

Enablence Technologies Announces C\$4.725 Million Follow-On Financing

April 03, 2024 11:13 AM EDT | Source: Enablence Technologies Inc. (/company/2725/Enablence-Technologies-Inc.)

Ottawa, Ontario--(Newsfile Corp. - April 3, 2024) - Enablence Technologies

(<https://api.newsfilecorp.com/redirect/W02Eou1M14>) Inc. (TSXV: ENA) ("**Enablence**" or the "**Company**"), a leading provider of photonics semiconductors and artificial intelligence (AI) technologies for datacom, telecom, automotive and industrial automation announced today that further to its news release dated January 30, 2024, the Company has entered into an amendment (the "**Loan Amendment**") to the loan facility established on January 30, 2024 with Pinnacle Island LP, a limited partnership formed under the laws of the Province of Ontario (the "**Lender**"), providing for, among other things, an additional term loan in the amount of C\$4.725 million.

"We are focused on delivering into increased demand we are seeing from customers and introducing innovative new PLC-based advanced vision products, especially in the area of AI," commented Todd Haugen, CEO, Enablence Technologies. "This new investment facility will further strengthen current operational capabilities at our Vermont fab, while supporting the overall plan to speed up the commercialization of new optical devices."

Key Terms of the Loan Amendment

The Company entered into an amending agreement with the Lender as of the date hereof (the "**Amending Agreement**") to the loan agreement dated January 30, 2024 (the "**Original Loan Agreement**"), providing for, among other things, an increase in the principal amount of the term loan by an additional C\$4,725,000 (the "**Term Loan Upsize**"), adding to the initial term loan of C\$4,300,000 extended under the Original Loan Agreement (the "**Initial Term Loan**"), increasing the total principal amount of the term loan under the Original Loan Agreement (as amended by the Amending Agreement, the "**Loan Agreement**") to C\$9,025,000. The principal amount outstanding under the Term Loan Upsize bears an interest rate of 12% per annum and has a maturity date of July 31, 2025 (the "**Maturity Date**"), which are identical terms of the Initial Term Loan. A portion of the Term Loan Upsize (being C\$425,000) was allocated to satisfy the interest payable on the Company's Convertible Debenture (as defined herein). The Company intends to use the C\$4,300,000 of additional cash that was advanced to the Company under the Term Loan Upsize to finance its working capital requirements. For the details of the Original Loan Agreement and the terms of the Initial Term Loan, please refer to the news release of the Company dated January 30, 2024 titled "*Enablence Technologies Announces CDN\$4.3 Million Debt Financing Package to Support Growth Plan*" (the "**Original Loan News Release**"), a copy of which is available on SEDAR+ (www.sedarplus.ca) (<https://api.newsfilecorp.com/redirect/wWAZguABAJ>) under the Company's issuer profile.

As additional consideration for entering into the Amending Agreement, the Company agreed to pay a structuring fee of C\$215,000 to the Lender, which amount will be paid in full on the Maturity Date.

The Term Loan Upsize will also be secured on the same terms as the other loan facilities under the Original Loan Agreement, being secured 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 Enablence Canada Inc. ("**Enablence Canada**") and Enablence USA Inc. ("**Enablence USA**"), (ii) a guarantee and general security agreement provided by each of Enablence Canada, Enablence USA and Enablence USA Components Inc. ("**Enablence Components**"), and together with Enablence Canada and Enablence 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 Enablence USA of the shares of Enablence Components.

In connection with the Loan Amendment, the Company also entered into (i) an amendment (the "**Vortex Amendment**") to the Second Amended and Restated Loan Agreement dated as of June 27, 2023 (the "**Original Vortex Loan Agreement**") 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 Amending Agreement, and (ii) an amendment to the intercreditor agreement dated January 30, 2024 among the Company, the Guarantors, the Lender and Vortex which will govern the relationship between the secured lenders of the Company subsequent to the Amending Agreement. In respect of repayment priority among the secured lenders, the Loan Amendment contemplates that the net proceeds from the incurrence of any additional indebtedness by the Company or any of the Guarantors be first applied to the indebtedness owing under the Original Vortex Loan Agreement (as amended by the Vortex Amendment), unless waived by Vortex, and subsequently to the obligations under the Loan Agreement. As additional consideration for entering into the Vortex Amendment, the Company agreed to pay an amendment fee to Vortex of C\$175,000 which shall be payable on the Maturity Date.

Related Party Considerations

As of the date of the Amending Agreement, the Lender 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 22.6% of the issued and outstanding shares of the Company on a partially diluted basis). Given the foregoing, the Lender 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**"). For details of the Convertible Debenture, please refer to the Original Loan News Release and the Company's management information circular dated January 30, 2024, each of which are available on SEDAR+ (www.sedarplus.ca (<https://api.newsfilecorp.com/redirect/gO2wzlx5xY>)) under the Company's issuer profile.

In addition, Vortex is considered a "related party" of the Company. The Company notes that the sole officer and director of the general partner of the Lender 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 and Vortex may be considered to be *acting jointly or in concert*.

Accordingly, the Loan Amendment is considered a "related party transaction" 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. 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 Loan Amendment, as the Term Loan Upsize provided under the Amending Agreement is not convertible directly or indirectly, into equity or voting securities of the Company.

The Loan Amendment remains subject to the final acceptance of the TSX Venture Exchange.

About Enablence

Enablence Technologies Inc (<https://api.newsfilecorp.com/redirect/pEAWBuR5RW>) 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) 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.

For more information visit: www.enablence.com (<https://api.newsfilecorp.com/redirect/YY2KPiQmQ0>).

###

For more information, contact:

Todd Haugen, CEO
Enablence Technologies Inc.
+1 (510) 226-8900
todd.haugen@enablence.com (<mailto:todd.haugen@enablence.com>)

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 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 Loan Amendment, and the receipt of final approval from the TSX Venture Exchange for the 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, 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.com (<https://api.newsfilecorp.com/redirect/0VmZ4tEkE7>)) 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 as a result 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 <https://www.newsfilecorp.com/release/204144>
(<https://api.newsfilecorp.com/redirect/R7nKmirOrQ>)

SOURCE: Enableness Technologies Inc. (/company/2725/Enableness-Technologies-Inc.)