

FORM 51-102 F3

MATERIAL CHANGE REPORT

(Pursuant to Part 7 of National Instrument 51-102 - Continuous Disclosure Obligations)

1. Name and Address of Issuer:

Input Capital Corp. (“**Input**”, the “**Company**” or the “**Issuer**”)
300 - 1914 Hamilton Street
Regina, Saskatchewan S4P 3N6

2. Date of Material Change:

December 14, 2020

3. Press Release:

A press release was distributed through Cision on December 14, 2020

4. Summary of Material Changes:

Input has entered into a binding share purchase agreement dated December 14, 2020 (the “**Purchase Agreement**”) with SRG Security Resource Group Inc. (“**SRG**”) and all of the common shareholders of SRG (“**SRG Shareholders**”), whereby Input has agreed to acquire all of the issued and outstanding common shares of SRG (“**SRG Shares**”) from the SRG Shareholders on the terms and subject to the conditions set out in the Purchase Agreement (the “**Acquisition**”) for CDN\$19,900,000 (to be satisfied 50% in cash and 50% in Input common shares), as adjusted on a dollar-for-dollar basis for positive or negative net working capital of SRG. Upon completion of the Acquisition, which is expected to close in or around February 2021, SRG will become a wholly-owned subsidiary of the Company.

5. Full Description of Material Change:

Acquisition Terms

Input has entered into the Purchase Agreement with SRG and all of SRG Shareholders whereby Input has agreed to acquire all the SRG Shares from the SRG Shareholders on the terms and subject to the conditions set out in the Purchase Agreement. Pursuant to the Purchase Agreement, Input will acquire all the SRG Shares for a total purchase price of CDN\$19,900,000 (the “**Purchase Price**”), subject to a dollar-for-dollar adjustment for positive or negative net working capital of SRG at closing. Half of the Purchase Price will be satisfied by the issuance of 8,883,930 common shares of Input (“**Input Shares**”) at a deemed value of CDN\$1.12 per Input Share for an approximate total value of CDN\$9,950,000. The remaining 50% of the Purchase Price will be paid in cash. Any closing net working capital adjustments to the Purchase Price will be made only in cash. Subject to a holdback of CDN\$250,000 to be held in escrow on closing pending determination of the final net working capital adjustments in accordance with the Purchase Agreement, the Purchase Price will be distributed *pro rata* to each of the SRG Shareholders on closing.

The Input Shares to be issued pursuant to the Acquisition represent 16.74% of the issued and outstanding Input Shares as of November 30, 2020.

The new Input Shares to be issued to SRG Shareholders pursuant to the Acquisition will be subject to a statutory hold period expiring on 4 months and 1 day from the date of issuance. In addition, the SRG Shareholders have agreed to lock-up terms in favour of the Company restricting their ability to transfer their Input Shares until the date that is 6 months following the closing of the Acquisition.

The Acquisition is subject to TSX Venture Exchange (“TSXV”) approval and other typical conditions precedent including:

- a) SRG having no closing debt, except current liabilities calculated within the net working capital adjustment;
- b) 100% of the SRG Shareholders having signed the Purchase Agreement or joinder agreements agreeing to be bound by the Purchase Agreement;
- c) compliance by the parties to the Purchase Agreement with all covenants and agreements in such agreement;
- d) the representations and warranties of the parties to the Purchase Agreement being true and correct at closing;
- e) receipt of all regulatory approvals, including approval of the TSXV;
- f) there being no material adverse change (as that term is defined in the Purchase Agreement) with respect to SRG or Input; and
- g) other customary conditions precedent set forth in the Purchase Agreement.

The Purchase Agreement also contains customary representations and warranties on the part of the SRG Shareholders or SRG, as applicable, relating to, among other matters: existence and capacity or authority; execution, delivery and enforceability; formation; capitalization; unencumbered title to the SRG Shares; no other offers to acquire; non-contravention; legal proceedings; required consents; SRG’s capacity to carry on business; no insolvency; financial statements and condition of SRG; absence of changes; non-arm’s length transactions; litigation; indebtedness; books and records; property and assets; intellectual property and data security; compliance with applicable laws; SRG employees and employee plans; taxes; customers and suppliers; and full disclosure. Input has also provided certain customary representations and warranties, including in respect of the Input Shares to be issued to the SRG Shareholders pursuant to the Acquisition.

The Purchase Agreement also contains customary covenants by the parties, including: conduct of business covenants by and restrictions on SRG prior to closing; SRG Shareholders’ 6-month lock-up of their new Input Shares following closing; confidentiality obligations binding on the parties; covenants relating to pre-closing and post-closing taxes of SRG; and the parties’ agreement that SRG’s board of directors will facilitate the exercise of in-the-money options of SRG and the cancellation without payment of all out-of-the-money options of SRG prior to closing.

Assuming all of the conditions in the Purchase Agreement are satisfied or waived, including approval of the TSXV, the Acquisition is expected to close in or around February 2021.

The full text of the Purchase Agreement is being filed concurrently with this report and may be found under Input’s profile at www.sedar.com.

Independent Committee & Independent Advisors

The Company formed a special committee of independent directors (the “**Independent Committee**”) consisting of David Brown, C.M., Q.C., David Laidley, FCPA, FCA, and Dr. Lorne Hepworth, to consider and oversee the Acquisition and make a recommendation to the board of directors of Input whether the proposed acquisition of the SRG Shares would be in the best interests of the Company and its shareholders. In the case of the proposed acquisition, the Independent Committee was charged with evaluating the proposed transaction and possible alternatives because Doug Emsley, Chairman of the Board, President and Chief Executive Officer of Input, is also an SRG Shareholder and SRG’s chairman and chief executive officer.

The Independent Committee first met to consider a proposed acquisition of SRG on November 13, 2020. During this meeting, the Independent Committee received Input management’s preliminary report and recommendation that Input present SRG with a non-binding term sheet summarizing the terms on which Input would be prepared to acquire all the SRG Shares from the SRG Shareholders. During this meeting,

the Independent Committee considered the opportunity to acquire SRG with reference to Input's previously announced comprehensive strategic alternatives review and the conclusion of that strategic review resulting in the decision to postpone further deployment of cash into mortgage, marketing and capital streams in favour of maximizing shareholder value from the Company's existing book of business with its existing customers. At the same time, the Independent Committee and Input's management discussed possible alternatives to the proposed acquisition both within the Agriculture industry, as well as other emerging and established industries. Consideration was also given to the recently announced termination of an arrangement agreement and plan of arrangement upon which an arm's length buyer would have acquired the Company.

At the conclusion of the first meeting, the Independent Committee determined it required independent financial and legal advice to assist with its review of the information delivered to it by Input's management and in evaluating and formulating a recommendation with respect to a proposed acquisition and alternatives thereto. In that connection, the Independent Committee retained Davies Ward Phillips & Vineberg LLP ("**Davies**") as its independent legal advisor and MNP LLP ("**MNP**") as its independent financial advisor.

The Independent Committee met again on November 21, 2020. Representatives from both Davies and MNP participated at this meeting. Among other matters, Davies advised the Independent Committee of its duties and responsibilities under applicable laws in connection with its consideration of the proposed acquisition of SRG and alternatives thereto. MNP presented to the Independent Committee concerning the fairness, from a financial point of view, of the proposed acquisition of SRG to the shareholders of Input providing, among other things, a review of the proposed transaction involving SRG, its business, a discussion of the methodologies applied by MNP (including in valuing the Input Share consideration proposed to be paid by Input and considering the value of SRG) and market valuation practices and metrics applicable to the proposed transaction. Following MNP's presentation, at the request of the Independent Committee, Mr. Emsley joined the meeting to answer questions of the Independent Committee. At the conclusion of the second meeting and following an *in camera* session of the Independent Committee, the Independent Committee unanimously resolved to recommend to the board of directors of Input to authorize Input's management to make a non-binding offer to SRG Shareholders. At the ensuing directors' meeting, the Input board unanimously resolved to authorize Input's management to make a non-binding offer to SRG Shareholders. Mr. Emsley declared his interest and abstained from voting.

Input's legal counsel, McKercher LLP ("**McKercher**") prepared a non-binding term sheet in accordance with the terms approved the board of directors of Input. The non-binding term sheet was finalized with comments of the Independent Committee and its legal counsel, Davies, included therein. The execution of the non-binding term sheet was announced by Input on November 30, 2020.

The Independent Committee met again on December 3, 2020. Input's management and Input's legal counsel, McKercher, as well as the Independent Committee's legal counsel, Davies, participated at the meeting. The purpose of this meeting was to review and discuss the Independent Committee's comments on the initial draft Purchase Agreement prepared by Input and its legal counsel and to review the preliminary financial analysis and advice of MNP provided to the Independent Committee that the proposed Acquisition is fair, from a financial point of view, to the shareholders of Input (other than SRG and its affiliates and associates). At this meeting, the Independent Committee authorized the delivery of the draft Purchase Agreement, updated to reflect the Independent Committee's and its legal counsel's comments, to SRG and the negotiation of such agreement with SRG and the SRG Shareholders.

After negotiations with SRG and the SRG Shareholders, including receipt of such parties comments and proposed edits, the draft Purchase Agreement was further revised and provided to the Independent Committee and its legal counsel for review and comment.

Following its review of the proposed Acquisition, which included financial analysis and advice by MNP that, subject to customary qualifications and assumptions, the Acquisition is fair, from a financial point of view, to the shareholders of Input (other than SRG and its affiliates and associates), the Independent Committee recommended to the Input board that the board approve the Acquisition and authorize the Company to enter into the Purchase Agreement to acquire the SRG Shares on the terms and subject to the

conditions set out therein. At a meeting of the Input board on December 13, 2020, the board unanimously approved the Company proceeding with the Acquisition and the entering into of the Purchase Agreement. Mr. Emsley declared his interest and abstained from voting on the proposed Acquisition.

On December 14, 2020, the Company executed the Purchase Agreement.

Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions

Doug Emsley, Chairman of the Board, President and Chief Executive Officer of Input and a holder of 21.95% of the issued and outstanding Input Shares, is also the chairman of the board and chief executive officer of SRG and an SRG Shareholder holding approximately 19.3% of the SRG Shares (on a fully diluted basis, assuming the exercise of all outstanding SRG options). Mr. Emsley is a “related party” to Input under *Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) and a “Non-Arm’s Length Party” under applicable TSXV policies. As a result, the Acquisition is a “related party transaction” under MI 61-101 insofar as it relates to Mr. Emsley but is exempt from the formal valuation and minority approval requirements because the fair market value of the consideration payable to Mr. Emsley under the Purchase Agreement will not exceed 25% of Input’s market capitalization, as determined under MI 61-101.

The Issuer is relying on the *Fair Market Value Not More Than 25 Per Cent of Market Capitalization* exemptions set forth in sections 5.5(a) and 5.7(a) of MI 61-101. The Issuer’s market capitalization as calculated in accordance with MI 61-101 is CDN\$52,544,597.31, determined as follows:

$$\begin{aligned} \text{Market Capitalization} &= \text{Fully Diluted Share Capital} \times \text{Share Price, each as at November 30} \\ &= 56,499,567 \times \$0.93 \\ &= \$52,544,597.31 \end{aligned}$$

Accordingly, 25% of the Issuer’s market capitalization is \$13,136,149.33.

Pursuant to the Purchase Agreement based on the unadjusted Purchase Price, Mr. Emsley, together with a holding company owned and controlled by Mr. Emsley, will receive 1,712,364 Input Shares and approximately CDN\$1,917,847.61, for total consideration of approximately CDN\$3,835,695.29, which amount represents approximately 7.3% of Input’s market capitalization and, thus, does not exceed 25% of Input’s market capitalization. Any adjustment to the Purchase Price for positive net working capital of SRG will not result in Mr. Emsley’s total consideration exceeding 25% of Input’s market capitalization.

On completion of the Acquisition, Mr. Emsley will beneficially own, directly or indirectly, 13,362,845 Input Shares, or 21.57% of the issued and outstanding Input Shares, calculated on post-Acquisition (partially diluted) basis.

No formal valuations (as that term is defined in MI 61-101) of Input were required under MI 61-101 or obtained for the purposes of the Acquisition.

Purpose and Business Reasons for the Acquisition

Input has a capital-intensive business that provides medium and long-term financing solutions to Western Canadian farmers. Since the conclusion of the comprehensive strategic alternatives review in May 2019, Input has not been deploying new capital into its agriculture finance business, seeking rather to direct efforts on the profitable operation of the existing book of mortgage, marketing and capital streams with the objective of maximizing book value per share and returning capital to Input shareholders by undertaking normal course issuer bids and substantial issuer bids available under securities laws. As a result, Input’s cash position has been growing rapidly, and Input has been able to pay down a significant portion of its debt.

Over the last year, Input has reduced its debt from CDN\$24.6 million to CDN\$7.7 million, spent CDN\$7.2 million buying back 16% of its shares outstanding using normal course issuer bids and substantial issuer

bids, and paying CDN\$2.4 million in dividends (all values are approximate). Despite the outflow of cash, Input's cash position has risen from CDN\$11.4 million to CDN\$27.2 million over the same period. With debt down to CDN\$7.7 million and more than CDN\$70 million in net assets which are turning into cash fairly rapidly, Input recognizes the need to put its cash to work earning a better return for Input shareholders.

In SRG, Input sees a capital-light business at a stage in its development where it needs an injection of capital to grow. In SRG, Input also sees a business that can accelerate its growth backed by Input's growing liquidity while Input continues to serve its agriculture clients for the remaining duration of their contracts with the Company. This is expected to provide a better return to Input shareholders than simply waiting several years for Input's client contracts to mature.

Input does not currently expect there to be any impact on the operation of the existing business and affairs of the Company. Input employees will continue serving Input's customers for the remaining life of those customers' contracts. At the same time, employees of SRG will continue carrying out the business and affairs of SRG as a wholly-owned subsidiary of Input. In the immediate future, the Company and SRG are each expected to carry on business as distinct business operations. Input currently expects that it will take up to two years before the growth of SRG, as a subsidiary, financially exceeds Input's existing agriculture business in the corporate structure or consolidated balance sheet of the companies. The Input board believes that the Acquisition offers Input an excellent investment opportunity and better use of its cash resources to create long-term shareholder value.

A copy of this report is available to Input shareholders upon request and without charge.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

This report is not being filed on a confidential basis.

7. Omitted Information:

There are no significant facts required to be disclosed herein which have been omitted.

8. Executive Officer:

For further information contact:

Doug Emsley
President & CEO
(306) 347-1024
doug@inputcapital.com

Brad Farquhar
Executive Vice-President & CFO
(306) 347-7202
brad@inputcapital.com

9. Date of Report:

December 14, 2020

Forward Looking Information:

This material change report includes forward-looking statements regarding Input and its business. Such statements are based on the current expectations and views of future events of Input's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The forward-looking events and circumstances discussed in this material change report may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Input, including risks regarding the agricultural industry, economic factors and the equity markets generally, the Company's inability to consummate the acquisition of SRG, the anticipated timing and completion of the Acquisition, non-satisfaction of the conditions to the Acquisition (including the approval of the

TSX Venture Exchange), risks associated with the anticipated benefits of the Acquisition to Input and its shareholders, uncertainties concerning the Company's future plans and intentions with respect to its business, risks and uncertainties relating to Input's and SRG's businesses, and many other factors beyond the control of Input (including the ongoing COVID-19 pandemic). No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Input undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.