

**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

September 12, 2016

Item 3 — News Release

The news release announcing the material change was released on September 12, 2016 through Marketwired. A copy of the news release is attached hereto as Schedule "A".

Item 4 — Summary of Material Change

On September 12, 2016 ViXS Systems Inc. announced, that on September 12, 2016 it, that it has closed the first tranche of each of its two previously announced non-brokered private placement offerings to a group of strategic investors raising aggregate gross proceeds of approximately C\$6,640,000.

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

September 14, 2016

VIXS ANNOUNCES FIRST TRANCHE PRIVATE PLACEMENT CLOSING FOR C\$6.64M, INCLUDING STRATEGIC INVESTORS

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

TORONTO, ONTARIO (Marketwired – September 12, 2016) ViXS Systems Inc. ("**ViXS**" or the "**Company**") (TSX: VXS), a pioneer and leader in media processing solutions, today announced, that it has closed the first tranche of each of its two previously announced non-brokered private placement offerings to a group of strategic investors raising aggregate gross proceeds of approximately C\$6,640,000. The private placement offerings include:

- a unit offering consisting of common shares and warrants (the "**Unit Private Placement**") for up to C\$3,600,000; and
- a secured subordinated convertible debenture offering (the "**Convertible Debenture Private Placement**") of up to C\$4,200,000.

The net proceeds will be used for general corporate and working capital purposes in order to support the growth of the business.

Unit Private Placement

Under the Unit Private Placement, the Company has issued a total of 9,800,000 units ("**Units**") at a price of C\$0.30 per Unit for gross proceeds of C\$2,940,000 with each Unit consisting of one Common Share and 0.25 Common Share purchase warrants ("**Unit Warrants**"). Each whole Unit Warrant is exercisable into one Common Share at an exercise price of C\$0.50 per Common Share. The exercise of all of the Unit Warrants issued in connection with this first tranche closing would result in the issuance of an additional 2,450,000 Common Shares and aggregate gross proceeds to the Company of C\$1,225,000.

Convertible Debenture Private Placement

Under the Convertible Debenture Private Placement, the Company has issued C\$3,700,000 in aggregate principal amount of secured subordinated convertible debentures (the "**Convertible Debentures**"). The Convertible Debentures mature three 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. The Convertible Debentures are convertible into common shares in the capital of the Company ("**Common Shares**") at a conversion price of C\$0.35 per Common Share ("**Conversion Shares**"), subject to adjustment in certain circumstances (the "**Conversion Price**").

The Convertible Debentures are secured by a general security interest which is subordinated to the security interests of a senior lender to the Company and to the existing holders of secured debentures of the Company.

In connection with the issuance of the Convertible Debentures, the Company has issued 2,642,857 Common Shares purchase warrants (the "**Convertible Debenture Warrants**"), with

each Convertible Debenture Warrant exercisable for one Common Share for a period of 12 months from the date of issuance at an exercise price of C\$0.60 per Common Share. Each subscriber of Convertible Debentures has been issued that number of Convertible Debenture Warrants that is equal to twenty-five percent (25%) of the number of Conversion Shares issuable upon conversion of such holder's Convertible Debentures.

The Convertible Debenture Warrants are subject to accelerated expiry if the market price (as such term is defined in the TSX Company Manual) of the Company's Common Shares exceeds \$0.65 for a ten consecutive trading day period (the "**Accelerated Expiry Period**"). The Convertible Debenture Warrants will remain exercisable for 20 trading days following the Accelerated Expiry Period, after which any unexercised Convertible Debenture Warrants shall expire.

The Company expects to close a second tranche of these private placements with certain other investors, insiders and management in the next several weeks to raise additional aggregate proceeds of up to C\$1,160,000, which is the aggregate balance from the announcement of these private placement financings on September 1, 2016.

Certain insiders of the Company have and are expected to be participating in the private placements (the "**Participating Insiders**"). As a result, subscriptions by the Participating Insiders under the private placements 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 have and 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.

Morega Systems Inc. ("**Morega**") is considered an "associate" of Celtic House Venture Partners ("**Celtic House**") under the *Securities Act* (Ontario) because Celtic House owns more than 10% of Morega. Therefore, Morega is considered an insider of ViXS, because Celtic House Venture Partners owns more than 10% of ViXS issued and outstanding common shares. Prior to the closing of the Convertible Debenture Private Placement, Celtic House owned 10,079,465 common shares, which represented 16.63% of ViXS' issued and outstanding common shares. As a result of Morega's participation in the Convertible Debenture Private Placement, and assuming the conversion of all of their Debentures and exercise of all of their Warrants, Celtic House will hold 10,079,465 common shares of ViXS, representing 15.96% of ViXS' issued and outstanding common shares, and Morega will hold 2,678,571 common shares representing 4.23% of ViXS' issued and outstanding common shares.

The Unit Private Placement and the Convertible Debenture Private Placement are exempt from prospectus and registration requirements of applicable securities laws and the Convertible Debentures, Units and underlying securities are subject to a mandatory four-month hold period.

Warrant Extension

In consideration for the holders of existing debentures of ViXS entering into a subordination agreement with the investors under the Convertible Debt Private Placement, the Company proposes to extend the term of the 2,517,842 warrants issued to holders of debentures issued on January 12, 2016 (the “**January Warrants**”) from January 11, 2017 to September 9, 2017. Each January Warrant entitles the holder to purchase one common share of the Company at a price of C\$0.60 per share.

The Company will be applying to the Toronto Stock Exchange (the “**TSX**”) to extend the expiry date of the January Warrants to September 9, 2017; however, the January Warrants will remain subject to an accelerated expiry period if the market price (as such term is defined in the TSX Company Manual) of the Company’s Common Shares exceeds C\$0.65 for a ten consecutive trading day period. To the extent that January Warrants are held by insiders of the Company, such Warrants would be excluded from the extension and would expire on their original expiry date.

The extension of the expiry dates of the January Warrants is subject to TSX approval. The effective date of the amendment is expected to be on or after September 26, 2016.

This release does not constitute an offer for sale of securities nor a solicitation for offers to buy any securities. The securities referred to in this press release have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities law and may not be offered or sold to, or for the account or benefit of, persons in the United States or “U.S. persons”, as such term is defined in Regulation S promulgated under the U.S. Securities Act, unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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 511 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

Certain statements in this press release which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws (“forward-looking statements”). Such statements include, but are not limited to, statements regarding ViXS’ projected revenues, gross margins, earnings, growth rates, the impact of new product design wins, market penetration and product plans. The use of terms such as “may”, “anticipated”, “expected”, “projected”, “targeting”, “estimate”, “intend” and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause ViXS’ actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; the Company’s dependence on a limited number of customers for a substantial portion of revenues; fluctuating revenue and expense levels arising from changes in customer demand, sales cycles, product mix, average selling prices, manufacturing costs and timing of product introductions; risks associated with competing against larger and more established companies; competitive risks and pressures from further consolidation amongst competitors, customers, and suppliers; market share risks and timing of revenue recognition associated with product transitions; risks associated with changing industry standards such as HEVC (High Efficiency Video Codec), HDR (High Dynamic Range) and Ultra HD resolution; risks related to intellectual property, including third party licensing or patent infringement claims; the loss of any of the Company’s key personnel could seriously harm its business; risks associated with adverse economic conditions; delays in the launch of customer products; price re-negotiations by existing customers; the Company’s dependence on a limited number of supply chain partners for the manufacture of its products, legal proceedings arising from the ordinary course of business; ability to raise needed capital; ongoing liquidity requirements; and other factors discussed in the “Risk Factors” section of the Company’s Annual Information Form dated March 31, 2016, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com. All forward-looking statements are qualified in their entirety by this cautionary statement. ViXS is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

For further information, please contact:

Charlie Glavin
ViXS Systems Inc.
T: +1 416 646-2000
cglavin@vixs.com

Nicole Marchand
Investor Relations, Consultant
T: +1 416 646-2000 ext. 3
ir@vixs.com