

Form 51-102F3

**Material Change
Report**

Item 1: Name and Address of Company

Flower One Holdings Inc. (“**Flower One**” or the “**Company**”)
3443 Neeham Road
Las Vegas, NV
89030

Item 2: Date of Material Change

July 29, 2022

Item 3: News Release

The Company issued a news release on July 29, 2022, via Business Wire.

Item 4: Summary of Material Change

On July 29, 2022, Flower One announced that it has extended the maturity date of its USD\$6,000,000 short-term debt (the “Short-Term Debt”) from July 24, 2022 to December 31, 2022, which is referenced in the [Company’s press release from January 27, 2021](#).

Item 5: Full Description of Material Change

5.1 Full Description of Material Change

On July 29, 2022, Flower One that it has extended the maturity date of its USD\$6,000,000 short-term debt (the “Short-Term Debt”) from July 24, 2022 to December 31, 2022, which is referenced in the [Company’s press release from January 27, 2021](#). The remaining terms of the Short-Term Debt remain in place. The Short-Term Debt amendment was facilitated by Harry Ayvazian, an insider of the Company.

Disclosure Required by MI 61-101

Pursuant to MI 61-101, Short-Term Debt constituted a “related party transaction” as the lender of the Short-Term Debt is Harry Ayvazian, a control person of the Company.

The following supplementary information is provided in accordance with section 5.2 of MI 61-101:

(a) a description of the transaction and its material terms;

See Items 4 and 5.1(a) above.

(b) the purpose and business reasons for the transaction;

The purpose and business reasons of this transaction is to increase available liquidity to the Company.

(c) the anticipated effect of the transaction on the issuer's business and affairs,

Company believes that cash management and access to liquidity will improve operations and improve capital expenditure opportunities.

(d) a description of:

(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties, and

The Company's extension of maturity date of the Short-Term Debt was agreed to by the lender, an existing shareholder (*Harry Ayvazian*).

(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person referred to in subparagraph (i) for which there would be a material change in that percentage,

There is no anticipated change in the percentage of securities of the issuer (or affiliates).

(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee,

Resolutions of the board of directors were passed which approved the Transaction. No special committee was established in connection with the Transaction, and no materially contrary view or abstention was expressed or made by any director.

(f) a summary, in accordance with section 6.5, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction,

Not applicable.

(g) disclosure, in accordance with section 6.8, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction

(i) that has been made in the 24 months before the date of the material change report, and

Not applicable.

(ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer,

Not applicable.

(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction, and

See Item 5.1(a) above.

(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7, respectively, and the facts supporting reliance on the exemptions.

The Short-Term Debt is exempt from the formal valuation and minority approval requirements applicable to related party transactions under MI 61-101 pursuant to the financial hardship exemptions set forth in Sections 5.5(g) and 5.7(1)(e) of MI 61-101.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

Item 7: Omitted Information

No significant facts remain confidential, and no information has been omitted in this report.

Item 8: Executive Officer

Name of Executive Officer: Kellen O'Keefe, President and CEO

Telephone Number: 702-660-7775

Item 9: Date of Report

July 29, 2022