

Enablence Technologies Announces C\$5.975 Million Debt Financing: Other Corporate Update

Ottawa, Ontario—July 17, 2024 - [Enablence Technologies Inc.](#) (TSXV: ENA) ("**Enablence**" or the "**Company**"), a leading provider of optical chips for datacom, telecom, automotive and artificial intelligence (AI) applications announced today that the Company has entered into a term loan agreement dated July 17, 2024 (the "**Loan Agreement**") with Pinnacle Island II LP, a limited partnership formed under the laws of the Province of Ontario (the "**Lender**"). Under the Loan Agreement, the Lender has provided a subordinated secured non-revolving term loan in the maximum principal amount of C\$5,975,000 (the "**Term Loan**"). Further, the Company has entered into an amending agreement (the "**Pinnacle I Loan Amendment**") to the existing loan facility (the "**Pinnacle I Term Loan**") with Pinnacle Island LP ("**Pinnacle I**"), established on January 30, 2024, and amended on April 3, 2024, providing for, among other things, an increase in the amount owing under the Pinnacle I Term Loan by C\$410,000 (to an aggregate total principal amount of C\$9,435,000), which additional amount represents the interest rate accrued and unpaid as at June 30, 2024 on the Convertible Debenture (as defined below). The Pinnacle I Term Loan was previously disclosed in news releases dated January 30, 2024, and April 3, 2024.

"This latest investment facility will provide us with added capacity, operational, and product development flexibility as we continue to execute our strategic growth plan which calls for continued support of high growth, PLC-based advanced vision and artificial intelligence (AI) products," noted Todd Haugen, CEO, Enablence Technologies. "At the same time, this investment will speed time-to-commercialization of new optical devices for traditional datacom and telecom businesses which continue to benefit from high demand, which in turn is leading to a strengthening of our sales pipeline," added Haugen.

Key Terms of the Loan Agreement

As noted above, the Loan Agreement, provides for a term loan in the principal amount of C\$5,975,000. Other than the principal amount, the terms of the Term Loan are substantially the same as the terms of the Pinnacle I Term Loan. Specifically, the principal amount outstanding under the Term Loan bears an interest rate of 12% per annum and has a maturity date of July 31, 2025 (the "**Maturity Date**"). The Company intends to use the proceeds of the Term Loan, after paying certain legal and other expenses, to finance its working capital requirements.

As additional consideration for entering into the Loan Agreement, the Company agreed to pay a structuring fee of C\$300,000 to the Lender, which amount will be paid in full on the Maturity Date.

The Term Loan will also be secured on the same basis as the Pinnacle I Term Loan, specifically by (i) a second priority security interest over all of the present and after -acquired assets of the Company and second priority pledge of the shares of Enableness Canada Inc. ("**Enableness Canada**") and Enableness USA Inc. ("**Enableness USA**"), (ii) a guarantee and general security agreement provided by each of Enableness Canada, Enableness USA and Enable USA Components Inc. ("**Enableness Components**", and together with Enableness Canada and Enableness USA, the "**Guarantors**") granting the Lender a second priority security interest over all of its present and after-acquired assets, and (iii) a second priority pledge by Enableness USA of the shares of Enableness Components, in all cases *pari passu* with the security interests held by Pinnacle I in respect of the Pinnacle I Term Loan.

Key Terms of the Pinnacle I Amendment

As noted above, the Company also entered into the Pinnacle I Loan Amendment, amending the loan agreement dated January 30, 2024 as amended on April 3, 2024 (the "**Pinnacle I Loan Agreement**"), providing for, among other things, an increase in the principal amount of the term loan by an additional C\$410,000, which Pinnacle I Loan Amendment amount represents the interest rate accrued and unpaid as at June 30, 2024 on the Convertible Debenture, thereby increasing the total principal amount of the term loan under the Pinnacle I Loan Agreement (as amended) to C\$9,435,000. The outstanding principal amount of the Pinnacle I Term Loan (including the increase pursuant to the Pinnacle I Loan Amendment) continues to bear an interest rate of 12% per annum and has a maturity date of July 31, 2025.

For the details of the Pinnacle I Loan Agreement and the terms of the Pinnacle I Term Loan, please refer to the news release of the Company dated January 30, 2024, titled "Enableness Technologies Announces CDN\$4.3 Million Debt Financing Package to Support Growth Plan" (the "**Pinnacle I Original News Release**") and the news release of the Company dated April 3, 2024, titled "Enableness Technologies Announces C\$4.725 Million Follow-On Financing", copies of which are available on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile.

The increased amount of the Pinnacle I Term Loan represented by Pinnacle I Loan Amendment will continue to be secured on the same terms as the Pinnacle I Term Loan.

Other Transaction Documents

In connection with the Loan Agreement and the Pinnacle I Loan Amendment, the Company also entered into (i) an amendment to the Second Amended and Restated Loan Agreement dated as of June 27, 2023, as amended on April 3, 2024 between Vortex ENA LP

("Vortex"), as lender and the Company to, among other things, allow for the incurrence by the Company of additional indebtedness as contemplated in the Loan Agreement (the "**Vortex Loan Amendment**"), and (ii) an amendment and restatement of the existing intercreditor agreement dated January 30, 2024 and amended on April 3, 2024, among the Company, the Guarantors, the Lender, Pinnacle I and Vortex (the "**Amended and Restated Intercreditor Agreement**"). The Amended and Restated Intercreditor Agreement includes Pinnacle II as a party and will govern the relationship between the secured lenders of the Company after the execution and delivery of the Loan Agreement, the Pinnacle I Loan Amendment and the Vortex Loan Amendment. Specifically, the Amended and Restated Intercreditor Agreement provides, among other things, that: (i) the obligations owing by the Company and the Guarantors to Pinnacle I and Pinnacle II are fully subordinated to the prior repayment in full of the obligations owing by the Company and the Guarantors to Vortex; (ii) the security held by Vortex in respect of the assets of the Company and the Guarantors ranks in priority to the security held by Pinnacle I and Pinnacle II; (iii) the security held by Pinnacle I and Pinnacle II in respect of the assets of the Company and the Guarantors is held on a *pari passu* basis; and (iv) any payments to be made to Pinnacle I and Pinnacle II are to be made *pro rata* proportionally based on the full amount of the obligations owing by the Company and the Guarantors to each of them.

As consideration for the entry into of the Vortex Loan Amendment, the Company has agreed to pay Vortex an amendment fee of C\$100,000, which amount will be paid in full on the maturity date of July 31, 2025.

Related Party Considerations

As of the date of this news release, Pinnacle I holds a convertible debenture of the Company, bearing a principal amount of C\$11 million (the "**Convertible Debenture**"), which may be converted at any time until June 30, 2027 (unless accelerated due to an event of default) at a price of C\$2.00 per share for up to 5,500,000 shares of the Company (representing approximately 22.5% of the issued and outstanding shares of the Company on a partially diluted basis). For details of the Convertible Debenture, please refer to the Pinnacle I Original News Release and the Company's management information circular dated January 30, 2024, each of which are available on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile. As such, Pinnacle I is considered a "related party" of the Company for purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

In addition, the Lender and Pinnacle I are under common control as they share the same general partner, and as such, the Lender may be considered a "related party" of the Company for the purposes of MI 61-101.

Vortex may also be considered a "related party" of the Company for purposes of MI 61-101 as the sole officer and director of the general partner of the Lender and Pinnacle I is also the sole officer and director of the general partner of Vortex. As a result of such relationships and their respective interests in the success of the Company, the Lender, Pinnacle I and Vortex may be acting jointly or in concert.

Accordingly, the Term Loan, the Pinnacle I Loan Amendment and the Vortex Loan Amendment are considered to be "related party transactions" of the Company for purposes of MI 61-101. The Company is relying on exemptions from the formal valuation and minority shareholder approval requirements available under MI 61-101 in respect of each of the Term Loan, the Pinnacle I Loan Amendment and the Vortex Loan Amendment. The Company is exempt from the formal valuation requirement in Section 5.4 of MI 61-101 in reliance on Section 5.5(b) of MI 61-101, as no securities of the Company are listed on a specified market under MI 61-101. Additionally, the Company is exempt from the minority shareholder approval requirement in Section 5.6 of MI 61-101 in reliance on Section 5.7(1)(f) of MI 61-101 in respect of the Term Loan and the Pinnacle I Loan Amendment as neither the Term Loan provided under the Loan Agreement, nor the increased principal amount represented by the Pinnacle I Loan Amendment amount are convertible directly or indirectly, into equity or voting securities of the Company.

The Term Loan, the Pinnacle I Loan Amendment and the Vortex Loan Amendment remain subject to the final acceptance of the TSX Venture Exchange.

Audit Committee Update

The Company also wishes to announce that, effective July 12, 2024, Derek J. Burney and Oded Tal have been appointed to the Audit Committee of the Company (the "**Audit Committee**"). The Audit Committee is now comprised of three members, being Louis De Jong (Chair), Derek J. Burney and Oded Tal.

About Enablence

[Enablence Technologies Inc.](#) is a publicly traded company listed on the TSX Venture Exchange (TSXV: ENA). The Company designs, manufactures, and sells optical components, primarily in the form of planar lightwave circuits (PLC), artificial intelligence (AI) and LiDAR technologies on silicon-based chips. Enablence products support a broad range of customers in the multi-billion, datacenter, telecom, automotive, and industrial automation industries. Enablence operates a wafer fab in Fremont, California, with design centers in Canada and China supported by sales and marketing operations worldwide.

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Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking statements regarding the Company based on current expectations and assumptions of management, which involve known and unknown risks and uncertainties associated with our business and the economic environment in which the business operates. All such statements are forward-looking statements under applicable Canadian securities legislation. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. These statements are based on current expectations and assumptions, including the impact of the Term Loan, the Vortex Loan Amendment and the Pinnacle I Loan Amendment, the ability of the Company to repay any indebtedness, the ability of the Company to continue its operations as contemplated, the use of proceeds from the Term Loan and the Pinnacle I Loan Amendment, and the receipt of final approval from the TSX Venture Exchange for the Term Loan, Vortex Loan Amendment and the Pinnacle I Loan Amendment. These statements are not guarantees of performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including risks, including the ability of the Company to comply with covenants under the Loan Agreement and all other loan agreements and facilities the Company and its subsidiaries are subject to, risks relating to the Company's operations, business and economic conditions generally, the terms and availability of future financing and the ability of the Company to repay any indebtedness in accordance with the terms thereof (or at all). Although the Company believes that the expectations reflected in the forward-looking statements contained in this news release, and the assumptions on which such forward-looking statements are made, are reasonable based on the information available as of the date hereof, there can be no assurance that such expectations or assumptions will prove to be correct. The Company cautions readers of this news release not to place undue reliance on the forward-looking statements contained herein as many factors could cause actual results or conditions to differ materially from current expectations. Additional information on these and other risk factors that could affect the Company's operations are outlined in the Company's continuous disclosure documents that can be found on SEDAR+ (www.sedarplus.ca) under Enableness's issuer profile. Enableness does not intend and disclaims any obligation, except as required by law, to update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No stock exchange, securities commission, or other regulatory authority has approved or disapproved the information contained herein.

To view the source version of this press release, please visit [\[INSERT LINK\]](#) ([\[INSERT LINK\]](#))
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