

Footfalls & Heartbeats

CONFIDENTIAL AND PROPRIETARY
2 JUNE 2015

An offer to raise funds of up to NZ\$2,000,000 through the issue of new shares of Footfalls and Heartbeats Limited at a price of \$39.50 per share.

THIS OFFER IS MADE ONLY TO, AND MAY ONLY BE ACCEPTED BY, PERSONS IN RESPECT OF WHOM THE OFFER DOES NOT REQUIRE DISCLOSURE UNDER PART 3 OF THE FINANCIAL MARKETS CONDUCT ACT 2013 INCLUDING, BEFORE 1 JUNE 2015, NEW ZEALAND INVESTORS WHO QUALIFY AS "ELIGIBLE PERSONS" (AS DEFINED BY S.5(2CC) SECURITIES ACT 1978) OR WHO FALL WITHIN ONE OR MORE OF THE CATEGORIES SET OUT IN SECTION 3(2)(a) OF THE SECURITIES ACT 1978.

IMPORTANT INFORMATION

This document has been prepared by Footfalls and Heartbeats Limited (**Footfalls, FHL or Company**), in conjunction with its advisers. In this document, FHL, its officers and advisers are called the Disclosing Parties.

The investment opportunity described in this document is only offered to and may only be accepted by, persons in respect of whom the offer does not require disclosure under Part 3 of the Financial Markets Conduct Act 2013 (**FMCA**) (including because one or more of the exclusions under Schedule 1 of the FMCA applies to an offer to such person). Before 1 June 2015, this includes persons who are "eligible persons" as defined in section 5(2CC) or who fall within one or more of the categories set out in section 3(2)(a), of the Securities Act 1978 (**Securities Act**) pursuant to the transitional regime under schedule 4 of the FMCA. From 1 June 2015, the Securities Act categories are no longer available and an investor must qualify under the FMCA only. Please contact the Company to confirm whether you may meet these new tests as in some cases further disclosure or certificates may be required. Do not use the certificates at the end of this document from 1 June 2015 onwards.

No application will be accepted by FHL unless it is also accompanied by (before 1 June 2015) a certificate issued pursuant to S.5(2CD) or a written statement and an acknowledgment made pursuant to s.5(2CE) of the Securities Act, or (at any time) other evidence acceptable to FHL that the requirements of the FMCA or (as applicable) the Securities Act have been met.

There is no current investment statement, prospectus, product disclosure statement, offer register entry, or any form of offer to the public or regulated offer in terms of the Securities Act or the FMCA.

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This document must be kept CONFIDENTIAL and is not to be passed on to any other person without FHL's prior written consent.

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The information in this document has not been independently verified.

This document also contains certain forward-looking statements, relating to FHL's business, which can be identified by the use of forward looking terminology such as "promising", "plans", "anticipated", "will", "project", "believe", "forecast", "expected", "estimated", "targeting", "aiming", "set to", "potential", "seeking to", "goal", "could provide", "intends", "is being developed", "could be", "on track", or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of products. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. In particular, management's expectations regarding the commercialisation of the products could be affected by, among other things, unexpected regulatory actions or delays; competition in general; industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, financial results and business prospects. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. FHL is providing this information as of the date of this document and does not assume any

obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

It is a condition of distribution of this document that each recipient accepts it on the above terms. Any recipient who does not do so should immediately return this document to FHL.

ADDITIONAL INFORMATION

Additional Information is also available under confidentiality for inspection by prospective investors that execute a confidentiality agreement with FHL in a due diligence document set from the Company.

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FOOTFALLS & HEARTBEATS LIMITED OFFER OVERVIEW

EXECUTIVE SUMMARY

WHO WE ARE

Footfalls and Heartbeats Limited (Footfalls, FHL or the Company) has developed a proprietary process for manufacturing smart knitted fabric proven to measure, in real-time, compressive force and tensile force. FHL uses yarn interactions within the textile structure to make the fabric itself the sensor, thus avoiding the need for wires or miniature electronics in the garment (FHL still requires electronics for collecting signals but these can be both miniaturised and ergonomically placed to maximise comfort). This enables applications in multiple markets including medical compression therapy where FHL's first licensee; Medi GmbH&Co.KG (Medi), expects to launch a product by the end of 2015, or early 2016. FHL has licensed Medi exclusively for the fields of medical compression therapy and orthopaedics. Its first licensed product will measure the compression applied by an inelastic medical compression garment. FHL is seeking other licensees to commercialise the same pressure sensing textile technology in multiple other applications including monitoring patient pressure points on wheelchairs and hospital beds and gait analysis for running socks. FHL is also developing optical textiles, with potential application in medical, athletic and military areas in a global market that is increasingly demanding intelligent and seamless sensor technologies.

MARKET NEEDS

Medi is a leading global player in medical products with more than 60 years of experience in medical compression technology. CircAid, a compression therapy company and 100% subsidiary of Medi, will initially implement FHL technology into their compression bandaging products. A study recently published in the Journal of American Medical Association showed only 27% of venous ulcers were bandaged correctly by the wound care nurses surveyed. The remaining 73% either bandage too tightly (risking a tourniquet effect) or too loosely, which won't adequately treat the ulcer, thus prolonging its impact. Footfalls expects through Medi to allow medical practitioners and patients worldwide to more easily and reliably apply accurate compression levels when applying CircAid's inelastic compression garment to treat venous ulcers and lymphedema. Future product development may allow for ongoing remote monitoring of compression levels, which may assist compliance and consequent treatment outcomes.

Footfalls existing compressive sensing textile technology may also address the need to reduce the incidence of pressure injuries in hospital bed users, where FHL has secured a Letter of Intent from a manufacturer, and pressure ulcers in wheel chair users. This technology may also assist with gait analysis to assess, plan, and treat individuals with conditions affecting their ability to walk and run and to help athletes run more efficiently.

Footfalls' technology may also provide new opportunities for continuous monitoring to both reduce escalating healthcare costs and to serve consumers that choose to wear sensors to self-monitor their health such as monitoring respiration rate in very young and end stage people with Cystic Fibrosis. Healthcare costs are burdened by the clinical hospital interventions required for treatment of aging populations, chronic illness and disease; so technology that supports remote monitoring and care can be valuable.

WHAT WE SELL

Footfalls sells licenses to its technology exclusive to a specific field of market application in exchange for up-front payments and ongoing royalties. It may also charge its licensees up-front fees both for customisation and further prototyping work. The company may also generate revenues post product market launch for ongoing technology support and improvements. This approach allows Footfalls to potentially secure multiple licensees in different fields of market application.

FHL has signed a “Framework Cooperation and Licensing Agreement”, since it is the intention of Medi to license more IP from FHL further down the track. With this Framework Agreement, Medi has first secured a licensee for FHL’s pressure and tensile force sensing technology in the field of human medical compression and compression in orthotics and prosthetics. The licensing agreement provides for upfront payments to Footfalls for worldwide exclusivity and for its assistance in developing a product with Medi using the licensed technology.

Under this agreement, Medi paid, in February, the first tranche of up-front payments to Footfalls of €200,000 due on signing the agreement. The payment was made well within the deadline of 30 days of signing the agreement. A further €150,000 tranche payment will be due on completion of a prototype, ready to be transferred into production for the first product development project. This is expected in October/November this year.

Footfalls works with Medi’s US-based product and business development team plus its corporate representative from Germany with whom the agreement was finalised. The initial product design and project scope to develop the product has been agreed.

The agreement also provides for royalties on sales, which commence with a minimum annual royalty fee of €250,000 per annum for the first three years from when the product is launched; and €350,000 in years four and five; and €500,000 from year six onwards.

Please note that Medi is a privately held company and that this information, as with the entire content of this offer document, is confidential and should not be shared further. It has been provided only for the purpose of assisting you in considering whether to invest in Footfalls.

LETTERS OF INTENT

We have signed letters of intent which includes key commercial terms with Howard Wright, Camira Fabrics and Medifab (which has no relation to Medi – our first licensee).

Howard Wright is a New Zealand company which manufactures hospital beds; they have expressed an interest to incorporate Footfall’s technology into the cover of a mattress to detect pressure sores, patient falls, patient restlessness and vital signs.

Camira is a global manufacturer of textiles, producing natural, woven upholstery fabrics for contract and office interiors. Their products can be found in homes, as well as passenger rail cars, subways, and buses. The letter of intent provides a clear path forward for license agreement negotiations as it anticipates agreeing on territory, field, upfront payment, royalties on the net sales and minimum annual net sales. The first application is expected to be in monitoring passenger transport through seat use.

Medifab is a New Zealand company that develops and manufactures wheelchair seating under the trademark Spex™. Pressure sensors on a seat would inform wheel chair users and their carers about their ongoing positioning on a seat and potentially reduce pressure sores. The letter of intent provides a clear path forward for license agreement negotiations as it anticipates agreeing on territory, field, upfront payment, royalties on the net sales and minimum annual net sales. The first application is expected to be in monitoring and preventing pressure injuries in wheelchair users.

Footfalls is pursuing other licensees for hospital beds (in addition to Howard Wright) wheelchairs (in addition to Medifab) and monitoring of respiration for Cystic Fibrosis. It also intends to pursue a licensee for gait analysis.

Current business development targets include Howard Wright, Medifab, HillRom, Invacare and Stryker (hospital beds and wheelchairs market); and Medi, Under Armour, Nike and Adidas (gait analysis); and Brookwood (US military).

COMPETITIVE ADVANTAGE

FHL’s technology can create durable, safe, knitted and washable fabrics that are comfortable and natural to wear, where the textile itself is the sensor, making them ideal for applications requiring contact with the body. The developed textiles are inexpensive to manufacture, as they are able to be manufactured on current knitting machinery and use non-proprietary conductive fibres. FHL believes it can address the four critical features that make up a cost effective functional textile. These include a physically flexible sensor, stable signal, connected electronics and potentially moisture management. FHL has created barriers to competition

through its intellectual property protection of its design process. The Company has filed two PCT patent applications, which describe different aspects of its platform technology, both of which have been published but are yet to be granted. FHL intends to expand its IP portfolio, through the further filing of application and additional core IP in conjunction with in-licensing of complementary core IP. FHL intends to create a further barrier to competition through the development of a proprietary textile electronics interface.

COMPETITION

Known competitors fall into three categories: first, companies that use miniaturised electronics attached directly to the body with straps or conductive polymer electrodes, based on wearable computing; secondly, companies that embed solid state electronics into garments; and thirdly those that use textile or clothing-based sensors. The former category includes Zephyr BioHarness™ (Medtronic), which as a harness has the advantage that it can be worn across a wide range of sizes. However, a solid state electronic device held to the skin by a woven strap creates comfort issues for users. Most competitors appear to be going in the second direction, integrating sensors into textile or clothing. This latter category includes so-called intelligent textiles, where the garment contains embedded solid state electronics. Examples of these competitors include, OMSignal's apparel that monitors heart rate, breathing and activity, the remote physiological monitoring garments in development by QinetiQ and Utopia Compression, Vivonoetics LifeShirt™, Adidas Numetrex™ Athos, Hexoskin and Healthwatch; and Maxim Integrated (sudden infant death syndrome). FHL believes that OMSignal uses electronic textiles that are held too tightly to the chest by a woven band to ensure contact with the skin, which will create consumer comfort issues. FHL has also not seen evidence of OMSignal addressing moisture management.

A key difference between the first two categories is that textile or garment based sensors are size specific, while wearable computing sensors (that attach via a strap or electrodes) are not size specific.

Other companies that are developing textile based sensors include Sensoria, Healthwatch and Heapsylon. FHL's understanding is that Hexoskin has yet to address moisture management, and has a solution for connecting to electronics that FHL believes some consumers may find unsatisfactory.

Heapsylon's Sensoria sock, which measures an athlete's steps and gait. Hexoskin uses piezoresistive technology, which has performance issues and which Footfalls believes is hard to manufacture, Heapsylon itself has stated this. Heapsylon also potentially has a comfort issue in that it sews on large sensors which might cause discomfort. SmartLife is another textile based solution.

Other forms of competition include watch or bracelet monitors such as Nike Fuelband™, Polar® and Suunto Jawbone, Fitbit and Garmin and smart watches from Apple and Samsung.

MARKET OVERVIEW

The global market for Smart Fabrics and Intelligent Textiles (SFIT) and its applications is growing and is expected to reach US\$2.0b by 2018 according to Statista¹ and \$2.6b according to Technavio². The market for products associated with the 'quantified self' market is growing with big brands such as Apple and Samsung looking to entering the market and is estimated to be worth up to US\$5b by 2016, according to a report by Gartner³.

FHL's initial market, the human medical compression therapy market, to be addressed through Medi as FHL's licensee, was valued at US\$2b in 2011 with a compound annual growth rate of 3.1%. Our other potential markets such as United States' athletic compression garment market was valued at US\$1b. The hospital beds and wheelchair market was valued at US\$1b in 2011. FHL's initial market entry plan is to enter these large compression based markets. Biomedical applications of SFIT in the US have a projected compound annual growth rate (CAGR) of 19.9% between 2012 and 2017⁴. These include compression bandages and compression garments to treat chronic wounds resulting from diabetes or venous leg ulcers, or diagnosing and remotely monitoring diabetic foot ulcers and respiratory sleep disorders. The growth drivers for this market are an aging population with increased rates of obesity, diabetes, COPD and cardiovascular diseases (CVD). FHL intends to pursue these growing market opportunities, particularly through the compression bandage application and the reduction of pressure injuries.

¹ Statista, <http://www.statista.com/statistics/302526/smart-fabrics-market-revenue-worldwide/>

² Technavio, <http://www.technavio.com/report/global-smart-fabrics-in-interactive-textiles-market-2012-2016>

³ Gartner, <https://www.gartner.com/doc/2537715/market-trends-enter-wearable-electronics>

⁴ Innovation in Textile technical reports, <http://www.innovationintextiles.com/business-information-technical-textile-markets-reports/>

STRATEGY AND IMPLEMENTATION

FHL intends to grow shareholder value through licensing new product specific patent applications based on its current two patent applications, which describe different aspects of its platform technology. Its business model is to design and license intelligent textile solutions to partners who are leaders in each market segment and have established distribution and marketing channels. FHL will attempt to build a recognisable ingredient brand that will set the standard for intelligent textile quality and reliability (its success will depend on convincing partners of the merit of an ingredient brand promoted by multiple other partners). Ingredient-branding is creating a brand for an ingredient or component of a product, to project the high quality or performance of the ingredient e.g. "Intel inside".

Revenue will be generated from customising FHL's technology to its customers' specific requirements, up-front licensing fees in exchange for geographic, market or time exclusivity, and royalties on sales.

KEY MANAGEMENT

Dr. Roland Toder, PhD (interim Managing Director), leads FHL and directly oversees the business development and the overall business strategy. Roland has a successful track record leading and growing multiple high growth medical and technology ventures. Roland played the lead role in closing the Medi licensing agreement. Roland's experience includes commercialising through licensing another platform technology.

Simon McMaster, founder, has over 10 years' experience researching intelligent fabrics and developing networks with other world experts in this field. He is responsible for the IP portfolio and technology that will lead to further IP.

Michael Allen is the Senior Product Development Manager at Footfalls & Heartbeats. He comes from an electronics engineering and product development background. Michael brings to this role his experience in electronics, new product development, engineering processes and project management to ensure Footfalls aligns its product development to customers' requirements.

This capability is supported by a group of high quality directors and active investors including David Henry, its Chairman and former CFO of Fisher & Paykel; Dr Gary Pace a founding investor and director of ResMed (RMD:US), Jeremy Collins a successful entrepreneur and founder of Selecon and Brent Ogilvie who has extensive business development, corporate partnering and capital formation experience.

FHL is currently recruiting a business development officer and a further product development engineer to pursue its licensing and product development activities. With new investor funds secured through this offer, FHL also intends to secure a full time CEO.

FINANCIAL SUMMARY

FHL envisages the following revenues from its first license to Medi:

- A further €150,000 payment (additional to the upfront €200,000 payment already received) is due on completion of a prototype, ready to be transferred into production for the first product development project, which Footfalls expects by Oct/Nov 2015.
- Agreement by late 2015 or early 2016 that the first prototype is marketable, which will trigger a yet to be defined time to allow Medi to produce and roll out the product. After that, the payment of minimum annual royalties on sales will apply, which commence with a minimum annual royalty fee of €250,000 per annum for the first three years from agreement that the prototype is marketable; and €350,000 in years four and five; and €500,000 from year six onwards.
- Upfront payment from a second license for a new field of application either from Medi or a new licensee

FHL expects to be able to fund secure multiple revenue streams through charging clients up-front fees both for customisation work and market rights; and charging royalties on the sale of licensed products.

FHL does not intend to manufacture and so does not expect to require significant working capital to grow.

DESCRIPTION OF THE OFFER IN THIS DOCUMENT

FHL seeks to raise \$2,000,000 at an issue price of \$39.50 per Investor Share (**Share Offer** or **offer**).

Subscribers will be required to adhere to the existing subscription and shareholders agreement in relation to FHL (**Subscription** and **Shareholders' Agreement**) and will be bound by the constitution of the Company (**Constitution**). See the further details below and elsewhere in this document.

OFFER SUMMARY

THE OFFER:

Due to its belief in the growth opportunities in front of the business, the Board of the Company has decided to seek \$2,000,000 by way of a private offer under this information memorandum, of which existing investors have already committed over \$700,000. Assuming \$2,000,000 is raised through this Share Offer, 50,633 new Investor shares (New Shares) will be issued to investors with rights identical to all existing shares (following the amendment of the Subscription and Shareholders' Agreement referred to above which will remove the rights currently attached to "Investor Shares"). The New Shares are offered at a price of \$39.50/share at an implicit valuation of the Company of \$7.49 million prior to this Share Offer. The total number of shares on issue after this capital raising will be 240,195. The New Shares issued pursuant to this Investment Offer will therefore represent 21% of the shares in the Company. This offer is subject to pre-emptive rights under the current terms of the Subscription and Shareholders' Agreement and the Constitution by which existing holders of Investor Shares (as defined in the Current Subscription and Shareholders' Agreement) have certain pre-emptive rights to take up a proportionate share of this Share Offer. Any allotment of New Shares will be subject to adherence by the Company to its obligations to the existing Investors. The Company will do this by making this offer in accordance with the terms of the Constitution.

PURPOSE OF THE OFFER

FHL will use investor funds raised through this Share Offer to help ensure that its technology will be successfully implemented on time into the first products for Medi, FHL's first licensee. Also funding will go into business development activities which include meeting potential licensees to develop licensed product applications, recruiting a full time CEO, a further product development engineer and a business development officer, developing textile/ electronics interface, recruiting a business development officer and a further product development engineer, developing and filing additional provisional patent application(s), materials, prototype knitting and electronics production.

PRICE OF THE SHARES

A total consideration of \$39.50 per New Share is payable.

RIGHTS ATTACHING TO NEW SHARES

The New Shares will be Investor Shares that will rank equally in all respects with existing Investor Shares. Investor Shares (including the New Shares) will have 'anti-dilution rights'. If the Company subsequently issues shares at a lower price than the effective average price of the shares held by the Investors, the Company will issue additional shares to the Investors for nominal consideration to reduce the effective average price of the shares held by the Investors to that lower price.

The Investor Shares (including the New Shares) have certain preferences over the ordinary shares held by the "Existing Shareholders" (as defined in the Subscription and Shareholders' Agreement), including enhanced pre-emptive rights on the issue or transfer of shares and the right to preferential payments on a liquidation or sale of the business. The rights of the Investor Shares are described in full in the Subscription and Shareholders' Agreement and the Constitution.

SHARE REGISTER

FHL will manage the share register.

ACCEPTANCE OF APPLICATIONS AND MINIMUM APPLICATION

The minimum subscription for new investors is 633 Shares for \$25,000. Applications from Investors will be considered on a first-come, first-served basis. Directors may accept or reject any application in whole or in part.

MINIMUM SUBSCRIPTION

The minimum subscription sought by the Company under this Investment Offer is \$1 million.

OVER-SUBSCRIPTIONS AND REFUNDS

This Share Offer aims to raise funds of \$2,000,000. No over-subscriptions will be accepted. The Directors of the Company reserve the right to accept or refuse any application in full or in part, and are bound by the pre-emptive rights referred to above. Refunds will be posted no later than five working days after allotment of the New Shares. No interest will be paid on refunds

DIVIDEND POLICY

In the short term, the Directors intend to reinvest retained earnings to support commercialisation and expansion of FHL. FHL is unable to predict the time of any dividend payment as this will depend on profitability and the financial position of the Company.

OFFER PERIOD

The Share Offer will be open from the date of this information memorandum and close on the Company securing \$2,000,000 or such earlier date as the Directors of the Company may determine.

BROKERAGE

Pacific Channel is the broker of this Share Offer. Pacific Channel will receive a brokerage fee of 6% of the funds raised under this Share Offer (plus GST) from new investors only. Existing investors that are currently a shareholder as listed on the Companies Office will not attract any placement fee.

UNDERWRITING

The Share Offer is not underwritten.

INVESTMENT BACKGROUND

COMPANY OVERVIEW

Footfalls and Heartbeats Limited (Footfalls, FHL or the Company) is a New Zealand-based company founded by chemist Simon McMaster, who brings many years' experience researching intelligent textiles. FHL is positioned to become a leader in the provision of smart textiles for a diverse range of applications in a global market that is increasingly demanding intelligent fabrics. FHL has developed a proprietary process for manufacturing smart fabric proven to measure in real-time compressive force and tensile force. FHL uses interactions within the textile structure to make the fabric itself the sensor, thus avoiding the need for wires or miniature electronics in the sensing area (FHL still requires electronics for collecting signals but these can be both miniaturised and placed to maximise comfort). FHL's business model is to design and license intelligent textile solutions to partners who are leaders in each market segment and have established distribution and marketing channels. Revenue will be generated from fees for customisation of FHL's technology to its customers' specific requirements, up-front licensing fees in exchange for geographic, market or time exclusivity, and royalties on sales. The technology currently measures tensile and compressive forces. Additional functionality being explored is the ability to track limb movement and bio-electrical outputs such as heart rate. FHL is currently carefully evaluating its freedom to operate in these two applications, as well as capillary blood flow and blood oxygen saturation using optical textiles; all of which will enable new applications.

The Company is currently managed by Dr Roland Toder (PhD) who is an experienced life science industry manager with a successful track record of commercialising through licensing another technology with multiple fields of application. Dr Toder is the interim Managing Director. FHL will seek a fulltime CEO directly after this funding and wishes to have them on board by late 2015. Dr Toder will continue to be actively involved in the licensing and commercialisation upon a CEO being appointed. Dr Toder's capability is supported by a group of high quality directors and active investors including David Henry, its Chairman and former CFO of Fisher & Paykel, Dr Gary Pace a founding investor and director of ResMed (RMD:US), Jeremy Collins a successful entrepreneur and founder of Selecon and Brent Ogilvie who has extensive business development, corporate partnering and capital formation experience.

INVESTMENT HIGHLIGHTS

- Secured a licensing agreement with Medi, which expects to launch a product by early 2016. FHL has licensed Medi exclusively for the fields of human medical compression therapy and orthopaedics.
- Received first payment from Medi of €200,000. The payment was made well within the deadline of 30 days of signing the agreement. A further €150,000 payment will be due on completion of the first product development milestone. The agreement also provides for royalties on sales, which commence with a minimum annual royalty fee of €250,000 per annum from product launch for the first three years; and €350,000 in years four and five; and €500,000 from year six onwards.
- The Medi deal indicates that it may be possible to build a scalable and profitable business model from up-front revenue for product customisation, market exclusivity and on-going royalty fees (this assumes FHL is able to secure further licensees on similar terms);
- Secured a Letter of Intent from Howard Wright, a designer, maker and marketer of medical beds and stretchers manufactured in New Zealand and exported globally, especially into Australia and the UK.
- Received interest from other international players in hospital beds and wheelchair seating.
- Secured and completed a £175,000 grant from the UK government to develop a sock that may allow the early detection of the onset of diabetic foot ulcers, including £80,000 directed to FHL. The project concluded in December 2014 and showed at a proof of concept level (TRL 4) that pressure at specific sites on the foot, by using a knitted textile pressure sensor, and capillary refill time (CRT), using optical textiles, were able to be measured simultaneously in a "sock" worn by healthy volunteers. CRT is a basic physiological measurement of general health and more specifically tissue health and is seen as a possible indicator of the onset of diabetic foot ulcers. Simon McMaster reports that the Technology Strategy Board (UK government) has requested that FHL UK Limited, with its collaborator, the University of Nottingham, apply for a larger grant to take this project forward.
- The Company has filed two patent (PCT) applications, which describe aspects of its platform technology, both of which have been published but are yet to be granted.
- The Company has filed a further provisional patent application with respect to the development of a textile actuation system.
- Initial product applications have no apparent regulatory or market entry barriers.
- Secured Dr Roland Toder, an experienced and successful technology licensing executive for Business Development and to act as interim Managing Director.

TECHNOLOGY SUMMARY

FHL has developed a proprietary process for manufacturing smart textiles where the textile itself is the sensor. The FHL technology combines mathematically determined textile structures using electrically conductive yarn to form a sensor network. The technology uses the three-dimensional complexity of a textile structure, including interactions of fibres within the yarn itself, to control the electrical resistance characteristics of the sensor structure. The FHL technology is able to control the electrical resistance of its knitted sensor structures within a defined range. In-house testing has shown this to be in the range 1kOhm to 1Mohm for conductive textile yarns. The technology brings a new level of sophistication to smart textiles through the integration of computer aided design (CAD), conductive fibre technology and micro power sources to produce textile structures that are capable of registering external environmental stimuli in the form of electrical signals. These signals can be filtered, amplified and analysed in real-time to produce data sets relating to physiological output, limb movement, proprioception and either tensile or compressive force detection.

CURRENT PROVEN CAPABILITIES

The technology currently measures tensile and compressive forces. Proof of concept has also been achieved for measuring blood oxygen saturation, capillary refill time (CRT), heart rate, blood pressure (BP) using an optic textile sensor and relative humidity (RH) in knitted sensor prototypes. The use of a knitted textile-based sensor network provides for ease of manufacture and customisation for any required design. The customisation inherent within the FHL system allows for numerous sensor shapes and sizes

as well as a redundancy capability hitherto difficult to achieve in flexible environments. The sensor technology can be knitted on a range of machines from traditional flatbed and circular to the seamless technology of Shima Seiki and Stoll. The process developed by FHL allows control and manipulation of both yarn-to-yarn interaction and the movement of the micro-mechanical structures that form the basis of knitted fabrics. This control will herald the emergence of the next generation of smart textiles where sensor functionality is integrated into the fabric structure to allow real-time monitoring whilst also ensuring comfort, personal privacy, wearability and durability.

ADVANTAGES OF FHL'S TECHNOLOGY

1. Ease of Manufacture

The textile based sensor platform can be knitted at low cost on almost any existing flatbed or circular industrial knitting machine.

2. Durability

In conjunction with the washability of the textile, the durability of FHL's technology appears to be better than embedded electronics. Copper/silicon based electronics are fundamentally fragile sensor platforms. Anecdotally, fire-fighters in Australia will not wear an 'apparel' harness made by a competitor due to both comfort issues and also failure of the device to work in humid environments (as stated in online media). In a flexible environment, the connections within a solid state electronics device are subject to loads that cause failure. A knitted textile has another advantage due to multiple redundancies which are inherent within the knitted garment structure.

3. Compliance

It is noted that, within the medical community, patient compliance is poor when using electronics based solutions for remote patient monitoring. Patients sometimes do not want friends, colleagues, relatives or workmates to 'view' their need for monitoring. Comfortable, unobtrusive base layer clothing provides a simple solution to this.

4. Design Flexibility for Different Applications

The basis of FHL's knitted intellectual property (IP) is centred on the ability to design and construct a textile structure that controls the relative electrical resistance of the sensor shapes. With this, FHL can control the sensitivity of individual or groups of sensors and therefore focus the sensor network with relation to the environmental parameter that is under investigation.

5. Capability to Report Data on Multiple Communications Platforms

FHL's output is an electrical signal that can be processed and digitally presented according to its partners' desired requirements. Options include presentation through smartphone apps, computers or electronic user interfaces (simple green or red diodes).

KEY PEOPLE

David Henry (Chairman)

David is a professional director and chairman. He was previously Chief Financial Officer and Executive Director of the Fisher & Paykel Group (F&P). At F&P, he had hands-on involvement in all aspects of the business, from strategy, manufacturing and product development through to marketing and sales. This experience was across the appliances, healthcare and finance company sectors of the business and included establishing F&P's international operations. He is currently the chairman of a number of R&D ventures including Androgenix (a biotech start-up company) and a director of Henry Manufacturing. David is a Chartered Accountant and a Chartered Fellow of the Institute of Directors in New Zealand.

Dr. Roland Toder PhD (Interim Managing Director)

Roland currently manages operations of FHL and directly leads the business development and overall business strategy. The company will seek for a fulltime CEO after the fund raising. Roland is an experienced life science industry manager and consultant with international business and corporate development and R&D expertise, based on leadership and management skills, scientific education and research experience with due diligence, validation and technology transfer strengths and a track record of business accomplishments. He has a PhD from Albert Ludwigs University (Germany), and has been

involved in executive roles with a number of life science companies which include Biochip Technologies (GmbH), GeneScan Australia Pty Ltd., BiG BioTech GmbH and Vivendy Therapeutics Ltd., among others. He is currently the founder and managing director of Akalpa Life Science Consulting Limited.

Dr Gary Pace (Director) BSc. Ph.D.

Gary is an experienced entrepreneur and senior operations manager of life sciences ventures. He has more than 40 years of experience in the development and commercialization of advanced technologies, including in biotechnology, pharmaceuticals, medical devices and food industries.

Gary currently serves as a director of ResMed (RMD:US), Transition Therapeutics (NASDAQ and TSX-listed) and Pacira Pharmaceuticals (NASDAQ:PCRX). He co-founded QrxPharma in 2002, which went public on the Australian Stock Exchange in 2007. He also served as founding Chairman of Somnaceutics Limited, which was sold to New Image (NZ) in 2010.

Jeremy Collins (Director)

Jeremy Collins is an entrepreneur and spent 19 years as Managing Director of Selecon which became a leading European brand, a market leader in Australasia and has strong establishment growth in North America.

Brent Ogilvie (Director) BSc. (Bio.), MBA (will retire as Director on completion of capital raise)

Brent is co-founder of Pacific Channel Limited, New Zealand's leading venture creation, development and investment firm focused on start-up and early-stage material, life-science and clean-tech innovation. He has led the capital formation of Footfalls and has provided management services and business development to Footfalls on a part-time basis from October 2012 to January 2015 including helping secure its first licensee and a separate letter of intent from a prospective licensee. Brent also serves as Director of several other early stage high growth potential New Zealand companies. Brent was previously New Zealand Consul and Trade Commissioner to New York and prior to that had a number of commercial management roles.

Brent will retire as Director on completion of this capital raise, which will allow the appointment of a new investor director.

Simon McMaster (Founding Scientist) Dip. Chem., BSc. (Chemistry, Nanotechnology), Grad. Cert. in Research Commercialisation

Simon is the Scientific Founder of FHL and is responsible for the IP portfolio and the development of further technology leading to additional IP. He has many years experience in researching smart textile structures and the nano-scale interactions that govern the movement of these micromechanical structures. During the last 10 years Simon has conducted on-going academic research in the fields of chemistry, nanotechnology and textile technology while developing a network of research and professional relationships with world leading research groups and institutions within these disciplines. During this period, he completed six years of academic study in chemistry, nanotechnology and research commercialisation including two years of postgraduate study on textile research.

Michael Allen (Senior Product Development Manager)

Michael Allen is the Senior Product Development Manager. He comes from an electronics engineering and product development background. He was previously Engineering Project Manager at Rakon (NZE: RAK). Michael brings to this role his experience in electronics, new product development, engineering processes and project management to ensure Footfalls aligns its product development to customers' requirements.

Dr. Glenn Richards (Chairman of Scientific Advisory Board)

Dr. Glenn Richards is a pulmonologist and sleep physician. He is currently Medical Director at ResMed, a leading developer, manufacturer, and marketer of products for the diagnosis and treatment of sleep disordered breathing.

Dr Cather Simpson (Scientific Advisory Board Member)

Dr. Cather Simpson has a joint appointment in the School of Chemical Sciences, and is the Director of the Photon Factory and Associate Director of the Dan Walls Centre for Pure and Applied Optics at

the University of Auckland. She has expertise in photochemistry and photophysics. As a director of the Photon Factory, she manages micro to nano fabrication facilities that can machine microscopic features in virtually any material.

Dr. Stuart Armstrong (Scientific Advisory Board Member)

Dr. Armstrong is a sports physician who has experience in researching athlete recovery using compression garments with the Australian Institute of Sport and Smith and Nephew.

Professor Barrie Hayes-Gill (Scientific Advisory Board Member)

Professor Barrie Hayes-Gill is the Head of Department and Professor of Electronic Systems and Medical Devices at the Faculty of Engineering at the University of Nottingham (UK). He has expertise in integrated circuits, optical sensors, electronic systems, radio telecommunications, medical devices, medical regulatory matters and low noise sensors. He founded Monica Healthcare Limited, a University of Nottingham spin out company, tasked with the commercialisation of patented fetal monitoring technology from the Department of Electrical and Electronic Engineering. He is research director at Monica Healthcare Limited, which was awarded its CE mark in 2008 and in 2011 obtained FDA clearance for sale of devices in USA. Monica Healthcare Ltd is currently selling its fetal and maternal monitor throughout the world.

Dr. Stewart Collie (Advisor)

Dr. Stewart Collie is Head of Textiles at AgResearch (NZ). Stewart is an established expert in the field of intelligent textiles. He is one of the original researchers from the successfully commercialised 'SoftSwitch' (now owned by Peratech).

MARKET

FHL's IP provides a platform of technology that may be applied in many high value markets:

1. Medical Compression

The global human medical compression market was valued at US\$2b in 2011 and is expected to grow 5% annually to \$2.7b in 2018⁵. This market is defined to include therapies and technologies for the treatment of chronic venous insufficiency (CVI), venous ulcers, lymphoedema, and deep vein thrombosis, amongst others.

These diseases represent a significant clinical problem and a major financial burden to both patients and medical institutions. In this market, FHL approached Carolon, Bauerfeind, Medi, Sigavaris, Lohmann & Rauscher, Hartmann, JUZO and Derma Sciences as potential partners because of their large market shares. Since early 2015, FHL has signed a licensing and technology development agreement with Medi to incorporate the FHL technology into their medical compression therapy and orthopaedics.

2. Athletic

Athletic compression garments claim to reduce lactic acid build up, accelerate post-exercise recovery, increase oxygen blood flow to muscles, and reduce the risk of DVT. The US compression sportswear industry is valued at US\$1b⁶ and is currently dominated by Under Armour, Nike and Adidas. Other key players in this market include SKINS and 2XU, which focus on high performance athletes and are considered product leaders in compression garment manufacturing. Brands in this category to management's knowledge have no reliable method of measuring compression applied by their garments at fitting or over time. FHL has made initial contact with several of these companies.

Many brands are also entering the athletic market from the consumer quantified-self sector, which is estimated to reach \$2.2b by 2018⁷. These competitors include Misfit Wearables, Zephyr (Medtronic), OM Signal, Smartlife, Athos, Cityzen and many others. Most competitors in this market segment are focused on consumer garments such as shirts or pants that allows the wearer to measure their athletic performances. Embedded sensors are still the most prevalent technology amongst these competitor products.

⁵ ASDReports, https://www.asdreports.com/news.asp?pr_id=340

⁶ The Oregonian, http://www.oregonlive.com/playbooks/profits/index.ssf/2012/10/skins_compression_clothing_cha.html

⁷ Ibid

3. Hospital Beds & Wheelchairs

The global market for medical beds was valued at US\$5.3b in 2011 by Kalorama Information⁸. Driven by aging populations in the US and Europe, and an associated increase in the number of diseases and hospitalisations, the global market is forecasted to experience positive growth over the next four years⁹. Although the 2008–2009 global economic downturn deterred hospitals from making capital purchases, hospitals have become more sensitive to the need to replace aging hospital infrastructure such as patient beds. The global market for wheelchairs (powered and manual) has a currently estimated worth of US\$4.5b¹⁰. Demand in this market is anticipated to increase due to increasing life expectancy, the growing technological capabilities of wheelchairs, and the proliferation of charity organisations that distribute manual chairs in less developed countries¹¹.

Hospital bed and wheelchair patients are at considerable risk of developing pressure ulcers due to their immobility, which can create areas of continuous pressure that result in inadequate venous circulation. A major risk factor for ulcers in seated patients is that nearly half the body's weight is supported by 8% of the seated area¹². Current methods for reducing the incidence of pressure ulcers arising from wheelchair use include the use of particular wheelchair cushions that create a shear reduction zone¹³.

FHL sees a potential application of its force-measuring textiles in monitoring pressure points to mitigate the risk of pressure ulcers in hospital bed and wheelchair users. FHL has developed product prototypes that can monitor the amount of pressure applied within sections of a wheelchair cushion by its user in real time. FHL has received several expressions of interest based on these prototypes. Potential partners for FHL in this market include New Zealand based Howard Wright and potentially through it or directly to other key players such as Hill-Rom (US) (e.g. revenue of US\$863m in 2012 from its hospital bed systems), Stryker (US), ArjoHuntleigh (SE) and Invacare (US), which has a significant manufacturing capability in NZ (Dynamic Control, Christchurch); and separately MediFab, which manufactures wheelchair covers.

Footfalls has secured a Letter of Intent from Howard Wright Limited, a designer, maker and marketer of medical beds and stretchers manufactured in New Zealand and exported globally, especially into Australia and the UK. The Letter of Intent seeks collaboration: "By way of example, [FHL's] textile sensing technology could be incorporated into the cover of a patient surface (mattress) to provide patient data that could be used in the following ways:

1. Prevention of patient pressure injuries (pressure sores) through the detection of static high interface pressures over a certain time interval.
2. Prevention of patient falls through the detection of patient movement towards bed exit zones.
3. Early clinical intervention of restless patients through the detection of high levels of patient movement.
4. Early clinical intervention of deteriorating patients through the monitoring patient vital signs."

Howard Wright has advised that due to its constraints any such collaboration could not be advanced until the last quarter of this calendar year.

Please note that Howard Wright is a privately held company and that this information, as with the entire content of this offer document, is confidential and should not be shared further. It has been provided for the purposes only for your consideration to invest into Footfalls.

4. Chronic Obstructive Pulmonary Disease (COPD) and Cystic Fibrosis (CF)

An estimated one third of the remote patient monitoring market is accounted for by home health monitoring directly related to respiratory conditions such as COPD and CF¹⁴. COPD refers to a group of

⁸ <http://www.kaloramainformation.com/Medical-Beds-6660348/>

⁹ <http://medicaldealer.com/market-analysis-hospital-beds/patient-beds>. The global market for wheelchairs (powered and manual) is currently estimated to be worth US\$4.5b.

¹⁰ Estimate based on Global Industry Analysts, Inc. forecast for 2017 of US\$5.5b, discounted assuming a CAGR of 5%.

¹¹ http://www.prweb.com/releases/manual_wheelchairs/powered_wheelchairs/prweb9229641.htm

¹² World Wide Wounds, <http://www.worldwidewounds.com/2004/may/Wall/FPPressure-Ulcer-Wheelchair-Users.html>

¹³ Tamarack, http://www.tamarackhti.com/assets/pdf/GlideWear_White_Paper.pdf

diseases that damage the alveoli and bronchus, while CF causes the body to produce thickened mucus that obstructs passageways in the respiratory system. COPD is the third leading cause of death in the US and costs the US healthcare system an estimated US\$50b per annum¹⁵. According to WHO estimates, 65 million people have moderate to severe COPD in the world¹⁶. Management of these diseases requires monitoring of parameters such as lung volume and respiratory rate, as well as arterial oxygen tension. The current addressable market size for a FHL smart vest that measures lung function is estimated to be US\$2-3b¹⁷. Assuming FHL initially partners with one company with 5–10% market share, the potential market size for this smart vest is estimated to be US\$100–200m. The market leaders of home respiratory monitoring are GE and Philips though respiratory technology-only companies, such as Vitalograph, are also important in terms of delivering technological innovation.

The value of the CF market was valued to be \$698m in 2012 and is expected to grow to \$4.5b by 2019 with a CAGR of 30.4%¹⁸. Footfalls have signed an option to license an additional project to create “wearables for CF” with New Zealand company, Breathe Easy Therapeutics.

At present, there does not seem to be a vest or vest-like product that monitors respiratory function. FHL has the potential to address an underserved market need since a monitoring vest would be less obtrusive than the spirometer based technologies currently dominating the market, and could allow for continuous rather than periodic monitoring of respiratory function.

5. Obstructive Sleep Disorder (OSD) Diagnosis

One application for FHL's technology is the ability to monitor, through a vest, respiration patterns of a patient overnight, both in clinic and remotely, to help inform a diagnosis of obstructive sleep disorders (OSDs), which is an underserved market. OSOs occur in 2–4% of the adult population; however, many cases remain undiagnosed. The global sleep apnoea market (both diagnostics and therapeutics) was valued at US\$7.96b in 2011¹⁹. This market is dominated by Phillips Respironics and ResMed (70% of market²⁰), as well as Auckland-based Fisher & Paykel Healthcare. Current best practice monitoring involves direct observation and the use of a single strap (using respiratory inductive plethysmography) which, in practice, has proven to be unreliable, inconvenient, resource-intensive, and may not be representative of a typical night's sleep. FHL has held discussions with Guy's & St Thomas' Hospital Trust to develop a specification and trial for a monitoring vest.

Another related application for FHL technology lies in Continuous Positive Airway Pressure Therapy (CPAP). CPAP is the most effective non-invasive treatment for obstructive sleep apnoea and works by pushing air from a flow generator through tubing and a face mask to the patient's airway, where the slight pressure keeps the upper airway open. The global market for CPAP devices was valued at US\$3.06b in 2010²¹. ResMed and Respironics are the market leaders, with Fisher & Paykel Healthcare accounting for about 10% of the market. One common complaint from CPAP users is the development of skin lesions over time from patients attaching their CPAP face masks with excessive force. FHL technology could be integrated into the strap of a CPAP mask to measure the force applied by the CPAP mask. A connected device could then alert patients when they have applied excessive force against the skin and are at risk of developing lesions. (FHL has held discussions with ResMed around the potential for both a monitoring vest and embedding its technology into a CPAP face mask to ensure correct fitting, which is a high turn-over disposable market).

¹⁴ Estimate based on prevalence and death rates of COPD.

¹⁵ American Lung Association, <http://www.lung.org/lung-disease/copd/resources/facts-figures/COPD-Fact-Sheet.html>

¹⁶ World Health Organization, <http://www.who.int/respiratory/copd/burden/en/>

¹⁷ Based on figures for the global COPD market (valued at US\$11.3b currently, GBI research, [http://www.gbiresearch.com/report-store/market-reports/therapy-analysis/chronic-obstructive-pulmonary-disease-\(copd\)-market-to-2019-highly-priced-new-combination-products-forecast-to-capture-signif](http://www.gbiresearch.com/report-store/market-reports/therapy-analysis/chronic-obstructive-pulmonary-disease-(copd)-market-to-2019-highly-priced-new-combination-products-forecast-to-capture-signif), the global home health monitoring for chronic conditions market (valued at US\$10b in 2010, TechNavio, <http://mobihealthnews.com/10969/report-patientmonitoring-worth-9-3-billion-in-2014/>), and assumption in referred to by footnote 11

¹⁸ Research and Markets report on Cystic Fibrosis, http://www.researchandmarkets.com/research/8xz4rj/cystic_fibrosis

¹⁹ Markets and Markets, <http://www.prweb.com/releases/sleep-apnea-diagnostic/devices-market/prweb10029636.h>

²⁰ Ibid.

²¹ The Wall Street Journal, <http://online.wsj.com/article/SB10001424052748704107204575039101390202576.html>

6. Diabetic Ulcer Risk of Onset Diagnosis

A leading cause of diabetic-related hospitalisation is the development of foot infections resulting from ulceration in diabetic patients. There are 39 million diabetic sufferers in the United States and an estimated 387 million diabetic sufferers worldwide. These numbers are expected to grow to 592 million by 2035²². There is a 15–25% lifetime risk for foot ulcer development in diabetic patients²³ which can lead to amputation in the event that the ulcer does not heal. Diabetic ulcer treatments have an annual cost of \$1.5b to the US MediCare System²⁴. The cost to the UK National Health Service in 2010–11 was £650 – 750m²⁵. The burden is increasing with the ever-increasing prevalence of Type 2 diabetes.

There are currently no satisfactory strategies for individuals to monitor their risk of developing diabetic foot ulcers. The most frequently used method involves self-inspection of the foot using a mirror. The development of early, pre-formation ulcer diagnosis methodologies to identify risk thresholds and predict tissue breakdown before it occurs has the potential for tangible cost saving as, once a heightened risk is detected, simple changes in care can reduce the likelihood of diabetic foot ulcers forming.

Footfalls received a TSB (UK Government) grant for this project and is currently developing Optical textile technology and prototypes with the University of Nottingham. A clinical trial(s) would be required both to demonstrate the sock's ability to measure capillary refill rate and that this is a determinant of the risk of onset of diabetic foot ulcers. The technology intended to be developed through such a project would potentially reduce the personal and healthcare costs arising from diabetic foot ulcers.

Footfalls has signed an option agreement with the University of Nottingham to license its technology to detect capillary refill rate using optical textile sensors.

FHL and the University of Nottingham are also developing a platform of new Intellectual Property based around the combined potential of University's optical expertise and Footfall's intelligent textiles expertise to develop optical textile technologies. FHL has also recently executed a memorandum of understanding with the University of Nottingham that includes overall agreement in principle on joint patents, licensing and sub-licensing, as well as further research. Under this MoU, the following matters were agreed in principle regarding Intellectual Property rights:

- i) The University of Nottingham filed a patent on 8th April 2014 that describes the use of optical sensors to assess capillary refill within the context of a sock. Footfalls intends to secure an exclusive licence within the field of use to measure onset of diabetic foot ulcers and related venous pressure conditions that result in foot or leg ulceration and other applications where blood oxygen measurement will be of advantage, such as but not limited to sports, fitness and diving clothing.
- ii) New potential patent filings have been identified in respect of jointly generated outcomes deriving from research done together, which combine optical sensor expertise with intelligent textile technology to support the development of new commercial products. Footfalls will be responsible for managing the Joint Patent Applications and shall be responsible for paying costs related to such filings. The Parties will agree the terms of an Assignment and Revenue Share Agreement in respect of the Joint Patent Applications, assigning all of University's rights and interests in the Joint Patent Applications to Footfalls. The parties will negotiate the terms of an appropriate Assignment subject to an agreed Revenue Share Agreement for each Joint Patent Application which will provide for a revenue share on fair and reasonable terms to the University with regard to commercialisation of a Joint Patent Application which shall include provision for an up-front payment and royalty payment to the University.

Diabetic foot ulcers and amputations are a major cause of morbidity, disability, as well as emotional and physical costs for people with diabetes. Early recognition and management of independent risk factors for ulcers such as peripheral neuropathy, can prevent or delay the onset of adverse outcomes. Derma

²² 5 International Diabetes Foundation, http://www.customerthink.com/blog/strategyn_uk_case_study_defining_the_global_market_opportunity_for_a_diabetic_foot_infection_di International Diabetes Foundations facts and figures for 2014 <http://www.idf.org/worlddiabetesday/toolkit/gp/facts-figures>

²³ 6 V.A.C. Therapy for Diabetic Foot Wounds, <http://helphealdfus.com/diabeticfootwoundsandamputations.html>

²⁴ Ibid

²⁵ Kerr, Foot Care for People with Diabetes, www.diabetes.nhs.uk, 2011

Sciences' has indicated significant further interest in the early detection of diabetic foot ulcers through a fast setting boot that alleviates interface pressure from the ulcer site using FHL's technology.

RESEARCH AND DEVELOPMENT

FHL has developed a process for manufacturing smart fabric using micro-scale interactions. Importantly, knitted fabric has considerable advantages over woven materials in terms of drape (ability to form on organic shapes), user comfort, durability and cost.

The unique control and optimisation of the foundational structure of knitted conductive textiles forms the basis for this simple, cheap and durable technology. Knitted textiles are ubiquitous in society and they have been a cultural constant for millenia. They interact on both human and industrial scales with our everyday lives and make wearing technology affordable and highly comfortable. Information from these sensors could provide a wealth of data to improve soldier safety, health and military outcomes. FHL's technology can be produced on industry standard knitting machines and will not involve any significant additional COGS for manufacturers of garments. For example, its first licensed application, the medical compression wound care sock should add less than 10% to the COGS of its licensee's existing product. The cost of the associated electronic module, which is reusable by the healthcare worker, is separate and additional. The following sections describe FHL's product development plan and application in the target markets.

Product applications enabled by FHL's Current Proven Capabilities: FHL has demonstrated its ability to measure the following two parameters: tensile force and compressive force. This allows FHL to use the textile to immediately develop the following applications:

1. Medical Compression Therapy

FHL technology will be first incorporated into human medical compression therapy product JuxtaLite of CircAid a 100% subsidiary of Medi, Bayreuth (Germany) with other CircAid products to follow. It is anticipated that in parallel and in addition to the CircAid products, a textile, such as a liner sock, will be developed by Medi implementing FHL's technology. Such a "smart" liner would be placed over the wound dressing during medical compression therapy (applied through elastic compression bandaging) and capable of measuring interface pressure due to the FHL technology.

In both instances, a signal from the FHL technology will be able to determine the approximate interface pressure applied by the compression therapy system across the sensor and transmit this information to a display device.

The ability to unobtrusively monitor the interface pressure applied by a compression therapy system during medical compression therapy to each patient would allow for more consistent application of the desired compression. This is expected to lead to improved wound recovery and reduce the risk of further damage to the leg through excessive compression. This application would address a major limitation of compression therapy systems –the compression level applied by the system varies depending on the limb size and muscle and fat content of the patient. Consequently, if the same product and "assumed" compression were used by 10 different patients, they would each experience a different compression level. Intelligent usage of the FHL technology will result in more accurate and consistent compression levels. This will enable the medical compression therapy industry to address the issue of poor compression practices that create longer healing times and greater costs for community nursing.

Venous and pressure ulcer sufferers have extremely sensitive skin. FHL's smart sock will therefore have no solid state electronics of any kind remaining in the compression bandage. Alternatively, at its licensee's preference, FHL's knitted sensor could be adhered to the inside of an inelastic compression garment that applies compression such as the CircAid products Juxalite and similar.

In the future, FHL's technology could potentially provide continuous monitoring of compressive force of a product during the period of medical necessity. Medical compression therapy products in the future will be enhanced by FHL's technology being incorporated into compression hosiery to monitor product lifecycle and alert the user when a new compression product is required.

2. Athletic

FHL's technology can be incorporated into athletic compression garments to allow customer visualisation of the correct compression at point-of-purchase. In addition, the technology being incorporated into

the compression garments will allow monitoring of the product lifecycle and alert the user when a new compression garment is required. Future developments in this product category include a vest capable of measuring physiological parameters for training. The vest will be capable of transmitting biological data to a smart phone, watch, or other visual display. Some potential metrics include respiration rate and heart rate.

3. Hospital Beds/ Wheelchairs

FHL intends to develop a hospital bed and wheelchair fabric where the surface is able to monitor compression distribution over the surface. A layer of fabric with customised sensor size and shape will enable a healthcare professional to detect when a patient is at risk of developing pressure injuries from points of excessive pressure and prevention of patient falls through the detection of patient movement.

4. Chronic Obstructive Pulmonary Disease (COPD) and Cystic fibrosis (CF).

FHL intends to develop a textile based garment where the garment is able to measure respiratory function in real time. This respiratory function may consist of respiration rate, a measure of respiration volume during the breathing cycle and also a "cough" counting sensor. Such a garment would provide relevant and actionable data for those patients who suffer from COPD and CF. In particular the incidence of COPD will continue to rise significantly in the developing world due to less stringent pollution control measures and a laissez faire attitude to the effects of cigarette use.

5. Obstructive Sleep Disorder Diagnosis

With the FHL vest, specialists at hospitals will be able to monitor the respiration patterns of a patient overnight, both in clinic and remotely, to help diagnose different forms of sleep disordered breathing.

Another product application of FHL technology relevant to obstructive sleep apnoea is a textile sensor that measures strain in Continuous Positive Airway Pressure (CPAP) mask attachment bands. This sensor could be connected to an alarm device to alert users of CPAP sleep apnoea management systems when they are using excessive force to secure their CPAP masks. The development of skin lesions due to repeated and excessive force applied when wearing CPAP masks is a common complaint of CPAP users.

6. Diabetic Foot Ulcer – Diagnosis of risk of onset

FHL aims to develop a sock that can be worn by at-risk individuals, which can detect the risk of foot ulcer onset through sensing both the pressure on the sole of the foot and the properties of the microcirculation of the skin under the foot. Pressure will be monitored via a change in electrical conductance of an intelligent textile developed by FHL. Blood perfusion (measured by capillary refill rate) and oxygen saturation will be measured with optical textiles, which will indicate the health of the skin and likelihood of tissue breakdown.

FHL is currently collaborating with the University of Nottingham to develop this application. A particularly innovative aspect of the work is the optical monitoring of blood flow under the foot as an individual walks.

Product Capabilities

- Knitted textiles, by the nature of their construction consist of many signal pathways. If one pathway is disrupted then the signal is able to reroute and use another pathway. This redundancy is a feature of knitted textiles and is another advantage over woven textiles, where a disruption in one weft or warp pathway will remove that pathway completely from the network. This is not true of woven textiles.
- Moisture: FHL is also in discussion with a world leader in functional surface nanotechnology (P2i) to allow the intelligent textile to work in moisture rich environments such as athletics and military operations.
- Knitted tracking: FHL has a satisfactory knitted solution for providing a connection path, or tracking, between its textile sensors and removable electronic interface. Additionally, FHL is developing a research relationship with the National Physical Laboratory, based in Teddington, UK. The relationship is primarily focussed on the conductive interconnections between sensors as well as the tracking between sensors and a removable electronic interface. The combination of an NPL technology and the FHL textile sensor system is expected to provide a durable, customisable and cost effective tracking protocol for many future sensor applications. This protocol has completed

the proof of concept stage (TRL4). Pending licence negotiations with NPL, Freedom to Operate assessment and Footfall's own business case analysis this technology will be further evaluated for possible development.

RESEARCH AND DEVELOPMENT COSTS

FHL anticipates charging its licensees to customise its technology to specific applications. FHL will invest in the development of the following foundational technologies, some or all of which may be funded by licensees.

Present – 6 months

- Knitted resistive sensor
 - Medical compression therapy
 - Reduction in pressure injuries
 - Vitals vest
- Textile actuators
- Optical textile sensors
- Conductive deposition technology

6 months – 12 months

- Knitted resistive sensor
- Vitals vest
- Textile actuators
- Optical textile sensors

Estimated product development costs include (excluding GST):

Research Project – FP009 – TSB Extension – NZD ~22,000. Reduce size of optical textile components

Research Project – FP013 – Vitals Vest – NZD 100,000. NB: 70,000-80,000 Callaghan Innovation grant rebate

Research Project – FP020 – Textile Actuator – NZD 85,000

Research Project – FP021 – NPL NZD 10,000 for future R&D Work (FHL estimate)

Product Customisation – Medi – FP022 NZD 125,000 (FHL estimate)

General R&D – Sensor Improvement + BD Kits – NZD 35,000

R&D PARTNERSHIPS

FHL has established committed relationships with the following to progress product development plans in a number of target markets:

- University of Nottingham (UK) where FHL is collaborating with the Applied Optics Group, which is within the Faculty of Engineering (Dr. Steve Morgan) on development of a 'smart optical textiles'.
- Auckland University of Technology (AUT), Textile and Design Lab are leaders in technical textiles, end - to-end sensor/transmission solutions and garment construction. FHL is contracting this nationally recognised centre to knit prototype samples.
- University of Auckland's Polymer Electronics Research Centre (PERC) are working with FHL to produce actuating textiles.

BUSINESS DEVELOPMENT PLAN/MARKETING PLAN

OVERVIEW

The business development plan involves identifying, approaching and building relationships with potential commercial and co-development partners in the markets we have recognised as providing opportunities to apply FHL's technology. The first target market to be pursued is the human medical compression market with an addressable market share of US\$206.5m, where the technology lends itself to a burgeoning medical device industry sector. The growing prevalence of obesity and diabetes, as well as the increase in average sedentary lifestyles worldwide, means that compression therapy – still the main course of treatment for all CVD ailments – is a rapidly growing industry sector despite the known limitations of the current products.

POSITIONING

The technology of FHL is ideally positioned to capitalise from several substantial vertical markets, momentum of global trends and consumer demands.

PROMOTION

FHL will attempt to establish a brand that could be used to promote its smart textile technology by multiple partners. This will help create consumer and producer awareness to an emerging and yet unrealised field.

DISTRIBUTION

FHL's technology can be applied in many sectors. However, its preferred channel to market is to work within existing products supplied by companies already strong in their respective market channels. For example, in the medical compression market there are four major channels for the distribution and supply of products: hospital, paramedical (including care in the community), OTC (pharmacy) retailers and licensed distributors.

In the medical compression market, FHL's licensee, Medi, will provide its global distribution network and experience to roll out a variety of products that will include FHL's technologies. FHL will also gain market intelligence and further understand custom tailored product development, a discipline where Medi is truly excellent. This will give FHL the opportunity to get more realistic insights into products and what is needed to have successful products released.

- ResMed is a sleep apnoea device manufacturer. It has potential interest in reviewing the application of FHL's technology for monitoring respiration.
- Guy's & St. Thomas' NHS trust is a hospital in the UK. It has expressed interest in funding a chronic obstructive pulmonary disease trial using FHL's technology.

COMPETITION

In the past decade, smart fabrics and intelligent textiles (SFIT) have become an area of considerable research interest. The first generation of intelligent clothing relies on solid state sensors embedded into textiles. These have been applied in athletic (Numetrex®), first responder (Zephyr®) and health (LifeShirt®) markets. Relative to FHL's intended solution, each sub-optimally address core problems, including signal clarity/strength, comfort, washability, durability, weight and wearer compliance. FHL addresses these issues through its proprietary solution.

CURRENT KNOWN COMPETITORS

Smartlife® filed for US and European patents in the market of remote monitoring. However, it does not cover the scope of FHL's technology as they do not detail the mechanism of contact resistance and being able to control it.

Omsignal develops embedded sensors in its apparel that monitors heart rate, breathing and activity while the Omsignal app displays data in real-time on mobile phones. However, their woven technology

has certain limitations when compared to FHL's knitted technology. Some of the key benefits of knitted over woven fabric are its ability to form over any organic shape and higher comfort levels which is important for wearer compliance. Knitted fabrics enable redundancy to ensure that signal processing is not affected by a break in the fabric and can also be knitted on most commercially available knitting machines.

Heapsylon's sensoria sock is a fabric-based sensor that measures fitness of an individual through activity, stride, speed, distance and gait. FHL believes that Heapsylon's sock has yet to address the issue of moisture management.

Other known competitors in the remote monitoring market are **LifeWatch, TZ Medical, Aerotel Medical, Philips Healthcare and LifeShirt®**. In the athletics market **Polar, Garmin, Suunto, Adidas® (Numetrex/ Textronics)** and **Nike's FuelBand™** are examples of current comparative technology available in the market. Many of these players such as Zephyr and Athos have require substantial electronics, which have issues regarding accuracy, washability and user comfort.

Zephyr™ produces remote monitoring of various physiological parameters in various markets such as healthcare, first responders, athletics, mobile health and workers in high risk environments. In March 14, 2014, Zephyr was acquired by health care monitoring company Covidien, Covidien was then acquired by Medtronic in June 2014. Most of Zephyr's IP lies in its electronics and associated software. User reviews indicate that the Zephyr Bioharness product sometimes provides inaccurate data and is affected by high humidity, sweat and time taken for a user to become used to having the device adhere to their skin²⁶.

COMPETITIVE ADVANTAGE

All products currently being used in this market are built from miniaturised electronics embedded in textiles (except for Smartlife's garment and Heapsylon socks) and are vulnerable to washing limitations, poor durability or consumer acceptance due to wires and/or hardware discomfort. The advantage of FHL's technology lies with the innovative, bottom-up, organic construction of the sensors, ensuring comfort, durability and lower production costs.

FHL's intelligent sensor technology has the potential to build culturally relevant garments that may allow monitoring of patients or personnel without any visual clues to the general populace. The unique selling point of the technology is to build simple, cost-effective garments that may be used in a clinical or real time environment. At present no such garments exist on the market.

As the sensor is textile-based, we can offer a high degree of flexibility with respect to the placement of the sensor within the garment. This allows optimal placement of sensors to maximise signal strength and reduce movement artefacts. The electronics and wireless transmission interface may be in the form of a waterproof module about the size/thickness of 3 credit cards that slide into a pocket within the garment. Removal of this device allows ease of washing and ergonomic placement will alleviate any discomfort that may arise. FHL's products will be designed to optimise durability and consumer comfort in a specific garment; consequently, the technology does not allow for universal sizing, which is a disadvantage relative to a harness based device.

BUSINESS MODEL

FHL's business model is to design and license intelligent textile solutions to partners that are leaders or a major player in each market segment with established distribution and marketing channels. Revenue will be generated from customising FHL's technology to its customer's specific requirements, up-front licensing fees in exchange for geographic, market or time exclusivity and royalties on sales. FHL will concentrate on tailored prototype development and physiological data collection/management, development of intellectual property and its licensing and management.

²⁶ Validity of the zephyr bioharness <https://uarkive.uark.edu/xmlui/bitstream/handle/10826/1042/HAYDAR-THESIS-2014.pdf>

PRICING

Under the licensing business model, licensees pay FHL(the licensor) up-front for product design and customisation. A six figure amount will be expected for market exclusivity; and a 5–15% royalty is also expected from the licensee (3% is assumed for the financial projections and 7% is expected). FHL will seek a royalty on licensees' product sales including potential recurring revenues from monitoring.

INTELLECTUAL PROPERTY

FHL has developed a uniquely controlled structure of knitted yarns which consist of a combination of electrically conductive and non-conductive yarns. FHL's core PCT patent application provides the ability to use a combination of stitch patterns and structural textile parameters to allow the contact resistance to be accurately controlled and manipulated according to varying design specifications. This forms a novel feature of this innovative fabric, which has its own niche in the IP landscape of smart textiles. Compared to existing prior art, FHL's technology is a new method of controlling yarn to yarn interactions that allows the sensitivity, shape and size of the sensor to be changed according to requirement within the garment itself. It is capable of measuring multiple parameters such as tensile and compressive forces. The weft knitted form provides the ability to form to organic shapes, enhances user comfort, durability and reduces cost.

FHL's core PCT patent application has been filed with the International Bureau of the World Intellectual Property Organisation. This patent is drafted to also seek protection related to medical applications such as compression bandages for diabetic leg ulcers. Other applications of the technology have also been described which will broaden the scope for patentability in various different fields with a potential to file continuation-in-part applications for various product embodiments to build a large patent portfolio as the Company expands.

FHL's second PCT patent application describes a capacitive type strain sensor and a self-calibration mode for textile sensing.

This provisional US patent application deals with a textile actuation process and system which is of significant interest to our current licensee.

A knitted capacitive sensor: the process and manufacture of an innovative textile in such a form as to provide specific electrical properties that, at present, do not exist in an intelligent knitted textile. These electrical properties differ significantly from the original provisional patent and will provide functionality into either a textile or garment that might allow the real time measurement of strain and therefore linear displacement within the textile structure. This enables new applications in the medical field as well as in sports and rehabilitation. Such application fields would be part of the ongoing FTO strategy which FHL has implemented with respect to future technology improvements or joint IP.

FHL also has secured access to significant optical textile IP from The University of Nottingham.

FREEDOM TO OPERATE

FHL's technology uses mathematically determined stitch structures to control the contact resistance in an electrically conductive textile. Contact resistance has been shown by research to be the dominant mechanism for a change in resistance in textile sensors. It uses a control of the change in the electrical resistance measurement method to detect an applied force FHL's innovative process of controlling the contact resistance in the knitted sensor is the core of its first patent application.

Footfalls has secured two comprehensive and independent analyses with respect to FHL patentability and Freedom to Operate (FTO) related to its textile sensor technology. Both concluded that FHL would have no FTO restrictions both relative to its currently undertaken licensing and to undertake the business relating to its first two patent applications as described in this information memorandum, due to the innovative process of controlling the contact resistance in the knitted sensor.

Due to the fast developing field of smart textiles, a significant amount of IP has been produced

and will continue to be produced, so FHL will be required to constantly update its technology FTO analyses in order to make sure that it can implement its IP with collaboration partners in a clean and straight forward way, and if not what measures need to be taken to address other IP that might limit potential applications.

This will also be required for each future product specific FTO analysis. Such ongoing analysis is a cornerstone of FHL's IP strategy to provide FTO issues in the relevant market sectors and application areas and therefore enhance shareholder value.

LIQUIDITY STRATEGY

FHL has its first commercial deal with Medi. FHL and Medi have signed a "Framework Cooperation and Licensing Agreement", which provides for Medi's stated intent to license more IP from Footfalls & Heartbeats in the future. With this Framework Agreement, Medi has first secured a licensee for FHL's pressure and tensile force sensing technology in the field of human medical compression and compression in orthotics and prosthetics. FHL believes that once proven in the marketplace, either its licensees or other corporations will have interest in acquiring FHL or its business assets. Additional potential acquirers include 3M, which is a market leader in material sciences, Teijin, which has expertise in fibres, textiles and medical devices and Ventex Co. Ltd, a Korean manufacturer of technology-driven multi-functional fabrics, is another potential acquirer.

There may also be an opportunity to sell individual business assets of FHL, for example licenses for applications or patents for applications such as compression bandages or vests for respiratory related disorders.

USE OF INVESTOR FUNDS

Investor funds raised under this Offer will be primarily used for business development activities:

- Recruit a CEO who has business development, corporate management and marketing and sales expertise.
- Recruit a further business development officer who has the technical understanding and experience in international market development.
- Recruit an additional product development engineer and senior researcher to realise product solutions from concept to prototype.

FHL will seek a CEO and has identified potential candidates for the roles described above, which it will pursue subsequent to securing funding:

- Meet potential licensees to develop licensed product applications.
- Develop textile/electronics interface.
- Develop and file additional provisional patent application(s) (through Boggs IP Law, LLC).
- Purchase material and prototype knitting and electronic manufacture.

FINANCIALS

STATEMENTS OF FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2014 AND 31 MARCH 2015.

WARNING: These financial statements have not been audited or reviewed by an independent third party.

Profit & Loss Footfalls & Heartbeats Limited For the 12 months ended 31 March 2015		
	Mar-15	Mar-14
Income		
Grants		
Grants – NZ	\$6,085.82	\$0.00
Grants – UK	\$65,773.43	\$0.00
Total Grants	\$71,859.25	\$0.00
Royalty Income		
Compression Products – Medi	\$307,830.12	\$0.00
Total Royalty Income	\$307,830.12	\$0.00
Total Income	\$379,689.37	\$0.00
Gross Profit	\$379,689.37	\$0.00
Plus Other Income		
Interest Income	\$21,931.23	\$11,007.99
Total Other Income	\$21,931.23	\$11,007.99
Less Operating Expenses		
Audit & Accounting – Consulting	\$21,004.28	\$8,937.50
Audit & Accounting – Software	\$585.96	\$590.88
Consulting – R&D	\$0.00	\$40,059.14
Depreciation	\$11,363.82	\$6,662.15
General Expenses [FHL UK]	\$1,620.00	\$29,371.56
In-Licensing Fees	\$45,538.72	\$10,170.87
Legal Expenses	\$44,225.69	\$18,057.85
Marketing and Communications	\$1,565.22	\$32,929.05
Rent	\$49,050.00	\$15,375.00
Strategic Communications [PR]	\$0.00	\$14,839.04
Subscriptions	\$392.90	\$960.17
Subscriptions – Software	\$2,620.88	\$810.71
Admin		
Bank Fees	\$930.27	\$855.63
Cleaning	\$1,269.57	\$0.00
Entertainment	\$929.31	\$1,292.31
Entertainment – Non deductible	\$90.66	\$1,162.04
Foreign Currency Gains and Losses	\$10,273.30	\$0.00
Freight & Courier	\$2,720.73	\$1,000.19
FX Gain/Loss	\$2,459.48	\$1,855.72
General Expenses	\$959.49	\$1,561.36
Insurance	\$1,839.38	\$538.95
Interest Expense	\$156.01	\$0.00
Motor Vehicle Expenses	\$0.00	-\$133.09
Office Expenses	\$0.00	\$2,770.79
Printing & Stationery	\$3,534.71	\$2,655.47
Secretarial Services	\$1,000.00	\$19,986.96
Total Admin	\$26,162.91	\$33,546.33

Governance & Scientific Advisory Board		
Director Fees – Andrew Duff	\$11,000.00	\$5,000.00
Director Fees – Brent Ogilvie	\$1,000.00	\$0.00
Director Fees – David Henry	\$20,000.04	\$8,333.35
Director Fees – Gary Pace	\$12,000.00	\$5,000.00
Director Fees – Jeremy Collins	\$12,000.00	\$5,000.00
Governance & Scientific Advisory Board	\$18,000.00	\$0.00
Total Governance & Scientific Advisory Board	\$74,000.04	\$23,333.35
IT & Telecoms		
Computer and IT expenses	\$5,805.94	\$2,661.57
Telephone & Internet	\$3,572.40	\$1,843.09
Total IT & Telecoms	\$9,378.34	\$4,504.66
Personnel		
KiwiSaver Employer Contributions	\$2,200.75	\$0.00
Management – General – BSO	\$106,916.74	\$45,833.35
Management – General – Akalpa	\$151,795.71	\$35,800.00
Management – Scientist – SAM	\$76,083.42	\$45,833.35
Salaries – Product Development Engineer – SQ	\$37,554.87	\$8,794.61
Salaries – Product Development Manager – MGA	\$102,573.05	\$0.00
Consulting		
Consulting – Decembrist Ventures	\$67,380.49	\$2,951.62
Consulting – DH3 & Asso.	\$16,833.93	\$0.00
Consulting – Elsar	\$0.00	\$3,000.00
Consulting – General	\$0.00	\$25,025.39
Consulting – Lynley Browne & Associate	\$2,400.00	\$0.00
Consulting – PCL	\$12,588.05	\$28,766.11
Consulting – PR	\$2,270.00	\$0.00
Total Consulting	\$101,472.47	\$59,743.12
Total Personnel	\$578,597.01	\$196,004.43
Research & Development		
Competitor Sample Procurement	\$2,830.94	\$1,579.37
Lab Equipment	\$946.96	\$2,266.08
Product Development/Prototype	\$0.00	\$1,329.03
Prototyping – FHL UK	\$5,019.98	\$68.54
Prototyping – Hardware	\$2,617.34	\$150.25
Prototyping – Textile Sensor	\$43,818.67	\$22,579.95
Product Customisation		
Product Customisation – Medi Compression	\$27,575.84	\$0.00
Total Product Customisation	\$27,575.84	\$0.00
Research Projects		
Research Project – FP009 – TSB	\$15,059.94	\$0.00
Total Research Projects	\$15,059.94	\$0.00
Total Research & Development	\$97,869.67	\$27,973.22
Travel		
Travel – International [BD/LA]	\$115,912.08	\$112,363.49
Travel – International [FHL UK]	\$13,413.93	\$95.58
Travel – International [Ops]	\$18,767.20	\$0.00
Travel – National	\$15,689.51	\$15,554.56
Total Travel	\$163,782.72	\$128,013.63
Total Operating Expenses	\$1,127,758.16	\$592,139.54
Net Profit	-\$726,137.56	-\$581,131.55

Shareholders	Shareholdings	
	Shares	Percentage
FHS Ltd	27,740	14.46%
Ogilvie Holdings Ltd	19,900	10.37%
NZVIF	12,928	6.74%
Collins Family Trustee Limited	12,403	6.47%
Simon Adair McMaster	10,260	5.35%
Sparkbox Investment limited	9,048	4.72%
ICE Angels Nominees limited	7,869	4.10%
Kimik Nominees Pty Ltd	7,150	3.73%
Angel HQ Nominee Ltd	6,690	3.49%
Gary Pace and Jinny Pace (Pace Trust)	5,443	2.84%
GD1 Nominees	5,001	2.61%
Carrich Family Trust of Glenn Richards	5,000	2.61%
MK Hunt Foundation	4,750	2.48%
Peter Gillespie	4,750	2.48%
Hendry Nominees Limited	4,523	2.36%
Howitt Mgmt Pty Ltd as Trustee of SF Family Trust	4,000	2.09%
David Bell Investments Ltd	3,667	1.91%
Andrew Howells	3,000	1.56%
Gaowoo Holdings Trustees Limited	2,667	1.39%
Neil Millar	2,667	1.39%
Jarad Martin Pty Ltd as Trustee of the Martin Family Trust	2,500	1.30%
John Daniel Barnett	2,500	1.30%
E & E Investment Co.	2,288	1.19%
Creative HQ Limited	2,000	1.04%
Katherine Helena Lane	1,716	0.89%
Rene Teresa Kennedy & Zane Garrick Kennedy as trustees of the Huntly Trust	1,500	0.78%
Henry and Associates Ltd	2,008	1.05%
Timothy Peter Gillespie of Flamos Investment	1,250	0.65%
Angus McDonald	1,190	0.62%
Downtown House (No. 2) Ltd	1,190	0.62%
Richard John Charles Wells	1,144	0.60%
David Marsh & Lefki Marsh	1,000	0.52%
Geoffrey Mark Sandelin & Michael Peter Langdon	1,000	0.52%
KDKF Superannuation Pty Ltd (ATF KDKF Superannuation Fund-KW)	1,000	0.52%
Oxbow Holdings Limited	1,000	0.52%
Peter Donald Debreceny	1,000	0.52%
Stuart Armstrong	1,000	0.52%
Wayne Coombs & Frederick Price	1,000	0.52%
Chedi Pty limited as trustee of Nabev Super Fund	1,000	0.52%
Amit Parbin, Manoj Rania, Arvin Jina	1,000	0.52%
Michael Carr-Smith	1,000	0.52%
Naresh Jina	1,000	0.52%
Andrew Duff	762	0.40%
Eleanor Parker	667	0.35%
Paul Richard Smart	300	0.16%
Ken Erskine	238	0.12%
Lynley Margaret Browne	100	0.05%
Totals	191,809	100.00%

Shareprice (at last offer)	\$21
Series A Total raised	\$1,466,777
Extension raised	<u>\$500,346</u>
Investment received Series A + Extension	\$1,967,123

Warrants

Ogilvie Holdings Ltd holds warrants to acquire up to 5,739 shares in the company at \$7.50 per share exercisable up to 30 March 2018.

Options

Ogilvie Holdings Ltd has an option to buy 5,620 shares at \$21 per share exercisable up to 30 September 2019

Roland Toder has an option to buy 1,893 shares at \$21 per share exercisable up to five years from the date of vesting or on the date of resignation/termination should he leave the company prior to the date. These options will be vested over a period of three years, with 25% being vested at 28 May 2014 and 25% on the 1st, 2nd and 3rd anniversaries of that date.

Michael Allen has an option to buy 1,893 shares at \$21 per share exercisable up to five years from the date of vesting or on the date of resignation/termination should he leave the company prior to the date. These options will be vested over a period of three years, with 25% being vested at 01 June 2014 and 25% on the 1st, 2nd and 3rd anniversaries of that date.

FHL UK

Simon McMaster (shareholder and founder) owns Footfalls and Heartbeats UK through a single share. FHL has an option to acquire this share for one dollar.

RISKS

INTRODUCTION

FHL is a privately-owned early-stage New Zealand company. It is exposed to a wide range of risk factors of both general and specific nature that may affect the viability of the business being developed, the future operating and financial performance of FHL and its ability to generate wealth for investors. A number of these risk factors are described below.

Prospective investors should note that the risk factors set out below may not be exhaustive and should consider these risk factors in conjunction with other information disclosed. Each of the risks set out below could, if they eventuate, adversely affect FHL's revenues, earnings or financial condition and its ability to meet the aspirations of FHL described in this document. Changes in variables affecting risk factors may offset each other to some extent or may be cumulative.

The major risks to investors are that they may not recover all or any of their original investment and/or may not receive any returns or may receive returns less than those projected. The inability to recover the investment could arise, among other reasons, because:

- The price at which a New Share can be sold is less than the price paid for the New Share because the value of the New Share may decrease over time;
- The market for FHL's shares becomes illiquid or ceases to exist; or
- FHL is placed in receivership or insolvency.

The New Shares will be issued as fully paid Shares and investors will have no liability to FHL for any further payments in respect of the Shares.

If FHL does not generate sufficient revenue to offset expenses or, if at a particular time, FHL's assets

cannot be realised for more than its liabilities, then it is reasonably foreseeable that on termination of a subscriber's security, by sale or winding up or otherwise, that the subscriber may receive less than was invested.

If FHL was placed in insolvency, the investors as shareholders would not receive any return of capital until all of FHL's creditors have been paid from the proceeds of its realised assets, because the claims of creditors will rank ahead of those of shareholders. In that situation, or if a third party acquires a controlling interest in FHL or FHL completes a major transaction involving the sale of its business assets, FHL must pay to the holders of Investor Shares (in preference to any payment or distribution to the holders of any other shares) the total amount subscribed for the Investor Shares (Preference Amount). In the case of the Company going into liquidation, any balance available for distribution following payment of the Preference Amount, would be distributed to shareholders in proportion to their shareholding.

GENERAL RISKS

The Company's future plans and performance, as described in this document, are subject to a number of risk factors, including but not limited to: risks related to the early stage of the Company's business; the fact that the Company has never been profitable or produced a product to date; risks related to the Company's regulatory pathway, how its technology may be regulated and the fact the Company has not received, and may never receive, approval for its technology; the risks related to reimbursement by health care payers if its technology is approved for sale; risks related to the Company's intellectual property position, infringement claims and potential lawsuits; risks related to retaining and attracting qualified scientific and business personnel; risks related to the private and illiquid nature of the Company's capital stock, including the New Shares offered under this document; risks related to the potential shareholder dilution, including for potential investors, from such financing activity and the risk that the Company may never be profitable and may never be able to implement an exit strategy.

ECONOMIC CONDITIONS

For the past several years, following global economic trends, the New Zealand investment market has been a difficult one for raising finance for start-up companies. Should FHL require further funding and these conditions persist or worsen, FHL may not be able to raise the required finance.

CAPITAL MARKETS

Should FHL require further funding, there is no certainty that capital markets in Australasia will support Initial Public Offerings in new companies with no or limited revenue. There is similarly no certainty that investors will be prepared to invest in a private start-up company with no or limited revenue.

GOVERNMENT POLICY AND REGULATIONS

The current regulatory environment and availability of Government assistance is acceptable for FHL's development plans. The regulatory environment and availability of Government assistance may change in a way that adversely affects the Company's ability to execute its plans as outlined in this Offer.

PROJECTIONS

The Company's current estimates of future performance are based on a number of assumptions, which the Company's management believes are reasonable, but there is no assurance that such estimates will be realised. Actual future conditions may require actions that differ from those contemplated at this time, and there can be no assurance that the projected results will be achieved. There will be differences between these projections and actual results because events and circumstances frequently do not occur as expected, and those differences may be material and adverse. Potential investors are cautioned not to place undue reliance on these projections.

SPECIFIC RISKS

INTELLECTUAL PROPERTY

FHL has filed two patent applications. These applications are yet to be granted and may not be granted or may have their claims reduced.

Even if granted, FHL may not have Freedom to Operate as its licensees may not be able to

commercialise a product, without infringing valid intellectual property rights of others. FHL has commissioned two independent FTO assessments, which it believes demonstrates that this risk has been mitigated.

Limited Trading History

With no revenue history as a guideline, FHL's risks should be considered in the context of a privately owned early-stage New Zealand company with key operational and financial risks around:

- Operating performance.
- Governance and management capability.
- On-going access to capital.
- Product sales and pricing.
- Contractual negotiation.
- Regulatory compliance and changes.

While senior management of FHL collectively have international experience in operation of a technology business, there can be no assurance that FHL will perform in line with its business plans. Any significant negative deviation from the plan outlined in this Offer is likely to result in a material adverse impact on FHL's operating and financial performance.

If the Company does not generate sufficient revenue to offset expenses, or the Company's assets at a particular time cannot be realised for more than its liabilities, then it is reasonably foreseeable that on termination of investors' security, by sale or winding up or otherwise, the investors may receive less than they invested.

Research and Development

FHL believes its technologies can enable its licensees to produce viable products acceptable to their consumers. However, there is a risk that the technologies will not perform as expected.

FHL believes its product to be durable. However, it has not undergone extensive testing for the effects of factors such as sweat (including salt), humidity, long term sensor performance and abrasion.

Contract Research Risk: Failure to secure Research Agreements with research partners on commercially satisfactory terms.

FHL believes its products conform to medical physics safety standard. Any electronics system must comply with such standards to avoid cardio-electric risk.

KEY PERSONNEL

The success or otherwise of FHL is likely to be highly dependent on the skills, experience and expertise of its directors, management and employees. In the event that FHL is unable to engage and maintain key personnel, the operating and financial performance of the business may be negatively affected.

CONSEQUENCES OF INSOLVENCY

If FHL was placed in insolvency, the investors as shareholders would not receive any return of capital until all of FHL's creditors have been paid from the proceeds of its realised assets, because the claims of creditors will rank ahead of those of shareholders. In that situation, or if a third party acquires a controlling interest in FHL or FHL completes a major transaction involving the sale of its business assets, FHL must pay to the holders of Investor Shares (in preference to any payment or distribution to the holders of any other shares) the total amount subscribed for the Investor Shares (**Preference Amount**). In the case of the Company going into liquidation, any balance available for distribution following payment of the Preference Amount, would be distributed to shareholders in proportion to their shareholding.

The New Shares will be issued as fully paid Shares so Investors will have no liability to FHL for any further payments in respect of the Shares.

IMPORTANT INVESTMENT QUESTIONS

WHAT SORT OF INVESTMENT IS THIS?

The securities offered are investors shares (under the current terms of the Subscription and Shareholders' Agreement) in Footfalls and Heartbeats Limited (**FHL**) (**New Shares**). Each New Share provides the holder with the right to:

- One vote on a poll at a meeting of shareholders;
- An equal participation with other shares in any dividends declared by the FHL Board of Directors;
- A preference on liquidation or a business sale as described below;
- Be sent certain information about FHL; and
- Any other rights as a shareholder, conferred by the Subscription and Shareholders' Agreement.

If FHL goes into liquidation, a third party acquires a controlling interest in FHL or FHL completes a major transaction involving the sale of its business assets, FHL must pay to the holders of Investor Shares (in preference to any payment or distribution to the holders of any other shares) the total amount subscribed for the Investor Shares (**Preference Amount**). In the case of FHL going into liquidation, any balance available for distribution following payment of the Preference Amount will be distributed pro-rata to all shareholders. Investor Shares may be converted on a 1 for 1 basis to ordinary shares at any time at the option of the holders and will automatically convert when the Preference Amount has been paid.

Further details on the rights and obligations of FHL's shareholders are set out in FHL's Subscription and Shareholders' Agreement and its Constitution, which are available for prospective investor inspection at FHL's registered office. The Constitution is also available online at www.business.govt.nz/companies/.

Who is involved in providing it for me?

The Issuer

The issuer of this Share Offer is FHL. FHL is a New Zealand based privately held company that has developed proprietary intelligent fabric. Its registered office and address for service is:

Footfalls and Heartbeats Limited
Shed 20, Equinox House,
139 Quay Street,
Auckland Central,
Auckland, 1010,
New Zealand

The directors of FHL are:

David Henry (Chairman)
Dr Roland Toder
Jeremy Collins
Dr Gary Pace
Brent Stuart Ogilvie

Further details on the directors are provided in the Profile of the Governance and Management Teams. Please note that FHL's company name and/or its directors could change after the date of this information memorandum. If such details do change, the updated details can be found online at the New Zealand Companies Office or at the Company's records held at its registered office.

The Broker

The broker is Pacific Channel Limited (Pacific Channel). Its registered address is:

Ground floor, Shed 20, Equinox House, Princes Wharf, 139 Quay Street, Auckland 1010, New Zealand
Brent S. Ogilvie is a director and shareholder of Pacific Channel and a director and shareholder of FHL.
Brent S. Ogilvie is also a director and shareholder of Breathe Easy Limited.

Pacific Channel is New Zealand's leading investment and venture management firm providing corporate structuring, governance and capital raising support to early stage material, life sciences and clean

technology companies. Pacific Channel, through its expertise, seed funds and access to external capital, creates, builds and funds companies to develop and channel their products and/or services into global markets, especially the United States. See <http://www.pacificchannel.com>

ACTIVITIES

FHL was incorporated on 3 December 2010. Since incorporation, FHL's principal activities have been research and development of smart textiles for various applications.

HOW MUCH DO I PAY?

Investors must pay NZ\$39.50 per New Share on submission of a completed Application Form. Applications for the New Shares must be made and as set out in the Application Form accompanying this information memorandum.

The minimum subscription is 633 Shares for \$25,000.

Applications should be made in accordance with the instructions on page ??.

WHAT ARE THE CHARGES?

There are no application charges for New Shares under this Share Offer. All expenses including administration, promotion fees and legal and accounting costs incurred for the

SHARE OFFER WILL BE BORNE BY THE COMPANY.

Pacific Channel Limited will receive a brokerage fee of 6% of the funds raised from new investors under this Share Offer (plus GST).

WHAT RETURNS WILL I GET?

Shareholder returns on the New Shares may include both share price movements and any dividends paid by FHL. No returns are guaranteed.

GROWTH IN SHARE PRICE

Any changes in share price will be dependent upon a number of factors, some of which are not within FHL's control, including but not limited to, the risks set out under "What are my risks?" below. None of FHL, its Board, Pacific Channel nor any person associated with the offer, promise or guarantee that any movement in share price will occur.

Returns on the shares may be by way of capital appreciation (although the market price of the shares may also decline) and any dividends paid and other distributions made in respect of the shares.

The key factors that determine the returns are:

- FHL's financial performance.
- Applicable taxes.
- Reserves and retentions.
- The Board's decisions in relation to dividends and other distributions.
- Interest from a potential acquirer(s) of shares or the business and assets of FHL.

Nothing contained in this information memorandum should be construed as a promise of profitability, and FHL does not give (nor does any other person give) any guarantee or promise as to the return of capital or the amount of any returns (including dividends and other distributions) in relation to the shares.

The amount of any returns will depend on a number of risk factors outlined below. The risk factors could reduce or eliminate the distributions or other returns intended to be derived from holding the shares.

DIVIDENDS

The Company has not established a formal dividend policy and cannot predict the time of any dividend payments, as this will depend on profitability and the financial position of the Company. Neither FHL, its directors, Pacific Channel nor any person associated with this Share Offer, promises or guarantees that any, nor will a particular, dividend be paid on the shares.

TAXATION

Taxes are likely to affect the returns to investors. Generally, where shares are acquired as an investment, shareholders will not be taxed on gains from a subsequent sale of the shares unless the shareholder is in

the business of dealing in such investments, or acquired the shares for the purpose of sale.

Dividends received will be taxable in the hands of the recipient. The return of subscribed capital is not taxable under current tax legislation.

The party legally obliged to pay returns (if any) is FHL. The dates on which any capital returns and dividends will be paid are unknown.

CAN THE INVESTMENT BE ALTERED?

The rights attached to the shares are set out under the heading "What sort of investment is this?"

These rights may be altered by an amendment to the Subscription and Shareholders' Agreement or to FHL's constitution. This Subscription and Shareholders' Agreement may be amended by a written instrument signed by FHL and shareholders holding at least 75% of the shares in FHL, but provided that any amendment which affects any special right given to an individual shareholder or materially increases the obligations imposed on a shareholder must also be approved in writing by the affected shareholder. For example, it is likely that the Board will consider rationalising the Subscription and Shareholders' Agreement at a future point to remove outdated material.

FHL's constitution may be amended by a special resolution of shareholders, being a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on that resolution or, in certain circumstances, by a court order.

FHL must not take any action that would affect the rights of shareholders without approval by special resolution of those shareholders whose identical rights would be affected in the same way by the action. Except for certain limited offers, all shareholders will have the right to participate in new issues of shares.

Major transactions and those that would change the nature of the Company's business require the approval of a special resolution.

FHL is also prohibited from carrying on certain businesses for so long as the New Zealand Venture Investment Fund is a shareholder. These are any business which principally involves one or more of property development, retailing, mining or hospitality (but without precluding a business which markets a technology or other innovation to any of these industries), or acting as a financial intermediary.

HOW DO I CASH IN MY INVESTMENT?

Investors are entitled to sell their shares within the framework allowed by the Companies Act 1993, the Subscription and Shareholders' Agreement, FHL's constitution in force from time to time (if any) and the general law. In the opinion of FHL, there is currently no established market for such shares.

Investors are not required to pay any charges in relation to the sale of their shares. FHL's share register will be managed by the Company. The Company's constitution includes a requirement to offer shares in the Company to existing shareholders (on a pro rata basis) prior to offering these to third parties.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries should be directed to:

Footfalls and Heartbeats Limited
Ground floor, Shed 20, Equinox House,
Princes Wharf, 139 Quay Street, Auckland 1010,
New Zealand
Phone: +64 21 60 55 66
Email: bogilvie@pacificchannel.com

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Any complaints or problems with the investment should be addressed to the address outlined in the section above. There is no ombudsman to whom complaints can be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

On-going reports to shareholders the Company intends to distribute quarterly and annual reports to shareholders and may choose to distribute further reports according to investor demand. These may be obtained free of charge from the Company.

Footfalls and Heartbeats Limited's Constitution and Subscription and Shareholders' Agreement contain information relating to the rights of the shareholders. A copy of the Subscription and Shareholders' Agreement and the Constitution is available from the Company for inspection by prospective shareholders during normal business hours at FHL's registered office at Ground Floor, Shed 20, Equinox House, 139 Quay St, Auckland, New Zealand.

The new Constitution will also, once adopted, be available on the Companies Office website (www.companies.govt.nz).

For existing shareholders, copies of the current constitution and subscription and shareholders agreement are available from the Company on request. The current constitution is also available on the Companies Office website also.

VALUATION

The valuation has been determined by the Directors of FHL. The New Shares are offered at a price of \$39.50/share at an implicit valuation of the Company of \$7.49 million prior to this Share Offer. FHL has prepared its own internal valuation using several methodologies including a risk adjusted Net Present Value, a comparables-based method and the Venture Capital Method. The issue price of \$39.50 per New Share will lead to an enterprise value of NZ\$9.49 million post successful capital raising. Assuming \$2,000,000 is raised through this Share Offer, 50,633 new shares (**New Shares**) will be issued to investors on terms identical to all existing shares.

The total number of shares on issue after this capital raising will be 240,195. The New Shares will therefore represent 21% of the shares in the Company.

Should FHL be successful, the Directors foresee it as likely that a major company may want to acquire part or all of the FHL business and add FHL's technology to their product suite. FHL has a strategy to add value to the Company over the next five years.

Shares and Options

- **Shares:** the shares described in the information memorandum constitute all of the issued securities and all rights to be issued securities of the Company immediately prior to the Issue Date.
- **No Shareholdings:** the Company has no shares or other securities in any other company and no partnership interest in any other business and has not agreed to acquire any such shares, securities or partnership interest. FHL has the right to acquire the single share of FHL UK Limited for one dollar.

Transactions with Existing Shareholders

- **Arrangements with Existing Shareholders.** There are no:
 - Loans made by the Company to shareholders of the Company as at the Issue Date (**Existing Shareholders**), or any associate of the Existing Shareholders save in relation to unpaid expenses of the Existing Shareholders or any associate of the Existing Shareholders;
 - Guarantees entered into by the Company in respect to any loans, debts or other obligations of Existing Shareholders.

Existing Shareholders.

- **Related Contracts:** except for the services provided to the Company by the Existing Shareholders and/or any associates of them as disclosed in this information memorandum:
 - There are no existing and continuing contracts or arrangements between the Company and the Existing Shareholders and/or any associate of the Existing Shareholders; or
 - The Company does not depend in any material respect upon the use of any property, right or asset owned by, or facilities or services provided by any Existing Shareholders or any associate of them.
- **Competition by Existing Shareholders:** none of the Existing Shareholders nor any associate of the Existing Shareholders are directly or indirectly engaged or concerned or interested in any way whatsoever in any other business that is in competition with the Business.
- **Simon McMaster,** who is a Shareholder of FHL, owns Footfalls and Heartbeats (UK) Limited through a single share. FHL has an option to acquire this share for one dollar.

Valid Authorisations

All requirements of the Companies Act 1993 and the Company's constitution have been complied with on a timely basis in relation to the issue of the New Shares pursuant to the information memorandum and the allotment and issue of such Shares to the Investors has been authorised by all necessary corporate and other acts and does not violate any trust deed, instrument, agreement or other arrangement to which the Company is party.

Assets Unencumbered

Any material assets of the Company or any subsidiary of the Company (as the case may be) are free of all encumbrances, mortgages, liens, charges, or any other claim by a third party.

Intellectual Property

- **Rights:** the Company owns or is entitled to use all intellectual property required to operate the Business in the manner contemplated by the information memorandum.
- **No Infringement:** as far as the Company is aware, the business of the Company as now carried on and as proposed to be carried on as described in this information memorandum does not infringe any intellectual property rights of any other person and, as far as the Company is aware, no claims relating to intellectual property used by the Company are pending or threatened by any third party.
- **No Rights Granted:** no rights of any nature have been granted to any other person in relation to intellectual property created or developed by the Company, except to licensees as described in this Offer.
- **Related Party Claims:** all intellectual property created by the Existing Shareholders, current and former contractors and employees of the Company which is used, or proposed to be used by the Company in connection with its current or proposed business (as set out in this information memorandum) has been vested in and is beneficially owned by the Company.
- **Third Party Intellectual Property:** the Company is not in breach of any agreement to which it is a party relating to the use of material intellectual property owned by a third party.
- **Confidential Information:** to the best knowledge of the Company, there has not been any unauthorised disclosure of any of the Company's financial or trade secrets or other confidential information.

No Proceedings

- **No Litigation** at the time of this information memorandum: the Company is not a party to any legal action or proceedings, arbitration, or statutory or governmental inquiry of any kind, nor is the Company aware of any such legal proceedings, arbitration, or inquiry, pending or threatened against, or involving, the Company.
- **No Existing Cause of Action** at the time of this information memorandum: as far as the Company is aware, there is not any cause of action, or facts or circumstances existing that could or might be used for commencing legal proceedings, either civil or criminal, against the Company.

Employment

- **No Dispute:** the Company is not involved in any employment, labour or personal grievance dispute or problem, or any dispute with any employee representative or organisation or body of employees and no event has occurred which might give rise to any such dispute.
- **No Profit Sharing Arrangements:** the Company is not a party to a contract or arrangement under which any of its officers or employees are entitled to receive a percentage share of income or profits calculated on turnover, income or profits, or any component of any of them, or any similar benefit. However, the Company may establish a Share Scheme (or Schemes) for up to 15% of the existing capital of the Company on such terms and conditions as approved by the Board. For the avoidance of doubt, the Company may not issue any securities to Directors, employees or consultants of the Company other than pursuant to the Share Scheme.

Contracts

- **Material Contracts:** all material contracts, commitments or arrangements of any nature whatsoever, to which the Company is party, have been disclosed in this information memorandum.

- **No Breach of Contract:** as far as the Company is aware, the Company is not in breach of any material contract, commitment or arrangement of any nature whatsoever to which it is a party.
- **Agents:** no person is authorised to act as agent for the Company or to bind the Company (other than the directors of the Company) and there are not in force any powers of attorney given by the Company.
- **Commission:** no one is entitled to receive from the Company any finder's fee, brokerage or other commission in connection with financing of the Company except for Pacific Channel Limited (which is entitled to a capital raising fee equal to 6% of the amount raised from new investors pursuant to the Share Offer plus GST).

Taxation

- **Lodgement of Returns:** the Company has lodged all taxation returns, reports, declarations, notices, certificates, reconciliations and other information required to be lodged by it with the appropriate body within the relevant time limits.
- **Accuracy:** all such returns, reports, declarations, notices, certificates, reconciliations and other information were accurate, complete and not misleading on lodgement, were made on a proper basis and are not the subject of any dispute.

Books and records

The Company has properly kept and maintained:

- **Accounting Records:** all accounting records and books of account properly entered and containing true, full and accurate records of all matters required to be dealt with in accordance with NZ GAAP;
- **Statutory Records:** all minute books, records, registers and other records required by law containing full and accurate records of all matters required to be recorded in them;
- **Returns:** all returns, resolutions and other documents required to be made and all such documents required by relevant law to be delivered or filed with the Registrar of Companies have been delivered or filed within the time required by law and were true and accurate at the relevant time; and

Other obligations: The Company is not affected by any material commitment or obligation which has not been disclosed in this information memorandum.

GLOSSARY

\$ or \$NZD	New Zealand Dollars
\$USD	United States Dollars
Addressable Market	The estimated part of a market that represents a royalty revenue opportunity available for the technology that may be generated by FHL
Alveoli	Primary gas exchange units of the lungs
Applicant	A person who submits an Application Form
Application	An application to subscribe for Shares offered under this information memorandum
Application Form	The application form to subscribe for Shares attached to this information memorandum
Application Moneys	The amount payable on Application
Arterial oxygen tension	PaO ₂ , a measurement of the partial pressure of oxygen dissolved in the plasma
Athletic compression garments	Garments that keep the muscles warm to prevent muscle strain and fatigue, and wick sweat away from the body to prevent chafing and rashes. In addition, there is some evidence that compression shorts may enhance athletic performance
Blood oxygen saturation	The relative measure of the amount of oxygen that is carried by the blood.
Blood perfusion	The process of the body delivering bloody to a capillary bed in tissue
Board or board of directors	The Board of Directors of Footfalls and Heartbeats Limited
Broker	Pacific Channel Limited
Bronchus	A passage of airway in the respiratory tract
CAGR	Compound Annual Growth Rate
Capillary Refill Time	The time taken for colour to return to an external capillary bed after pressure is applied to cause the skin to take on a whitish appearance as blood flow to the region is prevented.
Capillary	The smallest of a body's bloody vessels that make up microcirculation and enable the exchange of water, oxygen, carbon dioxide, and many other nutrients and waste substances between the blood and the tissues surrounding them
CF	Cystic Fibrosis
Chronic Venous Insufficiency	A medical condition where the reduced blood veins cannot pump enough blood back to the heart.
COGS	Cost of Goods Sold
Company	Footfalls and Heartbeats limited
Compression Bandage	Long strips of fabric that are wrapped around a body part to form a continuous covering to create a localised pressure. Strips can be either Inelastic or elastic.
Compression Garment	A garment worn by the user for medical compression therapy.
Compression Hosiery	Knitted garments that have anatomical shaping and are applied like a piece of clothing.
Compression Therapy System	A systems that applies external graduated compression to the

	skin. Typical systems include compression hosiery, inelastic and elastic compression bandages and inelastic compression garments.
Conductive polymer electrodes	An organic polymer that conducts electricity
Constitution	The constitution of FHL, as amended from time to time
Continuation-in-part	A patent application where the applicant adds subject matter not disclosed in the parent, but repeats substantial portion of the parent's patent specification resulting in a convenient way to claim enhancements developed after the parent application was filed.
COPD	Chronic Obstructive Pulmonary Disease(s)
CPAP	Continuous Positive Airway Pressure Therapy
CVD	Cardiovascular Disease(s)
CVI	Chronic Venous Insufficiency
Diabetic Foot Ulcers	A major complication of diabetes in which poor blood circulation, or loss of sensation due to diabetes-related nerve damage (neuropathy), which results in pressure on the skin going unnoticed resulting in a pressure ulcer
Director or directors	A director or multiple directors of FHL
DVT	Deep Vein Thrombosis
Elastic	Elastic materials, also known as long-stretch, contain elastic fibres that can be stretched to increase the overall length of the material by over 100%. When the tension is released the elastic fibres return almost to their original length.
First responders	First individuals who arrive at the scene of an emergency to aid the situation
FMCA	Financial Markets Conduct Act 2013
Footfalls	Footfalls and Heartbeats Limited
FTO	or Freedom to Operate Describes whether a product may infringe upon the intellectual property rights of others functional group specificity A molecule designed for a specific chemical outcome
FY	Financial Year
Gait Analysis	The systematic study of human motion and body mechanics used to assess, plan and treat individuals with conditions affecting their ability to walk and run
Inelastic	Inelastic materials, also known as short-stretch, contain few or no elastic fibres and increase in length by often considerably less than 100% when stretched.
Interface Pressure	The pressure applied, by a compression therapy system, between the compression therapy system and the skin.
IP	Intellectual property
Issuer	Footfalls and Heartbeats Limited
Licensee	A party who has been granted a license to implement FHL technology
Licensor	FHL
Lymphedema	A condition of localised fluid retentions and tissue swelling caused by a compromised lymphatic system.
Market Share	Estimated percentage of annual global sales (may be indicated for a specific year) accounted for by a particular product or company

Medical Compression Therapy	System categorised according the pressure
Nano-scale	Of or related to structures less than 0.1 microns in size
New Shares	New Investor shares to be issued through this share offer
O2 saturation	Relative measure of the amount of oxygen that is dissolved in blood
Opening Date	2 June 2015
OSDs	Obstructive Sleep Disorders
Peripheral neuropathy	Damage to or disease affecting nerves, which may impair sensation, movement, gland or organ function, or other aspects of health, depending on the type of nerve affected
Pressure injury	A sore area of skin that develops when the bloody supply is reduced due to pressure on it and lack of movement
Pressure ulcers	A sore area of skin that develops when the bloody supply is reduced due to pressure on it and lack of movement
Securities Act	The Securities Act 1978
Share Offer	The offer of New Shares under this information memorandum
Share Register	The list of active owners of FHL's shares, updated on an ongoing basis
Shareholder	A holder of one or more shares
Sleep apnoea	A sleep disorder characterised by pauses in breathing or instances of shallow or infrequent breathing during sleep causing an increase in carbon dioxide in the bloodstream resulting in the brain signalling the sleeping person to wake and breath in air
Solid State Electronics	Circuits or devices built entirely from solid materials and in which the electrons, or other charge carriers, are confined entirely within the solid material
Venous Ulcers	Wounds that occur due to improper functioning of the venous valves in the blood circulatory system

APPLICATION FORM

Important – Investor’s qualifications

The investment opportunity described in this document is only offered to and may only be accepted by, persons in respect of whom the offer does not require disclosure under Part 3 of the Financial Markets Conduct Act 2013 (**FMCA**) (including because one or more of the exclusions under Schedule 1 of the FMCA applies to an offer to such person). Before 1 June 2015, this includes persons who are “eligible persons” as defined in section 5(2CC) or who fall within one of more of the categories set out in section 3(2)(a), of the Securities Act 1978 (**Securities Act**) pursuant to the transitional regime under schedule 4 of the FMCA. From 1 June 2015, the Securities Act categories are no longer available and an investor must qualify under the FMCA only.

Until 1 June 2015, the amount of the Investor’s investment must be \$500,000 or if the Investor is an “Eligible Person” (as defined below or is otherwise qualified under the Securities Act 1978 to accept this offer), the investment must be \$25,000 or greater.

“Eligible persons” are defined by s.5(2CC) of the New Zealand Securities Act 1978, as being either:

- A “wealthy person”, being a person certified by an independent chartered accountant no more than 12 months before the date of this document as having either net assets of at least NZ\$2,000,000 or an annual gross income of at least NZ\$200,000 for each of the last 2 financial years, or
- An “experienced person” being a person experienced in investing money or in the biopharmaceutical industry (1) to whom an independent financial service provider has given a written statement that they are satisfied the investor is, as a result of that experience, able to assess the merits of this offer, the value of the security, the risks in accepting the offer, the investor’s own information needs and the adequacy of the information given to them, and (2) the investor has signed an acknowledgement, before the security is allotted to them, that the financial adviser has not given them a registered prospectus or investment statement relating to this offer and that the investor understands that they will not receive information usually provided by an issuer in respect of an offer of securities to the public including (in particular) an investment statement and registered prospectus;

AND

(b) Enclose a copy of the certificate/statement and acknowledgement referred to above in relation to the Investor.

At any time, including from 1 June 2015, the investment opportunity described in this document is may be accepted by persons in respect of whom the offer does not require disclosure under Part 3 of the FMCA (including because one or more of the exclusions under Schedule 1 of the FMCA applies to an offer to such person). Please contact the Company to confirm whether you may meet these new tests as in some cases further disclosure or certificates may be required. Do not use the certificates at the end of this document from 1 June 2015 onwards.

No application will be accepted by the Company unless the above requirements have been met and any other requirements of the Company to ensure all laws have been complied with.

APPLICATION FORM FOR SHARES IN FOOTFALLS AND HEARTBEATS LIMITED

Execution of this Application Form constitutes an offer to purchase the number of Investor Shares (**New Shares**) in Footfalls and Heartbeats Limited (**FHL**) shown below in accordance with the terms set out in the information memorandum dated 2 June 2015.

Payment in full must accompany this Application Form.

Application Forms must be completed and delivered to Footfalls and Heartbeats Limited, PO Box 106 818, Auckland 1041, New Zealand or scanned and emailed to bogilvie@pacificchannel.com.

INVESTOR DETAILS

Name(s)

First Name and Surname/Full Company Name/or name of all Trustees if a Trust eg David Grey and Alan Smith as trustees of the Smith and Grey Trust

Postal Address

.....

Telephone No. Home:

Business:

Email address:

INVESTMENT DETAILS

Note the minimum subscription amount is 633 Shares.

Shares applied for: Number Amount x \$39.50 = NZ\$

INVESTOR CONFIRMATION

I/We apply for the number of Shares at the price stated above.

I/We agree to subscribe for the Shares on the terms of the Subscription and Shareholders' Agreement and Constitution of the Company (copies of which we confirm that we have been provided with) and, subject to acceptance of my/our offer by the Company and issue of the Shares, I/we agree to be bound by the terms of the Subscription and Shareholders Agreement as if named as a party to that agreement. This covenant is given for the benefit of all parties to the Subscription and Shareholders Agreement as amended from time to time and fulfils the same function as a deed of adherence (however described) under that document.

I/We agree to make payment for the Shares with this application and acknowledge that the payment will be held on trust by FHL until shares are allotted, or returned (without interest).

I/We confirm that I am a or we are either:

"wealthy investor/s" – please enclose completed certificate (form attached);

"experienced investor/s" – please enclose completed certificate and investor's acknowledgement (forms attached);

Not resident in New Zealand or otherwise not a member/members of the public for the purposes of the Securities Act 1978 – please discuss this with FHL prior to signing this form; or

A person in respect of whom the offer does not require disclosure under Part 3 of the FMCA (including because one or more of the exclusions under Schedule 1 of the FMCA applies to an offer to such person) – please discuss this with FHL prior to signing this form.

Signed by:

PAYMENT INSTRUCTIONS

PAYMENT

Please either transfer the funds to:

Account Name: Footfalls and Heartbeats Ltd Number: 02-0560-0142277-00

Reference: [Name] FHLIM

Bank: Bank of New Zealand

Address: 50 Manners Street, Wellington

OR send a Cheque payable to – "Footfalls and Heartbeats Limited" and cross "Not Transferable" to:

Footfalls and Heartbeats Limited

PO Box 106 818, Auckland

**CERTIFICATE FROM AN INDEPENDENT CHARTERED ACCOUNTANT CONFIRMING
THAT INVESTOR IS A WEALTHY INVESTOR**

Date:

To Footfalls and Heartbeats Limited

Investment in Footfalls and Heartbeats Limited

I, an Independent Chartered Accountant, confirm and attest that

I,.....[insert name] (the **Investor**) is 'wealthy' for the purposes of section 5(2CBA) of the Securities Act 1978 and in accordance with the requirements of section 5(2CD).

The above certification is given on the basis that I am satisfied on reasonable grounds that the above named eligible person:

- has net assets of at least NZ\$2 million; and / or
- has had an annual gross income of at least NZ\$200,000 for each of the last 2 financial years.

[delete as appropriate]

I confirm that I am independent from the Investor and Footfalls and Heartbeats Limited.

Yours Faithfully

.....
Signature

.....
Name

.....
Name of independent accounting firm

.....
Phone

.....
Email

.....
Address

**CERTIFICATE FROM A FINANCIAL SERVICES PROVIDER CONFIRMING
THAT INVESTOR IS AN EXPERIENCED INVESTOR**

Date:

To Footfalls and Heartbeats Limited

Investment in Footfalls and Heartbeats Limited

I/We confirm that I am/we are satisfied on reasonable grounds that

I,.....[insert name] (the **Investor**), as a result of having experience [in investing money]* or [in the industry or business to which the securities relate]*, is able to assess, in relation to the offer of securities (shares) by Footfalls and Heartbeats Limited:

- (i) the merits of the offer; and
- (ii) the value of the securities; and
- (iii) the risks involved in accepting the offer; and
- (iv) the Investor's own information needs; and
- (v) the adequacy of the information given by Footfalls and Heartbeats Limited.

I/We confirm that I/we have given the Investor a written statement of my/our reasons for being satisfied as to the matters set out above as required by section 5(2CE)(b) of the Securities Act 1978.

I/We confirm that I am/we are independent from the Investor and Footfalls and Heartbeats Limited.

Yours faithfully

.....
Signature

.....
Name

.....
Business name

.....
Phone

.....
Email

.....
Address

**delete as applicable*

NOTE: For the purposes of this certificate, a financial service provider means a person whose principal business consists of one or more of: the giving of investment advice, the receiving of investment money or the receiving of investment property.

INVESTOR'S ACKNOWLEDGEMENT

Date:

Investment in Footfalls and Heartbeats Limited

I,.....[insert name] (the **Investor**) acknowledge that, in relation to my subscription for shares offered by Footfalls and Heartbeats Limited, that:

- (a) the financial service provider named in the attached certificate, an independent financial service provider, has not given me an investment statement or a registered prospectus in relation to the shares offered by Footfalls and Heartbeats Limited; and
- (b) I understand that I will not receive information usually provided by an issuer in respect of an offer of securities to the public including (in particular) an investment statement and a registered prospectus.

Yours faithfully

.....
Signature.....
Name