

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek advice from your solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or transferred all of your ordinary shares of 0.1 pence each in the capital of Cloudtag Inc. ("**Company**") ("**Ordinary Shares**"), please send this document, including the Notice of Extraordinary General Meeting and the accompanying Form of Proxy or Form of Instruction, as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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# **Cloudtag Inc.**

*(incorporated in the Cayman Islands under the Companies Law (2012 Revision)  
of the Cayman Islands with registered number 242424)*

## **Issue of Loan Notes and Notice of Extraordinary General Meeting**

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This document should be read in its entirety. Your attention is drawn to the recommendation of the board of directors of the Company ("**Board**" or "**Directors**") which is set out in this document and which recommends that you vote in favour of the resolutions set out in the Notice of Extraordinary General Meeting referred to below ("**Resolutions**").

The Directors, whose names appear on page 2 of this document, accept individual and collective responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document is not for distribution outside the United Kingdom except to the extent that it would be lawful to do so. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.

**Notice of a General Meeting of the Company, to be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 11.00 a.m. on 23 December 2014, is set out at the end of this document. All Shareholders are urged to complete, sign and return the enclosed Form of Proxy or Form of Instruction, as applicable, whether or not they intend to be present at the meeting, in accordance with the instructions printed thereon. To be valid, Forms of Proxy or Forms of Instruction, as applicable, and any power of attorney or other authority under which they are signed must be lodged with Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 11.00 a.m. on 19 December 2014 in the case of a Form of Proxy and by no later than 11.00 a.m. on 18 December 2014 in the case of a Form of Instruction. Completion and return of a Form of Proxy or Form of Instruction will not preclude members of the Company or Depositary Interest Holders, as appropriate, from attending and voting at the EGM should they so wish. Depositary Interest Holders wishing to attend the EGM should contact the Depositary as per the instructions on the Form of Instruction. A summary of the action to be taken by Shareholders is set out on page 6 and in the Notice of Extraordinary General Meeting set out at the end of this document.**

# Cloutag Inc.

(incorporated in the Cayman Islands under the Companies Law (2012 Revision)  
of the Cayman Islands with registered number 242424)

## Directors:

Anthony Reeves (*Non-Executive Chairman*)  
Michael Hirschfield (*Interim Finance Director*)  
Andrew Jackson (*Chief Executive Officer*)

## Registered Office:

122 Mary Street, Zephyr House  
P.O. Box 709  
KY11-1107  
Grand Cayman  
Cayman Islands

4 December 2014

**To all holders of Ordinary Shares and, for information purposes only, the holders of options or warrants over Ordinary Shares**

Dear Shareholder,

## Issue of Loan Notes

### Notice of Extraordinary General Meeting

#### 1. Introduction

Your Board announced today that the Company has entered into subscription agreements with certain investors in respect of the issue of, in aggregate, £800,000 unsecured loan notes due in 2015 ("**Loan Notes**") to such investors ("**Fundraising**"). Under the terms of the Fundraising, the Loan Notes will become convertible into Ordinary Shares if, and only if, the Company obtains authority from its shareholders to dis-apply the pre-emption rights in the Company's articles of association ("**Articles**") so as to allow it to issue sufficient Ordinary Shares to satisfy the exercise of all such conversion rights in full. Further details of the terms of the Fundraising are set out below.

The Fundraising is not conditional upon shareholder approval; however, the ability of the Company or the investors to convert the Loan Notes into Ordinary Shares is conditional upon shareholder approval. If such approval is not received, the Loan Notes will not become convertible and will be repayment obligations of the Company.

The Board anticipates that the Company will, in the near future, require further funding in addition to the Fundraising ("**Additional Fundraising**"). If other forms of funding such as debt, trade factoring or mezzanine finance are not available, this Additional Fundraising may take the form of equity funding and, accordingly, the Board is seeking the approval of Resolution 2 (as set out in the Notice) to authorise the Company to dis-apply the pre-emption rights in the Articles in respect of the allotment and issue of further Ordinary Shares having a nominal value of up to £80,000.

The Board has agreed, subject to shareholder approval of Resolution 3, with certain of its advisers and business partners to settle fees owing to them by issuing, in aggregate, 7,916,667 Ordinary Shares.

The purpose of this document is to convene an extraordinary general meeting for 23 December 2014 ("**EGM**"), notice of which is set out at the end of this document, at which the Resolutions will be proposed in order to facilitate the Fundraising, the Additional Fundraising and the settlement of fees.

#### 2. Fundraising

The Board has concluded that the Fundraising is necessary in order to allow the Company to meet its plans for the growth and development of its business over the coming months, in particular the development and manufacture of products with a view to launching the first device in early 2015 and making it available for general sale in the UK and US markets in Q2 2015.

Pursuant to the Fundraising, the Loan Notes have been issued to investors in exchange for the payment of subscription monies totalling, in aggregate, £800,000. Pursuant to the terms of the loan note instrument executed by the Company, an additional £700,000 of Loan Notes may be issued by the Company on or before 30 June 2015.

If Shareholders approve Resolution 1, the Loan Notes will become convertible at 100 per cent. of their principal amount plus accrued interest into new ordinary shares of 0.1 pence each in the capital of the Company (“**Ordinary Shares**”) either:

- (i) at the holder’s option at a conversion price which is fixed at 3.75 pence of indebtedness per one Ordinary Share, representing an effective discount of 3.23 per cent. to the closing mid-market price of an Ordinary Share on 3 December 2014 (being 3.875 pence), the last business day prior to the publication of this document; or
- (ii) at the Company’s option at a conversion price which is fixed at 3.75 pence of indebtedness per 1.5 Ordinary Shares (equivalent to 2.5 pence of indebtedness per one Ordinary Share), representing an effective discount of 35.48 per cent. to the closing mid-market price of Ordinary Shares on 3 December 2014 (being 3.875 pence), the last business day prior to the publication of this document.

The Loan Notes carry nil interest for the first six months following issue and thereafter carry interest at a rate of 8 per cent. per annum beginning on the business day after the six-month anniversary of issue. The Loan Notes are unsecured, are not listed and are transferable.

Unless previously redeemed, converted or cancelled, the Loan Notes will be redeemable at any time at the Company’s option at 100 per cent. of their principal amount plus accrued interest. Unless previously redeemed, converted or cancelled (including if Resolution 1 is not passed), the Loan Notes will mature and become repayable at 100 per cent. of their principal amount plus accrued interest on 3 December 2015.

Assuming £800,000 of the Loan Notes are issued and continue to accrue interest until their maturity date and are then converted, and assuming no other shares are issued between the date of this document and the date of redemption, the maximum dilutive effect of the Fundraising can be assessed from the table below, which shows the number of shares which could be issued on conversion of the Loan Notes and the proportion of the enlarged share capital which they represent:

	<i>Number of shares</i>	<i>% of enlarged share capital</i>
If exercised by the holders	21,333,333	11.61
If exercised by the Company	32,000,000	16.46

### **3. Working Capital and Additional Fundraising**

The projected use of funds raised pursuant to the Fundraising is set out in the following table:

<b>Hardware development</b>	
Costs to complete the production models of the hardware device, patch and packaging	£580,000
<b>Software development</b>	
Costs to complete the next release of the app with cloud infrastructure & integration with the production samples	£130,000
<b>General working capital</b>	£90,000
<b>Total</b>	<b>£800,000</b>

Subject to completion of the Fundraising, the Board believes that the Company will have sufficient capital to launch the cloud version of the app and to complete the development stage of the device, comprising of pre-mass production test models of the hardware device, patch and packaging.

However, once the product is capable of being launched, which is expected in Q2 2015, the Company will require significant additional working capital (by completion of the Additional Fundraising) to finance manufacturing of the product and an increase in support, sales and marketing personnel.

Whilst the Board anticipates that obtaining the production samples referred to above will enable the Company to access alternative forms of funding including, but not limited to, trade factoring, debt and mezzanine finance, should none of these forms of funding be available, or available on acceptable terms or to the extent required, the Board believes that it would be prudent to have the ability to issue further equity on a non-pre-emptive basis so as to avoid any delay in launching the product.

Notwithstanding the Fundraising, failure to secure the Additional Fundraising in a timely manner would result in a delay to the project and the release of the device to the market and would adversely impact the Company's working capital position.

#### **4. Appointment of Amit Ben-Haim as Consultant**

The Board has appointed Amit Ben-Haim as a consultant to the Company. Amit has a proven track record as a successful entrepreneur establishing, leading and expanding companies through to trade sale exits as co-founder, executive and non-executive director. In 1993, he co-founded Biosense Inc., a medical devices company which was sold to Dow Jones-listed Johnson & Johnson in 1997 for \$485 million. In 1996, he co-established Impulse Dynamics Inc., another medical devices company, which ultimately licensed its cardiac contractility technology to NYSE-listed Guidant Corporation (a group company of Boston Scientific) and in 1998 he was one of several founders of Odigo Inc., a communications company specialising in instant messaging platforms (for example Blackberry's BBM) which was sold in 2000 to NASDAQ-listed Comverse Inc. Amit's experience extends across various industries including aviation (private and commercial), infrastructure, corporate finance and wealth management.

Amit's brief is to make introductions for the Company in the finance, technology and consumer health and wellbeing sectors and to assist the Company in raising equity and other capital to fund the Company's activities.

Under the terms of his consultancy agreement, Amit will receive fees of £80,000 per annum, comprising: (i) £44,000 per annum payable quarterly in arrears to be settled through the issue of Ordinary Shares issued at the prevailing market price set as the average of the closing mid-market price on the five dealing days prior to the end of each quarter; and (ii) £36,000 per annum payable monthly in arrears to be settled in cash.

#### **5. Golden Bridge Services Limited**

The Board has been introduced to Golden Bridge Services Limited ("**GBSL**"), a financial investment and services company incorporated in the Cayman Islands which believes that there is an opportunity for it to introduce investors and/or a strategic partner to the Company. Accordingly, the Company has granted to GBSL conditional warrants to subscribe for up to 22,000,000 new Ordinary Shares at a subscription price of 4.25p per share ("**Warrant Shares**"). If the warrant is exercised in full, the Warrant Shares would represent 12.5 per cent. of the current issued share capital as enlarged by their issue. The grant of the warrants is subject to shareholder approval of Resolution 3 at the EGM and the satisfaction by the warrant holder of performance conditions. These conditions are either (i) the introduction by GBSL, within 150 days, of one or more investor(s) investing together not less than £500,000 in the Company, such new investment being on equal or better terms to the Company than the convertible Loan Note issue; or (ii) the introduction of a strategic partner; that means a strategic partner concluding a transaction, acquisition or collaboration with the Company, such party being a hardware, software or sports and fitness company which has mutual business interests with the Company's business operations and which brings either significant strategic advantages to the Company or which has a platform (being any, some or all of a website, app or e-commerce platform) with not less than 30 million unique users. To date, no introductions have been made and no discussions have taken place between the Board and any potential new investor(s) or strategic partner.

## 6. Capitalisation of fees

The Company intends to issue 6,666,667 Ordinary Shares to Amit Ben-Haim by way of capitalisation of £250,000 of fees and commissions owing to him in relation to the Fundraising at an issue price of 3.75 pence per share. The Board appreciates that the fees and commissions are substantial. The Company is, however, at an early stage; as such traditional avenues of financing are either not open to it on acceptable terms or at all. The Company was approached by Amit with a view to him introducing investors, which he has done, and in view of that and the Company's circumstances, the Board believes that the fees and commissions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Using its existing authority to allot and issue Ordinary Shares, the Company has agreed to issue 1,250,000 Ordinary Shares (subject to admission to trading on AIM) at an issue price of 3.75 pence per share to a third party creditor in settlement of fees owed to it in respect of its services to the Company. Application will be made to the London Stock Exchange for these new Ordinary Shares to be admitted to trading on AIM and it is expected that dealings in these shares will commence on or around 10 December 2014.

This issue of 6,666,667 new Ordinary Shares to Amit Ben-Haim ("**Fee Shares**"), representing 4.14 per cent. of the Company's share capital as enlarged by that issue, is subject to shareholder approval of Resolution 3 at the EGM.

## 7. Dilution

The table below sets out the Company's current issued share capital and the maximum dilutive effect of (i) the exercise of all options and warrants outstanding at the date of this document; and (ii) the completion of each of the arrangements described in this document, including the conversion of £800,000 of Loan Notes at the Company's election, the exercise of the Warrant Shares, the issue of the Fee Shares and the issue of the maximum number of new Ordinary Shares in connection with the Additional Fundraising (at 3.75p per share):

<i>Event</i>	<i>Ordinary Shares</i>
Current issued share capital	154,437,500
Outstanding options and warrants at the date of this document	6,750,000
Conversion of £800,000 of Loan Notes at the Company's election	32,000,000
Warrant Shares	22,000,000
Fee Shares and shares to be issued to a third party creditor	7,916,667
Maximum number of Ordinary Shares to be issued in connection with the Additional Fundraising	80,000,000
Maximum possible fully diluted share capital	<u>303,104,167</u>
Maximum dilutive effect	96.26%

## 8. Extraordinary General Meeting

A notice of EGM is set out at the end of this document convening the EGM to be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 11.00 a.m. on 23 December 2014, at which the following resolutions ("**Resolutions**") will be proposed:

- (Resolution 1) to approve the disapplication of pre-emption rights in the Company's articles of association in connection with the issue of equity securities, upon and subject to the conversion of the Loan Notes, up to an aggregate nominal value of £60,000;
- (Resolution 2) to approve the disapplication of pre-emption rights in connection with the further issue of equity securities up to an aggregate nominal value of £80,000 in respect of the Additional Fundraising; and
- (Resolution 3) to approve the disapplication of pre-emption rights in connection with the issue of the Fee Shares and the Warrant Shares.

**9. Action to be taken**

A Form of Proxy or a Form of Instruction is enclosed for use, as applicable, in connection with the EGM. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the Form of Proxy or Form of Instruction in accordance with the instructions printed thereon, as applicable, to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on 19 December 2014 in the case of a Form of Proxy and not later than 11.00 a.m. on 18 December 2014 in the case of a Form of Instruction. The completion and return of a Form of Proxy or Form of Instruction will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

**10. Recommendation**

The Directors believe that the Resolutions are in the best interests of the Company and Shareholders as a whole and accordingly recommend that Shareholders vote in favour of the Resolutions, as they intend to do so in respect of their aggregate holding of 7,912,500 Ordinary Shares, representing approximately 5.12 per cent. of the current issued share capital of the Company.

Yours faithfully

**Anthony Reeves**  
*Chairman*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# Cloudtag Inc.

*(incorporated in the Cayman Islands under the Companies Law (2012 Revision)  
of the Cayman Islands with registered number 242424)*

Notice is given that an extraordinary general meeting of the members of Cloudtag Inc. ("**Company**") will be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG on 23 December 2014 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions.

### SPECIAL RESOLUTIONS

1. That, without prejudice to any existing authorities, the directors of the Company be authorised to dis-apply the pre-emption rights set out in article 17 of the Company's articles of association in respect of the allotment of equity securities upon the conversion of the Loan Notes (as more particularly described in the Company's Circular to Shareholders dated 4 December 2014 ("**Circular**")), up to an aggregate nominal amount of £60,000 such authority to expire on the date of redemption or conversion of all of the Loan Notes. In this notice "equity securities" means any shares in the capital of the Company and the grant of any right to subscribe for, or to convert any security into, shares in the capital of the Company.
2. That, without prejudice to any existing authorities, the directors of the Company be authorised to dis-apply the pre-emption rights set out in article 17 of the Company's articles of association in respect of the allotment of equity securities in connection with the Additional Fundraising (as more particularly described in the Circular), up to an aggregate nominal amount of £80,000, such power to expire on the conclusion of the Company's annual general meeting to be held in 2015, except that the directors may allot equity securities following an offer or agreement made before the expiry of the authority.
3. That, without prejudice to any existing authorities, the directors of the Company be authorised to dis-apply the pre-emption rights set out in article 17 of the Company's articles of association in respect of the allotment of equity securities in connection with the issue of the Fee Shares and Warrant Shares (as more particularly described in the Circular), up to an aggregate nominal amount of £29,000 such power to expire on the conclusion of the Company's annual general meeting to be held in 2015, except that the directors may allot equity securities following an offer or agreement made before the expiry of the authority.

By order of the board

#### **Kitwell Consultants Limited**

*Secretary*

Registered office: 122 Mary Street, Zephyr House, P.O. Box 709, KY1-1107 Grand Cayman, Cayman Islands

Date: 4 December 2014

### Notes to the Notice of Extraordinary General Meeting:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote in his place. A proxy need not be a member of the Company.
2. To be effective, a completed and signed proxy and (in the case of an instrument signed by an agent of the member who is not a corporation) the authority under which such instrument is signed or an office copy or duly certified copy must be delivered to the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time fixed for the meeting or any adjourned meeting. You may also deliver by hand to this address during normal business hours.
3. Completion of a Form of Proxy will not prevent a member from attending and voting in person.
4. Members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjourned meeting.
5. In the case of joint holders of shares in the Company, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names appear in the Company's register of shareholders (or the Company's registrars' records).
6. In the case of holders of Depositary Interests representing ordinary shares in the capital of the Company, a Form of Instruction must be completed in order to direct Computershare Company Nominees Limited, as Custodian and the registered shareholder of Clouttag Inc. Ordinary Shares represented by Depositary Interests, to vote on the holder's behalf at the meeting, or if the meeting is adjourned, at any adjourned meeting. To be effective, a completed and signed Form of Instruction must be delivered to the Company's transfer agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.
7. As at 6.00 p.m. on 3 December 2014, the Company's issued share capital comprised 154,437,500 Ordinary Shares of 0.1p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 3 December 2014 is 154,437,500.
8. CREST members who wish to vote by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a voting instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 3RA50) by 11.00 a.m. on 18 December 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such actions as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).