

**VIXS SYSTEMS INC.
MATERIAL CHANGE REPORT
FORM 51-102F3**

Item 1 — Name and Address of Company

ViXS Systems Inc.
1210 Sheppard Avenue East, Suite 800
Toronto, Ontario M2K1E3

Item 2 — Date of Material Change

January 8, 2016

Item 3 — News Release

The news release announcing the material change was released on January 6, 2016 through Marketwired. A copy of the news release is attached hereto as Schedule "A".

Item 4 — Summary of Material Change

On January 6, 2016 ViXS Systems Inc. announced that its board of directors has authorized the Company to proceed with two non-brokered private placements (collectively, the "Private Placements"). For a full description, please see Schedule "A" attached hereto.

Item 5 — Reliance on subsection 7.1(2) of National Instrument 51-102

Not Applicable.

Item 6 — Omitted Information

Not Applicable.

Item 7 — Executive Officer

Inquiries in respect of the material change referred to herein may be made to:

Charlie Glavin
Chief Financial Officer
416-646-2000 extension 227
cglavin@vixs.com

Item 8 — Date of Report

January 8, 2016

Schedule A

THIS NEWS RELEASE IS INTENDED FOR DISTRIBUTION IN CANADA ONLY AND IS NOT AUTHORIZED FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

ViXS Announces Proposed Private Placements of Convertible Debentures and Units

TORONTO, Ontario, January 6, 2016 – ViXS Systems Inc. (“ViXS” or the “Company”) (TSX:VXS), a pioneer and leader in media processing solutions, today announced that its board of directors has authorized the Company to proceed with two non-brokered private placements (collectively, the “Private Placements”). The Private Placements consist of:

- a private placement of secured subordinated convertible debentures (the “Convertible Debenture Private Placement”) and
- a private placement of units (the “Unit Private Placement”),

each of which is described in more detail below.

Under the Convertible Debenture Private Placement, the Company proposes to issue up to C\$3,424,266 in aggregate principal amount of secured subordinated convertible debentures (the “Convertible Debentures”) and 2,517,842 common share purchase warrants (the “Convertible Debenture Warrants”). Each Convertible Debenture is convertible into common shares of the Company at a conversion price of C\$0.34 for each common share, subject to adjustment in certain circumstances (the “Conversion Price”). The maximum number of common shares issuable in connection with the conversion of the Convertible Debentures is 10,071,371.

Under the Unit Private Placement the Company proposes to issue up to 10,075,336 units (the “Units”) at a price of C\$0.3453 per Unit for gross proceeds of C\$3,479,014. Each Unit consists of one common share and one-quarter of one common share purchase warrant (each full warrant a “Unit Warrant” and collectively the “Unit Warrants”). The maximum number of Unit Warrants issuable in connection with the Unit Private Placement is 2,518,834.

The net proceeds from the Private Placements will be used to strengthen the Company’s financial position and provide the working capital required to fund the Company’s ongoing operations.

The closing of each of the Private Placements is subject to a number of conditions precedent, including, without limitation, receipt of the approval of the Toronto Stock Exchange (“TSX”). The closing of each of the Private Placements is expected to occur on or about January 12, 2016.

Each Private Placement is being conducted on a non-brokered private placement basis pursuant to applicable exemptions from the prospectus and registration requirements of applicable securities laws. The securities issued pursuant to the Private Placements will be subject to applicable resale restrictions under applicable securities laws. No commissions or fees are payable in connection with either of the Private Placements.

The Private Placements are separate, not conditional upon the other, and have separate, non-overlapping investors. The investors in each Private Placement, to the Company’s knowledge,

are each making their own investment decisions and are acting independently and not jointly or in concert.

A special committee of the Company's board of directors, comprising two independent directors, considered the reasonableness and fairness of each of the Private Placements and unanimously recommended to the Company's full board of directors that each of the Private Placements be approved. When considering the Private Placements, the special committee took into consideration the following factors: (i) ViXS' financial situation including; (ii) the time frame and cost relating to the implementation of the Private Placements as compared to other possible forms of financing; (iii) negotiations with the investors, iv) unsolicited interests from parties seeking to participate in a financing; (v) a determination that the terms and conditions of the Private Placement were in line with market comparables; and ViXS' need for working capital to fund on-going operations and strengthen its financial position.

The board of directors of the Company subsequently approved each of the Private Placements and there was no contrary view or abstention by any independent director on the resolutions approving each of the Private Placements.

Convertible Debenture Private Placement

The Convertible Debentures will mature four years from the date of issuance and bear interest at the rate of 10% per annum, payable semi-annually in arrears in cash, subject to adjustment. If, at any time after the closing of the Convertible Debenture Private Placement, the market price of the common shares of the Company exceeds C\$0.80 for 15 consecutive trading days, then the applicable interest rate on the Convertible Debentures will be reduced to a fixed rate of 1.0% per annum.

The Convertible Debentures are convertible into common shares of the Company at the Conversion Price, in whole or in multiples of C\$50,000, at the option of the holders of the Convertible Debentures, at any time during the period that is 90 days following the date of issuance and up to and including the maturity date.

The Company may, at its option, redeem the Convertible Debentures in whole or in multiples of C\$500,000 (pro-rated over all the outstanding Convertible Debentures), at any time upon no more than 90 and no less than 30 days' prior notice at the following times and prices:

- between the date that is 90 days after the date of issuance and the date that is one year following the date of issuance at a redemption price equal to 110% of the principal amount of the Convertible Debentures plus accrued and unpaid interest, and
- during the period from the date that is one year following the date of issuance until the maturity date at a redemption price equal to the principal amount of the Convertible Debentures plus accrued and unpaid interest.

The Convertible Debentures will be secured by a general security interest in all of the assets of the Company which is subordinated to the security interest of a senior lender to the Company.

In connection with the Convertible Debenture Private Placement, the Company will issue up to 2,517,842 Convertible Debenture Warrants. The Convertible Debenture Warrants will enable each investor to purchase that number of common shares that is equal to twenty-five percent (25%) of the number obtained by dividing the principal amount of Convertible Debentures purchased by such investor by the Conversion Price. Each Convertible Debenture Warrant will be exercisable for a period of 12 months from the date of issuance to purchase a common share of the Company at an exercise price of \$0.60 per common share. If the market price (as such term is defined in the TSX Company Manual) of a common share of the Company exceeds \$0.65 for ten consecutive days, each Convertible Debenture Warrant will become exercisable at any time during a period of 20 days following the ten day period. Any Convertible Debenture Warrants not exercised during such warrant acceleration period shall expire.

The aggregate maximum of common shares issuable in connection with the conversion of the Convertible Debentures is 10,071,371, and the exercise of the Convertible Debenture Warrants is 2,517,842.

Unit Private Placement

Under the Unit Private Placement, the Company proposes to issue up to 10,075,336 Units at a price of C\$0.3453 per Unit for gross proceeds of C\$3,479,014. Each Unit consists of one common share and one-quarter of one Unit Warrant. The maximum number of Unit Warrants issuable is 2,518,834. The price of the Units that was reserved with the TSX on December 28, 2015 represents a 1% premium to the five day VWAP on that date.

Each Unit Warrant will enable the holder to acquire one additional common share of the Company at an exercise price of C\$0.50 per common share. If all the Unit Warrants be exercised, this would result in issuance of an additional 2,518,834 common shares, for additional gross proceeds of C\$1,259,417.

Certain insiders of the Company will be subscribing for Units (the “Participating Insiders”). As a result, subscriptions by the Participating Insiders under the Unit Private Placement are “related party transactions” for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Unit Private Placement will be completed in reliance on available exemptions from the formal valuation and minority approval requirements of MI 61-101 provided in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101. Insofar as it applies to interested parties (as that term is defined in MI 61-101) neither the fair market value of the Units issued nor the consideration paid for the Units pursuant to the Unit Private Placement will exceed 25% of the Company’s market capitalization.

Each of the Participating Insiders is currently the registered and beneficial holders of the common shares set forth beside their names in the table below. Sohail Khan, Indra Laksono Michael Michalyshyn, Perry Chappell John Pomeroy, Michael James Economy, and Michael Cave are insiders of the Company by nature of being an officer or employee of the Company. The table below also indicates, with respect to each of the Participating Insiders, the common shares issuable upon the full conversion of their Unit Warrants.

Participating Insider	Current Common Shares registered and beneficially owned	Common shares issuable on the issuance of the Units	Common shares issuable on the issuance of the Unit Warrants	Aggregate Common Shares upon exercise of applicable Unit Warrants ⁽¹⁾	Aggregate Common Shares without exercise of applicable Unit Warrants ⁽²⁾
Sohail Khan	0	200,000	50,000	250,000	200,000
Indra Laksono	801,390	20,000	5,000	826,390	821,390
Michael Michalyshyn	456,500	289,603	72,401	818,504	746,103
Perry Chappell	452,869	100,000	25,000	577,869	552,869
John Pomeroy	39,756	10,000	2,500	52,256	49,756
Michael J. Economy	0	20,000	5,000	25,000	20,000
Michael Cave	0	20,000	5,000	25,000	20,000

- (1) Assumes that the participant in the Unit Private Placement exercise their respective Unit Warrants.
- (2) Assumes that the participant in the Unit Private Placement does not exercise their respective Unit Warrant.

There are currently 50,378,047 common shares of ViXS issued and outstanding. Assuming (i) the closing of the Convertible Debenture Private Placement, (ii) that the Unit Private Placement does not close, and (iii) the issuance of a maximum of 12,589,224 common shares (including the exercise of the common share purchase warrants) issuable in connection with the Convertible Debenture Private Placement at the initial Conversion Price, there will be 62,967,271 common shares outstanding, representing dilution of 25%.

Assuming (i) the closing of the Unit Private Placement, (ii) that the Convertible Debenture Private Placement does not close and (iii) the exercise of all of the Unit Warrants issuable in connection with the Unit Private Placement, there will be 62,972,217 common shares outstanding, representing dilution of 25%.

Assuming (i) both the Convertible Debenture Private Placement and the Unit Private Placement close, (ii) the conversion of the Convertible Debentures at the initial Conversion Price, and (iii) the exercise of all warrants issuable in connection with both the Convertible Debenture Private Placement and the Unit Private Placement, there will be 75,561,441 common shares outstanding, representing dilution of 50%.

No new 10% or greater shareholders will be created as a result of the Convertible Debenture Private Placement and no new 10% or greater shareholders are anticipated as a result of the Unit Private Placement.

MI 61-101 requires that if a material change report is filed less than 21 days before the expected date of the closing of the transaction, an explanation is to be provided as to why the shorter period is reasonable or necessary in the circumstances. A material change report in respect of the

related party transaction is not expected to be filed at least 21 days in advance of the closing of the Private Placements due to the Company's need to address and discuss in the near term its financial position with outside parties, which the Company believes is both reasonable and fair in the circumstances.

About ViXS Systems Inc.

ViXS is a pioneer and market leader in designing revolutionary media processing semiconductor solutions for video over IP streaming solutions, with over 510 patents issued and pending worldwide, numerous industry awards for innovation, and over 33 million media processor shipped to date. ViXS is driving the transition to Ultra HD 4K across the entire content value chain by providing professional and consumer grade chipsets that support the new High Efficiency Video Coding (HEVC) standard up to Main 12 Profile, reducing bandwidth consumption by 50% while providing the depth of color and image clarity needed to take advantage of higher-resolution content. ViXS' XCodePro 300 family is ideal for Ultra HD 4K infrastructure equipment, and the XCode 6000 family of system-on-chip (SoC) products achieve unprecedented levels of integration that enable manufacturers to create cost-effective consumer entertainment devices.

ViXS is headquartered in Toronto, Canada with offices in Europe, Asia and North America. ViXS[™], the ViXS[®] logo, XCode[®], XCodePro[™], XConnex[™] and Xtensiv[™] are trademarks and/or registered trademarks of ViXS. Other trademarks are the property of their respective owners. For more information on ViXS, visit our website: www.vixs.com.

Forward-Looking Statements

Statements in this press release that are not historical facts constitute "forward-looking statements" and information within the meaning of applicable securities laws. Such statements include, but are not limited to, statements regarding the fulfilment of the conditions precedent with respect to the closing of each of the Private Placements (including the receipt of TSX approval), the timing and completion of each of the Private Placements, the proceeds to be raised by each of the Private Placements (including any proceeds received by the Company in connection with the exercise of the Convertible Debenture Warrants or the Unit Warrants) and the anticipated use of the proceeds of each of the Private Placements by the Company. The intended use of the proceeds of each of the Private Placements by ViXS might change if the board of directors of ViXS determines that it would be in the best interests of ViXS to deploy the proceeds for some other purpose. The words "will", "expect", "may" and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by ViXS.

Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect and not to place undue reliance upon any such forward-looking statements or information. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of ViXS.

ViXS does not undertake any obligation to update or revise any forward-looking statements or information except as expressly required by applicable securities laws.

None of the information contained on, or connected to, ViXS' website is incorporated by reference herein.

For further information, please contact:

Charlie Glavin

Nicole Marchand

ViXS Systems Inc.

Investor Relations, Consultant

T: +1 416 646-2000

ViXS Systems Inc.

cglavin@vixs.com

T: 1 416 646-2000 ext. 3

ir@vixs.com

This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities. The securities to be issued under the Private Placements have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Act") or under any state securities laws, and may not be offered or sold within the United States or to a U.S. Person (as such term is defined under the Act) unless registered under the Act and applicable state securities laws, or unless an exemption from such registration is available.