

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

December 21, 2017

Item 3 News Release

News release dated December 21, 2017 was disseminated via Newsfile Corp.

Item 4 Summary of Material Change

The Company announced that it has entered into a loan agreement dated December 21, 2017 (the “**Loan Agreement**”) with ABO Investments Limited Partnership (the “**Borrower**”), a limited partnership related to the Hillcore Group (“**Hillcore**”), pursuant to which a wholly-owned subsidiary of the Company (the “**Lender**”) has agreed to loan a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option (as defined herein) is exercised in full) (the “**Loan**”) to the Borrower, secured by the Borrower’s indirect 88.73% equity interest in Omni Health Investments Inc. (“**Omni**”), one of Canada’s largest long-term care operators.

The Company has also agreed to make an additional loan of \$1,500,000 to the Borrower (the “**Sidecar Loan**”) pursuant to a loan agreement dated December 21, 2017 (the “**Sidecar Loan Agreement**”) between the Company and the Borrower. The Sidecar Loan will have the same term as, and be subordinated to, the Loan (save for bearing 8% interest) and will be funded from funds previously advanced to a company controlled by Hillcore in June 2017.

The Company also announced that it has filed and obtained a receipt for a preliminary prospectus with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the “**Debentures**”) priced at \$1,000 per Debenture (the “**Offering Price**”), for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (the “**Offering**”). The Offering is subject to usual closing conditions, including regulatory approvals and the approval of the TSX Venture Exchange (the “**TSXV**”). The Company will use the proceeds from the Offering to fund the Loan.

The Offering is being made on a best efforts, fully marketed basis, by Canaccord Genuity Corp. and Industrial Alliance Securities Inc. (together, the “**Lead Agents**”) through a syndicate of agents (together with the Lead Agents, the “**Agents**”), pursuant to an engagement letter dated November 1, 2017 (the “**Engagement Letter**”). The Offering may close in one or more tranches (each, a “**Closing**”). The Company has granted the Agents an option, expiring 30 days following the final Closing, to sell up to an additional 15% of the Debentures sold under the Offering to cover over-allocations (the “**Over-Allotment Option**”), subject to the approval of the Borrower.

MI 61-101 Disclosure

As HCG5 Investment Limited Partnership (“**HCG5**”), a limited partnership related to Hillcore, holds approximately 17.3% of the issued and outstanding common shares in the capital of the Company (each, a “**Common Share**”), the Loan and the Sidecar Loan will constitute “related party transactions” 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 transactions. 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, the Sidecar Loan 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 or the Sidecar Loan and related transactions, and who owns 4,955,793 Common Shares, representing 43.0% of the issued and outstanding Common Shares.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The Loan Agreement

Pursuant to the Loan Agreement, the Lender has agreed to loan, in one or more advances, a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) to the Borrower, subject to the closing of the Offering. The outstanding principal of the Loan will bear interest at the rate of 10% per annum and the Loan will mature on January 27, 2023. The Borrower has agreed to pay the Company a fee (the “**Origination Fee**”) equal to 7% of the funds advanced to the Borrower under the Loan Agreement. No finder’s fees are payable in connection with the Loan.

The Borrower will also grant the Company a five-year unit purchase option entitling it to purchase up to 15% of the Borrower’s indirect holdings in Omni for an exercise price of up to \$7,725,000. The actual percentage interest that the Company may acquire pursuant to the purchase option will be adjusted on a pro rata basis in accordance with the amount of funds actually advanced under the Loan Agreement.

The Borrower may prepay the outstanding principal of the Loan by paying the Lender the outstanding principal amount of the Loan, plus any accrued and unpaid interest thereon, as well as an amount equal to the Break Fee payable by the Company on the redemption or repurchase of Debentures with a principal amount of not more than the principal amount being prepaid by the Borrower. Closing of the Loan is subject to the closing of the minimum Offering. The Loan will be secured by a pledge of the Borrower’s indirect 88.73% equity interest in Omni.

The Loan Agreement also provides that the Lender will provide management services to the Borrower, have observer rights at board meetings of the Borrower, and have the right to appoint a nominee to the board of directors of the Borrower.

The Company has also agreed to make the Sidecar Loan of \$1,500,000 to the Borrower. The Sidecar Loan will have the same term as, and be subordinated to, the Loan (save for bearing 8% interest), and will be funded from funds previously advanced to a company controlled by Hillcore in June 2017.

Omni Health Investments Inc.

Omni owns, operates and manages, under license from the Ontario government, 18 long-term care homes located throughout eastern and southwestern Ontario. Its corporate office is located in Peterborough, Ontario. With 1,500 beds and over 1,700 employees, Omni is the sixth largest long-term care operator in Canada measured by bed count. Omni has been recognized as one of Canada's Top 100 Employers on three occasions. For more details on Omni see: omniway.ca.

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 \$4.5 billion as of December 31, 2016.

Hillcore Strategic Alliance

The Company benefits from 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 rights, as well as negotiation rights, for capital market transactions with respect to projects for which the Company has provided financing. HCG5, a limited partnership related to Hillcore, holds approximately 17.3% of the issued and outstanding Common Shares.

The Offering

The Debentures will mature on January 31, 2023 and the outstanding principal of the Debentures will bear interest at the rate of 8.0% per annum, payable quarterly in cash. The terms of the Debentures will be set out in a trust indenture to be entered into between the Company and Computershare Trust Company of Canada prior to the initial Closing.

Commencing on the date that is one year after the date of the initial Closing, the outstanding principal amount of the Debentures may be converted, at the option of the holder, into Common Shares 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) \$1.25 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 accrued but unpaid interest thereon, in cash, at any time after two years from the Closing Date by paying the 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 (in any case, the "**Break Fee**"), plus any accrued but unpaid interest thereon.

The Closing is subject to the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offering), and the receipt of conditional approval of the TSXV for the Offering and the Loan. The Company will pledge all of the outstanding shares of the Lender (as defined herein) to the holders of the Debentures as security for the Company's

outstanding obligations under the Debentures. The holders of Debentures will have no recourse to the Company other than with respect to such Lender shares.

The Lead Agents have agreed to act as co-lead agents and bookrunners, on behalf of the Agents, in connection with the Offering. The Company has also agreed to grant the Agents the Over-Allotment Option, exercisable in whole or in part at any time prior to 30 days following the final Closing, to arrange for the purchase of up to an additional 15% of the Debentures sold by the Agents under, and on the same terms as, the Offering, subject to the agreement of Borrower (as defined herein) to increase the amount of the Loan by the amount of the Over-Allotment Option that is exercised. In consideration for their services, the Agents will receive a cash commission equal to 6.5% of the gross proceeds of the Offering, including any proceeds received in connection with the exercise of the Over-Allotment Option (the “**Agents’ Commission**”), and be reimbursed for their reasonable expenses. As the gross proceeds of the sale of the Offering will be used by the Company to fund the Loan, the Agents’ Commission and expenses will be paid from the Origination Fee (as defined herein) and from the Company’s general working capital.

It is expected that the initial Closing will occur on or about February 14, 2018, subject to the satisfaction of certain conditions, including receipt of the approval of the TSXV and any other applicable regulatory approvals.

None of the Debentures or the Common Shares into which the Debentures may be converted have been or will be registered under the United States *Securities Act of 1933*, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would require registration or otherwise be unlawful.

A preliminary prospectus containing important information relating to the Debentures being offered under the Offering has been filed with securities commissions or similar authorities in certain jurisdictions of Canada. The preliminary prospectus is still subject to completion or amendment. There will not be any sale or any acceptance of an offer to buy the Debentures until a receipt for the final prospectus has been issued.

MI 61-101 Disclosure

As HCG5 holds 17.3% of the issued and outstanding Common Shares, the Loan and the Sidecar Loan will constitute “related party transactions” as such term is defined in 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 transactions. 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, the Sidecar Loan 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 or the Sidecar Loan and related transactions, and who owns 4,955,793 Common Shares, representing 43.0% of the issued and outstanding Common Shares. The Company did not file a material change report more than 21 days before making the Loan and the Sidecar Loan as the Company determined to make the Loan and the Sidecar Loan on an expedited basis.

Disclosure Required by MI 61-101

Pursuant to MI 61-101, the transactions contemplated by the Loan Agreement and the Sidecar Loan Agreement will each constitute a “related party transaction”, as HCG5 holds 17.3% of the issued and outstanding Common Shares.

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 Loan Agreement and the Sidecar Loan Agreement.

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

The Loan will represent the second investment of the Company since becoming an investment issuer.

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

See (b) above.

(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, has entered into the Loan Agreement with the Lender and the Sidecar Loan Agreement with the Borrower.

(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:

Neither the Loan nor the Sidecar Loan will 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 Loan Agreement and the Sidecar Loan Agreement were unanimously approved by the Company’s board of directors, none of whom are related parties to HCG5 or Hillcore or interested parties in connection with the Loan Agreement or the Sidecar Loan Agreement. Eric Boehnke, a director of the Company, owns 4,958,293 Common Shares, representing 43.0% of the issued and outstanding Common Shares, as at the date hereof.

A special committee was not established in connection with the approval of the Loan and the Sidecar Loan, 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:*

See Item 4 above for a description of the Loan Agreement and the Sidecar Loan Agreement.

- (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, and is therefore an independent control person of the Company.

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

December 22, 2017