

**FORM 51-102F3  
Material Change Report**

**MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF  
NATIONAL INSTRUMENT NO. 51-102**

**Item 1.                    Reporting Issuer**

XS Financial Inc. (the “**Company**”)  
Suite 2600, 1066 West Hastings St.  
Vancouver, British Columbia,  
V6E 3X1, Canada

**Item 2.                    Date of Material Change**

A material change took place effective June 24, 2024

**Item 3.                    Press Release**

On June 24, 2024, a news release in respect of the material change was disseminated by the Company.

**Item 4.                    Summary of Material Change**

The Company announced that on June 24, 2024, it entered into an arrangement agreement with XS Acquisition Portfolio LLC (the "**Purchaser**"), an affiliate of a US alternative asset fund, whereby the Purchaser has agreed to acquire all of the issued and outstanding subordinate voting shares ("**SV Shares**") and proportionate voting shares ("**PV Shares**") of the Company, by plan of arrangement for a cash purchase price of Cdn\$0.05265 per SV Share and Cdn\$52.65 per PV Share (the "**Arrangement**"). Upon completion of the Arrangement, the Company will become a privately held company.

**Item 5.                    Full Description of Material Change**

The material change is described in the Company's press release attached hereto as Schedule "A", which press release is incorporated by reference herein.

**Item 6.                    Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

**Item 7.                    Omitted Information**

No information has been omitted.

**Item 8.                    Executive Officer**

David Kivitz

**Item 9.                    Date of Report**

DATED at Toronto, in the Province of Ontario, this 28<sup>th</sup> day of June 2024.

## **SCHEDULE "A"**

## **XS FINANCIAL ENTERS INTO DEFINITIVE AGREEMENT TO BE TAKEN PRIVATE**

**LOS ANGELES, CA – JUNE 24, 2024** – XS FINANCIAL INC. (CSE: XSF) ("XS" or the "Company") is pleased to announce that it entered into a definitive arrangement agreement (the "Agreement") dated June 24, 2024 pursuant to which XS Acquisition Portfolio LLC (the "Purchaser"), an affiliate of a US alternative asset fund, will acquire all of the issued and outstanding subordinate voting shares ("SV Shares") and proportionate voting shares ("PV Shares") of XS, by plan of arrangement for a cash purchase price of Cdn\$0.05265 per SV Share and Cdn\$52.65 per PV Share (the "Arrangement"). Upon completion of the Arrangement, XS will become a privately held company.

### **Benefits to XS Shareholders**

In making its determination to unanimously recommend approval of the Arrangement to the board of directors of XS (the "Board"), the special committee of the board of directors of XS (the "Special Committee"), and in the Board's determination to approve the Arrangement, the Board considered, among other things, the following reasons for the Arrangement:

- The consideration is entirely cash, providing XS shareholders with immediate liquidity and certainty of value.
- Eliminates the need to raise capital to continue funding future operating expenses and overhead costs of XS.
- Offers compelling value relative to other alternatives considered by the Company.
- The arrangement is expected to be completed within a reasonable timeframe.
- The terms of the Arrangement were subject to arm's length negotiations with the Purchaser, who has significant financial capabilities.

**David Kivitz, CEO of XS commented:** "We are pleased to have reached an agreement to sell XS. This transaction delivers immediate liquidity and certainty of value for our shareholders through all-cash consideration while addressing the company's need to raise additional financing in a challenging capital markets environment. We are incredibly proud of the business we have built to date and this transaction is a testament to our unique positioning in the equipment finance industry."

### **Transaction Conditions & Timing**

XS intends to convene an annual general and special meeting of shareholders to be held in Q3 2024 to seek securityholder approval for the Arrangement (the "Meeting"). The transaction will be effected by way of a court-approved plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia) and will require:

- approval of at least 66 2/3% of the votes cast by holders of SV Shares at the Meeting, voting separately as a class;
- approval of at least 66 2/3% of the votes cast by holders of PV Shares at the Meeting, voting separately as a class;
- approval of at least 66 2/3% of the votes cast by holders of SV Shares, PV Shares, outstanding stock options of XS ("XS Options") and outstanding share purchase warrants of XS ("XS Warrants") at the Meeting, voting together as a single class;
- a simple majority of the votes cast by holders of SV Shares at the Meeting, excluding votes from certain shareholders as required under Multilateral Instrument 61-101 ("MI 61-101"); and
- a simple majority of the votes cast by holders of PV Shares at the Meeting, excluding votes from certain shareholders as required under MI 61-101.

The completion of the transaction is also subject to the receipt of court, stock exchange and other required regulatory approvals, along with customary closing conditions for transactions of this nature. The Arrangement does not require approval of the Purchaser shareholders. Upon completion of the Arrangement, an application will be made to delist the SV Shares from the Canadian Securities Exchange and the OTCQB and the Company will submit an application to cease to be a reporting issuer under applicable Canadian securities laws.

The directors, senior officers, and certain other shareholders of XS, holding in aggregate over 48% of the issued and outstanding SV Shares, over 99% of the issued and outstanding PV Shares, over 84% of the issued and outstanding XS Options, and 10% of the issued and outstanding XS Warrants, have entered into voting support agreements with

the Purchaser, pursuant to which they have agreed to vote their respective securities of XS in favor of the Arrangement

The transaction is expected to close before the end of Q3 2024.

### **XS Warrants and XS Options**

Pursuant to the Arrangement, each XS Option and XS Warrant outstanding immediately prior to the effective time of the Arrangement (the "Effective Time") shall be automatically cancelled without any payment by the Purchaser.

### **Advisors and Counsel**

In connection with the Arrangement, Compass Point Research & Trading LLC Inc. ("Compass Point") is acting as financial advisor to the Special Committee, Gramercy Capital Group, LLC (through INTE Securities LLC, member FINRA/SIPC) is acting as financial advisor to XS, Fogler, Rubinoff LLP is acting as legal advisor to XS, and Michael Bluestein is acting as legal advisor to the Special Committee. Compass Point also prepared the fairness opinion delivered to the Special Committee in connection with the Arrangement (the "Fairness Opinion").

The Purchaser has engaged Schulte Roth & Zabel LLP and Blake, Cassels & Graydon LLP as its legal advisors in connection with the Arrangement.

### **Fairness Opinion and Recommendation**

Compass Point was engaged by the Special Committee to prepare the Fairness Opinion, evaluating the fairness of the Arrangement from a financial perspective for the holders of SV Shares, PV Shares, XS Options and XS Warrants (other than certain persons who are excluded from voting in respect of the Arrangement in accordance with MI 61-101) (collectively, the "XS Securityholders"). The Special Committee has received the Fairness Opinion from Compass Point, stating that, based on and subject to the limitations, assumptions, and qualifications noted therein, the consideration to be received by the XS Securityholders under the Arrangement is fair from a financial perspective.

Following its review and, in consideration of, amongst other things, the Fairness Opinion, the Special Committee has unanimously recommended that the Board approve the Arrangement. The Board, following the receipt and review of recommendations from the Special Committee, has approved the Agreement and has concluded that the Arrangement is fair to the XS Securityholders and is in the best interests of XS, recommending XS Securityholders vote in favor of the Arrangement.

### **Additional Information**

Full details of the Arrangement are outlined in the Agreement, which will be filed by XS under its profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Further information regarding the Arrangement will be contained in a management information circular to be prepared in connection with the Meeting and filed on [www.sedarplus.ca](http://www.sedarplus.ca) at the time that it is mailed to XS Securityholders. All XS Securityholders are urged to read the management information circular once it becomes available as it will contain additional important information about the Arrangement.

This press release is also being issued pursuant to National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* ("NI 62-103") in connection with the transaction. Purchaser will file an early warning report pursuant to NI 62-103 with the securities regulators in each of the provinces and territories of Canada in which it is a reporting issuer with respect to the foregoing matters, a copy of which will be filed by the Company under its SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). A copy of Purchaser's early warning report may also be obtained by contacting Joshua Whitford at [joshua.whitford@blakes.com](mailto:joshua.whitford@blakes.com).

Completion of the Arrangement is subject to various conditions, including but not limited to, Canadian Securities Exchange acceptance as well as court and XS Securityholder approval. The Arrangement cannot close until the required securityholder, regulatory and court approvals are obtained. There can be no assurance that the Arrangement will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Arrangement and the Meeting, any information released or received with respect to the Arrangement may not be accurate or complete and should not be relied upon. Trading in the securities of XS should be considered highly speculative. The Canadian Securities Exchange has in no way passed upon the merits of the proposed Arrangement and has neither approved nor disapproved the contents of this news release.

**About XS Financial**

Founded in 2017, XS Financial specializes in providing CAPEX financing solutions to cannabis companies in the United States, including cultivators, processors, manufacturers, and testing laboratories. In addition, XS has partnered with over 250 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers which results in recurring revenues, strong profit margins, and a proven business model for XS stakeholders. The Company's subordinate voting shares are traded on the Canadian Securities Exchange under the symbol "XSF". For more information, visit: [www.xsfinancial.com](http://www.xsfinancial.com).

For inquiries please contact:

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Chief Executive Officer

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Chief Operating Officer

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**Forward-Looking Information**

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XS Financial operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking information contained herein may include but is not limited to, statements with respect to the transaction, including court, securityholder and other regulatory approvals, and expected timing for such approvals and other steps to be completed in connection with the transaction, including closing of the transaction.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements or information. There can be no assurance that such statements or information will prove to be accurate. Such statements and information are based on numerous assumptions, including assumptions regarding the ability to complete the transaction on the contemplated terms and that the conditions precedent to closing of the transaction can be satisfied.

Although the Company believes that the forward-looking statements in this press release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond the Company's control and the effects of which can be difficult to predict: (a) the possibility that the transaction will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all due to a failure to obtain or satisfy, in a timely manner or otherwise, all required securityholder or court approvals and other conditions of closing necessary to complete the transaction or for other reasons; (b) the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the transaction; (c) risks relating to the retention of key personnel during the interim period; (d) the possibility of litigation relating to the transaction; (e) risks related to the diversion of management's attention from the Company's ongoing business operations; and (f) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company or the ability to consummate the transaction.

Readers are cautioned not to place undue reliance on forward-looking information or statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Events or circumstances could cause the

Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements.

Investors should not rely on the Company's forward-looking statements and information to make decisions with respect to the Company. Furthermore, the forward-looking statements and information contained herein are made as of the date of this document and the Company does not undertake any obligation to update or to revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements and information contained herein are expressly qualified by this cautionary statement.

*Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.*