

**FORM 51-102F3**  
**MATERIAL CHANGE REPORT**  
**UNDER SECTION 7.1 OF NATIONAL INSTRUMENT 51-102**

**ITEM 1**      **NAME AND ADDRESS OF COMPANY**

Trenchant Capital Corp. (the "Company")  
Suite 702, 583 Beach Crescent  
Vancouver, BC  
V6Z 3E6

**ITEM 2**      **DATE OF MATERIAL CHANGE**

June 7, 2016

**ITEM 3**      **NEWS RELEASE**

News release dated June 7, 2016 was distributed through Stockwatch and Market News Publishing.

**ITEM 4**      **SUMMARY OF MATERIAL CHANGE**

The Company announced that it is pursuing a change of business (the "**Change of Business**") to become a Tier 2 Investment Issuer on the TSX Venture Exchange (the "**TSXV**").

The Company also announced that it executed a non-binding term sheet on June 6, 2016, with Hillcore Group Ltd. ("**Hillcore Group**") pursuant to which the Company will loan a minimum of \$15,000,000 and a maximum of \$20,000,000 (the "**Loan**") to the Hillcore Group, or to one of its portfolio companies. The Company plans to fund the Loan through an offering of convertible debentures, and also plans to issue \$3,000,000 in convertible preferred shares to provide working capital for due diligence on additional potential investments and to satisfy the minimum listing requirements of the TSXV for a Tier 2 Investment Issuer, all as more particularly described in Item 5 below.

**ITEM 5**      **FULL DESCRIPTION OF MATERIAL CHANGE**

The Company announced that it is pursuing a change of business (the "**Change of Business**") to become a Tier 2 Investment Issuer on the TSX Venture Exchange (the "**TSXV**"). The Company executed a non-binding term sheet on June 6, 2016 with Hillcore Group Ltd. ("**Hillcore Group**") pursuant to which the Company will loan a minimum of \$15,000,000 and a maximum of \$20,000,000 (the "**Loan**") to the Hillcore Group, or to one of its portfolio companies. The Company plans to fund the Loan through an offering of convertible debentures, and also plans to issue \$3,000,000 in convertible preferred shares to provide working capital for due diligence on additional potential investments and to satisfy the minimum listing requirements of the TSXV for a Tier 2 Investment Issuer, all as more particularly described below.

**Proposed Change of Business**

In light of the current state of the natural resources exploration and development market, and given the expertise of the members of the board of directors of the Company (the “**Board**”), the Board believes the best path forward for the Company is as an Investment Issuer, focused on providing special situation debt financing to established companies with a solid track record of earnings and demonstrated potential for future growth. For those reasons, the Board has proposed that the Company complete the Change of Business.

There will be no changes in the Board or management of the Company as a result of the Change of Business. The directors and officers of the Company are:

- Eric Boehnke, Chief Executive Officer and Director;
- John Legg, Director;
- Thomas English, Director;
- John Veltheer, Director; and
- Jennie Choboter, Chief Financial Officer.

Please refer to the Company’s most recent information circular and news release for biographical information on the Company’s directors and officers.

The Change of Business is a “related party transaction” under the policies of the TSXV, but is anticipated to be approved by written consent of the holders of a majority of the Company’s issued and outstanding common shares (the “**Common Shares**”), excluding Common Shares held by the interested party to the transaction as further described below. The Change of Business is also subject to approval of the TSXV. The Company plans to apply to the TSXV for a waiver of the TSXV’s sponsorship requirement.

**Proposed Investment Policy**

As required by the TSXV’s listing requirements for an Investment Issuer, the Company will adopt an investment policy to govern its investment activities (the “**Investment Policy**”). The Investment Policy will set out, among other things, the Company’s investment objectives and strategy based on the fundamental principles set out below. The Investment Policy will be posted on the Company’s website and filed on SEDAR prior to the completion of the Change of Business.

The Investment Policy will provide, among other things, that the Company will: (a) seek to provide special situation debt financing to established companies with a solid track record of earnings and demonstrated potential for future growth, (b) generate shareholder equity by taking, and where prudent, exercising equity purchase rights in portfolio companies, (c) participate in potential going-public transactions or other liquidity events in portfolio companies, and (d) seek to preserve capital and limit downside risk through securely structuring its investments. The Company plans to work closely with management of portfolio companies, either by securing board observation rights and/or board appointment rights, or management service arrangements. Barring special circumstances, the Company will be limited to investing not more than 30% of its equity capital in any one particular investment.

The Investment Policy will provide the Company with broad discretion with respect to the form of investments made. The Company may employ a wide range of investment instruments, including: equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants, options, and other hybrid instruments. The Company may acquire limited partnership interests, joint venture or real property interests. Where appropriate, the Company may act as a third party advisor with respect to opportunities with target or other companies, in exchange for a fee. The Investment Policy shall not permit the Company to invest in physical commodities, derivatives, “short” sales, substantial “passive” equity positions or other similar transactions. Notwithstanding the foregoing, the Company may authorize investments outside of these structures for the benefit of the Company and its shareholders.

#### **Investment Evaluation Process**

The Company will establish an investment committee (the “**Investment Committee**”), comprised of at least two members of the Board, to monitor its investment portfolio on an ongoing basis and to review the status of each investment at least once a month or on an as-needed basis. Nominees for the Investment Committee shall be recommended by the Board.

The members of the Investment Committee shall be appointed annually by the Board at the first Board meeting subsequent to the annual meeting of shareholders or on such other date as the Board shall determine. Members of the Investment Committee may be removed or replaced by the Board. Officers of the Company may be members of the Investment Committee. Each member of the Investment Committee shall be financially literate.

It is anticipated that upon completion of the Change of Business, the Investment Committee shall be comprised of Eric Boehnke, Chief Executive Officer, Thomas English, director, and John Legg, director.

#### **Hillcore Strategic Alliance**

To further its development as an Investment Issuer, the Company has entered into a strategic alliance with the Hillcore Group, which grants the Company rights of first negotiation to provide special situation debt financing to Hillcore's pipeline of current and future private equity investments. The Company expects that such financings may include secondary, subordinated, mezzanine or non-traditional debt, asset-backed securities and back-leveraged/holdco debt. The Company has also been granted certain back-in and tag along negotiation rights, as well as negotiation rights for capital market transactions with respect to projects for which the Company has provided financing. HCG5 Investment Limited Partnership, a limited partnership related to the Hillcore Group, holds approximately 17.3% of the issued and outstanding Common Shares.

#### **About the Hillcore Group**

Hillcore Group is a leading independent Canadian investment and advisory firm that invests predominantly in the life sciences, real estate, seniors living, financial, industrial and energy sectors. With offices in Toronto, Vancouver, Calgary and Montreal, the Hillcore Group employs approximately 2,500 people throughout Canada across its various groups and portfolio companies. Entities under management by the Hillcore Group had an asset value in excess of \$4.4 billion as of December 31, 2015.

### **The Convertible Debenture Financing**

The Company is undertaking a non-brokered financing of five-year secured convertible debentures (the “**Convertible Debentures**”) having an aggregate principal amount of a minimum of \$15,000,000 and a maximum of \$20,000,000 (the “**Convertible Debenture Financing**”). The outstanding principal of the Convertible Debentures will bear interest (the “**Convertible Debenture Interest**”) at the rate of 11.0% per annum, with 8% to be paid quarterly in cash and 3% to be added to the outstanding principal of the Convertible Debentures and payable on the maturity date. Commencing on the date that is two years after the date of issuance of the Convertible Debentures, the outstanding principal amount of the Convertible Debentures may be converted into Common Shares, provided that no more than 25% of the principal amount of any Convertible Debenture may be converted in any 365-day period. The exercise price for the conversion will be the greater of (i) \$2.50 per Common Share or (ii) the volume weighted average trading price of the Common Shares for the thirty days prior to the relevant exercise date. In addition, any accrued but unpaid Convertible Debenture Interest on the Convertible Debenture being converted may, at the option of the holder, be converted into Common Shares at the market price specified by the TSXV. The Company may prepay the outstanding principal of the Convertible Debentures, and the interest thereon, at any time after two years from issuance, by paying a penalty to the Convertible Debenture holders of 105% of the outstanding principal amount of the Convertible Debentures in year three, 103% of the outstanding principal amount of the Convertible Debentures in year four, and 101% of the outstanding principal amount of the Convertible Debentures in year five.

The proceeds of the sale of the Convertible Debentures will be used by the Company to fund the Loan. All of the securities the Company issues under the Convertible Debenture Financing will be subject to a hold period that expires four months and a day after issuance of the Convertible Debentures. Closing of the Convertible Debenture Financing is subject to the concurrent closing of the Convertible Preferred Share Financing (defined below), the Loan and the completion of the Change of Business. The Company will pledge all of the outstanding shares of the Lender to the holders of the Convertible Debentures as security for outstanding obligations under the Convertible Debentures.

### **The Convertible Preferred Share Financing**

The Company is also undertaking a non-brokered financing of 3,000,000 non-voting convertible preferred shares (the “**Convertible Preferred Shares**”) at a price of \$1.00 per Convertible Preferred Share to raise \$3,000,000 to fund the working capital needs of the Company (the “**Convertible Preferred Share Financing**”).

The Convertible Preferred Shares will be subject to special rights and restrictions, which include the right of the holder to receive annually non-cumulative dividends at a fixed rate of 8% per annum. Holders of Convertible Preferred Shares may, commencing on the date that is two years after the date of issuance of the Convertible Preferred Shares, convert their Convertible Preferred Shares into Common Shares on a one for one basis, subject to an annual maximum of 25% of a particular holder’s Convertible Preferred Shares. The Convertible Preferred Shares will automatically convert into Common Shares on a one for one basis on the fifth anniversary of the date of issuance.

Holders of Convertible Preferred Shares will not be entitled to receive notice of, attend or vote at any general meeting of the shareholders of the Company. The Convertible Preferred Shares will not be listed for trading on the TSXV or on any other stock exchange or quotation system. All of the securities the Company issues under the Convertible Preferred Share Financing will be subject to a hold period that expires four months and a day after issuance of the Convertible Preferred Shares. Closing of the Convertible Preferred Share Financing is subject to the concurrent closing of the Convertible Debenture Financing, the Loan and the completion of the Change of Business.

### **The Loan**

The Company has entered into a non-binding term sheet with the Hillcore Group (the "**Term Sheet**"), pursuant to which the Company proposes to loan a minimum of \$15,000,000 and a maximum of \$20,000,000 to the Hillcore Group or one of its portfolio companies, subject to: (i) the closing of the Convertible Preferred Share Financing and the Convertible Debenture Financing, and (ii) TSXV approval. The Company anticipates that the outstanding principal of the Loan will bear interest at the rate of 15% per annum, with 10% being paid quarterly in cash and 5% being added to the outstanding principal of the Convertible Debentures and payable on the maturity date, which is five years from the date the Loan is made. The Loan is contemplated to be secured by a pledge of securities in one of Hillcore Group's portfolio companies, on terms acceptable to the Company. The Term Sheet also contemplates the Company providing management services to, and having observer and nomination rights to the board of, the portfolio company.

The Company anticipates that it will be issued a five-year unit purchase option entitling it to purchase from the borrower an interest in the portfolio company.

### **Escrow**

Pursuant to the policies of the TSXV, the Common Shares held by principals of the Company will be placed in escrow for up to 36 months following completion of the Change of Business.

### **MI 61-101 Disclosure**

HCG5 Investment Limited Partnership, a limited partnership related to the Hillcore Group, holds 2,000,000 Common Shares, representing 17.3% of the issued and outstanding Common Shares. Accordingly, the transactions contemplated by the Term Sheet will constitute a "related party transaction" as such term is defined in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), which requires that the Company, in the absence of exemptions, obtain a formal valuation for, and minority shareholder approval of, the related party transaction.

The Company is relying on the exemptions from the formal valuation and minority shareholder approval requirements set out in sections 5.5(e) and 5.7(c) of MI 61-101. The Loan agreement and related transactions are supported and the Company anticipates will be approved by Eric Boehnke, a director of the Company who is not an interested party to the Loan agreement and related transactions and who owns

4,955,793 Common Shares, representing 43.0% of the Company's issued and outstanding Common Shares.

**About Trenchant**

The Company aims to become a diversified investment and venture capital firm with a focus on providing special situation debt financing to established companies with a proven track record. The Company expects to benefit from a strategic alliance with the Hillcore Group, a leading independent Canadian investment and advisory firm that will grant the Company rights of first negotiation to provide financing and management services to Hillcore's pipeline of current and future private equity investments.

**Other Information**

Completion of the transactions described herein are subject to a number of conditions, including TSXV acceptance and disinterested shareholder approval. The transactions cannot close until the required shareholder approval is obtained. There can be no assurance that these transactions will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Filing Statement to be prepared in connection with the transaction, any information released or received with respect to the Change of Business may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative.

**ITEM 6** **RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102**

N/A

**ITEM 7** **OMITTED INFORMATION**

N/A

**ITEM 8** **EXECUTIVE OFFICER**

Eric Boehnke  
Telephone: (604) 307-4274

**ITEM 9** **DATE OF REPORT**

Dated at Vancouver, BC, this 9<sup>th</sup> day of June, 2016.