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## PuriCore plc

### Issue of Secured Convertible Loan Notes and Notice of General Meeting

**MALVERN, PENNSYLVANIA, AND STAFFORD, UK, 28 May 2010** – [PuriCore](#) plc (LSE: PURI) (“PuriCore” or the “Company”), the water-based clean technology company focused on developing and commercialising proprietary, green solutions that safely, effectively, and naturally kill infectious pathogens, today announces that it is proposing to raise £7 million (net of expenses) by way of an issue of secured Convertible Loan Notes (the “Fundraising”).

The Company also announces today the publication of its 2009 Annual Report and Accounts (see separate [release](#)) and accordingly, the Company has applied for the suspension of its listing (announced on 30 April 2010) to be lifted with immediate effect to allow the Ordinary Shares to recommence trading. In addition, the Company announces today its Q1 2010 Interim Management Statement (see separate [release](#)).

Under the terms of the Fundraising, the Company will raise an aggregate principal amount of £8 million (gross) from several institutional and private investors, which include certain Directors and two Senior Managers of the Company (the “Investors”). The Investors have each entered into a Commitment Letter pursuant to which they have irrevocably undertaken, subject only to the Resolutions being passed at the General Meeting, to subscribe for the Convertible Loan Notes and to vote in favour of the Resolutions to the extent they are permitted to do so.

The Directors and one of the Senior Managers participating in the Fundraising are considered “related parties” and, accordingly, the Fundraising is classified as a related party transaction and is therefore conditional upon the approval of Shareholders at the General Meeting. The Related Parties will abstain, and have undertaken all reasonable steps to ensure that their Associates (to the extent that they own Ordinary Shares) will abstain, from voting on the Related Parties Resolution at the General Meeting.

A shareholder circular being issued by the Company and containing details of the Fundraising is expected to be posted to Shareholders shortly (the “Circular”).

Definitions used in this announcement have the same meanings as those used in the Circular, unless the context requires otherwise. Such definitions are set out at the end of this announcement for reference.

#### Highlights

- Proposed issue of Convertible Loan Notes will raise £7 million (net of expenses).
- Investors have each entered into a Commitment Letter pursuant to which they have irrevocably undertaken, subject only to the Resolutions being passed at the General Meeting, to subscribe for the Convertible Loan Notes, amounting in aggregate, to £8 million, i.e. the full principal amount.
- Convertible Loan Notes will be secured by the grant of security over certain intellectual property owned by PuriCore, Inc. and PuriCore International Limited.

- The interest rate of the Convertible Loan Notes is 6.0 per cent. per annum payable on 30 June and 31 December in each year.
- The Convertible Loan Notes are repayable on 31 December 2011 subject to a holder having a right to convert all, or part of, its Convertible Loan Notes into Ordinary Shares at a conversion price of 7.5p per Ordinary Share. The Convertible Loan Notes may be converted at any time after 1 January 2011.
- The Fundraising is conditional upon the passing by Shareholders of the Resolutions at the General Meeting to be held on 14 June 2010.
- Investors who are Shareholders and who in aggregate own 67,422,531 Ordinary Shares, representing approximately 30 per cent. of the Issued Ordinary Share Capital of the Company, have irrevocably undertaken to vote in favour of the Resolutions.

## Use of Proceeds

On the basis that the Fundraising is approved by Shareholders, the Directors expect that of the net proceeds from the Fundraising of £7 million, £4.7 million, which represents the Group's working capital shortfall, will be applied as follows:

- approximately £2.2 million towards servicing existing contracts and funding continued market share growth, field service expansion, existing product development and application development in the Company's North American Food Safety market; and
- approximately £2.5 million for servicing existing Food Safety System lease debt.

The remaining net proceeds of approximately £2.3 million will be used for general working capital purposes (including corporate and administrative overheads).

## **Greg Bosch, Chief Executive of PuriCore, said:**

"The Fundraising enables PuriCore to continue to deliver on its business plan to drive top-line growth based on the strong pipelines in both core businesses, ultimately steering the Company to being cash flow positive. We appreciate the support of our shareholders and encourage all to review the Circular as they evaluate the transaction."

## Expected Timetable and Principal Events

Posting date of the Circular	28 May 2010
Latest time and date for receipt of Forms of Proxy	12.30 p.m. on 12 June 2010
General Meeting	12.30 p.m. on 14 June 2010
Expected date of Completion	14 June 2010

## Enquiries:

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Piper Jaffray Ltd., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Company as sponsor in connection with the Fundraising and not for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the Fundraising, the contents of the Circular and, if relevant, the accompanying documents or any arrangements referred to therein.

This announcement has been issued by PuriCore plc and is the sole responsibility of PuriCore plc.

The delivery of this announcement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this announcement nor that the information in it is correct as of any subsequent time.

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions Shareholders and prospective Shareholders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

## **PROPOSED ISSUE OF SECURED CONVERTIBLE LOAN NOTES AND NOTICE OF GENERAL MEETING**

### **2. Introduction**

Today PuriCore announced its audited results for the financial year ended 31 December 2009 and its intention to raise £7 million (net of expenses) by way of the Fundraising through the issue of the Convertible Loan Notes to the Investors. The Fundraising is conditional on the passing by Shareholders of the Resolutions at the General Meeting, which is being convened for 12.30 p.m. on 14 June 2010.

Christopher Wightman, Gregory Bosch, Timothy Anderson, William Birkett and James Walsh (each of whom is a Director) and Neil Blewitt (who is a Senior Manager and also a director of a subsidiary of the Company) are all "related parties" of the Company for the purposes of Chapter 11 of the Listing Rules. Accordingly, the Fundraising is a related party transaction under the Listing Rules and Completion is therefore conditional upon the approval of Shareholders at the General Meeting to be held on 14 June 2010. The Related Parties will abstain, and have undertaken all reasonable steps to ensure that their Associates (to the extent that they own Ordinary Shares) will abstain, from voting on the Related Parties Resolution at the General Meeting. The Fundraising is not subject to any further conditions.

If the Resolutions are not passed, the Fundraising will not proceed.

### **3. Background to, and Reasons for, the Fundraising**

On 30 April 2010, the Company announced the temporary suspension of its Ordinary Shares from the Official List and to trading on the London Stock Exchange. The Company also announced that it was in discussions with its major Shareholders and advisers in relation to various strategic initiatives. As a result of those discussions, the Directors have decided to undertake the Fundraising in order to resolve the Company's current cash shortfall. The announcement of the Fundraising has enabled the Company to finalise and publish its 2009 Annual Report and Accounts and accordingly, the Company has applied for the suspension of its listing to be lifted with immediate effect and its securities to be restored to trading on the Official List of the London Stock Exchange.

### **4. Summary of the Terms of the Fundraising**

The Fundraising will be effected by means of the issue of the Convertible Loan Notes. The issue of the Convertible Loan Notes will raise £7 million (net of expenses). The obligations of the Company under the Convertible Loan Notes will be secured by the grant of security over certain intellectual property owned by PuriCore, Inc. and PuriCore International Limited. The interest rate on the Convertible Loan Notes is 6.0 per cent. per annum payable on 30 June and 31 December in each year. The Convertible Loan Notes are repayable on 31 December 2011 subject to a holder having a right to convert its Convertible Loan Notes into Ordinary Shares at a conversion price of 7.5p per Ordinary Share. The Convertible Loan Notes may be converted at any time after 1 January 2011.

A summary of the principal terms and conditions of the Convertible Loan Note Instrument is set out later in this announcement.

Each of the Investors has entered into a Commitment Letter pursuant to which, subject only to the Resolutions being passed, they have irrevocably undertaken to subscribe for the Convertible Loan Notes. A summary of the key terms of the Commitment Letter is set out in later in this announcement.

The Related Parties have entered into Commitment Letters to subscribe for Notes in the following amounts:

	Subscription Amount for Convertible Loan Notes
Christopher Wightman	£120000
Gregory Bosch	£60000
James Walsh	£50000
William Birkett	£15000
Timothy Anderson	£10000
Neil Blewitt	£75000
TOTAL	£330000

## 5. Effect of the Fundraising on existing Shareholders

Assuming no further exercise of options under the Share Schemes and/or issues of Ordinary Shares pursuant to the exercise of outstanding warrants to subscribe for Ordinary Shares take place, if all Notes were converted at 1 January 2011 (being the first date on which they become convertible), the Company would have an enlarged share capital comprising 333,977,105 Ordinary Shares. On this basis, the Ordinary Shares that will be issued to Noteholders upon conversion of all of the Notes will represent approximately 31.9 per cent. of the Company's enlarged share capital.

Following the issue of Ordinary Shares upon conversion of all of the Notes, Shareholders who are not Investors will suffer an immediate dilution of approximately 31.9 per cent. to their interests in the Company.

## 6. Information on PuriCore

PuriCore is a water-based, clean technology company focused on developing and commercialising proprietary, green products that safely, effectively, and naturally kill infectious pathogens without causing harm to human health or the environment. Currently, PuriCore's antimicrobial technology and compatible products are used principally in two core businesses; for endoscopic decontamination in approximately 350 UK hospitals (some with multiple systems installed) and to sanitise food and protect against the spread of infectious pathogens in approximately 3,850 supermarkets. Additionally, the Company's products are used in approximately 2,100 dental practices and various hotels for hard surface disinfection and food safety as well as for water treatment, principally for Legionella control. PuriCore is headquartered in Malvern, Pennsylvania, with operations in Stafford and Clevedon, UK.

The Company primarily focuses on two core markets and two emerging markets. The Company's core markets are North American Food Safety and UK Endoscopy; the Company's emerging markets are Wound Care and Water Treatment. In the core markets, the Directors believe that PuriCore is to date the only company currently able to engineer technology on a proven commercial basis that produces a hypochlorous acid solution on-site in a consistent, safe, effective and user-friendly manner. The Directors believe that the Sterilox Systems represent a scaleable, platform technology that can be readily applied to new emerging markets. Endeavouring to create a new core business, the Company's Wound Care and Water Treatment emerging markets have been selected from a wide array of applications as being those with the greatest potential to deliver short-term and long-term revenues to PuriCore.

## 7. **Current Trading and Prospects**

Today PuriCore announced its audited results for the financial year ended 31 December 2009 in which sales were \$40.0 million, an increase of 28 per cent. over the previous year on a constant currency basis. Food Safety sales in 2009 were \$23.1 million, an increase of 19 per cent., and Endoscopy sales (including Labcaire sales since August 2009) were \$16.5 million, an increase of 41 per cent., each over the same period in the previous year. Earnings were below Directors' expectations due to delays of expected Endoscopy sales into the next period and higher than anticipated field service costs in the Food Safety business during the year. The Directors are confident that these issues will be resolved in 2010. As at 31 December 2009, the Company had \$5.4 million in cash (including restricted cash of \$1.1 million). In 2009, debt was reduced from \$9.8 million to \$8.5 million at 31 December 2009.

In addition, PuriCore also today issued its unaudited Q1 2010 Interim Management Statement, which indicated sales of \$10.0 million, a decrease of 9.9 per cent. on a constant currency basis over sales of \$10.5 million in Q1 2009 in line with the Directors' expectations, and a cash balance as at 31 March 2010 of \$3.5 million (31 March 2009: \$15.7 million).

The Company primarily focuses on two core markets, North American Food Safety and UK Endoscopy, and has initiated launches into two emerging markets, endeavouring to create a new core business. With its success and core competencies proven in the medical market with its core Endoscopy business, the Company now targets therapeutic uses of its technology in Wound Care. Additionally, the Company has targeted Water Treatment for exploration of business development and commercialisation opportunities.

PuriCore has a portfolio of recurring and non-recurring revenues. Recurring revenues are generated from the rental or lease agreements, service contracts and the sale of consumables. Non-recurring revenues include capital sales of Sterilox Systems. In 2009, recurring revenues accounted for 53 per cent. of total revenue, reflecting a 32 per cent. increase in recurring revenue over 2008. PuriCore offers customers the option of rental or capital sales of its Sterilox Systems. The Company's strategy is to maximise the recurring revenue where possible, thereby preferring to rent or lease its Systems to customers.

### **(a) Core Markets**

#### **Food Safety**

PuriCore continues to grow market acceptance of its Sterilox Food Safety Systems by the leading North American food retailers, with two of the top-five retailers now using Sterilox Systems system-wide and additional high quality regional chains adopting this technology. In 2009, PuriCore increased sales by 19 per cent. to \$23.1 million (2008: \$19.4 million), with record shipments for the year of approximately 1,250 Sterilox Systems contracts from two top-five retailers. In the fourth quarter of 2009, PuriCore received an additional \$4.7 million in contracts, including another top-10 US retailer and another leading regional supermarket chain.

With approximately 3,850 Sterilox Food Safety Systems installed as at 31 March 2010, the Company's total customer base now exceeds 53 North American retail supermarket brands. These brands represent approximately 20 per cent. of PuriCore's current targeted market of 28,500 North American stores, of which the Company has already installed 14 per cent. As at 31 December 2009, the Company had sales opportunities with other customers in negotiations, trials, or discussions representing an additional 40 per cent. of the market. The Company further estimates it has the opportunity to place a second Sterilox system in approximately half of the North American stores for additional applications.

#### **Endoscopy**

PuriCore's Endoscopy focus continued to be primarily in the UK market with some international (non-US) focus with the acquisition of Labcaire in August 2009. PuriCore targets endoscopy decontamination departments in National Health Service ("NHS") hospitals, private hospitals, and primary care networks. In 2009, sales (including Labcaire sales since August 2009) for Endoscopy were \$16.5 million, up 19 per cent. over the previous year, (a 41 per cent. increase on a constant currency basis) despite a clearly challenging economic environment and NHS budgetary issues. The Company endeavours to mitigate such pressures of NHS capital purchases by continuing to focus on recurring revenue streams from lease contracts, service agreements, and related consumable products and services including the recently launched Endoscopy on Demand managed service.

In August 2009, PuriCore acquired Labcaire, a leading provider of endoscope disinfection equipment to UK NHS hospitals, private hospitals, and primary care networks. The addition of Labcaire's complementary skills and products expands the PuriCore Endoscopy product portfolio creating critical mass and a leadership position in the UK endoscopy market, further strengthening its UK offering of disinfection chemistry, endoscope reprocessing systems and services. The Directors believe that the enlarged Group is well placed for growth and that the increase in international market opportunities and expansion of service and reagent supply opportunities, combined with synergistic cost savings will increase the Group's cash flow. The combined businesses raises the number of UK hospital sites with endoscopy units using PuriCore automated endoscope reprocessors to approximately 350 and the combined Endoscopy division sales for the year ended 31 December 2009 to \$16.5 million.

## **(b) Emerging Markets**

### **Wound Care**

Following positive feedback from clinicians at the Wound Care pilot sites, PuriCore transitioned from an exclusively clinical development programme to early commercialisation of the Vashe Wound Therapy platform.

As at 31 December 2009, there have been more than 160,000 successful Vashe treatments, with total period sales of \$0.5 million (inclusive of dental revenues). PuriCore has initiated targeted marketing programmes and has expanded its key opinion leader network and activities, including 15 recent publications and symposia presentations by the PuriCore scientific team and these industry leaders.

In August 2009, the Company received a new FDA 510(k) clearance for Vashe Wound Therapy, which extends the shelf life and enables wound care clinics greater flexibility in the use of the therapy. A clinical study presented in late 2009 highlighted Vashe Wound Therapy as an effective and economical therapy for burn wounds. In addition PuriCore recently received three additional FDA 510(k) clearances for Vashe Wound Therapy for an extended shelf life, for an antimicrobial wound cleansing preservative claim, and for over-the-counter marketing.

### **Water Treatment**

PuriCore's technology is applicable for Water Treatment in industrial and municipal water systems. The Company has historically installed the Aqualox products in multiple settings, including the treatment of potable water supply for maintaining Legionella counts at safe levels and flushing of factory product lines to remove biofilm and potential contamination hazards. Research and development and active business development efforts are underway to explore commercialisation of contemporary solutions for this market segment.

## **(c) Outlook**

In 2010, the Company anticipates that PuriCore's Endoscopy business in the UK will become cash flow positive and that there will continue to be significant progress in the Food Safety business in both the US and Canada. PuriCore will continue to focus on growth in its two core businesses, North American Food Safety and UK Endoscopy, further establish its Wound Care market presence and continue to seek further opportunities for its water-based clean technology through business development. In the past, where commercially beneficial for it to do so, the Company has used debt financing for the placement of its Food Safety Systems on leased contracts with US retailers; as appropriate, the Company intends to continue this practice in the future. Additionally, the Company will continue its ongoing assessment and consideration of various business and market opportunities that will enable it to best capitalise on its core technology while seeking to maximise value to Shareholders. These opportunities could include potential partnerships and distribution relationships, joint ventures, strategic alliances, licensing and research collaborations, as well as acquisitions and disposal of businesses.

PuriCore has a strong pipeline and anticipated order flow in both core markets, namely Food Safety and Endoscopy. As at 31 December 2009, PuriCore had sales opportunities with other customers in negotiations, trials, or discussions representing an additional 40 per cent. of the North American Food Safety market, including several additional top-10 US retailers. In the UK, the order book for the integrated PuriCore and Labcaire business includes sales opportunities for the expanded product portfolio and new "Endoscopy on Demand" managed service.

Endeavouring to create a third core business, the Company's Wound Care and Water Treatment emerging markets have been selected from a wide array of applications as being those with the greatest potential to deliver short-term and long-term revenues to PuriCore. Utilising the same technology as used in PuriCore's Food Safety and Endoscopy core businesses, the Company's Wound Care business was launched in late 2008 and gained early market traction, including initial sales and key opinion leader endorsements, for the treatment of chronic and acute wounds. Additionally, PuriCore is exploring business development and commercialisation options to capitalise on its historic installations in the industrial and municipal Water Treatment markets, including Legionella control, water treatment systems for small to medium municipalities and food processing plants.

The Company also expects to increase revenues, improve gross margins, and leverage operating expenses in the core businesses whilst developing this third core business using the Company's water-based clean technology. PuriCore expects further increases in gross margins through continued leveraging of fixed costs across the Company, including the field service departments in both the US and UK. Anticipated sales growth and improving gross margins, achieved in conjunction with continued cost control, should enable PuriCore to achieve operational leverage of the business model thereby reducing net cash consumption and moving the Company towards being cash-flow positive.

## **8. General Meeting**

The Directors are seeking approval of the Fundraising Resolution by Shareholders at the General Meeting in order to grant authority to the Directors to allot the Convertible Loan Notes and to disapply statutory pre-emption rights that would otherwise apply to that allotment. The Fundraising Resolution will be proposed as a composite special resolution and will be passed if at least 75 per cent. of those voting (in person or by proxy) vote in favour.

In addition, the Directors are seeking approval of the Related Parties Resolution by Shareholders at the General Meeting in relation to the proposed participation of the Related Parties in the Fundraising. This approval is being sought because Christopher Wightman, Gregory Bosch, Timothy Anderson, William Birkett and James Walsh (each of whom is a Director) and Neil Blewitt (who is a Senior Manager and director of a subsidiary of the Company) who hold, in aggregate, approximately 1.6 per cent. of the Issued Ordinary Share Capital of the Company are all "related parties" of the Company for the purposes of Chapter 11 of the Listing Rules. The Related Parties Resolution will be proposed as an ordinary resolution and will be passed if a majority of those voting (in person or by proxy) vote in favour. The Related Parties will abstain, and have undertaken all reasonable steps to ensure that their Associates (to the extent that they own Ordinary Shares) will abstain, from voting on the Related Parties Resolution at the General Meeting.

The passing of the Fundraising Resolution is conditional upon the passing of the Related Parties Resolution.

The General Meeting is to be held at 12.30 p.m. at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD on 14 June 2010. The Fundraising will not take place unless the Resolutions are passed.

## **9. Use of Proceeds**

On the basis that the Fundraising proceeds, the Directors expect that, of the net proceeds from the Fundraising of £7 million, £4.7 million, which represents the Group's working capital shortfall, will be applied as follows:

- approximately £2.2 million towards servicing existing contracts and funding continued market share growth, field service expansion, existing product development, and application development in the Company's North American Food Safety market; and
- approximately £2.5 million for servicing existing Food Safety lease debt.

The remaining net proceeds of approximately £2.3 million will be used for general working capital purposes (including corporate and administrative overheads).

The Company expects that, if all of the Notes issued under the Fundraising are converted into Ordinary Shares on 1 January 2011, the Fundraising will increase the Company's assets by £7.0 million, (being the net proceeds of the Fundraising) and will have a neutral effect on the Company's liabilities from that point. Prior to their conversion or repayment, the issue of the Notes will have a negative effect on the Company's earnings accounting for the 6.0 per cent. per annum interest that is payable by the Company to the Noteholders in respect of the Notes.

## **10. Action to be Taken**

A shareholder circular being issued by the Company and containing details of the Fundraising is expected to be posted to Shareholders shortly together with a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the meeting, they are requested to complete and return the Form of Proxy. To be valid, the Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and either (a) deposited at the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, (b) lodged using the CREST Proxy Voting Service or (c) lodged electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk), in each case so that it is received no later than 12.30 p.m. on 12 June 2010. The appointment of a proxy will not preclude Shareholders from attending the General Meeting and voting in person if they wish to do so.

If Shareholders have any questions relating to the Circular or the Form of Proxy, please call Equiniti on 0871 384 2050 (from inside the United Kingdom) or +44 121 415 0259 (from outside the United Kingdom). The above helplines are available from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except bank and other public holidays). Calls to the 0871 384 2050 number from inside the United Kingdom are charged at 8 pence per minute from a BT landline. Other service providers' charges may vary. Calls to the +44 121 415 0259 number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons, the above helplines are only able to provide information contained in the Circular and information relating to the Company's register of members and are unable to give advice on the merits of the Fundraising or to provide legal, financial, tax or investment advice.

## **11. Further Information**

Shareholders are advised to read the whole of the Circular and not just rely on the summary information presented in this announcement.

## **12. Working Capital and Importance of Vote**

The Company is of the opinion that, taking into account existing cash balances and the net proceeds of the Fundraising, the Group has sufficient working capital for its present requirements, that is for at least 12 months following the publication of the Circular.

Completion of the Fundraising is conditional on the passing of the Resolutions. If Shareholders do not vote in favour of the Resolutions, the Fundraising will not proceed and the Company will have a working capital shortfall of approximately £4.7 million and will not have sufficient working capital to support its operations beyond 30 June 2010 in which event the Company will enter into administration. In the event that the Company enters into administration, the Directors would no longer manage the affairs of the Company or the realisation of its assets. As a result of entering into administration the Company's shares would be cancelled from the Official List and Shareholders may receive little or no value for their Ordinary Shares.

Accordingly, in order to avoid these consequences, it is important that Shareholders vote in favour of the Resolutions.

## **13. Recommendation**

The Board considers the approval of the Resolutions and the Fundraising to be in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

In addition, the Board, having been so advised by Piper Jaffray, considers the proposed participation of the Related Parties in the Fundraising to be fair and reasonable as far as Shareholders are concerned.

In accordance with the Listing Rules, each of Christopher Wightman, Gregory Bosch, Timothy Anderson, William Birkett, James Walsh and Neil Blewitt (being the "Related Parties") will not vote on the Related Parties Resolution and each has undertaken to take all reasonable steps to ensure that their Associates will not vote on the Related Parties Resolution to the extent that their Associates own Ordinary Shares.

Christopher Wightman, Gregory Bosch, Timothy Anderson, William Birkett and James Walsh have not taken part in the Board's consideration of the Related Parties Resolution. In providing advice to the Board, Piper Jaffray has taken into account the Board's commercial assessments in relation to the Fundraising.

Accordingly, all the members of the Board intend to vote in favour of the Fundraising Resolution in respect of their own beneficial holdings of Ordinary Shares which amount in total to 3,878,108 Ordinary Shares, representing approximately 1.7 per cent. of the Issued Ordinary Share Capital and only the Independent Directors intend to vote in favour of the Related Parties Resolution in respect of their own beneficial holdings of Ordinary Shares which amount in total to 230,000 Ordinary Shares, representing approximately 0.1 per cent. of the Issued Ordinary Share Capital.

In addition, Investors who are Shareholders and who in aggregate own 67,422,531 Ordinary Shares, representing approximately 30 per cent. of the Issued Ordinary Share Capital, have irrevocably undertaken to vote in favour of the Resolutions.

## **PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE LOAN NOTE INSTRUMENT**

### **14. Principal Amount**

14.1 Pursuant to the terms of the Convertible Loan Note Instrument, the Company will issue Convertible Loan Notes in an aggregate principal amount of £8 million (the "Principal Sum").

### **15. Interest**

15.1 Insofar as the Notes are not previously purchased, redeemed or converted, interest will accrue at the rate of 6.0 per cent. per annum compounded annually on the Principal Sum of Notes outstanding.

15.2 Interest accruing on the Notes will be paid to Noteholders on 30 June and 31 December (each an "Interest Date").

### **16. Repayment and Purchase**

16.1 Any Notes not previously repurchased, redeemed or converted shall be repaid at par, together with accrued but unpaid interest (less any applicable taxes) on 31 December 2011 (the "Repayment Date").

16.2 The Company may purchase outstanding Notes by tender or by private treaty.

### **17. Conversion**

17.1 With effect from 1 January 2011, Noteholders may serve written notice on the Company to convert their Notes into Ordinary Shares. Ordinary Shares issued upon the exercise of conversion rights shall be admitted to listing on the Official List and to trading on the London Stock Exchange and shall rank *pari passu* in all respects with existing Ordinary Shares save that they will not rank for any dividend or other distribution declared, made or paid by the Company prior to their issue.

17.2 The number of Ordinary Shares to be issued to a Noteholder converting their Notes will be calculated on the basis of the following formula:

$$\text{Number of Ordinary Shares} = \frac{x}{0.075}$$

where "x" is the amount of the Notes which are to be converted (plus any accrued but unpaid interest thereon), expressed in Pounds Sterling.

17.3 Fractional entitlements to Ordinary Shares arising upon the application of the above formula will be disregarded.

17.4 A Noteholder may convert all or part of its holding of Notes subject, in the case of a conversion in part, to that Noteholder converting Notes having a nominal amount of not less than £50,000 (or such amount as the Directors may otherwise determine) and such conversion not resulting in the Noteholder's holding of

remaining Notes having an aggregate nominal value of less than £50,000 (or such amount as the Directors may otherwise determine).

17.5 To the extent that any Notes are converted, they shall be deemed to be repaid in the amount of the Principal Sum so converted.

## **18. Security**

18.1 PuriCore, Inc. and PuriCore International Limited (the "Chargors") have agreed to create security over certain intellectual property in favour of the Noteholders in order to secure the obligations of the Company under the Convertible Loan Note Instrument.

## **19. Events of Default**

19.1 Noteholders may demand immediate redemption of their outstanding Notes at par, together with accrued but unpaid interest, in the event that:

19.1.1 the Company fails to pay interest on an Interest Date and such default has not been remedied within 30 days following that Interest Date; or

19.1.2 an order is made or an effective resolution is passed for the winding-up of the Company (other than a solvent winding-up for the purposes of amalgamation or reconstruction), or the Company stops or threatens to stop payment of its debts, or the Company ceases or threatens to cease to carry on its business; or

19.1.3 an administrator of the Company is appointed; or

19.1.4 a receiver or similar official is appointed in respect of the whole or a substantial part of the undertaking and assets of the Company; or

19.1.5 any distress or execution (or similar process) is levied upon or enforced against all or a substantial part of the assets or property of the Company and is not fully paid out or discharged within 60 days; or

19.1.6 any process or event with an effect analogous to any of those referred to above happens to the Company in a jurisdiction outside England and Wales; or

19.1.7 there is a change of control of the Company (which for these purposes means a person or group of persons acting in concert (the "Bidder") making an offer for 30 per cent. or more of the issued Ordinary Shares and such offer being declared unconditional or the Bidder otherwise acquiring more than or controlling the voting rights attached to 30 per cent. or more of the issued Ordinary Shares); or

19.1.8 the Chargors fail to comply with any of the provisions of the security documents which are not remedied within 30 days of the earlier of: (i) the security trustee giving notice to the Chargors and the Company of the failure to comply; or (ii) the Chargors and the Company becoming aware of the failure to comply.

## **20. Transfer**

20.1 Notes are transferable in whole or (in amounts with a nominal value equal to or greater than £50,000 (or such amount as the Directors may otherwise determine)) in part provided that such transfer would not give rise to such Noteholder being the registered owner of Notes with a nominal value of less than £50,000 (or such amount as the Directors may otherwise determine).

20.2 Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Japan, South Africa or Australia or any jurisdiction where acceptance of the Notes would violate the law of that jurisdiction except (i) pursuant to exemptions from, or in transactions not subject to, the applicable requirements of such jurisdictions and (ii) with the agreement of the Company.

## 21. Adjustment

21.1 If, before the Repayment Date, the Company allots any Ordinary Shares fully paid by way of capitalisation of profits or reserves to holders of Ordinary Shares on the register on a date (or by reference to a record date) before the Repayment Date or upon any consolidation or sub-division of the Ordinary Shares before such date, the nominal value and/or the conversion price and/or number of Ordinary Shares that are issued upon any subsequent exercise of a Noteholder's conversion rights shall be adjusted in such manner as the Directors shall specify to be necessary in order that, upon conversion, such Ordinary Shares:

21.1.1 will carry as nearly as possible (and in any event not less than) the same proportion of the votes exercisable at general meetings of the Company; and

21.1.2 will carry the same entitlement to participate in the profits and assets of the Company,

as would the total number of Ordinary Shares which might have been issued pursuant to the conversion rights conferred by the Notes outstanding and unexercised immediately before the event giving rise to the adjustment had there been no adjustment and no such event giving rise to such adjustment.

## 22. Listing

22.1 No application will be made to any investment exchange (whether in the United Kingdom or elsewhere) for permission to deal in or for an official or other listing or quotation in respect of the Notes.

## 23. Amendment

23.1 The Company may from time to time (by deed expressed to be supplemental to the Convertible Loan Note Instrument) amend any provisions of the Convertible Loan Note Instrument if the amendment is previously either sanctioned by an Extraordinary Resolution (which for these purposes means a resolution passed at a meeting of the Noteholders by a majority consisting of not less than three-fourths of the persons voting upon a show of hands and, if a poll is demanded, by a majority consisting of not less than three-fourths of the votes given on the poll) or considered in the reasonable opinion of the Directors of the Company to be either necessary to correct a manifest error or such amendment is of a minor or technical nature.

## 24. Governing Law and Jurisdiction

24.1 The Convertible Loan Note Instrument and the Notes (and any non-contractual rights or obligations arising out of or in connection with them) shall be governed by and construed in accordance with the laws of England.

24.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Convertible Loan Note Instrument.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this announcement unless the context requires otherwise:

"510(k) clearance"	means the pre-marketing process under section 510(k) of the US Federal Food, Drug and Cosmetic Act whereby manufacturers notify the FDA of their intent to market a medical device
"antimicrobial"	means an agent that inhibits the growth or multiplication of microorganisms, or kills them
"Associate"	has the meaning given to it in the Listing Rules
"Board"	means the board of directors of PuriCore
"Circular"	means the circular to Shareholders dated 28 May 2010 explaining the Fundraising and giving notice of a General Meeting of the Company
"Commitment Letters"	means the letters pursuant to which the Investors have undertaken to subscribe for Convertible Loan Notes as summarised in paragraph 7 of Part IV of the Circular

“Company” or “PuriCore”	means PuriCore plc, registered in England and Wales with registered number 5789798
“Completion”	means the issue of the Convertible Loan Notes to the Investors
“Convertible Loan Note Instrument”	means the instrument of the Company constituting the Convertible Loan Notes, the principal terms and conditions of which are summarised in Part III of the Circular
“Convertible Loan Notes” or “Notes”	means the secured convertible loan notes of the Company due 31 December 2011 constituted by the Convertible Loan Note Instrument
“CREST”	means the system for the paperless settlement of trades in securities, of which Euroclear is the operator
“decontamination”	means disinfection or sterilisation of infected articles to make them suitable for use
“Directors”	means the directors of the Company, being Christopher Wightman, Gregory Bosch, Darren Weiss, Timothy Anderson, William Birkett, Michael Sapountzoglou and James Walsh
“Endoscopy”	means a PuriCore core business that addresses the safe and effective microbiological decontamination of flexible endoscopes between patient procedures
“Endoscopy on Demand”	means PuriCore’s managed equipment service offering that provides everything an endoscopy decontamination unit needs including all necessary equipment, compliance, support and training
“Equiniti” or “Registrars”	means Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
“Euroclear”	means Euroclear UK & Ireland Limited
“FDA”	means the US Food and Drug Administration
“Food Safety”	means a PuriCore core business that addresses the safe and effective microbiological sanitisation of fresh produce, seafood and floral products in North American supermarkets
“Form of Proxy”	means the form of proxy for use by Shareholders in connection with the General Meeting
“FSA”	means the Financial Services Authority
“FSMA”	means the Financial Services and Markets Act 2000, as amended
“Fundraising”	means the issue of £8 million in aggregate nominal amount of Convertible Loan Notes pursuant to the Convertible Loan Note Instrument, as described in Part II of the Circular
“Fundraising Resolution”	means the special resolution to be proposed at the General Meeting, notice of which is set out in Part VI of the Circular
“General Meeting”	means the general meeting of the Company to be held at 12.30 p.m. on 14 June 2010, notice of which is set out in Part VI of the Circular, or any reconvened meeting following any adjournment thereof
“Group” or “PuriCore Group”	means the Company and its subsidiary and subsidiary undertakings
“Issued Ordinary Share Capital”	means the issued Ordinary Shares of the Company
“Independent Directors”	means Darren Weiss and Michael Sapountzoglou
“Investors”	means those persons who have irrevocably undertaken to subscribe for the Convertible Loan Notes pursuant to the Commitment Letters
“Labcaire”	means Labcaire Systems Limited, a provider of endoscope decontamination equipment and services in the UK acquired by PuriCore in August 2009
“Listing Rules”	means the listing rules of the FSA made under Part VI of the FSMA
“Noteholder”	means a holder of Convertible Loan Notes
“Official List”	means the Official List of the FSA
“Ordinary Shares”	means the ordinary shares of 1 pence each in the capital of PuriCore
“pathogen”	means a micro-organism that causes disease in other organisms. Generally, any viruses, bacteria, or fungi that cause disease
“Piper Jaffray”	means Piper Jaffray Ltd

“Prospectus Rules”	means the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
“Q1”	means the first quarter of a calendar year for the three month period ending 31 March
“Related Parties”	means Christopher Wightman, Gregory Bosch, Timothy Anderson, William Birkett, James Walsh and Neil Blewitt
“Related Parties Resolution”	means the ordinary resolution to be proposed at the General Meeting, notice of which is set out in Part VI of the Circular
“Resolutions”	means the Fundraising Resolution and the Related Parties Resolution
“Senior Managers”	means those members of the management bodies of PuriCore and its subsidiaries who are relevant to establishing that PuriCore has the appropriate expertise and experience for the management of its business for the purposes of the Prospectus Rules, being Daniel Bee, Neil Blewitt, David Correale, Tom Daniel, Andrea Holtzman Drucker and Raymond Mannion
“Shareholders”	means shareholders of PuriCore
“Share Schemes”	means the PuriCore Executive Omnibus Incentive Plan, the Sterilox Technologies, Inc. Share Option Scheme 2004 and the Sterilox Technologies, Inc. Share Option Scheme 2005
“Sterilox Systems” or “Systems”	means the branded systems marketed by PuriCore which produce a hypochlorous acid solution from water, electricity and common salt
“UK”	means the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Vashe Wound Therapy”	means a PuriCore branded system used in Wound Care with clearance from the US Food and Drug Administration for moistening, irrigating, cleaning and debriding acute and chronic wounds
“Water Treatment”	means a new business development segment for PuriCore involving the therapeutic treatment of public, industrial or commercial water
“Wound Care”	means a new business development segment for PuriCore involving the treatment of acute and chronic wounds
“\$”	means the lawful currency of the United States
“£”, “Pounds Sterling”, “p” or “pence”	means the lawful currency of the United Kingdom