

51-102F3  
MATERIAL CHANGE REPORT

**Item 1 Name and Address of Company**

Trenchant Capital Corp. (the “**Company**”)  
333 Bay Street, Suite 630  
Toronto, ON M5H 2R2

**Item 2 Date of Material Change**

June 22, 2017

**Item 3 News Release**

News release dated June 26, 2017 was disseminated via Newsfile Corp.

**Item 4 Summary of Material Change**

The Company announced that, further to its news release of May 18, 2017, it has closed the second tranche of its prospectus offering (the “**Debenture Offering**”), pursuant to which it has raised additional gross proceeds of \$1,488,000 through the issuance of 1,488 9% secured convertible debentures (the “**Debentures**”) priced at \$1,000 per Debenture. The total gross proceeds of the Debenture Offering are \$7,010,000 and, together with the previously closed Series A convertible preferred shares offering, total monies raised to date are \$9,710,000. The syndicate for the Debenture Offering is being led by Industrial Alliance Securities Inc. and includes Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Echelon Wealth Partners Inc., Mackie Research Capital Corporation, PI Financial Corp., Hampton Securities Limited, Integral Wealth Securities Limited and Leede Jones Gable Inc. (collectively, the “**Agents**”). The Agents received a cash commission of 6.5% of the gross proceeds of the Debenture Offering. The net proceeds of the Debenture Offering were used to fund the Waiward Investment (as further described below). The Debenture Offering is planned to end on July 20, 2017.

**The Debenture Offering**

The Debentures issued in both the first and second tranches of the Debenture Offering will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the “**Debenture Interest**”) at the rate of 9.0% per annum, payable quarterly in cash. Commencing on May 18, 2018, the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company (each, a “**Common Share**”) at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the Common Shares for the 30 trading day period ending three business days before the conversion date, and (ii) \$1.00 per Common Share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Debentures, and the Debenture Interest thereon, in cash, at any time after May 18, 2019, by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount

of the Debentures in year five, plus any accrued and unpaid Debenture Interest thereon. The Company has pledged all of the outstanding shares of its wholly-owned subsidiary (the “**Lender**”) to the holders of the Debentures as security for the Company’s outstanding obligations under the Debentures. The holders of the Debentures have no recourse to the Company other than with respect to the shares of the Lender. The Company has covenanted to apply to list the Debentures on the TSXV on or before August 16, 2017.

### **The Waiward Investment**

The Company, through the Lender, has made a second advance (the “**Advance**”) of \$1,488,000 to Waiward Investments Limited Partnership (the “**Borrower**”) pursuant to the terms of a loan agreement dated March 2, 2017, as amended (the “**Loan Agreement**”), between the Borrower and the Lender. The Borrower is a limited partnership related to Hillcore. The Company has loaned an aggregate of \$7,010,000 to the Borrower under the Loan Agreement (the “**Waiward Investment**”). The Waiward Investment is secured by the Borrower’s indirect equity interest in Waiward Steel Limited Partnership (“**Waiward Steel**”), one of Canada’s largest steel fabricators and erectors.

The outstanding principal of the Waiward Investment bears interest at the rate of 12.5% per annum, with 10% payable quarterly in cash and 2.5% being added quarterly to the outstanding principal of the Waiward Investment and payable on the maturity date of March 31, 2022 (readers should note that the Company’s previous news release dated May 18, 2017 incorrectly stated this date as May 18, 2022). The Borrower has paid the Lender a fee equal to 7% of the Waiward Investment.

The Borrower has also granted the Company a five-year unit purchase option entitling it to purchase up to an aggregate of 3.5% of the Borrower’s indirect holdings in Waiward Steel (including the 2.76% announced in the news release of May 18, 2017), with an escalating exercise price based upon the projected earnings of Waiward Steel.

The Borrower may prepay the outstanding principal of the Waiward Investment, and accrued interest thereon, at any time after May 18, 2019 by paying the Lender 105% of the outstanding principal amount of the Waiward Investment in year three, 103% of the outstanding principal amount of the Waiward Investment in year four, and 101% of the outstanding principal amount of the Waiward Investment in year five, plus any applicable interest thereon.

### **Hillcore Strategic Alliance**

The Company has entered into a strategic alliance with Hillcore that 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 (“**HCG5**”), a limited partnership related to Hillcore, holds approximately 17.3% of the issued and outstanding Common Shares.

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

The Waiward Investment constitutes a “related party transaction” as such term is defined under 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 in Sections 5.5(e) and 5.7(c) of MI 61-101 as the above transactions have been approved by Eric Boehnke, a director of the Company who is not an interested party to the Advance and who owns 4,955,793 Common Shares, representing 43.0% of the Company’s issued and outstanding Common Shares. The Company did not file a material change report more than 21 days before making the Advance as the Company determined to make the Advance on an expedited basis.

## **Item 5 Full Description of Material Change**

### *5.1 Full Description of Material Change*

A full description of the material change is described in Item 4 above and in the attached news release which was filed on SEDAR on June 29, 2017.

### **Disclosure Required by MI 61-101**

Pursuant to MI 61-101, the Waiward Investment constituted a “related party transaction”, as the Waiward Investment was made to an affiliate of Hillcore.

The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

*(a) a description of the transaction and its material terms:*

See Item 4 above for a description of the Waiward Investment.

*(b) the purpose and business reasons for the transaction:*

The Waiward Investment constitutes the Company’s first investment following its change of business from a resource issuer to an investment issuer on the TSXV. The Loan Agreement contemplates that the Waiward Investment may be made in stages. The Advance is the second advance under the Loan Agreement.

*(c) the anticipated effect of the transaction on the issuer’s business and affairs:*

As a result of the Waiward Investment, the Company has 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.

*(d) a description of:*

*(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:*

The Borrower, which is related to Hillcore, received the Waiward Investment from the Company.

*(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:*

The Waiward Investment did not result in any change in the percentage of securities of the Company beneficially owned or controlled by any person or company referred to in subparagraph (i).

- (e) *unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:*

The Waiward Investment was approved by Eric Boehnke, a director of the Company, who owns 4,958,293 Common Shares, representing 43.0% of the issued and outstanding Common Shares, as at the date hereof, and was not an interested party in connection with the Waiward Investment.

A special committee was not established in connection with the approval of the Waiward Investment, and no materially contrary view or abstention was expressed or made by any director.

- (f) *a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable.

- (g) *disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

- (i) *that has been made in the 24 months before the date of the material change report:*

Not applicable.

- (ii) *the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:*

Not applicable.

- (h) *the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

The Company entered into the Loan Agreement with the Borrower, pursuant to which the Company agreed to make the Waiward Investment to the Borrower.

- (i) *disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:*

The Company relied on the exemptions in Sections 5.5(e) and 5.7(c) of MI 61-101 as the above transactions were approved by Eric Boehnke, a director of the Company who is not an interested party to these transactions and who owns 4,955,793 Common Shares, representing 43.0% of the issued and outstanding Common Shares as at the date hereof.

The Company did not file a material change report more than 21 days before making the Advance as the Company determined to make the Advance on an expedited basis.

*5.2 Disclosure for Restructuring Transactions*

N/A

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

**Item 7 Omitted Information**

None

**Item 8 Executive Officer**

Eric Boehnke, President and CEO  
Telephone: (604) 307-4274

**Item 9 Date of Report**

July 4, 2017



333 Bay Street, Suite 630, Toronto, ON, M5H 2R2 Tel: (416) 867-1569

June 26, 2017

Trading Symbol: TCC

**TRENCHANT CLOSSES SECOND TRANCHE OF PROSPECTUS FINANCING; TOTAL \$9,710,000 RAISED**

**June 26, 2017, Toronto, ON - Trenchant Capital Corp. (TSX.V: TCC)** (the “**Company**”) is pleased to announce that, further to its news release of May 18, 2017, it has closed the second tranche of its prospectus offering (the “**Debenture Offering**”), pursuant to which it has raised additional gross proceeds of \$1,488,000 through the issuance of 1,488 9% secured convertible debentures (the “**Debentures**”) priced at \$1,000 per Debenture. The total gross proceeds of the Debenture Offering are \$7,010,000 and with the previously closed Series A Convertible Preferred Shares Offering total monies raised to date are \$9,710,000. The syndicate for the Debenture Offering is being led by Industrial Alliance Securities Inc. and includes Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Echelon Wealth Partners Inc., Mackie Research Capital Corporation, PI Financial Corp., Hampton Securities Limited, Integral Wealth Securities Limited and Leede Jones Gable Inc. (collectively, the “**Agents**”). The Agents received a cash commission of 6.5% of the gross proceeds of the Debenture Offering. The net proceeds of the Debenture Offering were used to fund the Waiward Investment (as further described below). The Debenture Offering is planned to end on July 20, 2017.

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security for the Company's outstanding obligations under the Debentures. The holders of the Debentures have no recourse to the Company other than with respect to the shares of the Lender. The Company has covenanted to apply to list the Debentures on the TSXV on or before August 16, 2017.

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In business for over 40 years, Waiward Steel is an industry-leading provider of construction, engineering and drafting services. Using a multi-disciplinary approach and managing strategic partnerships across Canada, Waiward Steel adds value to projects from conception to completion. Based in Edmonton, Alberta, Waiward Steel operates one of Canada's largest steel fabrication facilities, with over 200,000 square feet of fabrication space and the ability to produce up to 1,000 tons per week. With over 600 employees, Waiward Steel has been named one of Canada's Top 50 Best Managed Companies every year since 2005. Waiward Steel serves multiple sectors across Western Canada and around the world. For more details on Waiward Steel's operations see [www.waiward.com](http://www.waiward.com).

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## **About the Company**

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 its strategic alliance with Hillcore, a leading independent Canadian investment and advisory firm, that grants the Company rights of first negotiation to provide financing and management services to Hillcore’s pipeline of current and future private equity investments.

## **About the Hillcore Group**

Hillcore 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, Hillcore employs approximately 2,500 people throughout Canada across its various groups and portfolio companies. Entities under management by Hillcore had an asset value in excess of \$4.4 billion as of December 31, 2015.

## **ON BEHALF OF THE BOARD**

### **TRENCHANT CAPITAL CORP.**

Per: “Eric Boehnke”

Eric Boehnke, CEO

For further information, please contact:

Trenchant Capital Corp.  
Eric Boehnke, CEO  
Phone: (604) 307-4274

*Neither TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this news release.*

## **Disclaimer for Forward-Looking Information**

*This news release includes certain “forward-looking statements” under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include statements regarding the proposed business and operations of the Company following completion of the Waiward Investment, the Advance and the Sidecar Loan, and the proposed timing for the application for listing of the Debentures on the TSXV. Forward-looking statements are necessarily based on a number of*



*estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors that may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Company's inability to apply to list the Debentures on the TSXV in the time expected or failure to obtain the approval of the TSXV for the listing of the Debentures the Company and Hillcore being unable to agree on terms for the Second Investment; general business, economic and social uncertainties; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; and other risks outside of the Company's control. Although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except as required by applicable laws, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*