

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer

The Second Cup Ltd. (the “**Company**”)
6303 Airport Road
Mississauga, Ontario
L4V 1R8

2. Date of Material Change

July 31 and August 10, 2017

3. News Release

A news release was issued and disseminated by the Company on July 31, 2017 through Newswire and subsequently filed on SEDAR. A copy of the news release is attached hereto as Schedule A. A subsequent news release was disseminated by the Company on August 10, 2017 through Newswire and subsequently filed on SEDAR. A copy of the news release is attached hereto as Schedule B.

4. Summary of Material Change

On July 31, 2017, the Company announced that SPE Finance LLC (“**SPE**”), an affiliate of Serruya Private Equity, and its four shareholders, had agreed to exchange SPE’s \$8 million secured term loan for 4,210,528 common shares of the Company (“**Common Shares**”) at a price of C\$1.90 in a non-brokered private placement (the “**Private Placement**”). The Company issued 1,052,632 Common Shares to each of 21187769 Ontario Inc., 22087742 Ontario Inc., 2208744 Ontario Inc. and Fruzer Inc. (collectively, the “**SPE Shareholders**”). Following completion of the Private Placement, each of the four SPE Shareholders will hold approximately 7.2% of the outstanding Common Shares (on a fully diluted basis). On August 10, 2017, the Company announced that it had closed its previously-announced Private Placement.

5. Full Description of Material Change

A full description of the material change is set forth in Schedule A and Schedule B hereto.

6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

None.

8. Executive Officer

The Second Cup Ltd.
6303 Airport Road
Mississauga, Ontario
L4V 1R8

Telephone: (905) 362-1824

9. Date of Material Change Report

August 10, 2017

SCHEDULE A

(See attached)



Second Cup Announces Exchange of \$8 million Term Loan for Common Shares at \$1.90 per Share

MISSISSAUGA, ON, July 31, 2017 /CNW/ - The Second Cup Ltd. (TSX: SCU) (Second Cup or the Company) announced today that SPE Finance LLC (SPE), an affiliate of Serruya Private Equity, and its four shareholders have agreed to exchange SPE's \$8.0 million secured term loan for common shares of Second Cup. In December 2016, Second Cup entered into a four-year, \$8.0 million secured term loan with SPE. The transaction will result in annual cost savings for Second Cup of approximately \$960,000.

The Company will issue a total of 4,210,528 common shares to the four shareholders of SPE in full satisfaction of the term loan. Second Cup will also cancel 300,000 of the 600,000 common share purchase warrants issued to SPE in connection with the term loan, and SPE will distribute the remaining 300,000 warrants to its four shareholders pro rata. Following completion of the debt exchange, each of the four SPE shareholders will hold approximately 6.9% of the outstanding common shares of Second Cup (including common shares currently held by it), or approximately 7.2% assuming the exercise of the warrants to be distributed to it.

Transaction Highlights:

- Exchange of \$8.0 million debt to equity at \$1.90 per common share, representing a 24.2% premium to the closing market price on July 31, 2017 and a 15.5% premium to the 20-day VWAP
- \$800,000 savings in annual interest expense
- An estimated \$160,000 savings on account of a reduction in annual board retainer fees
- Cancellation of 50% of the warrants previously issued to SPE
- Nomination rights for two directors
- Two-year standstill by SPE and its four shareholders
- Pre-emptive rights for future equity issuances

Approval of the Company's shareholders is required for the Debt Exchange Transaction under the rules of the Toronto Stock Exchange (the "TSX") as the TSX has determined that the transaction will have a material effect on control of the Company pursuant to section 604(a) of the TSX Company Manual since the SPE shareholders collectively will hold approximately 28.89% of the outstanding common shares of the Company assuming full exercise of the warrants. The TSX has agreed that such approval may be obtained by way of written consents in lieu of a meeting. The Company confirms that it has received approval from shareholders owning more than 50% of the issued and outstanding common shares, excluding the shares held by the SPE shareholders.

The Debt Exchange Transaction is expected to close on or after August 10, 2017.

"This is a tremendous boost for Second Cup and a strong expression of confidence by the Serruya family, who will now be fully aligned as shareholders," said Michael Bregman, Chairman of the Board, Second Cup. "The issuance of shares at a 24.2% premium to current market price, is a reflection of the considerable potential at Second Cup. Over the past few months, we have benefitted from our relationship with the Serruyas, as value added investors. This marks an important step forward in our relationship. After completing this transaction, Second Cup will be debt free with approximately \$3 million in cash and close to \$1 million in reduced annual expenses. This provides Second Cup with a much improved financial foundation, upon which to build for the future."

"We have great confidence in Second Cup and its leadership," said Michael Serruya, Managing Director at SPE. "By converting our debt to equity, we are fully aligned to participate in future value creation. Already we are seeing signs of progress as we work together with Second Cup. One example is the introduction of our Pinkberry brand in four Second Cup stores. Early results suggest this may be one of many opportunities to generate future growth."

The two nominees of the SPE shareholders will be appointed as directors of the board of Second Cup upon closing of the debt exchange transaction.

Second Cup is also pleased to announce that Paul W. Phelan will be appointed to the board of directors of the Company upon closing of the debt exchange transaction. Mr. Phelan will sit on the board as the nominee of PDPJJHP Ontario Limited, a holding company controlled by members of the Phelan family, the Company's second-largest shareholder upon completion of the debt exchange.

About Second Cup Coffee Co.™

Founded in 1975, The Second Cup Ltd. is a Canadian specialty coffee retailer operating over 290 franchised and company owned cafes in Canada. The company's vision is to be the coffee brand most passionately committed to quality and innovation. For more information, please visit www.seconddcup.com or find the company on Facebook and Twitter.

For further information: Ba Linh Le, Chief Financial Officer, (905) 362-1827 or investor@seconddcup.com.

About Serruya Private Equity

Serruya Private Equity Inc. (SPE) is a Toronto-area based, family managed group that invests capital in a broad range of asset classes, with an emphasis on retail and real estate. SPE's principals have a heritage of experience developing brands and its affiliates currently include global brands Yogen Frusz, Pinkberry and Swensens, with over one billion dollars of worldwide system revenue.

For more information please contact info@serruyaequity.com

Forward-looking information

This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the business of the Company and the environment in which it operates. Forward-looking statements are identified by words such as "believe", "anticipate", "expect," "intend", "plan", "will", "may" and other similar expressions. These statements are based on the Company's expectations, estimates, forecasts and projections and include, without limitation, statements regarding the benefits of the debt exchange and the impact of the debt exchange on the Company's strategic plan and transformation. The forward-looking statements in this news release are based on certain assumptions, including that the Company will be able to execute its plan, including store growth in traditional and non-traditional channels. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risk Factors" in the Company's annual information form available at www.sedar.com. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

SCHEDULE B

(See attached)



Second Cup Announces Closing of Debt Exchange Transaction with SPE Finance LLC

MISSISSAUGA, ON, August 10, 2017 /CNW/ - The Second Cup Ltd. (TSX: SCU) (Second Cup or the Company) is pleased to announce that it has closed its previously-announced debt exchange transaction with SPE Finance LLC (SPE) and its four shareholders.

SPE, an affiliate of Serruya Private Equity, and its shareholders have exchanged SPE's \$8.0 million secured term loan for a total of 4,210,528 common shares of Second Cup at a price of \$1.90 per common share in full satisfaction of the term loan. After giving effect to the debt exchange, each of the four SPE shareholders now hold approximately 6.9% of the outstanding common shares of Second Cup (including common shares currently held by them), or approximately 7.2% assuming the exercise of the warrants distributed to them.

After completing this transaction, Second Cup is now debt free with approximately \$3 million in cash and close to \$1 million in reduced annual expenses. This provides Second Cup with a much improved financial foundation, upon which to build for the future.

Second Cup is also pleased to announce that Michael Serruya and Aaron Serruya have been appointed to the board of directors of the Company as the nominees of the SPE Shareholders.

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