

**FORM 51-102F3**

**MATERIAL CHANGE REPORT  
NATIONAL INSTRUMENT 51-102**

**ITEM 1 Name and Address of Company**

AirBoss of America Corp. (“AirBoss” or the “Corporation”)  
16441 Yonge Street  
Newmarket, Ontario  
L3X 2G8

**ITEM 2 Date of Material Change**

October 26, 2020

**ITEM 3 News Release**

On October 26, 2020 a press release with respect to the material change referred to in this report was issued and distributed through GlobeNewswire. A copy of the news release is attached as Schedule “A” hereto.

**ITEM 4 Summary of Material Change**

On October 26, 2020, AirBoss entered into a securities purchase agreement (the “Securities Purchase Agreement”) with Critical Solutions Holdings, LLC (“CSH”) (a company controlled by funds managed by Sentinel Capital Partners, LLC and/or its affiliates) pursuant to which AirBoss acquired the 45% minority interest in each of AirBoss Defense Group Ltd. (“ADG Canada”) and AirBoss Defense Group, Inc. (“ADG US” and, together with ADG Canada, “ADG” or the “AirBoss Defense Group”) that it did not then own from CSH (the “Transaction”).

Upon the closing of the Transaction on October 26, 2020 (the “Closing Date”), each of ADG Canada and ADG US became wholly-owned subsidiaries of the Corporation.

**ITEM 5 Full Description of Material Change**

On October 26, 2020 AirBoss entered into the Securities Purchase Agreement with CSH pursuant to which AirBoss acquired the 45% minority interest in each of ADG Canada and ADG US (which together form ADG or the AirBoss Defense Group) that it did not then own from CSH.

As consideration for the 45% interest in ADG, AirBoss paid CSH (i) 3.5 million common shares of AirBoss (“Common Shares”) from treasury at a deemed issue price of approximately CDN\$62.5 million, and (ii) a cash payment of US\$20 million (the “Cash Consideration”), with US\$5 million payable on the Closing Date and US\$5 million payable on a quarterly basis for the following three quarters.

The Common Shares were issued at a deemed issue price of CDN\$17.87 per Common Share, being the latest closing trading price of the Corporation's common shares on the Toronto Stock Exchange prior to the announcement of the Transaction (*i.e.*, October 23, 2020). The Transaction closed on October 26, 2020.

The Securities Purchase Agreement contains a lockup that restricts CSH from, among other things, selling, transferring, pledging or disposing of any portion of the 3.5 million Common Shares it received in connection with the Transaction for the period commencing on the Closing Date and ending four months thereafter.

The foregoing is a summary of certain provisions of the Securities Purchase Agreement, which is qualified in its entirety by the full text of the Securities Purchase Agreement. A copy of the Securities Purchase Agreement has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

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

This report is not being filed on a confidential basis.

**ITEM 7      Omitted Information**

None.

**ITEM 8      Executive Officer**

The following executive officer of the Corporation is knowledgeable about the material change and this report:

Chris Figel  
Vice-President, General Counsel and Secretary  
905-751-1188

**ITEM 9      Date of Report**

November 3, 2020

## SCHEDULE "A"

### **AirBoss Announces Acquisition of 100% Ownership of Airboss Defense Group**

NEWMARKET, Ontario, Oct. 26, 2020 (GLOBE NEWSWIRE) -- AirBoss of America Corp. (TSX: BOS) (the "Company" or "AirBoss") today announced that it has acquired the 45% minority interest in AirBoss Defense Group ("ADG") that it does not currently own from Critical Solutions Holdings, LLC ("CSH") (the "Transaction"). All figures USD unless otherwise noted.

Pursuant to the Agreement, the purchase price will be paid to CSH through the issuance from treasury of approximately 3.5 million AirBoss common shares and \$20 million of cash, with \$5 million payable on closing and \$5 million payable on a quarterly basis for the following three quarters.

ADG was formed January 1, 2020 through the merger of AirBoss's Defense and Industrial rubbers solutions businesses and other operations in Acton Vale, Quebec with Critical Solutions International, Inc. ("CSI"), a leading global supplier of route clearance vehicles, countermine capability and survivability products to U.S. and foreign military forces.

Through the first half of 2020, AirBoss's defense revenues quadrupled, operating income from the ADG segment grew fivefold, and ADG generated approximately \$20 million in profit, driven by a major contract for ADG's respirator systems by the U.S. Federal Emergency Management Agency. During the third quarter, ADG received a similar major contract from the U.S. Department for Health and Human Services. It has also received other governmental and non-governmental orders for personal protective equipment (PPE) during the current pandemic. Effective today, AirBoss will begin including 100% of ADG's net income in AirBoss' net income and EPS.

The proposed acquisition will not impact ADG's management or operations as it was already tightly integrated within AirBoss of America.

"Through the course of 2020, the financial and operational benefits from the creation of ADG have borne out, and resulted in a significant deleveraging of our business," said Gren Schoch, CEO of AirBoss. "The acquisition of full ownership of ADG will now provide us additional flexibility as it relates to future growth strategies for AirBoss, including potential M&A, and eliminate the minority interest in ADG's profits and cash flows which is anticipated to be well received by our shareholders and potential new investors."

"In a relatively short time, ADG has emerged as a global leader in PPE and survivability solutions. We are excited to now transition as an investor in privately held ADG into a strategic shareholder in parent company AirBoss, with the opportunity to participate along with other shareholders in AirBoss's overall results," said Paul Murphy of Sentinel Capital Partners, majority owner of CSH, which is expected to own approximately 13% of AirBoss's pro forma outstanding basic common shares following the transaction.

"While continuing to execute on its defense business, ADG has successfully responded to the global COVID-19 pandemic in 2020 through the supply of its FlexAir™ Powered Air Purifying Respirator systems to various government agencies," said Chris Bitsakakis, President and Chief Operating Officer of AirBoss. "The prolific nature of the COVID-19 contracts in 2020 may or may not recur, but we continue to provide PPE for biological and chemical threats to both the military and health care markets during these challenging times. ADG continues to be positioned as an

important driver of our overall business through its expanded survivability solutions product platform for both first responder and military applications.”

Related to the Transaction, Davies Ward Phillips & Vineberg LLP is providing legal counsel, with Hogan Lovells serving as US regulatory counsel. Kirkland & Ellis LLP is providing legal counsel to CSH, with Stikeman Elliott LLP serving as Canadian legal counsel.

### **AirBoss of America Corp.**

AirBoss of America Corp. is a group of complementary businesses supplying custom compounded rubber, survivability solutions and anti-vibration components to a diverse group of customers globally. AirBoss Rubber Solutions is a top-tier North American custom rubber compounder with 450 million turn pounds of annual capacity. AirBoss Defense Group manufactures and supplies a growing array of Chemical, Biological, Radioactive, Nuclear and Explosive ("CBRN-E") protective solutions and is a leading provider of personal protective equipment to governments, militaries and frontline healthcare workers both in the U.S. and internationally. AirBoss Engineered Products is a supplier of innovative anti-vibration solutions to the North American automotive market. The Company's shares trade on the TSX under the symbol BOS. Visit [www.airbossofamerica.com](http://www.airbossofamerica.com) for more information.

Chris Bitsakakis, President or Gren Schoch, Chairman and CEO at 905-751-1188.

### ***AIRBOSS FORWARD LOOKING INFORMATION DISCLAIMER***

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could" "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions; dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; potential

product liability and warranty claims and equipment malfunction. COVID-19 could also negatively impact the Company's operations and financial results in future periods. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has an undrawn credit facility as at June 30, 2020 that can provide financing up to \$60,000,000. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information. All of the forward-looking information in this press release is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking information.

All subsequent written and oral forward-looking information attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this press release and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly this forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at [www.sedar.com](http://www.sedar.com).