

From: Peter Evans <peter.evans@smilesinc.com.au>
Sent: Sunday, June 2, 2019 12:02:42 PM
To: Ruth Medd; David Usasz; Tracy Penn; Jim McKerlie; 'Claire Braund'
Subject: Re: uNHAPPY SHAREHOLDER - not Smiling today.

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From: Peter Evans <peter.evans@smilesinc.com.au>
Sent: Saturday, June 1, 2019 3:00 pm
To:
Subject: Re: uNHAPPY SHAREHOLDER - not Smiling today.

Dear Ruth,

I only saw this email last night so please forgive the delayed reply. Before I comment further on it, I believe it is imperative that we speak. Could you resend your phone number and preferred times for speaking with me from tomorrow morning onwards. I am unavailable today as I am leaving to attend an engagement shortly.

To say I am surprised and disappointed by your email is an understatement. It includes several slurs on the honesty and character of myself and the other directors which I am very keen to rectify. I will briefly list my main points of upset and disagreement so you know where I will be coming from in our conversation.

Firstly, you continue to criticise the EGM process and my role as a committee of one. As I explained to you, I was put in a strange position when I was the only Director not voted on. I ruled against the vote being expanded to include 3 candidates put forward by Timoney and Herlihy (T and H). The application was in fact too late to be included but I have never been surer of anything in my life than that the appropriate vote at that EGM was between Timoney and Herlihy on one hand, and Usasz and Penn on the other. The voting by a broad number of shareholders on 3 directors little known to them was only going to confuse the main issue. The resultant vote gave a very clear view on who the shareholders want to take the company forward.

Secondly, you mention the 89% shareholder involvement a couple of times. I think this does you no credit. The top 100 shareholders were aggressively contacted by T and H and then David and Tracey. As I have said many times, if Mike put as much energy into running the company up until 25th February as he did into this, Smiles would not be in the current position. In the end, nearly 1000 shareholders registered a vote. Morgans were the underwriter to the issue and their clients make up the vast majority of the ex100 shareholders. We did a presentation to them and spelt out very clearly the incompetence and dishonesty of the

previous CEO. I am a joint founder of Morgans and stressed that this was a vote that their clients should make. Given ALL their clients are hurting, they put their shoulder to the wheel. Don't underestimate Morgans ability and energy in this regard. In the 90's Morgans achieved a 95% voter involvement in a similar issue. Your assumption that there is something fishy about this is misplaced and I believe shows a lack of understanding of the desire Morgans show to help companies they have involvement with succeed.

You have repeated T's strident claim about vote rigging. I will put a question to you which we will visit when we speak. How well do you know Mike Timoney? Confusion has been created by one large shareholder who's relative apparently signed a proxy for his votes. That client clearly and unequivocally overrode that vote on the last day of voting. He has been terrified of fronting T so he has caused confusion. We have asked him, and he has finally agreed, to come clean and put the matter beyond doubt. I understand that is happening imminently.

You will not be given the full voting details. Link have agreed to tell any shareholder who contact them how their vote was recorded.

We have offered an independent 3rd party share register to audit the results. We are waiting T's reply.

You say the vote was close. I disagree. Also as an interesting aside, 8 times as many shareholders voted against T and H as voted for them.

Finally(for this email), the current Board will not be stepping down. **There is a turnaround plan on foot, other directors will be appointed shortly, the Bank has been constantly engaged with**, and if this nonsense can stop, there is a good chance the company can survive and give some value back to the long suffering shareholders.

I look forward to speaking with you shortly.

Regards

Peter Evans

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