



09 October 2015

CHARTER PACIFIC EXECUTES BINDING AGREEMENT TO ACQUIRE NEW YORK BASED INTEGRITY SYSTEMS INC.

Charter Pacific Corporation Limited (ASX:CHF) announces that it has entered into a binding agreement to acquire 100% of the issued shares in Integrity Systems Inc.

HIGHLIGHTS

Integrity Systems Inc.

- **current annual revenue US\$12.5 million* with all revenue earned in US\$**
- **2016 expected to produce strong revenue growth**
- **operating for over 15 years globally, the company manufactures ex-China with sales offices in the US, Hong Kong, China, and Australia.**
- **a global company manufacturing and distributing leading edge patented anti-counterfeiting technology ISO 9001:2008 compliant to 2017,**
- **protecting the integrity of leading brands and products worldwide,**
- **delivering the capability for brands to connect with their customers in real-time,**
- **a mobile phone app providing multi levels of brand verification by the consumer at the point of sale,**

As a leader in the anti-counterfeiting industry, Integrity's two levels of anti-counterfeit solutions can be applied to almost any fabrication and substrate, to any part of a product, large or small. It provides multi levels of brand protection layered with client/consumer data integration via the use of a mobile phone app.

Integrity custom designs, manufacture and distribute labels incorporating its leading edge patented GenuineThread™ and GenuineQR Code™ to ISO 9001:2008 international standards. The application for Integrity's technology is versatile for almost any industry including pharmaceutical, apparel and accessories, food and beverage, cosmetics, electronics and automotive.

Tracked with visible and invisible protection, Integrity's patented technology is applied with labels, packaging and directly to the actual product itself to provide multi levels of brand protection.

A sample of the client base currently using Integrity's technology:

Hong Kong Police	Abercrombie & Fitch	Adidas	American Eagle Outfitters
Billabong	Calvin Klein Jeans	Cabela's	Chaps
Columbia	Diesel	Ducati	GAP
Honda	Hyundai	Lamborghini	Lisa Perry
Manchester United	Marks Spencer	NFL	Nordstrom
Oakley	Ralph Lauren	Reebok	Star Wars
Spiderman	Target	Timberland	Victoria Beckham

** based on unaudited management accounts*

Executive Chairman, Kevin Dart “considers the acquisition of Integrity Systems Inc. a stand out opportunity for the Company. The Anti-Counterfeiting Packaging Market has been reported to be worth \$128.6 Billion by 2019 (refer report, “*Anti-Counterfeiting Packaging Market by Technology (Authentication & Anti-Tampering, and Track & Trace), by Application (Food & Beverage, Pharmaceuticals, and Others) - Global Trends & Forecast to 2019*).

Integrity’s technology enables a solution with foods imported into Australia or exported from Australia being able to utilise the mobile app to verify the source and date to give the consumer knowledge of where the product originated from.”

KEY ACQUISITION TERMS

Charter Pacific has agreed to acquire 100% of the issued capital in Integrity through the issue of 332.5m shares in Charter Pacific (US\$23.6m) subject to shareholder approval at a general meeting. Charter Pacific will also pay a deferred consideration of a further 60m Charter Pacific shares when the Company’s share price reaches \$0.20 per share, 60m Charter Pacific shares when the Company’s share price reaches \$0.40 per share and 60m Charter Pacific shares when the Company’s share price reaches \$0.60 per share totalling 512.5m shares. The consideration shares will be subject to ASX escrow provisions.

The completion of the acquisition will be subject to Charter Pacific shareholder approval and compliance with all ASIC and ASX regulatory requirements.

Conditions precedent for the completion of the acquisition will include;

- Calling an extraordinary general meeting of Charter Pacific shareholders to consider and if thought fit approve all of the relevant resolutions to effect the proposed transaction;
- The issue of consideration shares to the Integrity vendors;
- Charter Pacific preparing a prospectus for a capital raising of up to \$14m to fund the roll out and expansion of the Integrity business plan, lodging the prospectus with Australian Securities and Investment Commission;
- Change the name of Charter Pacific to Integrity System Limited;
- Compliance with Chapters 1 and 2 of the ASX Listing Rules.

PRO FORMA CAPITAL STRUCTURE

Following the public offer and acquisition the indicative effect on the Company’s capital structure will be as follows;

Event	Shares	Options	Deferred consideration shares
Current	175,458,691	5,000,000	
Consideration to Integrity shareholders	332,535,214		
Deferred consideration to Integrity shareholders			180,000,000
Conversion of debt to equity	14,270,390		
Public offer	140,000,000		
TOTAL	662,264,295	5,000,000	180,000,000

INDICATIVE TIMETABLE

Event	Date
Execute Share Purchase Agreement	14 October 2015
Lodge Notice of Meeting of EGM at ASX	2 November 2015
Dispatch EGM Notice of Meeting	9 November 2015
Hold EGM	9 December 2015
Lodge Listing Application	16 December 2015
Issue Prospectus	16 December 2015
End of Exposure Period	23 December 2015
Open Offer	5 January 2016
Close Offer	8 February 2016
Dispatch Holding Statements	11 February 2016
Re-quotation of shares on ASX	29 February 2016

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