

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 – Name and Address of Company

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

Item 2 – Date of Material Change

December 4, 2019

Item 3 – News Release

A news release was issued by the Company on December 5, 2019 through the newswire services of Canadian Newswire and was filed on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”). A copy of the press release is attached hereto as Schedule A and incorporated by reference herein.

Item 4 – Summary of Material Change

On December 4, 2019, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with the shareholders of Bridgehead (2000) Inc. (“**Bridgehead**”), pursuant to which the Company has agreed to acquire all of the issued and outstanding shares of Bridgehead. Subject to customary closing conditions, the Company will pay \$9.5 million at closing, of which \$6.0 million is cash and \$3.5 million is payable in the Company’s shares. Additional earn out payments will be made based on the profitability of Bridgehead’s existing coffeehouses over the next two years. If profit targets are achieved, the payments will total an additional \$1.5 million. The transaction is expected to close later this month.

Item 5 – Full Description of Material Change

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

Item 6 – Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 – Omitted Information

None.

Item 8 – Executive Officer

The following executive officer of the Company is knowledgeable about the material change and this report:

Ba Linh Le
Chief Financial Officer
905 362-1827

Item 9 – Date of Report

December 10, 2019

SCHEDULE A



AEGIS BRANDS TO ACQUIRE OTTAWA'S BRIDGEHEAD COFFEE
\$9.5 million acquisition is the first under Aegis' new strategy;
Bridgehead will continue to operate as an independent brand

December 5, 2019 [Mississauga, ON] – The Second Cup Ltd. (“Aegis Brands” or the “Company”) (TSX: SCU) today announced that Aegis Brands has agreed to acquire Ottawa-based Bridgehead Coffee, the Company’s first acquisition since it announced its new operating structure and strategy last month. Aegis Brands also owns Canadian specialty coffee retailer Second Cup Coffee Co.

“We created Aegis with the vision of building a portfolio of amazing brands that can grow and flourish with access to our resources and expertise,” said Steven Pelton, CEO of Aegis Brands. “Bridgehead is the quintessential ‘amazing brand’ - a company with a deep sense of purpose, strong roots in its community and an incredible potential for growth. We’re so excited to work with the team at Bridgehead to help fuel that growth in the months and years to come.”

Bridgehead has nineteen coffeehouses in Ottawa, including its landmark Roastery. All Bridgehead coffeehouses serve food made daily from scratch in the company’s Kitchen and Bakery, using local and seasonal ingredients. All nineteen locations are corporately-owned, and have consistently delivered strong financial results in a competitive coffee market. All coffeehouses will continue to operate under the Bridgehead name following the acquisition.

“We have long had a goal of being the biggest little coffee company,” explained Tracey Clark, who has led Bridgehead as its President and CEO since 2000. “Joining Aegis gives us access to the resources to expand our footprint without needing to change who we are or what we do best: advocating for small scale farmers, offering coffee that is well-sourced, well-roasted and well-served, creating a sense of belonging for our customers and employees, and fostering community connections.”

Subject to customary closing conditions, Aegis will pay \$9.5 million at closing, of which \$6.0 million is cash and \$3.5 million is payable in Second Cup shares. Additional earn out payments will be made based on the profitability of Bridgehead’s existing coffeehouses over the next two years. If profit targets are achieved, the payments would total an additional \$1.5 million. The transaction is expected to close later this month

Kate Burnett, Bridgehead’s COO, will assume executive leadership of the company while Tracey Clark will continue to lead the Bridgehead brand in a new role as Chief Culture Officer. Ian Clark, Director of Coffee, and Cliff Hansen, the company’s Roastmaster, will continue in their roles, working closely with small-scale farmers to continue to deliver an exceptional coffee experience to Bridgehead customers. Bridgehead’s head office will remain in Ottawa. Upon closing of the transaction, Bridgehead will enter into new employment agreements with key employees.

“Aegis Brands will offer Bridgehead opportunities in real estate and capital that we would not have been able to access on our own, and give us the autonomy to grow our business according to our values,” concluded Clark. “This partnership also presents incredible opportunities for our team, who are as excited as I am to serve new communities here in Canada, and to expand upon Bridgehead’s positive impacts in coffee growing communities.”

The roots of the Bridgehead brand can be traced back to 1981, when two United Church ministers and two social activists concerned for the prospects of small-scale coffee farmers in Nicaragua formed Bridgehead Trading. Bridgehead became the first company in Canada to offer consumers fairly traded coffee when volunteers sold Bridgehead coffee from church basements. Interest spread rapidly, leading to the acquisition of the brand by Oxfam Canada, who diversified Bridgehead’s offerings to include a broader cross-section of fairly-traded products. When Clark purchased the brand in 2000, she returned Bridgehead to its roots as a coffee and tea company, with a focus on quality and sustainability. Today, Bridgehead works with small scale farmers around the world to bring its customers exceptional coffees, and maintains a strong commitment to environmental sustainability.

“There are few brands in Canada that live their values the way that Bridgehead does - in every customer interaction, in every product they source and in every business decision they make,” said Pelton. “We’re honoured to have been entrusted to be their partner, and we can’t wait to see what we can do together.”

Although this release refers to Aegis Brands throughout, it should be noted that the Company’s name change won’t officially take effect until the new year (subject to TSX and shareholder approval). Today, the Company still trades publicly as The Second Cup Ltd. (TSX: SCU).

FORWARD LOOKING STATEMENTS

This press release may contain forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe”, and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Certain information set forth in this news release including the expectations of management of the Company and Bridgehead with respect to the anticipated benefits of the transaction, the future prospects of the Company and Bridgehead, and the anticipated timing for closing the transaction and the receipt of shareholder and stock exchange consent to the Company’s name change, is forward-looking information within the meaning of applicable securities laws.

The forward looking statements contained in this press release are not guarantees of future performance and are based on management's estimates and assumptions that are subject to inherent risks and uncertainties, some of which are beyond the Company's control, which could cause the Company's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this press release. Key risks and uncertainties include, but are not limited to: (i) general economic, market and business conditions; (ii) governmental and regulatory requirements and actions by governmental authorities; and (iii) relationships with employees, customers, business partners and competitors. There are also risks that are inherent in the nature of the transaction, including failure to satisfy the conditions to the completion of the transaction and failure to obtain any required regulatory and other approvals (or to do so in a timely manner), (iv) receipt of shareholder and stock exchange consents to the Company's name change; and (v) the achievement of Bridgehead's EBITDA targets. The anticipated timeline for completion of the transaction may change for a number of reasons, including the need for additional time to satisfy the conditions to the completion of the transaction. Although the forward-looking information contained in this press release is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. As a result of the foregoing, readers should not place undue reliance on the forward-looking information contained in this news release concerning the timing of the transaction. A comprehensive discussion of other risks that impact the Company can also be found under the heading "Risk Factors" in the Company's annual information form available at www.sedar.com. All forward-looking information in this press release is qualified by these cautionary statements. Forward-looking information in this press release is presented only as of the date made. Except as required by law, Second Cup disclaims any intention or obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

For more information:

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