his Microsoft experience. I don't see that as relevant. Hubbed is a start-up entering a competitive and mature marketplace. This will require considerable skills and capital to gain traction not only with the retail network but with consumers.

I'm unsure if your question is skill or capital based? I would agree it requires skill and capital. I would suggest that the board members, Shareholders and employees possess the required skill to roll out the start-up product and the ability to market to consumers and retailers alike. Although this is obviously an opinion based question and is highly dependent on the value you place on an individual or collective skill set to achieve a task.

In relation to your comments and assumptions surrounding Member surveys, we often survey member requirements, but we also rely heavily on the information we receive through multiple calls / emails and face to face individual and group meetings that are recorded into our CRM. Our members and newsagents are the guiding tool in all decisions we undertake. We utilise committee members and board members to also feed information through to us through their various daily contacts with newsagents.

Mark I'm unsure of your plans to publish my responses – if you would like to please only publish this document in its entirety. I honestly believe a face to face discussion would benefit all parties.

Warmest Regards,



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