As filed with the Securities and Exchange Commission on March 31, 2021.

Registration No. 333-254255

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

FORM F-10

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

IM CANNABIS CORP.

(Exact name of Registrant as specified in its charter)

British Columbia
(Province or other jurisdiction of incorporation or organization)

2833
(Primary Standard Industrial Classification Code Number, if applicable)

Not Applicable
(I.R.S. Employer Identification No., if applicable)

Kibbutz Glil Yam,
Central District, Israel 4690500
+972-54-6687515
(Address and telephone number of Registrant's principal executive offices)

C T Corporation System
1015 15th Street N.W., Suite 1000
Washington, DC 20005
(202) 572-3133
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:

James Guttman
Richard Raymer
Dorsey & Whitney LLP
TD Canada Trust Tower
Brookfield Place, 161 Bay Street, Suite 4310 Toronto, Ontario
Canada, M5J 2S1
Tel: (416) 367-7376

Approximate date of commencement of proposed sale of the securities to the public:
From time to time after this Registration Statement becomes effective.

Province of British Columbia, Canada

(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box below):

A. ☐ upon filing with the Commission pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
B. ☒ at some future date (check the appropriate box below):
   1. ☐ pursuant to Rule 467(b) on ( ) at ( ) (designate a time not sooner than 7 calendar days after filing).
   2. ☐ pursuant to Rule 467(b) on ( ) at ( ) (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ( ).
   3. ☒ pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
   4. ☐ after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box. ☒

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registration Statement shall become effective as provided in Rule 467 under the Securities Act or on such date as the Commission, acting pursuant to Section 8(a) of the Securities Act, may determine.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

SHORT FORM BASE SHELF PROSPECTUS

New Issue March 31, 2021

IM CANNABIS CORP.

US$250,000,000
Common Shares
Warrants
Subscription Receipts
Debt Securities
Units

This short form base shelf prospectus (the "**Prospectus**") relates to the offering for sale from time to time (each, an "**Offering**"), during the 25-month period that this Prospectus, including any amendments hereto, remains effective, of the securities of IM Cannabis Corp. ("**IMCC**" or the "**Company**") including: (i) common shares ("**Common Shares**") in the capital of the Company; (ii) common share purchase warrants ("**Warrants**"); (iii) subscription receipts ("**Subscription Receipts**") convertible into other Securities (as defined below); (iv) senior and subordinated debt securities, including debt securities convertible or exchangeable into other securities of the Company (collectively, "**Debt Securities**"); and (v) units ("**Units**") comprised of one or more of any of the other Securities (as defined below) that are described in this Prospectus, or any combination of such securities (all of the foregoing collectively, the "**Securities**" and individually, a "**Security**") in one or more series or issuances, with a total offering price of such Securities, in the aggregate, of up to $250,000,000 in United States dollars (or the equivalent thereof in other currencies). The Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in an accompanying prospectus supplement (a "**Prospectus Supplement**").

We are permitted, under a multi-jurisdictional disclosure system adopted by the securities regulatory authorities in United States and Canada ("MJDS"), to prepare this Prospectus in accordance with Canadian disclosure requirements, which are different from United States disclosure requirements. Prospective investors in the United States should be aware that such requirements are different from those of the United States. IMCC has prepared its consolidated financial statements, incorporated herein by reference, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and its consolidated financial statements are subject to Canadian generally accepted auditing standards and auditor independence standards. As a result, they may not be comparable to financial statements of United States companies.

The Common Shares are listed and posted for trading under the symbol "IMCC" on the Canadian Securities Exchange (the "**CSE**") and on the NASDAQ Capital Market (the "**NASDAQ**"). The issued and outstanding Warrants (the "**Listed Warrants**") are listed and posted for trading under the symbol "IMCC.WT" on the CSE. On March 30, 2021, the last full trading day prior to the date of this Prospectus, the closing price per Common Share on the CSE was C$8.89 and on the NASDAQ was US$7.12 and the closing price per Listed Warrant on the CSE was C$1.01. **Unless otherwise specified in the applicable Prospectus Supplement, there is no existing trading market through which any of the Securities other than the Common Shares and Listed Warrants may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. No assurances can be given that a market for trading in Securities of any series or issue will develop or as to the liquidity of any such market, whether or not the Securities are listed on a securities exchange. See "*Risk Factors*".**

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY CANADIAN SECURITIES REGULATOR, NOR ANY STATE SECURITIES REGULATOR, HAS APPROVED OR DISAPPROVED THE SECURITIES OFFERED HEREBY OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

All information permitted under applicable law to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains. You should read this Prospectus and any applicable Prospectus Supplement carefully before you invest in any Securities. The Company may offer and sell Securities through underwriters or dealers, directly or through agents designated by the Company from time to time at amounts and prices and other terms determined by the Company. A Prospectus Supplement will set forth the names of any underwriters, dealers or agents involved in the Offering and will set forth the terms of the Offering, the method of distribution of such Securities including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the distribution. In connection with any Offering (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may, subject to applicable law, over-allot or effect transactions that stabilize or maintain the market price of the Securities offered at levels other than that which might otherwise exist in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. **See "*Plan of Distribution*". No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

This Prospectus may qualify an "at-the-market distribution", as defined in National Instrument 44-102 - Shelf Distributions (**NI 44-102**"). See "*Plan of Distribution*".

Investing in the Securities is speculative and involves certain risks. The risks outlined in this Prospectus and in the documents incorporated by reference herein and in the applicable Prospectus Supplement should be carefully reviewed and considered by prospective investors. See "*Risk Factors*".

Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because the Company is incorporated in Canada, most of the officers, directors and experts named in this Prospectus are not residents of the United States, and some of the Company's assets and all or a substantial portion of the assets of such persons are located outside of the United States. See "*Enforceability of Certain Civil Liabilities*".

Mr. Oren Shuster, a director, officer and promoter of the Company, Ms. Vivian Bercovici, Ms. Haleli Barath and Mr. Brian Schinderle, each a director of the Company, Mr. Shai Shemesh and Ms. Yael Harrosh, each an officer of the Company, and Mr. Rafael Gabay, a promoter of the Company, reside outside of Canada. Each of Mr. Shuster, Ms. Bercovici, Ms. Barath, Mr. Schinderle, Mr. Shemesh, Ms. Harrosh and Mr. Gabay have appointed Gowling WLG (Canada) LLP, Suite 1600, 100 King St. West, Toronto, Ontario, M5X 1G5 as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

Owning any of IMCC's Securities may subject you to tax consequences in Canada, the United States and in your place of residence or citizenship. Such tax consequences are not fully described in this Prospectus and may not be fully described in any applicable Prospectus Supplement. You should read the tax discussion in any Prospectus Supplement with respect to a particular Offering and consult your own tax advisor with respect to your own particular circumstances.

This Prospectus does not qualify for issuance Debt Securities, or Securities convertible or exchangeable into Debt Securities, in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests, including, for example, an equity or debt security, or a statistical measure of economic or financial performance (including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items). For greater certainty, this Prospectus may qualify for issuance Debt Securities, or Securities convertible or exchangeable into Debt Securities, in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers' acceptance rate, or to recognized market benchmark interest rates such as CDOR (the Canadian Dollar Offered Rate), LIBOR (the London Interbank Offered Rate), EURIBOR (the Euro Interbank Offered Rate) or a United States federal funds rate.

The head and principal office of the Company is located at Kibbutz Glil Yam, Central District, Israel 4690500.

The registered and records office of the Company is located at 550 Burrard Street, Suite 2300, Bentall 5, Vancouver, British Columbia, Canada, V6C 2B5.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

Unless otherwise noted or the context indicates otherwise, references to "**we**", "**us**", "**our**" or similar terms, as well as the "**Company**" and "**IMCC**" refer to IM Cannabis Corp., together with its subsidiaries, on a consolidated basis, and the "**Group**" refers to the Company, its subsidiaries and Focus Medical Herbs Ltd. ("**Focus**").

This Prospectus is part of a registration statement on Form F-10 that we are filing with the SEC under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), relating to the Securities (the "**Registration Statement**"). Under the Registration Statement, we may, from time to time, offer any combination of the Securities described in this Prospectus in one or more Offerings of up to an aggregate principal amount of US$250,000,000 (or the equivalent in other currencies). This Prospectus provides you with a general description of the Securities that we may offer. Each time we offer Securities under the Registration Statement, we will provide a Prospectus Supplement that will contain specific information about the terms of that Offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Before you invest, you should read both this Prospectus and any applicable Prospectus Supplement. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. You may refer to the Registration Statement and the exhibits to the Registration Statement for further information with respect to us and the Securities.

You should rely only on the information contained or incorporated by reference in this Prospectus and on the other information included in the Registration Statement of which this Prospectus forms a part. We have not authorized anyone to provide you with different or additional information. If anyone provides you with any different, additional, inconsistent or other information, you should not rely on it. The Company is not making an offer to sell or seeking an offer to buy the Securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus, any applicable Prospectus Supplement and the documents incorporated by reference herein and therein is accurate as of any date other than the date on the front of this Prospectus, any applicable Prospectus Supplement or the respective dates of the documents incorporated by reference herein and therein, regardless of the time of delivery or of any sale of the Securities pursuant thereto. Our business, financial condition, results of operations and prospects may have changed since those dates. Information contained on the Company's website should not be deemed to be a part of this Prospectus, any applicable Prospectus Supplement or incorporated by reference herein or therein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Securities.

FINANCIAL INFORMATION AND CURRENCY

IMCC has prepared its consolidated financial statements, incorporated herein by reference, in accordance with IFRS and its consolidated financial statements are subject to Canadian generally accepted auditing standards and auditor independence standards. As a result, they may not be comparable to financial statements of United States companies.

All currency amounts in this Prospectus are expressed in Canadian dollars, unless otherwise indicated. References to "**$**", "**C$**" or "**dollars**" are to Canadian dollars. References to "**US$**" are to United States dollars and references to "**NIS**" are to New Israeli Shekels.

The following table reflects the exchange rates for one United States dollar, expressed in Canadian dollars, during the periods noted, based on the daily exchange rates for 2019 and 2020[1] .

	Years Ended December 31, 2020	2019
Low for the period	1.2718	1.2988
High for the period	1.4496	1.3600
Rate at the end of the period	1.2732	1.2988
Average	1.3415	1.3269

On March 30, 2021, the Bank of Canada daily average rate of exchange was C$1.00 = US$0.7917 or US$1.00 = C$1.2631.

The following table reflects the exchange rates for one Canadian dollar, expressed in New Israeli Shekels, during the periods noted, based on the Bank of Israel spot rate of exchange[2] .

	Years Ended December 31, 2020	2019
Low for the period	2.4895	2.5956
High for the period	2.7274	2.7854
Rate at the end of the period	2.5217	2.6535
Average	2.5663	2.6868

On March 30, 2021, the closing spot rate for NIS reported by the Bank of Israel was C$1.00 = NIS 2.6413 or NIS 1.00 = C$0.3786.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are a company existing under the laws of the Province of British Columbia. Most of the officers, directors and expert named in this Prospectus are not residents of the United States, and some of our assets and all or a substantial portion of the assets of such persons are located outside of the United States. IMCC has appointed an agent for service of process within the United States upon those officers or directors who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon IMCC's civil liability and the civil liability of such officers or directors under United States federal securities laws or the securities or "blue sky" laws of any state within the United States.

IMCC has been advised that, subject to certain limitations, a judgment of a United States court predicated solely upon civil liability under United States federal securities laws may be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. IMCC has also been advised, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon United States federal securities laws or any such state securities or "blue sky" laws.

We are filing with the SEC, concurrently with the Registration Statement, an appointment of agent for service of process on Form F-X. Under the Form F-X, the Company appointed C T Corporation System as its agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving the Company in a United States court, arising out of or related to or concerning the Offering of the Securities.

---

1 As reported by the Bank of Canada, obtained from: https://www.bankofcanada.ca.

2 As reported by the Bank of Israel, obtained from: http://www.boi.org.il.

WHERE YOU CAN FIND MORE INFORMATION

The Company is filing a Registration Statement with the SEC. This Prospectus and the documents incorporated by reference herein, which form a part of the Registration Statement, do not contain all of the information set forth in the Registration Statement, certain parts of which are contained in the exhibits to the Registration Statement as permitted by the rules and regulations of the SEC. Information omitted from this Prospectus but contained in the Registration Statement is available on the Electronic Data Gathering, Analysis, and Retrieval system ("**EDGAR**") under the Company's profile at *www.sec.gov*. Investors should review the Registration Statement and the exhibits thereto for further information with respect to us and the Securities. Statements contained in this Prospectus as to the contents of certain documents are not necessarily complete and, in each instance, reference is made to the copy of the document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by such reference. Each time we sell Securities under the Registration Statement, we will provide a Prospectus Supplement that will contain specific information about the terms of that Offering. The Prospectus Supplement may also add to, update or change information contained in this Prospectus.

We are required to file with the various securities commissions or similar authorities in each of the applicable provinces and territories of Canada, annual and quarterly reports, material change reports and other information. We are also an SEC registrant subject to the informational requirements of the United States Exchange Act of 1934, as amended (the "**Exchange Act**"), and, accordingly, file with, or furnish to, the SEC certain reports and other information. Under the MJDS adopted by the United States and Canada, these reports and other information (including financial information) may be prepared in accordance with the disclosure requirements of Canada, which differ from those of the United States. We are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" or "forward-looking information" within the meaning of applicable securities legislation (collectively referred to herein as "**forward-looking information**" or "**forward-looking statements**"). Forward-looking statements are included to provide information about management's current expectations and plans that allows investors and others to get a better understanding of the Group's operating environment, the business operations and financial performance and condition.

Forward-looking statements include, but are not limited to, statements regarding the benefits of listing on NASDAQ for the Company and retail and institutional investors; the potential impacts of COVID-19 on the Group; logistics relating to the Group's supply agreements, including timing and quantity of medical cannabis products purchased; the Company's expectations of JWC (as defined below) as a long-term source of cannabis supply for the Group; potential consequences of negative outcomes from matters related to the Construction Allegations (as defined below) and/or MOH Allegations (as defined below) and their effects on the Group; the Company's expectations regarding cash flows from future operating activities; the Company's potential reallocation of net proceeds from the sale of the Securities; changes in interest and exchange rates; potential amendments to the Plan (as defined below), including an increase in the Option Cap (as defined below), subject to shareholder approval; future growth potential of IMCC; future development plans; and currency and interest rate fluctuations. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, if untrue, could cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such statements. Forward-looking statements are based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Group's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, anticipated costs and the Company's ability to fund its operations; the Group's ability to carry on operations; the timely receipt of required approvals and permits; the Group's ability to operate in a safe, efficient and effective manner; the impact of COVID-19; the Group's ability to maintain the required licenses, permits, approvals and other authorizations to operate in the jurisdictions it operates in; and the Company's ability to obtain financing as and when required and on reasonable terms.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others: the failure of the Company or Messrs. Oren Shuster and Rafael Gabay to maintain "de facto control" over Focus; the failure of the Group to maintain licenses, permits, approvals and other authorizations required for its operations, including the Focus License (as defined below) and permits relating to the Focus Facility and/or Focus Lease Agreement (as defined below); the Company's inability to capture the benefits associated with its acquisition of Trichome (as defined below); access to additional capital; volatility in the market price of the Company's Securities; future sales of the Company's Securities; dilution of shareholders' holdings; negative operating cash flow; failure to obtain required regulatory and stock exchange approvals; limitations in the liquidity of the Securities; health, safety and environmental risks; delays in obtaining or failure to obtain governmental permits, or non-compliance with permits; the fluctuating price of cannabis; the negative effects of interest rate and exchange rate changes to the market price or value of Debt Securities; depression of market price of Securities caused by sales of significant number of Common Shares; assessments by taxation authorities; the potential impact of health crises including the COVID-19 pandemic; litigation; risks related to the Company's status as a "foreign private issuer" under U.S. securities laws, including the loss of status thereof; risks related to the Company's status as an "emerging growth company" under U.S. securities laws, including the loss of status thereof; and the Company's ability to identify, complete and successfully integrate acquisitions.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Although the Company believes its expectations are based upon reasonable assumptions and have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. See the section entitled "Risk Factors" below, and in the section entitled "Risk Factors" in the Company's annual information form for the year ended December 31, 2019, dated January 27, 2021 (the "**Annual Information Form**"), and incorporated by reference herein, for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this Prospectus and, accordingly, are subject to change after such date. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at *www.sedar.com*.

NON-IFRS MEASURES AND OTHER FINANCIAL MEASURES

This Prospectus, including the documents incorporated herein by reference, makes reference to certain non-IFRS financial measures including "**Gross Margin**", "**EBITDA**" and "**Adjusted EBITDA**". These performance measures do not have a standard meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other companies in the industry. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

The Company defines Gross Margin as the difference between revenue and cost of goods sold divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets. The most directly comparable IFRS measure presented by IMCC in its financial statements is gross profit before fair value adjustments divided by revenue.

The Company defines EBITDA as income earned or lost from operations, as reported, before interest, tax, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, adjusted by removing other non-recurring or non-cash items, including the unrealized change in fair value of biological assets, realized fair value adjustments on inventory sold in the period, share-based compensation expenses, and revaluation adjustments of financial assets and liabilities measured on a fair value basis. The Company believes that Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-recurring or non-cash items.

These non-IFRS performance measures are included in this Prospectus, and the documents incorporated herein by reference, because these statistics are used to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company also uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. See the Interim MD&A for more details, including a reconciliation of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada, which have also been filed with, or furnished to, the SEC.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of IM Cannabis Corp. at Kibbutz Glil Yam, Central District, Israel 4690500, telephone *+972-54-6687515* or email yael.h@imcannabis.com, and are also available electronically under the Company's profile at *www.sedar.com*.

The following documents, filed by the Company with the securities commissions or similar authorities in each of the provinces and territories of Canada, and filed with, or furnished to, the SEC, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(a) the Annual Information Form;

(b) the Company's audited consolidated financial statements as at and for the financial year ended December 31, 2019, and related notes thereto, together with the independent auditor's report thereon;

(c) the management's discussion and analysis for the year and three months ended December 31, 2019 and 2018;

(d) the Company's unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2020 and 2019, and related notes thereto (the "**Interim Financial Statements**");

(e) the management's discussion and analysis for the three and nine month periods ended September 30, 2020 and 2019 (the **Interim MD&A**");

(f) the management information circular of the Company dated February 5, 2020 in connection with the annual general meeting of shareholders of the Company held on March 16, 2020;

(g) the management information circular of the Company dated November 12, 2020 in connection with the special meeting of shareholders of the Company held on December 16, 2020;

(h) the material change report of the Company dated February 26, 2021 related to the announcement on February 25, 2021 that the Company's application to list the Company's common shares on NASDAQ was approved;

(i) the material change report of the Company dated February 26, 2021 related to the appointments of Brian Schinderle and Haleli Barath to the Company's board of directors and concurrent resignations of Rafael Gabay and Steven Mintz from the Company's board of directors on February 22, 2021;

(j) the material change report of the Company dated February 17, 2021 related to the completion of the Consolidation (as defined in "*The Company*" below) on February 12, 2021;

(k) the material change report of the Company dated January 8, 2021 related to the announcement of the definitive arrangement agreement between the Company and Trichome (as defined below); and

(l) the material change report of the Company dated March 25, 2021 related to the Company's completion of the Trichome Transaction (as defined below).

Any document of the type referred to in item 11.1 of Form 44-101F1 - *Short Form Prospectus* of National Instrument 44-101 - *Short Form Prospectus Distributions* ("**NI 44-101**") of the Canadian Securities Administrators (other than confidential material change reports, if any) filed by the Company with any securities commissions or similar regulatory authorities in Canada after the date of this Prospectus and all Prospectus Supplements disclosing additional or updated information filed pursuant to the requirements of applicable securities legislation in Canada during the period that this Prospectus is effective shall be deemed to be incorporated by reference in this Prospectus. These documents are available on SEDAR, which can be accessed at www.sedar.com.

In addition, to the extent any such document is included in any report on Form 6-K furnished to the SEC or in any report on Form 40-F (or any respective successor form) filed with the SEC subsequent to the date of this Prospectus, such document shall be deemed to be incorporated by reference as exhibits to the Registration Statement of which this Prospectus forms a part (in the case of any report on Form 6-K, if and to the extent expressly set forth in such report). In addition, any other report on Form 6-K and the exhibits thereto filed or furnished by the Company with the SEC, and any other reports filed, under the Exchange Act from the date of this Prospectus shall be deemed to be incorporated by reference as exhibits to the Registration Statement of which this Prospectus forms a part, but only if and to the extent expressly so provided in any such report. The Company's current reports on Form 6-K and annual reports on Form 40-F are or will be made available on EDGAR at *www.sec.gov*.

The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated herein by reference.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein, or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall thereafter neither constitute, nor be deemed to constitute, a part of this Prospectus, except as so modified or superseded.

When the Company files a new annual information form, audited consolidated financial statements and related management's discussion and analysis and, where required, they are accepted by the applicable securities regulatory authorities during the time that this Prospectus is valid, the previous annual information form, the previous audited consolidated financial statements and related management's discussion and analysis and all unaudited interim condensed consolidated financial statements and related management's discussion and analysis for such periods, all material change reports and any business acquisition report filed prior to the commencement of the Company's financial year in which the new annual information form is filed will be deemed no longer to be incorporated by reference in this Prospectus for purposes of future offers and sales of Securities under this Prospectus. Upon new unaudited interim condensed consolidated financial statements and related management's discussion and analysis being filed by the Company with the applicable securities regulatory authorities during the term of this Prospectus, all unaudited interim condensed consolidated financial statements and related management's discussion and analysis filed prior to the filing of the new unaudited interim condensed consolidated financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon a management information circular in connection with an annual general meeting of shareholders being filed by the Company with the appropriate securities regulatory authorities during the currency of this Prospectus, the management information circular filed in connection with the previous annual general meeting of shareholders (unless such management information circular also related to a special meeting of shareholders) will be deemed no longer to be incorporated by reference in this Prospectus for purposes of future offers and sales of Securities hereunder.

A Prospectus Supplement containing the specific terms of any Offering of Securities will be delivered to purchasers of Securities together with this Prospectus and will be deemed to be incorporated by reference in this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the Offering to which that Prospectus Supplement pertains.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as defined in National Instrument 41-101 -*General Prospectus Requirements* of the Canadian Securities Administrators) filed by the Company after the date of a Prospectus Supplement and before the termination of the distribution of Securities offered pursuant to such Prospectus Supplement (together with this Prospectus) is deemed incorporated by reference in such Prospectus Supplement.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been, or will be, filed with the SEC as part of the Registration Statement on Form F-10 of which this Prospectus forms a part:

(a) the documents listed under "Documents Incorporated by Reference";

(b) powers of attorney from certain of the Company's directors and officers (included on the signature page to the Registration Statement);

(c) the consent of Kost Forer Gabay & Kasierer, a Member of Ernst & Young Global; and

(d) the consent of MNP LLP; and

(e) the form of indenture for any Debt Securities issued hereunder.

A copy of the form of warrant indenture or subscription receipt agreement, as applicable, will be filed by post-effective amendment or by incorporation by reference to documents filed or furnished with the SEC under the Exchange Act.

THE COMPANY

IMCC is a multi-country operator in the medical and recreational cannabis sector headquartered in Israel and with operations in Israel, Germany and Canada.

In Israel, I.M.C. Holdings Ltd. ("**IMC Holdings**") built the IMC brand of premium medical cannabis products which have been cultivated over the last decade by Focus, an Israeli licensed cultivator over which IMC Holdings exercises "de facto control" under IFRS 10, and its cultivation partners, and sold by Focus in the Israeli market. As part of its core Israeli business, the Company offers intellectual property-related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis products. The Company offers its intellectual property and consulting services to Focus pursuant to certain commercial agreements and receives as consideration for such services a share of Focus' revenues resulting from the sale of medical cannabis products under the IMC brand.

In Europe, IMCC operates through Adjupharm GmbH, a German-based subsidiary and EU-GMP certified medical cannabis distributor, which provides the Company with a platform to establish and entrench its brand in Germany and other European jurisdictions, using its experience in the Israeli market. IMCC's European presence is augmented by strategic alliances with a network of certified suppliers and distributors to capitalize on the increased demand for medical cannabis products in Europe and to bring the IMC brand and its product portfolio to European patients.

In Canada, IMCC operates through Trichome Financial Corp. ("**Trichome**"), a Canadian-based subsidiary and specialty finance company focused on providing capital solutions to the global legal cannabis market, and Trichome JWC Acquisition Corp. d/b/a JWC ("**JWC**"), a wholly-owned subsidiary of Trichome and licensed producer of cannabis products in the adult-use recreational cannabis market in Canada. IMCC is focused on continuing with an aggressive and accretive acquisition strategy focusing on attractively valued and highly synergistic targets in Canada. Furthermore, IMCC expects JWC's premium indoor cultivation facility in Canada to serve as a long-term source of cannabis supply for the Group.

For further information regarding IMCC, see the Annual Information Form and other documents incorporated by reference in this Prospectus available at *www.sedar.com* under the Company's profile.

Recent Developments

Common Shares Consolidation

On February 12, 2021 the Company consolidated all of its issued and outstanding Common Shares on a four (4) to one (1) basis (the "**Consolidation**"). Following the Consolidation, the number of Listed Warrants outstanding was not altered; however, the exercise terms were adjusted such that four Listed Warrants are exercisable for one Common Share following the payment of an adjusted exercise price of $5.20.

All references to the Company's Common Shares and securities issuable into Common Shares such as Listed Warrants, incentive stock options ("**Options**"), broker compensation options ("**Broker Options**"), and restricted share units ("**RSUs**") in documents dated prior to February 12, 2021 that are incorporated by reference in this Prospectus, reflect pre-Consolidation amounts unless otherwise indicated.

Changes to Board of Directors

On February 22, 2021, the Company appointed Brian Schinderle and Haleli Barath to its board of directors (the "**Board**"). Both Mr. Schinderle and Ms. Barath are independent directors under applicable Canadian and United States securities laws. In conjunction with these appointments, Rafael Gabay and Steven Mintz concurrently resigned from the Board.

Listing on NASDAQ

On March 1, 2021, the Company's Common Shares commenced trading on NASDAQ under the ticker symbol "IMCC", making the Company the first Israeli medical cannabis operator to list its shares on NASDAQ. The listing is expected to increase access to investment in the Company for retail and institutional investors around the world, to improve liquidity of the Company's Common Shares and, in turn, optimize the Company's cost of capital.

Multi-year Supply Agreement

On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. ("**GTEC**"), a Canadian licensed producer of handcrafted and high quality cannabis (the "**GTEC Agreement**"). According to the GTEC Agreement, Focus Medical will import GTEC's high-THC medical cannabis flower into Israel to be sold under the IMC brand. With the arrival of these commercial shipments, IMCC will launch a new category of imported premium indoor medical cannabis products under its well-established brand. The import of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated ("**GBF**"), is expected to commence in Q2 2021, subject to fulfilling all regulatory requirements in relation to such import, including compliance with MOH regulations and receipt of a valid export license from Health Canada. According to the GTEC Agreement, Focus Medical will purchase a minimum quantity of 500 kg of high-THC medical cannabis flower from GBF and will be the exclusive recipient of GTEC cannabis products in the Israeli market for a period of 12 months from the date that the first shipment of GTEC products arrives in Israel (the "**Exclusive Term**"). The Exclusive Term can be extended under the terms of the GTEC Agreement by an additional 6 months. The agreement with GTEC further enhances IMCC's business presence in the North American legal cannabis market and adds another international supply partner to its network, following the listing of the Company's Common Shares on NASDAQ.

Completion of Trichome Transaction

On March 18, 2021, the Company closed the Trichome Transaction that was previously announced on December 30, 2020. The Trichome Transaction was completed pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario). See "*Trichome Transaction*".

Update Regarding Impact of COVID-19 on Operations

The current global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may impact the Group's business in the coming months.

The Group has taken proactive measures to protect the health and safety of its employees in order to continue delivering high quality medical cannabis products to its patients and to maintain its financial health. The Company has postponed planned investments in certain jurisdictions until global economic risks subside, but it continues to focus on its acquisition strategy in North America and Europe. The Company also continues to develop the IMC brand by increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products in Germany and by seeking new supply and sales agreements in Israel.

While the precise impact of the COVID-19 outbreak on the Company remains unknown, the rapid spread of COVID-19 and declaration of the outbreak as a global pandemic have resulted in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having direct impacts on businesses in Canada, Israel, Germany and elsewhere in the world. Such additional precautionary measures could also impact the Group's business. The spread of COVID-19 may also have a material adverse effect on global economic activity and could result in volatility and disruption to global supply chains and the financial and capital markets. These disruptions could cause interruptions in supplies and other services from third parties upon which the Group relies; decrease demand for products; and cause staff shortages, reduced customer traffic, and increased government regulation, all of which may materially and negatively impact the business, financial condition and results of operations of the Group. See "*Risk Factors - COVID-19 and global health crisis*".

RISK FACTORS

Before deciding to invest in the Securities, investors should carefully consider all of the information contained in, and incorporated or deemed to be incorporated by reference in, this Prospectus and any applicable Prospectus Supplement. An investment in the Securities is subject to certain risks, including risks related to the business of the Group and risks related to the Company's securities described in the documents incorporated or deemed to be incorporated by reference in this Prospectus. See the risk factors below, "Risk Factors" section in the Annual Information Form and the "Risk Factors" section of any applicable Prospectus Supplement and the documents incorporated or deemed to be incorporated by reference herein and therein. Each of the risks described in these sections and documents could materially and adversely affect the Group's business, financial condition, results of operations and prospects, and could result in a loss of your investment. Additional risks and uncertainties not known to the Company or that the Company currently deem immaterial may also impair the Group's business, financial condition, results of operations and prospects.

These risk factors, together with all other information included or incorporated by reference in this Prospectus, including, without limitation, information contained in the section "Cautionary Note Regarding Forward-Looking Statements" as well as the risk factors set out below, should be carefully reviewed and considered by investors.

Some of the factors described herein, in the documents incorporated or deemed incorporated by reference herein are interrelated and, consequently, investors should treat such risk factors as a whole. If any of the adverse effects set out in the risk factors described herein, or in another document incorporated or deemed incorporated by reference herein occur, it could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company or Group. Additional risks and uncertainties of which the Company currently is unaware of or that are unknown or that it currently deems to be immaterial could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Company cannot provide assurance that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the adverse effects set out in the risk factors herein, or in the other documents incorporated or deemed incorporated by reference herein or other unforeseen risks.

Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control

The Company complies with IFRS 10, which applies a single consolidation model using a definition of "control" that requires an investor (as defined in IFRS 10) to consolidate an investee (as defined in IFRS 10) where: (i) the investor has power over the investee; (ii) the investor has exposure or rights to variable returns from involvement with the investee; and (iii) the investor can use its power over the investee to affect the amount of the investor's returns.

Subsequent to the restructuring of IMC Holdings on April 2, 2019, the Company analyzed the terms of the contractual agreements with Focus in accordance with IFRS 10 to conclude whether it should continue to consolidate the accounts of Focus in its financial statements.

Under IFRS 10, consolidation occurs when an investor can exercise control over an investee. Control is achieved through voting rights or other evidence of power. Where there are no direct holdings, under IFRS 10, an investor (as defined in IFRS 10) should consider other evidence of power and ability to unilaterally direct an investee's (as defined in IFRS 10) relevant activities. In view of the contractual agreements and the guidance in IFRS 10, notwithstanding that the Company has no direct or indirect ownership of Focus, it has sufficient rights to unilaterally direct the relevant activities (a concept known as "de facto control"), mainly due to the following:

(a) the Company receiving economic benefits from Focus (and the terms of the contractual agreements between the Company and Focus cannot be changed without the approval of the Company);

(b) the Company having the option to purchase the divested 74% interest in Focus held by Oren Shuster, the Chief Executive Officer, director and a promoter of the Company, and Rafael Gabay, a consultant, former director and a promoter of the Company;

(c) Messrs. Shuster and Gabay each being a director of Focus (while Mr. Shuster concurrently being a director, officer and substantial shareholder of the Company and Mr. Gabay concurrently being a substantial shareholder of the Company); and

(d) the Company providing management and support activities to Focus through a services agreement.

Accordingly, under IFRS 10, the Company has "de facto control" over Focus, and therefore consolidates the financial results of Focus in the Company's financial statements.

Any failure of the Company or Messrs. Oren Shuster and Rafael Gabay to maintain "de facto control" over Focus as defined under IFRS 10 could alter the Company's consolidation model, potentially resulting in a material adverse effect on the business, results of operations and financial condition of the Company.

COVID-19 and global health crisis

The COVID-19 global outbreak and efforts to contain it may have an impact on the Group's business. The Group has implemented various safety measures onsite to ensure the safety of its employees and contractors. The Group continues to monitor the situation and the impact that COVID-19 may have its operations. Should COVID-19 spread, travel bans remain in place or should a significant part of the Group's team members or consultants become infected, the Group's ability to continue operations may be impacted. Similarly, the Company's ability to obtain financing and the ability of the Group's vendors, suppliers, consultants and partners to meet obligations may be impacted as a result of COVID-19 and efforts to contain the virus.

Reliance on Focus Facility

Focus' license from the Israeli Ministry of Health ("**MOH**") to propagate and cultivate medical cannabis in the State of Israel (the "**Focus License**") is specific to the propagation and cultivation facility in Moshav Sde Avraham, Israel, operated by Focus (the "**Focus Facility**") and both must remain in good standing for Focus to conduct the medical cannabis activities authorized thereunder. Adverse changes or developments affecting the Focus Facility, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with state or municipal regulations, or a breach of security, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any breach of the long-term land lease agreement between Focus and the landowners on which the Focus Facility is built and operated (the "**Focus Lease Agreement**") or any failure to renew the Focus Lease Agreement, on materially similar or more favorable terms, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and could also have an impact on Focus' ability to continue operating under the Focus License or to renew the Focus License.

The Focus Facility is subject to state and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on Focus' ability to maintain the Focus Lease Agreement and/or keep the Focus Facility in good standing, and to continue operating under the Focus License or the prospect of renewing the Focus License.

The Focus Facility continues to operate with routine maintenance. Focus will bear many, if not all, of the costs of maintenance and upkeep of the Focus Facility, including replacement of components over time. Focus' operations and the Group's financial performance may be adversely affected if Focus is unable to keep up with maintenance requirements.

In December 2020, the municipal committee presiding over planning and construction in southern Israel (the "**Construction Committee**") advised Focus that it was the subject of certain allegations regarding inadequate permitting for construction relating to the Focus Facility (the "**Construction Allegations**"). Focus' shareholders and directors, including Oren Shuster and Rafael Gabay, received a summons and have testified before the Construction Committee. In January 2021, the MOH advised Focus that it had received a complaint of the same nature as the Construction Allegations (the "**MOH Allegations**"). Focus is fully cooperating with the ongoing investigations of both the Construction Committee and the MOH. As of the date of this Prospectus, no formal legal proceedings have been commenced against any of Focus, Mr. Shuster or Mr. Gabay. In the event that formal legal proceedings in respect of the Construction Allegations and/or the MOH Allegations are launched, potential consequences of any negative outcome may include, but are not limited to: (i) criminal charges against any or all of Focus or Focus' shareholders and directors, including Mr. Shuster and Mr. Gabay; (ii) monetary penalties or fines; (iii) temporary or permanent suspension of the Focus License; and (iv) other consequences that may limit, in part or as a whole, Focus' operations under the Focus License. A negative outcome to the Construction Allegations or the MOH Allegations may have a material adverse effect on the business, results of operations and financial conditions of the Group.

Management of Growth and Acquisition Integration

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, any negative impact may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

In addition, the realization of the benefits of acquisitions made by the Company, including without limitation the acquisition of Trichome, depend in part on successfully consolidating functions and integrating and leveraging operations, procedures and personnel in a timely and efficient manner as well as the Company's ability to share knowledge and realize revenues, synergies and other growth opportunities from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may depend on a number of factors, including without limitation: (i) the input of substantial management effort, time and resources; (ii) the successful incorporation of key personnel from acquired companies for post-acquisition periods; and (iii) the execution of effective non-competition agreements with certain employees or ex-employees of the acquired companies. Any failure in successfully integrating acquired businesses may result in a material adverse effect on the Company's business, financial condition, operating results and prospects.

Furthermore, there is no guarantee that the Company will be able to continue developing operations in its current jurisdictions or expand into new jurisdictions. Any such activities will require, among other things, various regulatory and other third-party approvals, licenses and permits and there is no guarantee that any or all required approvals, licenses and permits will be obtained.

Negative cash flow from operations

During the nine months ended September 30, 2020 and year ended December 31, 2019, the Company had negative cash flows from operating activities. Although the Company expects to generate positive cash flows from its future operating activities, there is no assurance that it will achieve this objective. If operational cash flows continue to be negative, the Company may be required to fund future operations with alternative financing options such as offerings of securities.

Capital resources

Historically, capital requirements have been primarily funded through the proceeds obtained from the Company's previously completed October 2019 private placement of subscription receipts of the Company, exercises of outstanding securities of the Company, and its Israeli operations. Factors that could affect the availability of financing necessary to implement the Group's business objectives include the progress and results of the Group's expansion efforts, the state of international debt and equity markets, and investor perceptions and expectations of the global cannabis markets and the cannabis markets in Israel, Europe and Canada. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Group's planned business objectives may be postponed, or otherwise revised, as necessary.

Discretion in the Use of Proceeds

While detailed information regarding the use of proceeds from the sale of the Securities will be described in the applicable Prospectus Supplement, the Company will have broad discretion over the use of net proceeds from an Offering by the Company of its Securities. There may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company's sole discretion.

Management will have discretion concerning the use of proceeds described in the applicable Prospectus Supplement as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds. Management may use the net proceeds described in a Prospectus Supplement in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Group's results of operations may suffer.

Securities of IMCC are subject to price volatility

Capital and securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of IMCC include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries or asset classes. There can be no assurance that fluctuations in cannabis prices will not occur. As a result of any of these factors, the market price of securities of IMCC at any given time may not accurately reflect the long-term value of IMCC.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against them. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of IMCC.

Changes in interest rates may cause the value of the Debt Securities to decline.

Prevailing interest rates will affect the value of the Debt Securities. The value of the Debt Securities may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Fluctuations in foreign currency markets may cause the value of the Debt Securities to decline.

Debt Securities denominated or payable in foreign currencies may entail significant risk. These risks include, without limitation, the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential liquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable Prospectus Supplement.

Sales of a significant number of Common Shares in the public markets, or the perception of such sales, could depress the market price of the Common Shares

Sales of a substantial number of Common Shares or other equity-related securities in the public markets by the Company or its shareholders could depress the market price of the Company's securities and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of Common Shares or other equity-related securities would have on the market price of the Common Shares or Listed Warrants. The price of the Common Shares or Listed Warrants could be affected by possible sales of the Common Shares or Listed Warrants by hedging or arbitrage trading activity. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Holders of Common Shares will be diluted

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company and reduce the value of its investment. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of Options under the Company's incentive stock option plan (the "**Plan**") and upon the exercise of outstanding Warrants and Broker Options.

As of the date of this Prospectus, the Plan is subject to a maximum number of Common Shares reserved for issuance of 10% of the issued and outstanding Common Shares on a rolling basis (the "**Option Cap**"). Subject to shareholder approval, the Option Cap may be increased to a higher percentage of Common Shares issued and outstanding. As a result, additional dilution may occur if more options are issued under the increased Option Cap.

Market for Securities

There is currently no market through which the Company's Securities, other than its Common Shares and Listed Warrants, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, such unlisted Securities may not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell such unlisted Securities purchased under this Prospectus. This may affect the pricing of the Securities, other than the Common Shares and Listed Warrants, in the secondary market, the transparency and availability of trading prices, the liquidity of these Securities and the extent of issuer regulation. There can be no assurance that an active trading market for the Company's Securities, other than its Common Shares and Listed Warrants, will develop or, if developed, that any such market, including for Common Shares and Listed Warrants, will be sustained.

Risks relating to the Company's status as a "foreign private issuer" under U.S. securities laws

The Company is a "foreign private issuer", under applicable U.S. federal securities laws, and is, therefore, not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, the Company is subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, the Company does not file the same reports that a U.S. domestic issuer would file with the SEC, although the Company is required to file with or furnish to the SEC the continuous disclosure documents that it is required to file in Canada under Canadian securities laws. In addition, the Company's officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act. Therefore, the Company's shareholders may not know on as timely a basis when the Company's officers, directors and principal shareholders purchase or sell Common Shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, the Company is exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. The Company is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While the Company complies with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, the Company may not be required under the Exchange Act to file annual and quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

In addition, as a foreign private issuer, the Company has the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that the Company disclose the requirements it is not following and describe the Canadian practices it follows instead. The Company may in the future elect to follow home country practices in Canada with regard to certain corporate governance matters. As a result, the Company's shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

The Company may lose its status as a foreign private issuer under U.S. securities laws

In order to maintain its status as a foreign private issuer, a majority of the Company's Common Shares must be either directly or indirectly owned by non-residents of the U.S. unless the Company also satisfies one of the additional requirements necessary to preserve this status. The Company may in the future lose its foreign private issuer status if a majority of its Common Shares are held in the U.S. and if the Company fails to meet the additional requirements necessary to avoid loss of its foreign private issuer status. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a Canadian foreign private issuer eligible to use the MJDS. If the Company is not a foreign private issuer, it would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, the Company may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

Risks relating to the Company's status as an "emerging growth company" under U.S. securities laws

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and the Company will continue to qualify as an emerging growth company until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US$1,070,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the U.S. Securities Act; (c) the date on which the Company has, during the previous three year period, issued more than US$1,000,000,000 in non-convertible debt; and (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Rule 12b-2 under the Exchange Act. The Company will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be US$700,000,000 or more.

For so long as the Company remains an emerging growth company, it is permitted to and intends to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. The Company cannot predict whether investors will find the Common Shares less attractive because the Company relies upon certain of these exemptions. If some investors find the Common Shares less attractive as a result, there may be a less active trading market for the Common Shares and the Common Share price may be more volatile. On the other hand, if the Company no longer qualifies as an emerging growth company, the Company would be required to divert additional management time and attention from the Company's development and other business activities and incur increased legal and financial costs to comply with the additional associated reporting requirements, which could negatively impact the Company's business, financial condition and results of operations.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Company, on a consolidated basis, since the date of the Interim Financial Statements, except (i) the resulting decrease in number of Common Shares issued and outstanding pursuant to the Consolidation; (ii) the resulting decrease in number of Options issued and outstanding pursuant to a consolidation of 4 pre-consolidation options to 1 post-consolidation option, in connection with the Consolidation; (iii) the issue of 935,500 Options and forfeiture of 94,165 Options pursuant to the Company's stock option plan, on a post-consolidated basis; (iv) the issue of 404,207 Common Shares issued pursuant to the exercise of 454,629 Options, including cashless exercises; (v) the issue of 158,928 Common Shares issued pursuant to the exercise of 635,712 Warrants; (vi) the issue of 66,320 Common Shares and 33,158 Warrants issued pursuant to the exercise of 265,282 Broker Options; and (vii) the issue of 10,205,817 Common Shares pursuant to the Trichome Transaction, inclusive of 100,916 Common Shares issued for advisory fees. As at market close on March 30, 2021, the Company had:

(a) 50,498,009 Common Shares issued and outstanding;

(b) 9,356,500 Warrants issued and outstanding, including:

(i) 9,289,038 Listed Warrants expiring October 11, 2021, whereby four Listed Warrants are required to be exercised to purchase one Common Share at an adjusted exercise price of $5.20, with such Listed Warrants listed for trading on the CSE; and

(ii) 67,462 unlisted Warrants expiring August 30, 2022 (the "**Unlisted Warrants**"), whereby four Unlisted Warrants are required to be exercised to purchase one Common Share at an adjusted exercise price of $5.20, with such Unlisted Warrants issued as a result of exercises of Broker Options and not listed for trading on any exchanges;

(c) 674,414 Broker Options expiring on August 30, 2022, whereby four Broker Options are required to be exercised to purchase one unit at an adjusted exercise price of $4.20, with each unit exercisable into one Common Share and one-half of one Warrant, with each whole Warrant expiring on August 30, 2022 and exercisable to purchase one Common Share at an exercise price of $5.20;

(d) 3,582,389 Options expiring between October 2022 and October 2029, with a weighted average exercise price of $3.64 per Common Share and each Option exercisable into one Common Share; and

(e) No RSUs issued and outstanding.

TRICHOME TRANSACTION

About Trichome Financial Corp.

Trichome is a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market. Trichome was created to address the lack of credit availability in the large, growing and increasingly complex cannabis market. Trichome's experienced founders and management team have a unique edge to capitalize on proprietary deal flow and industry insight in order to drive the best risk-adjusted returns on shareholder's capital. Trichome also operates through its wholly-owned subsidiary, JWC, as a licensed producer of cannabis products in the adult-use recreational cannabis market in Canada.

Consideration

On December 30, 2020, the Company entered into an arrangement agreement with Trichome (as amended subsequent to the date thereof, the "**Arrangement Agreement**") pursuant to which, and subject to the terms and conditions of the Arrangement Agreement, the Company had agreed to acquire all of the issued and outstanding shares of Trichome (the "**Trichome Shares**") by way of a statutory plan of arrangement under the *Business Corporations Act* (Ontario) (the "**Trichome Transaction**"). On March 18, 2021, upon fulfilment of all requisite terms and conditions, the Company closed the Trichome Transaction.

Pursuant to the terms of the Trichome Transaction, former holders of Trichome Shares and former holders of Trichome convertible instruments (the "Trichome **Securityholders**") received 0.24525 of a Common Share for each Trichome Share held and each in-the-money convertible instrument of Trichome. As a result of the Trichome Transaction, a total of 10,104,901 Common Shares were issued to the Trichome Securityholders, resulting in former Trichome Securityholders holding approximately 20.06% of the total number of issued and outstanding Common Shares immediately after closing. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

Effect on Financial Position

The expected effect of the acquisition of Trichome on the Company's financial position is outlined in the unaudited pro forma consolidated financial statements of the Company (the "**Pro Forma Financial Statements**") attached as Appendix "A", which includes the following: (i) the unaudited pro forma interim consolidated statement of financial position as at September 30, 2020; (ii) the unaudited pro forma interim consolidated statements of profit or loss and other comprehensive income for the nine months ended September 30, 2020; and (iii) the unaudited pro forma consolidated statements of profit and loss and other comprehensive income for the year ended December 31, 2019. The Pro Forma Financial Statements should be read in conjunction with Trichome's audited annual consolidated financial statements for the years ended December 31, 2019 and 2018 (the "**Trichome Annual FS**") and the unaudited consolidated condensed interim financial statements for the three and nine months ended September 30, 2020 and 2019 (the "**Trichome Interim FS**", and together with the Trichome Annual FS, the "**Trichome Financials**"), attached as Appendix "B1" and Appendix "B2", respectively. The Trichome Financials attached to this Prospectus are also available on Trichome's SEDAR profile at www.sedar.com, however the notice of no auditor review has been removed from the Trichome Interim FS attached to this Prospectus.

The Company does not currently have any plans or proposals for material changes in the business acquired pursuant to the Trichome Transaction which may have a significant impact on the financial performance and financial position of the Company, including any proposal to sell, lease or exchange all or substantially all or a substantial part of the business acquired pursuant to the Trichome Transaction or to make any material changes to the Company's business.

Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by the Company or Trichome and required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Trichome Transaction.

Parties to Transaction

Trichome was not an informed person, associate or affiliate of the Company; however, Marc Lustig, the executive chairman and a director of the Company, was a director of Trichome at the time of voting for the Trichome Transaction. Accordingly, Mr. Lustig had a disclosable interest with respect to the Trichome Transaction and, in accordance with Canadian corporate law requirements, he declared the nature and extent of his interest in the Trichome Transaction and recused himself from consideration and voting on the Trichome Transaction as a director. As of the date of this Prospectus, Mr. Lustig continues to serve as executive chairman and director of the Company and as a director of Trichome.

USE OF PROCEEDS

Unless otherwise specified in the applicable Prospectus Supplement, the use of proceeds from the sale of Securities may be used for future acquisitions, for capital expenditures and for general corporate and working capital purposes. Each applicable Prospectus Supplement will contain specific information concerning the use of proceeds from that sale of Securities by the Company. Although the Company expects to generate positive cash flows from its future operating activities, the Company currently has negative cash flow from operating activities. To the extent that the Company has negative cash flows in future periods in excess of net proceeds from the sale of Securities, it may need to deploy a portion of net proceeds from the sale of Securities to fund such negative cash flow. Any unallocated funds raised from any Offerings under this Prospectus will be added to the working capital of the Company and will be expended at the discretion of management. The Chief Financial Officer of the Company is responsible for the supervision of the allocation of funds according to the Company's business objectives. See "*Risk Factors – Discretion in the Use of Proceeds*".

The Company expects to continue to grow its operations in all three markets: Israel, Germany and Canada. Following the Trichome Transaction, the Company plans to continue increasing its presence in Canada by executing its merger & acquisition strategy and seek to acquire additional licensed cannabis producers with the objective of becoming a dominant supplier in the premium and super premium segment in the Canadian market. In addition, the Company, through its subsidiary JWC, intends to invest in improvements to its production facility.

The current COVID-19 pandemic as well as future developments in the Company's operations or unforeseen events may also impact the ability of the Company to use the proceeds from the sale of the Securities as intended or disclosed in each Prospectus Supplement. See "*Risk Factors – COVID-19 and global health crisis*" and "*Risk Factors – Discretion in the Use of Proceeds*".

As at the date of this Prospectus, the Company has approximately $30,000,000 in working capital. Based on cash or cash equivalents of approximately $1,700,000 available and the Company's working capital position as at the date of this Prospectus, the Company expects to have sufficient funds available to fund its projected cash burn rate for approximately twenty-four months following the date of this Prospectus without requiring alternative sources of funding. See "*Risk Factors - Capital resources*".

PLAN OF DISTRIBUTION

The Company may from time to time, during the 25-month period that this Prospectus remains valid, offer for sale and issue Securities. We may issue and sell up to US$250,000,000, in the aggregate, of Securities.

We may offer and sell the Securities through underwriters or dealers, directly to one or more purchasers or through agents. We may offer Securities in the same Offering, or we may offer Securities in separate Offerings. Each Prospectus Supplement, to the extent applicable, will describe the number and terms of the Securities to which such Prospectus Supplement relates, the name or names of any underwriters or agents with whom we have entered into arrangements with respect to the sale of such Securities, the public offering or purchase price of such Securities and our net proceeds. The Prospectus Supplement will also include any underwriting discounts or commissions and other items constituting underwriters' compensation and will identify any securities exchanges on which the Securities may be listed.

The Securities may be sold, from time to time, in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market price, at varied prices determined at the time of sale, or at negotiated prices, including sales in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102, including sales made directly on the CSE, NASDAQ or other existing trading markets for the Securities. The prices at which the Securities may be offered may vary as between purchasers and during the period of distribution. If, in connection with the Offering of the Securities at a fixed price or prices, the underwriters have made a *bona fide* effort to sell all of the Securities at the initial offering price fixed in the applicable Prospectus Supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial offering price fixed in such Prospectus Supplement, in which case the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Securities is less than the gross proceeds paid by the underwriters to the Company.

Only underwriters named in the Prospectus Supplement are deemed to be underwriters in connection with such Securities offered by that Prospectus Supplement.

Under agreements which may be entered into by the Company, underwriters, dealers and agents who participate in the distribution of Securities may be entitled to indemnification by us against certain liabilities, including liabilities under the U.S. Securities Act and applicable Canadian securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. The underwriters, dealers and agents with whom we enter into agreements may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

Agents, underwriters or dealers may make sales of Securities in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an "at-the-market distribution" as defined in NI 44-102 and subject to limitations imposed by and the terms of any regulatory approvals required and obtained under, applicable Canadian securities laws which includes sales made directly on an existing trading market for the Common Shares or Listed Warrants, or sales made to or through a market maker other than on a securities exchange. In connection with any Offering of Securities, other than an "at-the-market distribution", the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

No underwriter or dealer involved in an "at-the-market distribution" as defined in NI 44-102, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with an underwriter or dealer, may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Securities or securities of the same class as the Securities distributed under the at-the-market prospectus, including selling an aggregate number or principal amount of Securities that would result in the underwriter creating an over-allocation position in the Securities.

The Company may authorize agents or underwriters to solicit offers by eligible institutions to purchase Securities from the Company at the public offering price set forth in the applicable Prospectus Supplement under delayed delivery contracts providing for payment and delivery on a specified date in the future. The conditions to these contracts and the commissions payable for solicitation of these contracts will be set forth in the applicable Prospectus Supplement.

Each class or series of Securities, other than the Common Shares and Listed Warrants, will be a new issue of Securities with no established trading market. Subject to applicable laws, any underwriter may make a market in such Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. There may be limited liquidity in the trading market for any such Securities. Unless otherwise specified in the applicable Prospectus Supplement, we do not intend to list any of the Securities other than the Common Shares and Listed Warrants on any securities exchange. Consequently, unless otherwise specified in the applicable Prospectus Supplement, **there is no trading market through which the Securities, other than the Common Shares and Listed Warrants, may be sold and purchasers may not be able to resell any such unlisted Securities purchased under this Prospectus. This may affect the pricing of such unlisted Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such unlisted Securities and the extent of issuer regulation. See "*Risk Factors*".** No assurances can be given that a market for trading in unlisted Securities of any series or issue will develop or as to the liquidity of any such market, whether or not the unlisted Securities are listed on a securities exchange.

EARNINGS COVERAGE RATIOS

The applicable Prospectus Supplement will provide, as required, the earnings coverage ratios with respect to the issuance of Securities pursuant to such Prospectus Supplement.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

The Company is authorized to issue an unlimited number of the Common Shares. As of March 30, 2021, there were 50,498,009 Common Shares issued and outstanding. The holders of Common Shares are entitled to receive notice of and to attend any meeting of the shareholders of the Company and are entitled to one vote for each Common Share held (except at meetings at which only the holders of another class of shares, if applicable, are entitled to vote). The holders of Common Shares are entitled to receive dividends, on a *pro rata* basis, if, as and when declared by the Board and, subject to the prior satisfaction of all preferential rights, to participate rateably in the net assets of the Company in the event of any dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among shareholders for the purposes of winding up its affairs. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The holders of Common Shares are entitled to receive dividends if, as and when, declared by the Board. The Company anticipates using all available cash resources toward its stated business objectives. As such, the Company does not anticipate the payment of dividends in the foreseeable future. At present, the Company's policy is to retain earnings, if any, to finance its business operations. The payment of dividends in the future will depend upon, among other factors, the Company's earnings, capital requirements and operating financial conditions.

Warrants

As of March 30, 2021, there are 9,356,500 Warrants outstanding to purchase 2,339,125 Common Shares. The Company may in the future issue Warrants to purchase Common Shares. Warrants may be issued independently or together with other Securities and may be attached to or separate from those Securities. Warrants will be issued under one or more warrant indentures, including supplemental indentures to one of our existing warrant indentures, to be entered into between the Company and one or more banks or trust companies acting as warrant agent, to be named in the relevant Prospectus Supplement, which will establish the terms and conditions of the Warrants. A copy of any warrant indenture or supplemental warrant indenture relating to an offering of Warrants will be filed by us with the securities regulatory authorities in applicable Canadian offering jurisdictions and the United States after we have entered into it.

The following description sets forth certain general terms and provisions of the Warrants and is not intended to be complete. You should read the particular terms of the Warrants that are offered by us, which will be described in more detail in any applicable Prospectus Supplement. The statements made in this Prospectus relating to any warrant indenture and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant indenture and the Prospectus Supplement describing such warrant indenture. The Prospectus Supplement will also state whether any of the general provisions summarized below do not apply to the Warrants being offered.

Any Prospectus Supplement relating to any Warrants the Company offers will describe the terms of the Warrants and include specific terms relating to their offering. All such terms will comply with the requirements of the CSE and NASDAQ relating to Warrants. This description will include, where applicable:

- the designation and aggregate number of Warrants offered;
- the price at which the Warrants will be offered;
- the currency or currencies in which the Warrants will be offered;
- the date on which the right to exercise the Warrants will commence and the date on which the right will expire;
- the number of Common Shares that may be purchased upon exercise of each Warrant and the price at which and currency or currencies in which the Common Shares may be purchased upon exercise of each Warrant;
- the terms of any provisions allowing or providing for adjustments in (i) the number and/or class of shares that may be purchased, (ii) the exercise price per share, or (iii) the expiry of the Warrants;
- whether the Company will issue fractional Common Shares;
- whether the Company have applied to list the offered Warrants on a securities exchange;
- the designation and terms of any Securities with which the Warrants will be offered, if any, and the number of the Warrants that will be offered with each Security;
- the date or dates, if any, on or after which the Warrants and the related Securities will be transferable separately;
- whether the Warrants will be subject to redemption and, if so, the terms of such redemption provisions;
- material United States and Canadian federal income tax consequences of owning the Warrants; and
- any other material terms or conditions of the Warrants.

The holders of Warrants will not be shareholders of the Company. Holders of Warrants are entitled only to receive the Common Shares subject to the Warrants on satisfaction of the conditions provided in the warrant indenture or supplemental warrant indenture.

Subscription Receipts

As of March 30, 2021, there are no Subscription Receipts outstanding. The Company may issue Subscription Receipts that will entitle holders to receive, upon satisfaction of certain release conditions and for no additional consideration, Common Shares, Warrants, Debt Securities, Units or any combination thereof. Subscription Receipts will be issued pursuant to one or more subscription receipt agreements (each, a "**Subscription Receipt Agreement**"), each to be entered into between the Company and an escrow agent (the "**Escrow Agent**"), to be named in the relevant Prospectus Supplement, which will establish the terms and conditions of the Subscription Receipts. Each Escrow Agent will be a financial institution organized under the laws of Canada or a province thereof and authorized to carry on business as a trustee. If underwriters or agents are used in the sale of any Subscription Receipts, one or more of such underwriters or agents may also be a party to the Subscription Receipt Agreement governing the Subscription Receipts sold to or through such underwriter or agent. A copy of any Subscription Receipt Agreement will be filed by us with the securities regulatory authorities in applicable Canadian offering jurisdictions and the United States after we have entered into it.

The following description sets forth certain general terms and provisions of Subscription Receipts and is not intended to be complete. You should read the particular terms of the Subscription Receipts that are offered by us, which will be described in more detail in any applicable Prospectus Supplement. The statements made in this Prospectus relating to any Subscription Receipt Agreement and Subscription Receipts to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Subscription Receipt Agreement and the Prospectus Supplement describing such Subscription Receipt Agreement. The Prospectus Supplement will also state whether any of the general provisions summarized below do not apply to the Subscription Receipts being offered.

Any Prospectus Supplement relating to any Subscription Receipts the Company offers will describe the terms of the Subscription Receipts and include specific terms relating to their offering. All such terms will comply with the requirements of the CSE and NASDAQ relating to Subscription Receipts. This description will include, where applicable:

- the designation and aggregate number of Subscription Receipts offered;
- the price at which the Subscription Receipts will be offered;
- the currency or currencies in which the Subscription Receipts will be offered;
- the conditions (the "**Release Conditions**") that must be met in order for holders of Subscription Receipts to receive for no additional consideration Common Shares, Warrants, Debt Securities, Units or any combination thereof;
- the designation, number and terms of the Common Shares, Warrants, Debt Securities, Units or any combination thereof to be received by holders of Subscription Receipts upon satisfaction of the Release Conditions, and the procedures that will result in the adjustment of those numbers;
- the procedures for the issuance and delivery of the Common Shares, Warrants, Debt Securities, Units or any combination thereof to holders of Subscription Receipts upon satisfaction of the Release Conditions;
- whether any payments will be made to holders of Subscription Receipts upon delivery of the Common Shares, Warrants, Debt Securities, Units or any combination thereof upon satisfaction of the Release Conditions;
- the identity of the Escrow Agent;
- the terms and conditions under which the Escrow Agent will hold all or a portion of the gross proceeds from the sale of Subscription Receipts, together with interest and income earned thereon (collectively, the "**Escrowed Funds**"), pending satisfaction of the Release Conditions;
- the terms and conditions pursuant to which the Escrow Agent will hold the Common Shares, Warrants, Debt Securities, Units or any combination thereof pending satisfaction of the Release Conditions;
- the terms and conditions under which the Escrow Agent will release all or a portion of the Escrowed Funds to the Company upon satisfaction of the Release Conditions;

- if the Subscription Receipts are sold to or through underwriters or agents, the terms and conditions under which the Escrow Agent will release a portion of the Escrowed Funds to such underwriters or agents in payment of all or a portion of their fees or commission in connection with the sale of the Subscription Receipts;
- procedures for the refund by the Escrow Agent to holders of Subscription Receipts of all or a portion of the subscription price for their Subscription Receipts, plus any *pro rata* entitlement to interest earned or income generated on such amount, if the Release Conditions are not satisfied;
- any entitlement of the Company to purchase the Subscription Receipts in the open market by private agreement or otherwise;
- whether the Company will issue the Subscription Receipts as global securities and, if so, the identity of the depositary for the global securities;
- whether the Company will issue the Subscription Receipts as bearer securities, registered securities or both;
- provisions as to modification, amendment or variation of the Subscription Receipt Agreement or any rights or terms attaching to the Subscription Receipts, including upon any subdivision, consolidation, reclassification or other material change of the Common Shares, Warrants or other securities of the Company, any other reorganization, amalgamation, merger or sale of all or substantially all of the Company's assets or any distribution of property or rights to all or substantially all of the holders of Common Shares;
- whether we have applied to list the Subscription Receipts on a securities exchange;
- material United States and Canadian federal tax consequences of owning the Subscription Receipts; and
- any other material terms or conditions of the Subscription Receipts.

The holders of Subscription Receipts will not be shareholders of the Company. Holders of Subscription Receipts are entitled only to receive Common Shares, Warrants, Debt Securities, Units or any combination thereof on satisfaction of the conditions provided in the Subscription Receipt Agreement, including the satisfaction of any cash payment provided in the Subscription Receipt Agreement, if the Release Conditions are satisfied. If the Release Conditions are not satisfied, holders of Subscription Receipts shall be entitled to a refund of all or a portion of the subscription price therefor and all or a portion of the *pro rata* share of interest earned or income generated thereon, as provided in the Subscription Receipt Agreement.

Escrow

The Subscription Receipt Agreement will provide that the Escrowed Funds will be held in escrow by the Escrow Agent, and such Escrowed Funds will be released to the Company (and, if the Subscription Receipts are sold to or through underwriters or agents, a portion of the Escrowed Funds may be released to such underwriters or agents in payment of all or a portion of their fees in connection with the sale of the Subscription Receipts) at the time and under the terms specified by the Subscription Receipt Agreement. If the Release Conditions are not satisfied, holders of Subscription Receipts will receive a refund of all or a portion of the subscription price for their Subscription Receipts plus their *pro rata* entitlement to interest earned or income generated on such amount, in accordance with the terms of the Subscription Receipt Agreement. The Common Shares, Warrants, Debt Securities, Units or any combination thereof may be held in escrow by the Escrow Agent, and will be released to the holders of Subscription Receipts following satisfaction of the Release Conditions at the time and under the terms specified in the Subscription Receipt Agreement.

Rescission

The Subscription Receipt Agreement will also provide that any material misrepresentation in this Prospectus, the Prospectus Supplement under which the Subscription Receipts are offered, or any amendment hereto or thereto, will entitle each initial purchaser of Subscription Receipts to a contractual right of rescission following the issuance of the Common Shares or Warrants to such purchaser entitling such purchaser to receive the amount paid for the Subscription Receipts upon surrender of the Common Shares or Warrants, provided that such remedy for rescission is exercised in the time stipulated in the Subscription Receipt Agreement. This right of rescission does not extend to holders of Subscription Receipts who acquire such Subscription Receipts from an initial purchaser, on the open market or otherwise, or to initial purchasers who acquire Subscription Receipts in the United States.

Global Securities

The Company may issue Subscription Receipts in whole or in part in the form of one or more global securities, which will be registered in the name of and be deposited with a depositary, or its nominee, each of which will be identified in the applicable Prospectus Supplement. The global securities may be in temporary or permanent form. The applicable Prospectus Supplement will describe the terms of any depositary arrangement and the rights and limitations of owners of beneficial interests in any global security. The applicable Prospectus Supplement will also describe the exchange, registration and transfer rights relating to any global security.

Modifications

The Subscription Receipt Agreement will provide for modifications and alterations to the Subscription Receipts issued thereunder by way of a resolution of holders of Subscription Receipts at a meeting of such holders or by a consent in writing from such holders. The number of holders of Subscription Receipts required to pass such a resolution or execute such a written consent will be specified in the Subscription Receipt Agreement. The Subscription Receipt Agreement will also specify that the Company may amend any Subscription Receipt Agreement and the Subscription Receipts, without the consent of the holders of the Subscription Receipts, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of the holders of outstanding Subscription Receipts or as otherwise specified in the Subscription Receipt Agreement.

Debt Securities

As of March 30, 2021, there are no Debt Securities outstanding. The following description, together with the additional information we may include in any applicable Prospectus Supplements, summarizes the material terms and provisions of the Debt Securities that we may offer under this Prospectus, which may be issued in one or more series. Debt Securities may be offered independently or together with other Securities.

General

The Debt Securities will be issued in one or more series under an indenture (the "Indenture") to be entered into between the Company and one or more trustees that will be named in a Prospectus Supplement for a series of Debt Securities. To the extent applicable, the Indenture will be subject to and governed by the United States Trust Indenture Act of 1939, as amended. A copy of the form of the Indenture to be entered into has been or will be filed with the SEC as an exhibit to the Registration Statement and will be filed with the securities commissions or similar authorities in Canada when it is entered into. The descriptions of certain provisions of the Indenture in this section do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Indenture. Terms used in this summary that are not otherwise defined herein have the meaning ascribed to them in the Indenture. The particular terms relating to Debt Securities offered by a Prospectus Supplement will be described in the related Prospectus Supplement. This description may include, but may not be limited to, any of the following, if applicable:

- the specific designation of the Debt Securities;
- any limit on the aggregate principal amount of the Debt Securities; the date or dates, if any, on which the Debt Securities will mature and the portion (if less than all of the principal amount) of the Debt Securities to be payable upon declaration of acceleration of maturity;
- the rate or rates (whether fixed or variable) at which the Debt Securities will bear interest, if any, the date or dates from which any such interest will accrue and on which any such interest will be payable and the record dates for any interest payable on the Debt Securities that are in registered form;
- the terms and conditions under which we may be obligated to redeem, repay or purchase the Debt Securities pursuant to any sinking fund or analogous provisions or otherwise;
- the terms and conditions upon which we may redeem the Debt Securities, in whole or in part, at our option;
- the covenants applicable to the Debt Securities;
- the terms and conditions for any conversion or exchange of the Debt Securities for any other securities;
- the extent and manner, if any, to which payment on or in respect of the Debt Securities of the series will be senior or will be subordinated to the prior payment of other liabilities and obligations of the Company;
- whether the Debt Securities will be secured or unsecured;
- whether the Debt Securities will be issuable in registered form or bearer form or both, and, if issuable in bearer form, the restrictions as to the offer, sale and delivery of the Debt Securities which are in bearer form and as to exchanges between registered form and bearer form;
- whether the Debt Securities will be issuable in the form of registered global securities, and, if so, the identity of the depositary for such registered global securities;
- the denominations in which registered Debt Securities will be issuable, if other than denominations of $1,000 and integral multiples of $1,000 and the denominations in which bearer Debt Securities will be issuable, if other than denominations of $5,000;
- each office or agency where payments on the Debt Securities will be made and each office or agency where the Debt Securities may be presented for registration of transfer or exchange;
- if other than United States dollars, the currency in which the Debt Securities are denominated or the currency in which we will make payments on the Debt Securities;

- material Canadian federal income tax consequences and United States federal income tax consequences of owning the Debt Securities;
- any index, formula or other method used to determine the amount of payments of principal of (and premium, if any) or interest, if any, on the Debt Securities; and
- any other terms, conditions, rights or preferences of the Debt Securities which apply solely to the Debt Securities.

If we denominate the purchase price of any of the Debt Securities in a currency or currencies other than United States dollars or a non-United States dollar unit or units, or if the principal of and any premium and interest on any Debt Securities is payable in a currency or currencies other than United States dollars or a non-United States dollar unit or units, we will provide investors with information on the restrictions, elections, general tax considerations, specific terms and other information with respect to that issue of Debt Securities and such non-United States dollar currency or currencies or non-United States dollar unit or units in the applicable Prospectus Supplement.

Each series of Debt Securities may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary.

The terms on which a series of Debt Securities may be convertible into or exchangeable for Common Shares or other securities of the Company will be described in the applicable Prospectus Supplement. These terms may include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at the option of the Company, and may include provisions pursuant to which the number of Common Shares or other securities to be received by the holders of such series of Debt Securities would be subject to adjustment.

Rights of Holders Prior to Exercise

To the extent any Debt Securities are convertible into Common Shares or other securities of the Company, prior to the conversion of such Debt Securities, holders of such Debt Securities will not have any of the rights of holders of the securities into which the Debt Securities are convertible, including the right to receive payments of dividends or the right to vote such underlying securities.

Global Securities

We may issue Debt Securities in whole or in part in the form of one or more global securities, which will be registered in the name of and be deposited with a depositary, or its nominee, each of which will be identified in the applicable Prospectus Supplement. The global securities may be in temporary or permanent form. The applicable Prospectus Supplement will describe the terms of any depositary arrangement and the rights and limitations of owners of beneficial interests in any global security. The applicable Prospectus Supplement will describe the exchange, registration and transfer rights relating to any global security.

Units

As of March 30, 2021, there are no Units outstanding. The Company may issue Units consisting of one or more Common Shares, Warrants, Subscription Receipts, Debt Securities or any combination of such Securities. You should read the particular terms of the Units that are offered by us, which will be described in more detail in any applicable Prospectus Supplement.

Any Prospectus Supplement relating to any Units the Company offers will describe the terms of the Units and include specific terms relating to their offering. All such terms will comply with the requirements of the CSE and NASDAQ relating to Units. This description will include, where applicable:

- the designation and aggregate number of Units being offered;
- the price at which the Units will be offered;
- the designation and terms of the Units and the applicable Securities included in the Units;
- the description of the terms of any agreement governing the Units;
- any provision for the issuance, payment, settlement, transfer or exchange of the Units;
- the date, if any, on and after which the Units may be transferable separately;
- whether we have applied to list the Units on a securities exchange;
- material United States and Canadian federal tax consequences of owning the Units;
- how, for federal income tax purposes, the purchase price paid for the Units is to be allocated among the component Securities; and
- any other material terms or conditions of the Units.

The foregoing summary of certain of the principal provisions of the Securities is a summary of anticipated terms and conditions only and is qualified in its entirety by the description in the applicable Prospectus Supplement under which any Securities are being offered.

CERTAIN CANADIAN AND UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will include a general summary of certain Canadian federal income tax consequences which may be applicable to a purchaser of Securities hereunder. The applicable Prospectus Supplement may also describe certain United States federal income tax consequences which may be applicable to a purchaser of Securities hereunder by an initial investor who is a United States person (within the meaning of the United States Internal Revenue Code of 1986, as amended). Investors should read the tax discussion in any Prospectus Supplement with respect to a particular Offering and consult their own tax advisors with respect to their own particular circumstances.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO U.S. HOLDERS OF COMMON SHARES

The following is a general summary of certain material U.S. federal income tax considerations relevant to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of Common Shares acquired pursuant to this Prospectus.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Except as discussed below, this summary does not discuss applicable income tax reporting requirements. This summary does not address the U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership, and disposition of Common Shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the **IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of Common Shares acquired pursuant to this Prospectus that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a "**non-U.S. Holder**" is a beneficial owner of Common Shares that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of Common Shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of Common Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are U.S. expatriates or former long-term residents of the United States; (i) are subject to taxing jurisdictions other than, or in addition to, the United States; (j) are subject to special tax accounting rules; or (k) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding shares of the Company. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of Common Shares.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such partnership generally will depend on the activities of the partnership and the status of such partners. This summary does not address the tax consequences to any such owner. Partners of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of Common Shares.

Ownership and Disposition of Common Shares

The following discussion is subject in its entirety to the rules described below under the heading "*Passive Foreign Investment Company Rules*."

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and thereafter as gain from the sale or exchange of such Common Shares (see "*Sale or Other Taxable Disposition of Common Shares*" below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Dividends received on Common Shares generally will not be eligible for the "dividends received deduction".

Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada - U.S. Tax Convention or the Common Shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such Common Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such Common Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If the Company were to constitute a "passive foreign investment company" or "PFIC" for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Common Shares. The Company believes that it was not a PFIC during the prior tax year, and based on current business plans and financial expectations, the Company expects that it will not be a PFIC for the current tax year and does not expect to be a PFIC for the foreseeable future. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested.

However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Consequently, there can be no assurance that the Company has never been, is not and will not become a PFIC for any tax year during which U.S. Holders hold Common Shares.

In addition, in any year in which the Company is classified as a PFIC, such holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

The Company will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "**income test**") or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income (the "**asset test**"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

In addition, for purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above and assuming certain other requirements are met, "passive income" does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income and certain other requirements are satisfied.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a "**Subsidiary PFIC**"), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC or (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

If the Company were a PFIC in any tax year and a U.S. Holder held Common Shares, such holder generally would be subject to special rules under Section 1291 of the Code with respect to "excess distributions" made by the Company on the Common Shares and with respect to gain from the disposition of Common Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Common Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the Common Shares, as applicable. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Common Shares rateably over its holding period for the Common Shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company can provide no assurances that it will satisfy the record keeping requirements of a PFIC, or that it will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any Subsidiary PFIC. U.S. Holders are urged to consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of Common Shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

The foreign tax credit rules are complex, and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, Common Shares will generally be subject to information reporting and backup withholding tax, (currently at the rate of 24%), if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirements.

THE FOREGOING DISCUSSION DOES NOT COVER ALL U.S. TAX MATTERS THAT MAY BE IMPORTANT TO U.S. HOLDERS. PROSPECTIVE U.S. HOLDERS ARE STRONGLY ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE INFORMATION REPORTING AND BACKUP WITHHOLDING RULES.

PRIOR SALES

Information in respect of Common Shares that the Company issued within the previous 12-month period, and in respect of securities that are convertible or exchangeable into Common Shares, will be provided as required in a Prospectus Supplement with respect to the issuance of Securities pursuant to such Prospectus Supplement.

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading under the symbol "IMCC" on the CSE, and since March 1, 2021, on NASDAQ. The Listed Warrants are listed and posted for trading on the CSE under the symbol "IMCC.WT". Information in respect of trading price and volume of the Common Shares and Listed Warrants during the previous 12-month period will be provided as required in a Prospectus Supplement with respect to the issuance of Securities pursuant to such Prospectus Supplement.

PROMOTERS

Oren Shuster, Chief Executive Officer and director of the Company and Rafael Gabay, a consultant and former director of the Company, may be considered to be promoters because they founded and organized the business of IMC Holdings prior to the Company's reverse takeover transaction with IMC Holdings that was completed on October 11, 2019. Mr. Shuster is a resident of Ra'anana, Israel and controls 9,135,137 Common Shares, representing 18.09% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gabay is a resident of Ganot, Israel and controls 8,090,720 Common Shares, representing 16.02% of the issued and outstanding Common Shares on a non-diluted basis. 9,133,602 Common Shares and 8,089,185 Common Shares are held directly by Oren Shuster and Rafael Gabay, respectively, and 1,535 Common Shares are owned by Ewave Group Ltd., an entity which is jointly owned and controlled by Messrs. Shuster and Gabay.

Messrs. Shuster and Gabay currently hold 74% ownership interest in Focus (the "**Focus Interest**"). IMC Holdings has the option to purchase the Focus Interest at an aggregate exercise price of NIS 765.67 per share of Focus, which is equal to the price paid by Messrs. Shuster and Gabay to acquire the Focus Interest, expiring April 2, 2029, for a total consideration of NIS 2,756,500.

No promoter of the Company is, as at the date of this Prospectus, or has been within 10 years prior to the date of this Prospectus, a director, chief executive officer, or chief financial officer of any person or company, that:

(a) was subject to an order that was issued while the promoter was acting in such capacity; or

(b) was subject to an order that was issued after the promoter ceased to act in such capacity and which resulted from an event that occurred while the promoter was acting in such capacity.

No promoter of the Company is, as at the date of this Prospectus, or has been within the 10 years prior to the date of this Prospectus, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No promoter of the Company has, within the 10 years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter.

LEGAL MATTERS

Certain legal matters in connection with the Securities offered hereby will be passed upon on behalf of the Company by Gowling WLG (Canada) LLP, with respect to Canadian legal matters, and by Dorsey & Whitney LLP, with respect to United States legal matters. As of the date hereof, partners and associates of Gowling WLG (Canada) LLP as a group, own, directly or indirectly, in the aggregate, less than 1% or no securities of the Company.

EXPERTS

Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, the auditors of the Company, have prepared the Independent Auditors Report dated April 20, 2020 and audited the consolidated financial statements of the Company as of and for the years ended December 31, 2019 and 2018. The auditors of the Company have confirmed that they are independent with respect to the Company within the meaning of the Securities Act of 1933 and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, located at 144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel.

MNP LLP, the auditors of Trichome, have prepared the Independent Auditors Report dated April 9, 2020 and audited the consolidated financial statements of Trichome as of and for the years ended December 31, 2019 and December 31, 2018. The auditors of Trichome have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

MNP LLP is located at 50 Burnhamthorpe Road West, Suite 900, Mississauga, Ontario, Canada L5B 3C2.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9, is the transfer agent and registrar for the Common Shares and warrant agent for the Listed Warrants.

MATERIAL CONTRACTS

Except for contracts entered into the ordinary course of business, as disclosed below, or as otherwise disclosed herein or in a document incorporated by reference, no material contracts were entered into by the Company as of the date of this Prospectus that are still in effect except the following:

- the arrangement agreement dated December 30, 2020, as subsequently amended on January 22, 2021 and March 14, 2021, between the Company and Trichome entered into in connection with the Trichome Transaction;
- the license agreement dated April 2, 2019, between IMC Holdings and Focus entered into in connection with the grant of a license by IMC Holdings to Focus for the use of certain technology, know-how and proprietary information rights;
- the services agreement dated April 2, 2019, between IMC Holdings and Focus entered into in connection with certain management and support services provided by IMC Holdings to Focus from time to time;
- the option agreement dated April 2, 2019, between IMC Holdings, Oren Shuster and Rafael Gabay entered into in connection with the grant of options to purchase 74% of the issued and outstanding share capital of Focus by Oren Shuster and Rafael Gabay to IMC Holdings; and
- the supplemental warrant indenture dated February 12, 2021 between the Company and Computershare Trust Company of Canada with respect to amendments to the warrant indenture dated as of August 30, 2019 as amended by the first supplemental warrant indenture dated as of November 14, 2019, entered into in connection with the Consolidation.

Copies of the above material contracts are available on the Company's SEDAR profile at www.sedar.com.

APPENDIX "A" - PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Caution Regarding Unaudited Pro Forma Financial Statements

The unaudited pro forma consolidated financial statements of the Company is comprised of the pro forma interim consolidated statement of financial position as at September 30, 2020, the pro forma interim consolidated statements of profit or loss and other comprehensive income for the nine months ended September 30, 2020 and pro forma consolidated statements of profit and loss and other comprehensive income for the year ended December 31, 2019.

Such unaudited pro forma consolidated financial statements have been prepared using historical consolidated financial statements of IM Cannabis Corp. (the "Company" or "IMC") and Trichome Financial Corp. ("Trichome"), respectively, as more particularly described in the notes to such unaudited pro forma consolidated financial statements. In preparing such unaudited pro forma consolidated financial statements, the Company has not independently verified the financial statements of Trichome that were used to prepare the unaudited pro forma consolidated financial statements. The historical audited consolidated financial information has been adjusted in the unaudited pro forma consolidated financial statements to give effect to events that are: (i) directly attributable to the pro forma events, for which there are firm commitments and for which the complete financial effects are objectively determinable; and (ii) with respect to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, expected to have a continuing impact on the combined company's results. As such, the impact from merger-related expenses is not included in the unaudited pro forma consolidated financial statement of profit or loss and other comprehensive income.

The unaudited pro forma consolidated financial statements do not reflect any cost savings from operational efficiencies or synergies that could result from the arrangement agreement between the Company and Trichome dated December 30, 2020, as amended (the "Arrangement") or for liabilities that may result from integration planning. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and do not necessarily reflect what the combined company's financial condition and results of operations would have been had the Arrangement occurred on the dates indicated.

The unaudited pro forma consolidated financial statements also may not be useful in predicting the future financial condition and results of the operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The pro forma adjustments are based on preliminary estimates of the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed, currently available information and certain assumptions that the Company believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma consolidated financial statements.

As a result of these factors, the actual adjustments will differ from the pro forma adjustments, and the differences may be material.

Forward-Looking Statements

These unaudited pro forma financial statements may contain certain "forward-looking statements" or "forward-looking information" under applicable securities laws. Forward-looking terms such as "may," "will," "could," "should," "would," "plan," "potential," "intend," "anticipate," "project," "target," "believe," "estimate" or "expect" and other words, terms and phrases of similar nature are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable.

Any such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and expectations to differ materially from the anticipated results or expectations expressed in these unaudited pro forma financial statements. The Company cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. You are referred to the risk factors described in the Company's most recent Annual Information Form and other documents on file with the Canadian securities regulatory authorities, which are available online under the Company's SEDAR profile at www.sedar.com. The forward-looking statements and information contained in this unaudited pro forma financial statements represent the Company's views only as of today's date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, other than as required by law, rule or regulation. You should not place undue reliance on forward-looking statements.

IM CANNABIS CORP.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CANADIAN DOLLARS IN THOUSANDS

(Unaudited)

INDEX

- - - - - - - - - - -

PRO FORMA INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2020 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 9,737	$ 5,309	$ -		$ 15,046
Restricted bank deposits	18	-	-		18
Trade receivables	5,135	676	-		5,811
Advances to suppliers	3,651	-	-		3,651
Other accounts receivable	405	1,413	-		1,818
Biological assets	2,915	599	-		3,514
Inventories	8,303	2,380	-		10,683
Loans receivable	-	6,862			6,862
	30,164	17,239	-		47,403
NON-CURRENT ASSETS:					
Property, plant and equipment, net	4,815	13,596	-		18,411
Investments and derivative assets	2,298	194	-		2,492
Loans receivable	-	4,078	-		4,078
Investments in equity accounted investees	-	315	-		315
Right-of-use assets	970	10,970	-		11,940
Deferred tax assets	73	-	-		73
Intangible assets and Goodwill (net)	1,390	168	65,607	2(a)	67,165
	9,546	29,321	65,607		104,474
Total assets	$ 39,710	$ 46,560	$ 65,607		$ 151,877

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2020 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Trade payables	$ 2,307	$ 675	$ -		$ 2,982
Other accounts payable and accrued expenses	1,538	1,475	1,572	2(b,g)	4,585
Current portion of lease liabilities	172	53	-		225
	4,017	2,203	1,572		7,792
NON-CURRENT LIABILITIES:					
Deferred tax liability	1,781	-	-		1,781
Warrants measured at fair value	2,433	-	-		2,433
Employee benefit liabilities, net	344	-	-		344
Convertible debentures	-	5,189	(5,189)	2(c)	-
Lease liabilities	846	10,854	-		11,700
	5,404	16,043	(5,189)		16,258
Total liabilities	9,421	18,246	(3,617)		24,050
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY **:**					
Share capital and premium	36,330	34,078	(34,078)	2(d)	36,330
Additional share capital and premium issued in Trichome transaction	-	-	99 ,028		99 ,028
Translation reserve	754	-	-		754
Reserve from share-based payment transactions	4,720	2,453	(1,464)	2(d,g)	5,709
Equity component of convertible debentures	-	626	(626)	2(d)	-
Retained earnings (accumulated deficit)	(13,645)	(9,150)	6,671	2(d,g)	(16,124)
Total equity attributable to shareholders of the Company	28,159	28,007	69,531		125,697
Non-controlling interests	2,130	307	(307)	2(d)	2,130
Total equity	30,289	28,314	69,224		127,827
Total equity and liabilities	$ 39,710	$ 46,560	$ 65,607		$ 151,877

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the nine-month period ended September 30, 2020 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
Revenues	$ 10,990	$ 2,643	$ -		$ 13,633
Cost of revenues	4,972	196	-		5,168
Gross profit before fair value adjustments	6,018	2,447	-		8,465
Fair value adjustments:					
Unrealized change in fair value of biological assets	9,042	-	-		9,042
Realized fair value adjustments on inventory sold in the period	(5,099)	-	-		(5,099)
Total fair value adjustments	3,943	-	-		3,943
Gross profit	9,961	2,447	-		12,408
General and administrative expenses	7,223	4,086	-		11,309
Selling and marketing expenses	2,334	-	-		2,334
Research and development expenses	135	-	-		135
Expected credit loss (recoveries)	-	(242)	-		(242)
Share-based payment compensation	2,131	1,055	(500)	2(e,f)	2,686
Total operating expenses	11,823	4,899	(500)		16,222
Operating profit (loss)	(1,862)	(2,452)	500		(3,814)
Finance expenses (income), net	5,975	307	(155)	2(b)	6,127
Fair value loss on amounts receivable	-	4	-		4
Fair value loss on investments and derivatives	-	717	-		717
Fair value gain on loans receivable measured at FVTPL	-	(115)	-		(115)
Gain on modification of loans receivable	-	(580)	-		(580)
Bargain purchase gain	-	(1,416)	-		(1,416)
Share of loss from equity accounted investees	-	1	-		1
Income (loss) before income taxes	(7,837)	(1,370)	655		(8,552)
Income tax expense (recovery)	921	(226)	-		695
Net Income (loss)	$ (8,758)	$ (1,144)	$ 655		$ (9,247)

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the nine-month period ended September 30, 2020 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:					
Re-measurement gain (loss) on defined benefit plans	(32)	-	-		(32)
Exchange differences on translation to presentation currency	639	-	-		639
Total comprehensive income (loss)	$ 607	$ -	$ -		$ 607
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:					
Adjustments arising from translating financial statement of foreign operations	(95)	-	-		(95)
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods	(95)	-	-		(95)
Total other comprehensive income	$ 512	$ -	$ -		$ 512
Total comprehensive income (loss)	$ (8,246)	$ (1,144)	$ 655		$ (8,735)
Net income (loss) attributable to:					
Equity holders of the Company	(9,340)	(1,144)	655		(9,829)
Non-controlling interests	582	-	-		582
	$ (8,758)	$ (1,144)	$ 655		$ (9,247)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	(8,927)	(1,144)	655		(9,416)
Non-controlling interests	681	-	-		681
	$ (8,246)	$ (1,144)	$ 655		$ (8,735)
Net income (loss) per share attributable to equity holders of the Company:					
Basic and diluted net loss per share (in CAD) (*)	$ (0.24)	$ (0.04)	$ -		$ (0.20)
Weighted average number of shares outstanding (in thousands) (*)	38,676	-	10,105		48,781

*) After giving effect to IMC share consolidation of 4:1.

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2019 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
Revenues	$ 9,074	$ 1,265	$ -		$ 10,339
Cost of revenues	4,761	-	-		4,761
Gross profit before fair value adjustments	4,313	1,265	-		5,578
Fair value adjustments:					
Unrealized change in fair value of biological assets	5,990	-	-		5,990
Realized fair value adjustments on inventory sold in the period	(6,374)	-	-		(6,374)
Total fair value adjustments	(384)	-	-		(384)
Gross profit	3,929	1,265	-		5,194
General and administrative expenses	6,422	4,214	(1,679)		8,957
Selling and marketing expenses	1,240	-	-		1,240
Research and development expenses	233	-	-		233
Expected credit loss	-	328	-		328
Listing expense from reverse takeover	3,632	-	-		3,632
Share-based compensation	2,677	992	(250)	2(e,f)	3,419
Total operating expenses	14,204	5,534	(1,929)		17,809
Operating profit (loss)	(10,275)	(4,269)	1,929		(12,615)
Finance incomes (expenses), net	2,946	(1,254)	1,254	2(b)	2,946
Gain on settlement of loans receivable	-	(558)	-		(558)
Fair value loss on investments and derivatives	-	871	-		871
Gain on modification of loans receivable	-	(43)	-		(43)
Income (loss) before income taxes	(7,329)	(5,793)	3,183		(9,939)
Income tax expense	90	-	-		90
Net Income (loss)	$ (7,419)	$ (5,793)	$ 3,183		$ (10,029)

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2019 (Unaudited)

Canadian Dollars in thousands

	IMC	Trichome	Pro Forma Acquisition Adjustments	Notes	Pro Forma Combined
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:					
Re-measurement gain (loss) on defined benefit plans	(29)	-	-		(29)
Exchange differences on translation to presentation currency	333	-	-		333
Total comprehensive income (loss)	$ 304	$ -	$ -		$ 304
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:					
Adjustments arising from translating financial statement of foreign operations	(14)	-	-		(14)
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods	(14)	-	-		(14)
Total other comprehensive income	$ 290	$ -	$ -		$ 290
Total comprehensive income (loss)	$ (7,129)	$ (5,793)	$ 3,183		$ (9,7 39)
Net income (loss) attributable to :					
Equity holders of the Company	(7,292)	(5,793)	3,183		(9,902)
Non-controlling interests	(127)	-	-		(127)
	$ (7,419)	$ (5,793)	$ 3,183		(10,029)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	(7,047)	(5,793)	3,183		(9,657)
Non-controlling interests	(82)	-	-		(82)
	$ (7,129)	$ (5,793)	$ 3,183		$ (9,739)
Net income (loss) per share attributable to equity holders of the Company:					
Basic and diluted net loss per share (in CAD) (*)	$ (0.23)	$ (0.51)	$ -		$ (0.24)
Weighted average number of shares outstanding (in thousands) (*)	31,978	-	10,105		42,083

*) After giving effect to IMC share consolidation of 4:1.

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Note 1 - Background and basis of presentation

IMC is listed on the Canadian Securities Exchange ("CSE") and the NASDAQ Capital Market ("NASDAQ") under the ticker symbol "IMCC". IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a fully operational, vertically integrated medical cannabis business spearheaded by its distribution arm in Germany and augmented by strategic agreements with a network of certified European suppliers and distributors.

Trichome Financial Corp. ("Trichome") has historically operated as a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market. During 2020, Trichome became a Canadian adult-use recreational cannabis producer through the acquisition of the assets of James E. Wagner Cultivation ("JWC") on August 28, 2020.

These unaudited pro forma consolidated financial statements have been prepared using accounting policies and practices consistent with those used in the preparation of IMC's consolidated financial statements, which are prepared under International Financial Reporting Standards ("IFRS"). In the opinion of management, these unaudited pro forma consolidated financial statements include all material adjustments necessary for fair presentation.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the interim consolidated financial statements of IMC as at September 30, 2020 and for the nine months then ended, and the audited consolidated financial statements for the year ended December 31, 2019, in addition to the accompanying financial statement notes. The unaudited pro-forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the continuing entity had the proposed transactions been effected on the dates indicated. Further, the unaudited pro-forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The pro-forma adjustments and allocations of the purchase price of Trichome by IMC are based, in part, on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Trichome that exist as of the date of completion of the acquisition.

Note 2 - Trichome acquisition

1) Description of Transaction

On March 18, 2021 , IMC acquired Trichome following a definitive agreement to combine businesses pursuant to a plan of arrangement (the Company and Trichome, together, the "Combined Company") and was completed under the *Business Corporations Act* (Ontario) (the "Trichome Transaction"). Under the terms of the Trichome Transaction, the Company issued 0.24525 IMC common shares ("**Common Shares**") to Trichome's shareholders for each common share of Trichome held (the "Consideration"). Upon completion of the acquisition, the Consideration totaled 10,104,901 Common Shares of the Company, valued at approximately $99,028 at a price per share of $9.8. The terms of the Trichome Transaction, including the Consideration, are the result of arm's length negotiations between the Company and Trichome.

Note 2 - Trichome acquisition (Cont.)

Upon completion of the Trichome Transaction, the Company's shareholders owned approximately 79.94% of the Combined Company's outstanding shares and former Trichome shareholders own approximately 20.06%.

The accompanying unaudited pro forma interim consolidated statement of financial position as of September 30, 2020, and pro forma interim consolidated statements of profit or loss and comprehensive income for the nine months period ended September 30, 2020 of IMC have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Trichome by IMC as if the acquisition occurred on January 1, 2020.

The accompanying unaudited pro forma consolidated statements of profit or loss and comprehensive income for the year ended December 31, 2019 of IMC have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Trichome by IMC as if the acquisition occurred on January 1, 2019.

2) Pro forma adjustments and assumptions

The pro forma purchase price is subject to change based on the finalization of purchase price adjustments and completion of management's assessment of the fair values of the assets and liabilities acquired. Due to the timing of the announcement of the Trichome Transaction, IMC has not yet obtained sufficient information to accurately determine the fair market value of Trichome's net assets by category and has therefore allocated the September 30, 2020, book values of the net assets acquired as a proxy of fair value. Goodwill represents the amount by which the purchase price exceeds the book value, being a proxy of fair value of the assets acquired and liabilities assumed. The final calculation and allocation of the purchase price will be based on the net assets purchased as of the closing date of the Trichome Transaction and other information available at that time. There may be material differences from this pro forma purchase price allocation as a result of finalizing the valuation. Based on management's preliminary estimates, the goodwill may be allocated to other items such as certain identified intangible assets.

In accordance with IFRS 3, equity securities issued as the consideration transferred will be measured on the closing date of the Trichome Transaction at fair value reflecting the then-current market price.

Note 2 - Trichome acquisition (Cont.)

The unaudited pro-forma consolidated financial statements incorporate the following main pro forma adjustments:

a) Intangible assets and Goodwill were acquired as part of the Trichome Transaction. The pro forma purchase price is subject to change based on the finalization of purchase price adjustments and completion of fair values assigned to the net assets acquired. Due to the timing of the Trichome Transaction, the Company has not yet obtained the required information to accurately identify as well as assign value to any intangible asset(s) and goodwill acquired as part of the Trichome Transaction.

b) Had the Trichome Transaction occurred on January 1, 2020 or 2019, all of the convertible debentures would have been automatically converted into Common Shares and interest expense would no longer be incurred.

c) Had the Trichome Transaction occurred on September 30, 2020, all of the convertible debentures would have been automatically converted into Common Shares.

d) All equity components of Trichome's balance sheet have been eliminated, including non-controlling interests that have been repurchased by Trichome immediately prior to the Trichome Transaction.

e) Had the Trichome Transaction occurred on January 1, 2020 or 2019, respectively, vesting of all of Trichome's stock options, restricted share units, and performance share units would have accelerated and exercised immediately prior to the acquisition, therefore share-based compensation expense has been adjusted.

f) Had the Trichome Transaction occurred on January 1, 2020 or 2019, a sum of 700,000 stock options would have been granted to Trichome's employees, therefore share-based compensation expense has been recorded respectively.

g) Pro forma adjustment for estimated fees and expenses associated with the Trichome Transaction includes financial, legal, advisory and other transaction costs and professional fees. The Trichome Transaction costs include 100,916 Common Shares issued at $9.8 per share to financial advisors. The adjustment to expense all of the acquisition-related transaction costs that will be incurred have not been reflected in the accompanying pro forma interim consolidated statements of profit or loss and other comprehensive income for the periods presented. Those costs are one-time in nature and are not expected to have any continuing impact on the combined entity; rather, they have been recognized in the accompanying pro forma interim consolidated statement of financial position as at September 30, 2020.

Trichome Financial Corp.

(formerly 22 Capital Corp.)

Consolidated Financial Statements
For the year ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

TABLE OF CONTENTS

Independent Auditor's Report

To the Shareholders of Trichome Financial Corp. (formerly 22 Capital Corp.):

Opinion

We have audited the consolidated financial statements of Trichome Financial Corp. (formerly 22 Capital Corp.) and its subsidiaries the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 201B, and the consolidated statements of net loss and comprehensive loss, shareholders' equity/(deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report if, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with international Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related ID going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

MNP

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sean Patrick Crewe.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

April 9, 2020

Licensed Public Accountants

MNP

TRICHOME FINANCIAL CORP. (formerly 22 Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		**$ 20,887,704**	$ 13,810,095
Amounts receivable		**109,969**	-
Prepaid expenses		**126,873**	-
Loans receivable - current	4	**1,964,538**	447,534
Derivative assets	5	**-**	17,314
Due from related parties	7	**23,583**	-
Other current assets		**55,545**	-
Total current assets		**23,168,212**	14,274,943
Non-current			
Derivative assets	5	**455,064**	-
Investments	5	**226,368**	-
Intangible assets	6	**19,633**	-
Loans receivable - long-term	4	**5,058,679**	-
Total non-current assets		**5,759,744**	-
Total Assets		**28,927,956**	14,274,943
LIABILITIES			
Current			
Amounts payable and accrued liabilities	8	**1,264,160**	272,607
Due to related parties	7	**-**	107,910
Class A preferred shares	9	**-**	15,078,173
Deposits	4	**78,977**	-
Total liabilities		**1,343,137**	15,458,690
SHAREHOLDERS' EQUITY/(DEFICIT)			
Share capital	9	**33,850,039**	335,000
Contributed surplus	9	**459,203**	162,549
Share-based reserve	9	**1,281,668**	531,044
Accumulated deficit		**(8,006,091)**	(2,212,340)
Shareholders' Equity/(Deficit)		**27,584,819**	(1,183,747)
Total Liabilities & Shareholders' Equity		**$ 28,927,956**	$ 14,274,943

Commitments and contingencies (Note 14)
Subsequent events (Note 15)
The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

/s/"Michael Ruscetta"
Director

/s/"Marissa Lauder"
Director

TRICHOME FINANCIAL CORP. (formerly 22 Capital Corp.)
Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	For the year ended December 31, 2019	December 31, 2018
Interest Revenue		**$ 1,264,563**	$ 22,534
Operating expenses			
General and administrative	10	**2,534,381**	843,533
Share-based compensation	9	**991,677**	693,593
Allowance for expected credit losses	4	**328,450**	-
		3,854,508	1,537,126
Other expenses (income)			
Accretion expense	9	**1,254,027**	558,302
Listing expense	3	**1,308,281**	-
Other income		**-**	(45,000)
Changes in fair values on derivative assets and investments	5	**870,789**	(17,314)
Gain on settlement of loans receivable	4	**(557,516)**	-
Gain on modification of loans receivable	4	**(42,787)**	-
Costs incurred to list on stock exchange		**371,012**	201,760
		3,203,806	697,748
Net loss and comprehensive loss		**$ (5,793,751)**	$ (2,212,340)
Loss per share, basic and diluted			
Net loss per share:		**(0.51)**	(0.36)
Weighted average number of outstanding common shares		**$ 11,327,411**	$ 6,092,055

The accompanying notes are an integral part of these consolidated financial statements.

TRICHOME FINANCIAL CORP. (formerly 22 Capital Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the year ended	
	Notes	**December 31, 2019**	December 31, 2018
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss for the year		**$ (5,793,751)**	$ (2,212,340)
Items not affecting cash:			
Accretion expense	9	**1,254,027**	558,302
Non-cash interest revenue	4	**(717,664)**	(22,534)
Change in fair value of derivative assets and investments	5	**870,789**	(17,314)
Gain on settlement of loan	4	**(557,516)**	-
Gain on modification of loan	4	**(42,787)**	-
Share-based compensation	9	**991,677**	693,593
Listing expense	3	**1,308,281**	-
Allowance for expected credit losses	4	**328,450**	-
Subscription receivable		**-**	5,000
		(2,358,494)	(995,293)
Changes in non-cash items relating to operations:			
Increase in amounts receivable		**(109,969)**	-
Increase in prepaid expenses and other current assets		**(182,418)**	-
Increase in amounts payable and accrued liabilities		**991,553**	272,607
Increase in deposits		**78,977**	-
		778,143	272,607
Changes in cash items relating to operations:			
Advances of loaned funds (inclusive of $1,534,907 allocated to derivative assets and investments on initial recognition and transaction costs)	4,5	**(12,955,845)**	(425,000)
Repayment of loaned funds	4	**5,834,772**	-
		(7,121,073)	(425,000)
Cash outflows used in operating activities		**(8,701,424)**	(1,147,686)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Increase in intangible assets	6	**(19,633)**	-
Cash outflows used in investing activities		**(19,633)**	-
CASH FLOWS USED IN FINANCING ACTIVITIES			
Net repayment of related party balances	7	**(131,493)**	107,910
Proceeds from issuance of preferred shares	9	**-**	15,000,254
Proceeds from amalgamated entity (net of working capital)	3	**324,884**	-
Share issuance costs	9	**(879,108)**	(480,383)
Proceeds on issuance of common shares	9	**16,484,383**	330,000
Cash inflows from financing activities		**15,798,666**	14,957,781
INCREASE IN CASH		**7,077,609**	13,810,095
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**13,810,095**	-
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 20,887,704**	$ 13,810,095

The accompanying notes are an integral part of these consolidated financial statements.

TRICHOME FINANCIAL CORP. (formerly 22 Capital Corp.)

Consolidated Statements of Shareholders' Equity/(Deficit)

(Expressed in Canadian Dollars)

	Number of shares *	Share capital	Contributed Surplus	Share-based reserve	Accumulated deficit	Total Shareholders' Deficit
Balance at December 31, 2017	3,000,000	$ 5,000	$ -	$ -	$ -	$ 5,000
Common shares issued	3,960,000	330,000	-	-	-	330,000
Comprehensive loss for the year	-	-	-	-	(2,212,340)	(2,212,340)
Share-based compensation for the year	-	-	693,593	-	-	693,593
Vested and transferred to share-based reserve	-	-	(531,044)	531,044	-	-
Balance as at December 31, 2018	6,960,000	$ 335,000	$ 162,549	$ 531,044	$ (2,212,340)	$ (1,183,747)

	Number of shares *	Share capital	Contributed Surplus	Share-based reserve	Accumulated deficit	Total Shareholders' Equity
Balance at December 31, 2018	**6,960,000**	**$ 335,000**	**$ 162,549**	**$ 531,044**	**$ (2,212,340)**	**$ (1,183,747)**
Comprehensive loss for the year	-	-	-	-	(5,793,751)	(5,793,751)
Share-based compensation for the year	-	-	991,677	-	-	991,677
Vested and transferred to share-based reserve	-	-	(750,624)	750,624	-	-
Conversion of series A preferred shares on close of Trichome's RTO	9,513,902	16,332,200	-	-	-	16,332,200
Shares issued for previously subscribed shares	7,849,706	16,484,383	-	-	-	16,484,383
Shares issued in the reverse-takeover of 22 Capital Corp.	751,220	1,577,564	55,601	-	-	1,633,165
Share issuance costs	-	(879,108)	-	-	-	(879,108)
Balance as at December 31, 2019	**25,074,828**	**$ 33,850,039**	**$ 459,203**	**$ 1,281,668**	**$ (8,006,091)**	**$ 27,584,819**

* Number of shares is inclusive of the 3:1 share split, and has been applied retrospectively for the December 31, 2018 comparative figures.

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of the business

Trichome Financial Corporation (the "Company" or "Trichome" or "Trichome Financial") was incorporated under the Business Corporation Act of Ontario on September 18, 2017 and has its head office located at 150 King Street West, Suite 200, Toronto, Ontario. On October 4, 2019, the Company completed a reverse takeover (the "RTO") of 22 Capital Corp. (TSXV: LFC.P) ("22 Capital"). The transaction constituted 22 Capital's Qualifying Transaction as such term is defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"), and the resulting issuer was listed as a Tier 1 Investment issuer on the TSXV under the trading symbol "TFC" on October 10, 2019.

On December 13, 2019, the Company delisted from the TSXV and began trading on the Canadian Securities Exchange ("CSE") under the trading symbol "TFC.CN".

Trichome Financial is a specialty finance company focused on providing credit-based capital solutions to the global legal cannabis market. Trichome Financial provides customized financing solutions across the industry value chain to support growth, capital expenditures, M&A, working capital and other needs. Transactions are typically structured to earn contractual cash flows, obtain potential equity positions and ensure return of capital. As at December 31, 2019, Trichome Financial's assets were based in Canada. Subsequent to year-end, the Company entered into a lending arrangement with a licensed cannabis company in the United States (Note 15).

During the year ended December 31, 2019, the Company incorporated Trichome Financial Cannabis Private Credit GP Inc. (the "GP") and Trichome Financial Cannabis Manager Inc. as wholly owned subsidiaries and consolidated the financial statements of these entities. The entities were formed in preparation for the opening of an alternative investment fund. The Company formed a Limited Partnership between Trichome Financial Cannabis Private Credit LP (the "Fund"), which is an unconsolidated entity.

On December 11, 2019, the Company incorporated Trichome Asset Funding Corp. ("Trichome Asset Funding"). The entity was formed specifically for the purpose of managing Trichome Financial's factoring arrangements. Trichome Asset Funding is a 100% wholly owned subsidiary of the Company and results are consolidated with that of the Company's as part of the financial reporting process for the year-ended December 31, 2019.

2. Significant Accounting Policies

Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee applicable to the preparation of the consolidated financial statements.

Basis of presentation

These consolidated financial statements have been prepared by management on a historical cost basis using the accrual basis of accounting, except for the revaluation of certain financial assets and liabilities to fair value, including derivative assets, investments, and certain loans receivable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into consideration when pricing the asset or liability at the measurement date.

The currency of presentation for these consolidated financial statements is the Canadian dollar, which is also the functional currency of the Company.

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on April 9, 2020.

During the year ended December 31, 2019, the Company re-classified certain prior year balances in order to conform to the current presentation. On October 4, 2019, the Company completed a 3:1 share split (Note 9) which has been applied retrospectively. Additionally, costs associated with the RTO have been reclassified from general and administrative expenses to other expenses and has been applied retrospectively.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. These estimates, judgements, and assumptions will also affect the disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates include the valuation of loans receivable, expected credit losses, impairment of loans, discount rates used to value the preferred shares, key inputs used in the application of the Black-Scholes option pricing model used to determine share-based compensation, the value of derivative assets, as well as any expected credit losses associated with lending arrangements.

Expected credit losses ("ECLs") and impairment of loans

In accordance with IFRS 9, accounting for impairment losses on loans and other debt instruments is based on a forward-looking expected credit loss model. Under this model, the Company is required to assess the need for an allowance for ECLs for all loans and other debt instruments which are classified at either amortized cost or FVTOCI. The allowance calculated by the Company is based on a probability-weighted amount that has been determined through evaluating the following items:

- Past events which affect the historical collectability of the Company's loans
- Time value of money
- Macroeconomic indicators which may not be directly attributable to the borrower but could have an impact on the borrower's business
- Financial forecasts and future business plans of the borrower

The ECL for a loan is derived from a three-stage model which assesses the credit quality of the associated debt instrument. This assessment is first completed at the time of issuance of the lending arrangement as well as at the end of each reporting period. As the credit quality of the underlying borrower changes over time, the debt instrument gets reclassified to the appropriate stage. The three-stages are as follows:

- Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition, are not in default, and are not impaired. Stage 1 would also include financial instruments that have low credit risk at the reporting date. An ECL equal to expected credit losses over the next year is recognized.
- Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition. An ECL equal to expected credit losses over the assets' lifetime is recognized. The lifetime of an asset is generally considered to be its remaining contractual lifetime.
- Stage 3: includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized.

As the instrument is reallocated amongst the stages at the end of reach reporting period based on the change in the credit risk of the borrower, an adjustment is made to the ECL provision with the corresponding debit or credit booked as an operating expense or an operating expense recovery, respectively, in the period in which the reassessment is made.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing the risk of default occurring over the remaining expected life. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macro-economic factors, management judgement, delinquency, and monitoring.

The Company considers a debt instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument when the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. Loss events include events that indicate significant financial difficulty of the borrower, default or delinquency in principal or interest payments, high probability of the borrower entering a phase of bankruptcy or a financial reorganization, measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan. The Company considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Once the debt instrument has been appropriately classified, the ECL is calculated based on three key inputs. These key inputs involve significant judgment by management and help to determine the present value of the expected cash shortfalls associated with the individual debt instrument. These shortfalls are determined based on the present value of the total cash flows expected to be obtained from the borrower less the actual cashflows which were agreed upon in the lending arrangement with the individual borrower. The three inputs are as follows:

- Probability of Default - an estimate of the likelihood of default over a specified time horizon
- Loss Given Default - an estimate of the loss occurring at the time of default; and
- Exposure at Default - an estimate of the exposure at the time of default

These inputs take into consideration both macroeconomic factors, which are not directly attributable to the entity, as well as individual factors which are specific to the borrower.

The ECL is calculated as follows:

ECL = *Probability of Default* multiplied by *Loss Given Default* multiplied by *Exposure at Default*

This calculation will change over time based on Management's ongoing assessment of the borrower's credit risk throughout the term of the loan.

When assessing the ECL for an individual debt instrument that is considered impaired, the lender is required to take into consideration the associated cashflows that may be recuperated in the event that the borrower defaults on the loan. When entering lending arrangements, the Company generally ensures that borrowers have sufficient collateral to compensate for losses, should the borrower default on the loan. This strategy helps to reduce the credit risk associated with the individual loan and thus minimizes the expected credit loss.

Valuation of loans receivable

The Company's financial assets are generally classified at initial recognition as either: (i) fair value through profit or loss ("FVTPL"), or (ii) amortized cost, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed.

For loans measured at amortized cost or at FVTPL under IFRS 9, judgment is used by management in determining the fair value of the loan at inception of the lending arrangement and at each reporting period. The fair value of the loan at any given point in time is calculated based on the present value of the future loan payments, discounted using an interest rate that would be charged by another market participant for a financing arrangement with similar characteristics. Judgment is used by management in determining what the interest rate would be for sourcing a similar financing arrangement in the market. This can lead to materially different fair value gains or losses on loans held at FVTPL.

Loans subsequently measured at amortized cost are recorded using the effective interest rate method and are impacted by fair value estimates of derivative assets, transaction costs, set-up fees, original issue discounts ("OID"), and other items.

Fair value estimates of derivative assets

The Company holds derivative assets, which are typically warrants, in both publicly-traded and privately-held companies which are measured at fair value using the Black-Scholes option pricing model. Certain of these investments do not include Level 1 inputs, and thus, the Company relies on Level 2 and 3 inputs in determining the fair value of these derivative assets. For investments in which Level 2 inputs are available, the Company relies on recently completed equity transactions, or other methods of implied fair value, in determining the fair value of the individual common share underlying the derivative asset. For investments in which both Level 1 and 2 inputs are not available, the Company relies on internal valuations to perform supporting valuations. In instances where Level 1 inputs exist, the Company relies on quoted prices for assets that are traded in an active market.

Management uses the Black-Scholes option pricing model in determining the fair value of most derivatives, such as warrants, and therefore inputs such as volatility, risk-free rate, and expected life of the derivative are used to determine the fair value of the derivative asset. Volatility is estimated using historical share price results of the investment, if they are a publicly listed company, or by using the historical share price results of comparable publicly listed companies for investments which are privately held. The risk-free rate is estimated based on the Government of Canada bond yield with a similar useful life at the time of valuing the asset. The useful life of the derivative asset is estimated based on the amount of time the Company is expected to hold the asset, prior to exercise.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining the fair value of stock options issued to employees. In estimating this fair value, management is required to make certain assumptions and estimates such as the expected life of the options, volatility of the Company's future share price, the risk-free rate, future dividend yields and estimated forfeiture rates at the initial grant date. For instances in which options were issued to employees prior to Trichome Financial being publicly traded and in instances in which options were issued with an expected useful life which exceeds the amount of time the Company has been publicly listed, the historical share prices of comparable public companies are used in determining an appropriate volatility to use in the Black-Scholes option pricing model. Changes in the assumptions used to estimate fair value could result in materially different results.

The Company also issues restricted share units ("RSUs") as well as performance share units ("PSUs") to their employees as part of their share-based payment plan. The Company uses the fair value of the Company's common shares to determine the fair value of RSUs and PSUs on the grant date. Typically, one quarter or one third of the issued RSUs and PSUs vest immediately. The remaining unvested RSUs and PSUs vest evenly, one quarter or one third, on each anniversary date.

Derecognition and modifications of loans

In the normal course of operations, a lending arrangement with a borrower may be amended subsequent to its initial issuance for a variety of reasons, including the extension of the maturity date, an increase in the amount of funding, or changes to the payments. Amendments can result in a derecognition or a modification of the loan.

The derecognition of a loan occurs when:

i) the contractual rights to the cash flows from the financial asset expire;
ii) the entity transfers the contractual rights to receive the cash flows of the financial asset, or;
iii) the entity retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients

When the renegotiated terms of a loan do not result in a derecognition, management recalculates the gross carrying amount of the loan and records a modification gain or loss.

Management uses judgment in determining whether the change in the terms of the lending arrangement qualifies as a derecognition of the loan or a modification of the loan under IFRS 9. Depending on management's judgment, the manner in which the loan is treated, be it a modification or a settlement, can result in materially different results in interest revenue or other income. If there is a modification in a lending arrangement subsequent to initial recognition, Management also reassesses the need to modify the expected credit loss associated with the loan.

Income taxes

Estimates are required in calculating current and deferred taxes. In performing these calculations, management needs to make judgments regarding tax rules in jurisdictions where the Company performs activities. Judgement is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results and the reversal of temporary differences.

Significant Accounting policies

Financial Instruments

Management records financial instruments, including lending arrangements in accordance with IFRS 9 -*Financial Instruments* ("IFRS 9")*:*

Classification and initial recognition

Financial assets can be recoded at:

1) amortized cost;
2) fair value through other comprehensive income ("FVTOCI"), with gain or losses recycled through profit or loss on derecognition; and
3) fair value through profit and loss ("FVTPL")

Financial liabilities can be recorded at:

1) amortized cost; and
2) fair value through profit and loss ("FVTPL")

In order for an asset to be measured at amortized cost, it must meet two criteria that are deemed consistent with a basic lending arrangement: i) they are held within a business model in which the lender is expected to hold the asset to maturity and collect the contractual interest and principal payments until maturity of the loan (known as the "hold to collect" business model); and ii) the contractual cash flows of the lending arrangements are solely payments of principal and interest by the borrower ("SPPI"). However, instruments which meet the SPPI criteria, but that are subsequently sold, can still be recognized at amortized cost, so long as these sales are infrequent (even if significant in value), or insignificant in value both individually and in aggregate (even if infrequent). Principal is defined as the fair value of the financial asset at initial recognition, which may change over time due to repayments or amortization of a premium or discount. Interest is defined as consideration for credit risk and time value of money.

Financial assets can be classified as FVTOCI when both the following are met: i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The majority of the Company's financial assets are loans receivable, in which the Company is holding in order to collect the associated contractual cashflows. The cashflows in these lending arrangements are typically repayment of principal and interest.

The remainder of the Company's assets consist of cash and cash equivalents and derivative assets, which are measured at FVTPL, with the exception of amounts receivable and due from related parties which are measured at amortized cost.

Transaction costs in connection with loans

In accordance with IFRS 9, the Company capitalizes transaction costs directly incurred for lending arrangements which are measured at amortized cost, and expenses transaction costs for lending arrangements measured at FVTPL. Capitalized transaction costs are included in the calculation of accretion revenue over the term of the loan through the effective interest rate method in accordance with IFRS 9. Transaction costs generally include, but are not limited to legal fees, professional fess, and insurance fees directly incurred as part of entering into the lending arrangement.

Transaction costs may be incurred in a period before initial recognition of the loan. When transaction costs are incurred related to a potential loan that Management concludes is probable to be recognized at amortized cost, these transaction costs are recorded within prepaid expenses, net of any deposits received from potential borrowers. When transaction costs are incurred related to a potential loan that Management concludes is probable to be recognized at FVTPL, these transaction costs are expensed in the period incurred, net of any deposits received from potential borrowers. If transaction costs are capitalized related to a potential loan that had probable amortized cost recognition, but failed to close, these transaction costs are expensed in the period Management determined the loan was not probable to close.

Loans receivable: modification and settlement gains and losses

There are instances in which the terms of a lending arrangement may be modified and/or a loan may be settled prior to maturity. In both instances, in accordance with IFRS 9, Management will determine the gain or loss on modification or settlement of the loan, in the period in which the modification or settlement occurs.

When there has been a modification to the terms of a loan, Management will recalculate the value of the loan on the date of modification, based on the newly modified terms. This value is determined based on the present value of the future cashflows Management expects to collect from the borrower under the new terms of the lending arrangement. The difference between the present value of these cashflows and the value of the loan just prior to modification, is then recorded in other income or other expense as a modification gain or loss.

When a loan is considered derecognized, Management calculates the gain or loss on the loan based on the difference between the cashflows received upon derecognition of the loan, and the value of the loan under IFRS 9, just prior to settlement of the loan. Depending on the original terms of the loan, the value of the loan at the time of derecognition will be measured based on its amortized cost or at FVTPL. The calculated gain or loss on settlement of the loan will then be recorded in other income or other expense in the period in which the derecognition occurred.

Factoring arrangements

The Company provides financing of borrower's receivable balances through factoring arrangements. Per IFRS 9, factored receivables are considered financial assets and are measured at amortized cost.

The Company also provides inventory financing for borrower's purchase orders ("PO financing"). In these arrangements the Company advances funds needed by the borrower to purchase certain inventories and raw materials to deliver on executed purchase orders with the borrower's customers. Similar to the financing of borrower's receivable balances, PO financing is a type of factoring arrangement and treated as a financial asset in line with IFRS 9.

Upon entering into a factoring arrangement, Management assesses if the receivable balance should be derecognized by the borrower, and thus collection risk passes to the Company. In making this assessment, Management classifies the factored receivables based on the following assessment under IFRS 9:

- Factoring with recourse: In factoring arrangements with recourse, the borrower does not pass on collection risk to the Company and the borrower does not derecognize the receivable balance. In this instance, the Company records a receivable balance from the borrower net of any ECLs, where an ECL is based on the credit and default risk of the borrower. The receivable is recorded at the time the Company has a right to the cashflows from the borrower.

- Factoring without recourse: Under these factoring arrangements, the Company bears collection risk of the receivable, given substantially all of the risks and rewards have been passed onto the Company. The receivable is deemed derecognized by the borrower and the Company records the balance as a receivable from the customer of the borrower. The factored receivable is initially recorded at fair value, net of any transaction costs. The receivable balance is also recorded net of any ECLs, where an ECL is based on the credit and default risk of the borrower's customer.

- Guarantee or risk sharing agreement: In this instance, substantially all of the credit risk associated with the factored receivable balance is neither transferred nor retained by the Company's borrower, because the borrower guarantees a portion of the factored receivable balance. Under guaranteed risk sharing arrangements, the Company records the balance receivable from the customer of the borrower. The receivable is recorded net of any ECLs, where an ECL is based on the credit and default risk of the borrower's customer.

For factored receivables, the Company advances the total of the factored receivable balances to the borrower, net of a factoring fee which the Company records as revenue, when the payment is received.

The Company generally enters into factoring with recourse arrangements. In entering these factoring arrangements, the risks and rewards of the factored receivable balances rarely pass to the Company and therefore the factored balances are recorded as receivables from the borrower, net of any expected credit loss, which is based on the credit risk of the borrower.

Cash and cash equivalents

Cash includes deposits held in banks or other institutions as well as liquid investments that are readily convertible into cash.

Derivative assets

Upon entering certain loans, some borrowers will issue derivatives, such as common share purchase warrants, to the Company. These derivatives are generally assessed and measured as separate financial instruments, independent of the lending arrangement, as the warrants are accounted for within the scope of the lending arrangement as a whole. Per IFRS 9, in order for a derivative to be considered a separate financial asset, the following criteria must be met:

i) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;

ii) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

iii) It is settled at a future date.

When derivatives issued to the Company meet the requirements above, these derivatives are recorded as financial instruments measured at FVTPL.

Equity investments held at FVTPL

The Company may also receive common shares of the borrower upon entering into certain lending arrangements. These common shares are recognized as financial instruments under IFRS 9 and are recorded at FVTPL upon inception and at each subsequent reporting period.

Revenue recognition

The Company records interest revenue on its loan portfolio using the effective interest rate method, which is comprised of the following:

Coupon interest: Cash interest payments earned on a loan are recognized as interest revenue over the term of the loan.

Accretion: Accretion represents non-cash interest revenue derived from the effective interest rate method and is recognized over the term of the loan. Accretion revenue may increase or decrease the overall interest revenue from a given loan and will depend on the amount of capitalized transaction costs, and the fair value of any incentives received for entering into the loan; such as derivative assets, set-up fees, original issue discounts, and other terms of the lending arrangement.

The Company also recognizes interest revenue from Guaranteed Investment Certificates ("GICs"), and factoring arrangements.

Other income and expenses

Other income and expenses relate primarily to accretion expense on the preferred shares, fair value adjustments for the derivative assets and investments held at FVTPL, as well as modification and settlement gains and losses on the Company's loans.

The gain or loss recognized due to the change in the fair value of derivative assets and investments held at FVTPL is classified as other income or other expense.

Any gains or losses associated with the early settlement of a loan or from a modification to a loan are recognized as an other income or expense item.

Internally generated intangible assets

Direct costs which are associated with internally generated intangible assets are capitalized in the period in which the related costs are incurred, in accordance with IAS 38 - *Intangible Assets.* The intangible asset balance is amortized over its expected useful life from the time the asset is put into use.

At each reporting period, Management assesses intangible assets for any indicators of impairment. If such indicators exist, Management performs an impairment analysis and records any determined impairment loss in the period in which the assessment for impairment was performed.

Capital stock

Financial instruments issued by the Company are classified as a component of shareholder's equity only to the extent that they do not meet the definition of a financial liability or a financial asset. The Company's common shares, stock options, restricted share units, and performance share units are classified as equity instruments.

Any incremental costs directly attributable to the issuance of new shares are recognized as a deduction from shareholders' equity, net of tax.

Share-based payments

The grant date fair value of equity settled share-based payment awards granted to employees is recognized as an expense with a corresponding increase in equity over the vesting period of the awards. For performance-based equity settled share-based payment awards, management makes an estimate as to the time at which the performance is expected to be achieved at inception of the award. The fair value of the performance share-based payment award is recognized as an expense with a corresponding increase in equity over the period the performance obligation is expected to be achieved. Management monitors the estimated time period that the performance obligation is expected to be achieved and makes appropriate adjustments for any changes in the estimate on a prospective basis. The vesting of these awards is accelerated if the performance obligation is met prior to the originally estimated vesting period.

Loss per share

Basic loss per share is determined by dividing profit or loss and comprehensive profit or loss by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined in the same manner, with the exception that the weighted average number of common shares is adjusted for effects of all dilutive potential common shares. Potential dilutive common shares includes the additional shares issued assuming the conversion of share options and share units, using the treasury stock method.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in Canada. Current income tax relating to items recognized directly in comprehensive loss or shareholder's equity is recognized in comprehensive loss or shareholders' equity and not in net loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent it is probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilized.

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals or existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recently adopted accounting policies: IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, which is based on a single lessee accounting model to determine how to recognize, measure, and present leases.

The Company has elected to use the Modified Retrospective Approach under IFRS 16. Under this approach, companies may be required to record an opening balance adjustment for leases previously recognized under IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4"). Any cumulative effects of adopting IFRS 16 are recognized in equity as an adjustment to the opening balance of retained earnings in the current period. Prior periods have not been restated.

In adopting IFRS 16, the Company has elected to use the short-term lease recognition exemption which is applied by class of assets. For those Right-Of-Use ("ROU") assets which the Company has elected to use the short-term or low dollar value lease recognition practical expedient, the lease expense has been accounted for on a straight-line basis over the remaining term of the lease.

At the time of adoption of IFRS 16, the Company had one lease for office space in Toronto, Ontario. The arrangement has been classified as a short-term lease. In electing to use the short-term practical expedient, no ROU asset and lease liability was recognized on January 1, 2019. The Company will continue to record rent as a monthly operating expense.

3. Reverse Takeover Transaction

On November 13, 2018, Trichome Financial entered into an arms-length amalgamation agreement with 22 Capital which outlined the general terms and conditions of a reverse take-over transaction pursuant to which 22 Capital would acquire all of the issued and outstanding common shares of Trichome Financial in exchange for securities of 22 Capital. This transaction was completed on October 4, 2019. 22 Capital was a reporting issuer in the Province of Ontario and its common shares were listed on the TSXV. The transaction was subject to, among other things, receipt of the requisite shareholder approvals, regulator approval, and approval of the TSXV. Just prior to the amalgamation, 22 Capital Corp. had no commercial operations and had cash, prepaid expenses, receivables, and certain payable balances at the time of the RTO.

For accounting and financial reporting purposes, Trichome Financial is the accounting acquirer and 22 Capital is the accounting acquiree.

The RTO has been accounted for as a share-based payment transaction under IFRS 2 - *Share-based Payment* on the basis that 22 Capital did not meet the definition of a business under IFRS 3 *Business Combinations*. As a result, the difference between the fair value of the consideration deemed to have been paid by the accounting acquirer and the fair value of the identifiable net assets of the accounting acquiree is expensed in the period in which the transaction occurred and recorded as listing expense within other income and other expense.

The purchase consideration to complete the RTO and the fair value of the net assets acquired on October 4, 2019, were as follows:

The 751,220 issued common shares relate to the 10,700,000 shares of 22 Capital which were converted to 751,220 common shares of the combined company, at the time of the RTO. These shares were issued at a value of $2.10 per share, consistent with the issuance price of subscription receipts closed prior to the RTO.

As part of the RTO transaction, certain shareholders of 22 Capital received a total of 70,208 stock options in the combined entity at an exercise price of $1.42 and maturing within six months following the closing date of October 4, 2019. These options vested immediately on closing of the RTO transaction. The total value of these options was $55,601, and was determined using the Black-Scholes model and the following inputs:

Black-Scholes Inputs		
Stock Price	$	2.10
Exercise Price	$	1.42
Life (years)		0.50
Annualized Volatility		70%
Risk Free Rate		1.66%
Value / Option	**$**	**0.79**

The recognition of listing expense as part of the RTO of a public company is determined as the consideration paid by the Company less the net assets acquired:

751,220 Common shares issued to 22 Capital on RTO	$	1,577,564
70,208 Share options issued to 22 Capital on RTO		55,601
	$	1,633,165
Less: Identified tangible net assets		
Cash		327,195
Other assets		565
Accounts payable and accrued expenses		(2,876)
	$	324,884
Listing expense	$	1,308,281

4. Loans receivable

		December 31, 2019		December 31, 2018
Pure Alpha Holdings Inc.	**$**	**50,000**	$	-
180 Smoke Inc.		-		447,534
Good Buds Company International Inc.		**1,942,238**		-
Expected credit loss		**(27,700)**		-
Total loans receivable: current	**$**	**1,964,538**	$	447,534
James E. Wagner Cultivation Corporation		**5,359,429**		-
Expected credit loss		**(300,750)**		-
Total loans receivable: long-term	**$**	**5,058,679**	$	-
Total loans receivable	**$**	**7,023,217**	$	447,534

Activity in the Company's lending arrangements for the year ended December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2018	**Funds advanced to borrowers**	**Allocated to derivatives & investments***	**DSRA & transaction costs****	**Accretion**	**Modification gain**	**Repayment**	**Settlement gain (loss)**	**Allowance for expected credit losses**	**December 31, 2019**
Pure Alpha Holdings Inc.	$ -	$ 50,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 50,000**
180 Smoke Inc.	447,534	-	-	-	5,903	-	(589,999)	136,562	-	**-**
James E. Wagner Cultivation Corporation	-	5,598,017	(713,095)	289,020	185,487	-	-	-	(300,750)	**5,058,679**
C.G.S. Foods Inc. - Facility A	-	740,000	-	44,747	(13,255)	42,787	(750,000)	(64,279)	-	**-**
C.G.S. Foods Inc. - Facility B	-	490,000	(119,450)	37,570	19,637	-	(500,000)	72,243	-	**-**
Blissco Holdings Ltd.	-	1,300,102	-	-	31,356	-	(1,394,773)	63,315	-	**-**
Good Buds Company International Inc.	-	1,954,749	(254,233)	51,640	190,082	-	-	-	(27,700)	**1,914,538**
MYM Nutraceuticals Inc.	-	2,302,494	(448,129)	97,506	298,454	-	(2,600,000)	349,675	-	**-**
Total	**$ 447,534**	**$ 12,435,362**	**$ (1,534,907)**	**$ 520,483**	**$ 717,664**	**$ 42,787**	**$ (5,834,772)**	**$ 557,516**	**$ (328,450)**	**$ 7,023,217**

**Represents the value of the loaned funds allocated to the derivative assets and investments received from the borrowers at initial recognition.*
***Represents capitalized transaction costs and funds held back for the Debt Service Reserve Account (DSRA) for certain borrowers.*

	December 31, 2017	Advances	Allocated to derivatives & investments	DSRA & transaction costs	Accretion	Modification gain	Repayment	Settlement gain (loss)	Expected credit loss	December 31, 2018
180 Smoke Inc.	$ -	$ 425,000	$ -	$ -	$ 22,534	$ -	$ -	$ -	$ -	$ 447,534
Total	**$ -**	**$ 425,000**	**$ -**	**$ -**	**$ 22,534**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 447,534**

Maturity profile of loans and ECLs

Loans receivable are recorded net of an allowance for Expected Credit Losses ("ECLs") charged to the consolidated statements of net loss and comprehensive loss. Estimates for loss allowances are determined through a loan-by-loan evaluation of collectability at each reporting date, with consideration for secured collateral, any amounts past due, and any available relevant information on the borrowers' liquidity. As at December 31, 2019 the allowance for ECL was $328,450 (2018 - nil). James E. Wagner Cultivation Corporation was classified as a Stage 2 loan receivable, and Good Buds was classified as a Stage 1 loan receivable.

Pure Alpha Holdings Inc.
On January 17, 2019, the Company signed a promissory note with Pure Alpha Holdings Inc. ("Pure Alpha"), an Ontario licensed cannabis company, totalling $50,000, with a one-year maturity. The financing is interest free and can be repaid by Pure Alpha at any time throughout the duration of the loan without penalty. The note is guaranteed by Superette Inc. ("Superette"), a retail licence holder in Ontario, Canada. As part of the arrangement, Superette has advanced $50,000 to Trichome Financial, which was recorded as a security deposit. The loan was settled on February 19, 2020 (Note 15).

180 Smoke Inc.
On May 9, 2018, the Company entered a secured credit facility with 180 Smoke Inc. ("180 Smoke") for a principal amount of up to $2,500,000 (the "180 Smoke Facility"). On February 19, 2019, the Company's parent at the time, CannaRoyalty Corp. d/b/a Origin House, acquired 180 Smoke. As part of the acquisition, Origin House settled the Company's 180 Smoke Facility balance. Prior to February 19, 2019 the Company recorded interest revenue of $5,903 during the first quarter of 2019, which increased the 180 Smoke Facility balance to $453,437. On February 20, 2019, the Company received proceeds of $589,999 from Origin House to settle the Facility. The Company recorded a gain of $136,562 on the settlement of the 180 Smoke Facility.

James E. Wagner Cultivation Corporation
On February 20, 2019, the Company signed a senior secured term loan with James E. Wagner Cultivation Corporation ("JWC") to loan $3.5 million (the "Initial Loan"). Following the Initial Loan, the lending arrangement was amended ("Amendment 1" or "follow-on loan") on November 6, 2019. In this follow-on loan, the Company committed to two additional tranches of funding ("Tranche 1" and "Tranche 2" respectively).

a. The Initial Loan was issued at a face value of $3.5 million, with a two-year maturity, and annual interest of 9.25%. The Initial Loan is secured by first ranking perfected security interest in the assets of JWC and is guaranteed by each of its subsidiaries. The Company also received 291,667 common share purchase warrants (Note 5) of JWC upon entering into this arrangement.

In accordance with IFRS 9 *Financial Instruments*, the Initial Loan was recorded on initial recognition at its fair value of $3,135,474. The fair value was based on a face value of $3.5 million less the warrants, set-up fee, and original issue discount. The loan is recorded at amortized cost, with an effective annual interest rate of 15.3%, inclusive of the fair value of warrants at initial recognition. Excluding the fair value of warrants and capitalized transaction costs, the loan has an effective annual interest rate of 13.85%. During the year ended December 31, 2019, the Company recorded interest revenue on the loan of $409,267.

b. Tranche 1 of Amendment 1 was issued at a face value of $2.85 million on November 6, 2019, with a two-year maturity (maturing on November 6, 2021) and annual interest of 9.25%. Tranche 2 was advanced on February 19, 2020 (Note 15), and similar to Tranche 1, Tranche 2 matures on November 6, 2021. The proceeds from these tranches are to be used to fund JWC's capital expenditures and for working capital purposes.

Tranche 1 and Tranche 2 are secured by a perfected first lien on all of JWC's current and future tangible and intangible assets (including a share pledge from all subsidiaries of JWC). This arrangement is in line with the security noted on the Initial Loan of $3.5 million. Upon closing of Tranche 1, the Company received a total of 984,208 common shares of JWC as well as 1,696,385 common share purchase warrants (Note 5).

In addition to the Amendment 1 loan arrangement, Trichome Financial and JWC entered into a Receivables Financing Facility, whereby JWC may elect to finance certain qualified receivables through recourse factoring with the Company. Total availability under the Facility is initially capped at $5.0 million and the financing of any receivables under the agreement will be subject to the Company's sole discretion.

In accordance with IFRS 9 *Financial Instruments*, Tranche 1 was recorded on initial recognition at its fair value of $2,038,468. The fair value was based on a face value of $2.85 million less the fair value of warrants, fair value of common shares, set-up fee, original issue discount, as well as capitalized legal fees. The loan is recorded at amortized cost, with an effective annual interest rate of 28%, inclusive of the fair value of warrants and common shares at initial recognition and 13.3% exclusive of the fair value of warrants and common shares at initial recognition. During the year ended December 31, 2019 the Company recorded interest revenue on Tranche 1 of $86,319.

C.G.S. Food Inc. d/b/a Ganjika House

On March 15, 2019, the Company entered into a lending arrangement with C.G.S. Food Inc. d/b/a Ganjika House ("CGS"), a retail cannabis license holder in Ontario, Canada. The lending arrangement consists of a revolving credit facility ("Facility A") and a term loan ("Facility B").

a. Facility A provided for up to $1.0 million in funding, subject to a cap of 75% of CGS's eligible inventory, with $740,000 loaned on closing. The facility earned interest at a monthly rate of 1.80% on the principal balance outstanding. As part of the arrangement, the facility also paid interest at a monthly rate of 0.5% on any undrawn amounts. In accordance with IFRS 9 *Financial Instruments,* the facility was originally recorded at its fair value of $784,747, which was based on CGSs' initial draw of $740,000, plus transactions costs of $44,747. The facility was subsequently recorded at amortized cost, with an effective annual interest rate of 19.5%.

   On July 4, 2019, CGS repaid $500,000 of the unpaid principal balance of the loan. At the time of repayment, all repayments were first applied to the value of any accrued and outstanding interest, prior to it being applied against the outstanding principal balance. In accordance with IFRS 9 *Financial Instruments*, the Company recorded a gain on modification of the loan of $42,787. The gain was recorded in other income for the year-ended December 31, 2019.

   Subsequently, on September 10, 2019, CGS repaid the remaining outstanding principal balance as well as all accrued and unpaid interest on the loan. In accordance with IFRS 9 *Financial Instrument*, the Company recorded a loss on settlement of the loan of $64,279. This loss was recorded as an other expense item for the year-ended December 31, 2019.

   The Company recorded interest revenue on the loan of $62,572 during the year-ended December 31, 2019, prior to settlement on September 9, 2019.

b. Facility B provided for funding of up to $1.0 million, with $490,000 provided on closing. The loan bore interest at an annual rate of 8.5% if interest was paid monthly or 12.0% if interest was deferred until the maturity of the loan for an elected period. The initial maturity date of the loan was March 15, 2021, and principal was due upon maturity. CGS had the option to prepay the principal by paying a penalty of 12% on unpaid amounts. The penalty declined by 2% per month over the term of the loan until the penalty reached 0% or the maturity date occurred.

   The term loan was recorded on initial recognition at its fair value of $408,120, which was based on an effective interest rate calculation using an annual market interest rate of 19.5% and was recorded net of transaction costs of $37,570 and the fair value of warrants issued as part of the arrangement. Excluding the fair value of warrants and related transaction fees, the loan has an effective annual interest rate of 9.6%.

   On September 17, 2019, CGS repaid the outstanding principal balance on the loan as well as all accrued and unpaid interest. Given repayment prior to maturity of the loan occurred six months after the issue date, CGS was not required to pay a penalty for early settlement of the loan. On settlement, the Company recorded a gain of $72,243 in accordance with IFRS 9 *Financial Instruments.* This gain was recorded as other income for the year-ended December 31, 2019.

The Company recorded interest revenue on the loan of $40,525 during the year, prior to repayment on September 17, 2019. The Company holds a warrant position in CGS, and the fair value is recorded within derivative assets (Note 5).

Blissco Holdings Ltd.
On May 14, 2019, the Company entered into an agreement to provide a $4.5 million trade finance facility (the "Blissco Facility") and a $1.5 million mortgage loan (the "Blissco Mortgage") to Blissco Holdings Ltd. ("Blissco"). The Blissco Facility provided the borrower with up to $4.5 million in financing, to be drawn at its option, against qualifying receivables and inventory. The initial term was a year, with an option to extend for an additional year, and was secured by a first-ranking perfected security interest in the assets of Blissco and was guaranteed by Blissco Cannabis Corp. Upon close, $1.5 million was advanced towards the Blissco Mortgage. The Company did not advance additional funds under the Blissco Facility.

The Blissco Mortgage was recorded on initial recognition at its fair value of $1,300,102, calculated using an effective annual interest rate of 14.35%, net of a set-up fee, and an upfront lump sum payment of the aggregate monthly interest over the term of the loan, totalling $127,500, as well as transaction costs.

On July 15, 2019, after being acquired by Supreme Cannabis Company Inc. ("Supreme"), Blissco repaid all outstanding principal as well as accrued and unpaid interest on the Blissco Mortgage. A gain on settlement of the loan totalling $63,315 was recorded in other income for the year-ended December 31, 2019.

The Company recorded interest revenue totalling $31,356 for the year-ended December 31, 2019 on the Blissco Mortgage, prior to settlement on July 15, 2019.

Good Buds Company International Inc.
On August 20, 2019, the Company entered into an agreement to provide a $2.35 million non-revolving loan to Good Buds Company International Inc. ("Good Buds"). The financing is used for expansion and construction of Good Buds' cultivation facility as well as for repaying outstanding shareholder loans. Good Buds has the option to prepay the entire balance of the loan, including all accrued and unpaid interest at the time, prior to maturity of the arrangement. If Good Buds were to exercise this prepayment option, they would be required to pay a prepayment premium, which is based on the lesser of six months' interest payable under the arrangement or the amount of remaining number of months' interest to the maturity date.

The loan matures on September 1, 2020 and bears interest at a rate of 11.5% per annum. Good Buds has the ability to request an increase in the value of the loaned funds at any time, prior to maturity of the arrangement, up to a maximum of $2.5 million in additional funding and subject to approval of the Company. In connection with the lending arrangement, the Company was issued 950,000 common share purchase warrants of Good Buds.

In accordance with IFRS 9, the loan was recorded on issuance at fair value, with a principal value of $2.35 million, net of an original issue discount, transaction fees, an upfront lump sum payment of the aggregate monthly interest payments over the term of the loan, and the fair value of the warrants (Note 5). The loan was subsequently recorded at amortized cost, with an effective interest rate of 28.7%, inclusive of the fair value of warrants issued on initial recognition. Excluding the fair value of warrants and transaction related costs, the loan has an effective annual interest rate of 17.5%. The loan was secured by all current and future acquired property, assets, and undertakings of the borrower and the guarantors.

For the year-ended December 31, 2019, the Company earned interest revenue of $190,082 on the loan.

MYM Nutraceuticals Inc.
On July 31, 2019, the Company entered into a senior secured term loan with MYM Nutraceuticals Inc. ("MYM") to finance cannabis and hemp projects across Canada, the United States, and Columbia, as well as to provide working capital for general corporate purposes. As part of entering into discussions with MYM Trichome was awarded 1,500,000 common share purchase warrants (Note 5) in the company. The loan was for a principal amount of up to $5.5 million, of which the Company advanced the first tranche of $3.0 million upon closing of the financing and had the right to advance the remaining $2.5 million, in a second tranche, upon the satisfaction of certain conditions by MYM. The loan had a term of a year and could have be extended for an additional six months at Trichome Financial's discretion. The loan bore interest at 12% per annum and was payable monthly in cash from a pre-established interest reserve account. MYM also paid a standby fee of 6% per annum, payable monthly in cash on the second tranche until it was drawn or cancelled.

In accordance with IFRS 9, the loan was recorded at fair on initial recognition of $1,951,871, which was net of a set-up fee, an original issuer discount, an interest reserve account, and 2,500,000 common share purchase warrants (Note 5) issued to the Company. The loan was recorded with an effective annual interest rate of 43.8%, inclusive of the fair value of warrants upon initial recognition. Excluding the fair value of warrants and related transaction costs, the loan had an effective annual interest rate of 22.4%. The loan was secured by a perfected first lien on all current and future tangible and intangible assets and equity interests of MYM, and an assignment of all material contracts and licenses. The loan had also been guaranteed by each of the direct and indirect wholly owned subsidiaries.

On November 29, 2019 MYM repaid the loan in full. The original issuer discount, set-up fee, and interest reserve were all prorated for the period in which the loan was outstanding. In accordance with IFRS 9, Management recorded a gain on settlement of the loan of $349,675 in other income for the year-ended December 31, 2019.

For the year-ended December 31, 2019, the Company recorded interest revenue of $298,454 and standby fee revenues of $50,137.

Certain potential borrowers have contributed funds towards due diligence deposits related to legal fees. Undrawn deposits are refundable to potential borrowers and are recorded as a liability.

5. Derivative assets and investments

The fair value of the derivative assets and investments at initial recognition are as follows:

		Inputs to Black-Scholes Models						
Derivatives	**Number**	**Exercise price**	**Share price**	**Life (years)**	**Volatility**	**Risk-free Rate**	**Fair Value / Warrant**	**Date**	**Total Value**
180 Smoke Inc. warrants	601,266	$ 0.39	$ 0.35	1.00	72.70%	1.84%	$ 0.04	2018-12-31	$ -
180 Smoke Inc. warrants	858,951	0.39	0.35	1.00	72.70%	1.84%	0.04	2018-05-09	-
James E. Wagner Cultivation Corporation warrants	291,667	0.80	0.80	2.00	64.32%	1.77%	0.29	2019-02-19	84,526
James E. Wagner Cultivation Corporation warrants	1,696,385	0.42	0.38	2.00	77.15%	1.59%	0.15	2019-11-06	254,570
C.G.S. Foods Inc. warrants & warrants receivable	12	65,000	65,000	5.00	12.70%	1.79%	9,954	2019-03-15	119,450
Good Buds Company International Inc. warrants	950,000	0.60	0.60	3.00	66.47%	1.29%	0.27	2019-08-20	254,233
MYM Nutraceuticals Inc. warrants *	1,500,000	0.30	0.36	3.00	68.12%	1.61%	0.18	2019-06-10	-
MYM Nutraceuticals Inc. warrants	2,500,000	0.30	0.36	3.00	68.12%	1.61%	0.18	2019-07-31	448,129
Total derivatives upon initial recognition	**8,398,281**								**$ 1,160,908**
Investments									
James E. Wagner Cultivation Corporation common shares	984,208						$ 0.38	2019-11-06	373,999
Total shares upon initial recognition	**984,208**								**$ 373,999**

* Value of warrant was assigned per consideration paid and was subsequently measured within the year.

The fair value of the derivative assets and investments as at December 31, 2019 and 2018 are as follows:

		Inputs to Black-Scholes Models							
Derivatives	**Number**	**Exercise price**	**Share price**	**Life (years)**	**Volatility**	**Risk-free Rate**	**Fair Value / Warrant**	**Fair Value Gain/(Loss)**	**Total Value**
Value as at January 1, 2018	-	$ -	$ -	-	-	$ -	$ -	$ -	$ -
180 Smoke Inc. warrants	601,266	0.39	0.35	0.08	64.59%	1.50%	0.01	7,129	7,129
180 Smoke Inc. warrants	858,951	0.39	0.35	0.08	64.59%	1.50%	0.01	10,185	10,185
Value as at December 31, 2018	1,460,217							$ 17,314	$ 17,314
180 Smoke Inc. warrants	-		-	-	-	-	-	(7,129)	-
180 Smoke Inc. warrants	-		-	-	-	-	-	(10,185)	-
James E. Wagner Cultivation Corporation warrants	291,667	0.80	0.23	1.14	82.19%	1.69%	0.01	(80,801)	3,725
James E. Wagner Cultivation Corporation warrants	1,696,385	0.42	0.23	1.85	87.16%	1.69%	0.07	(139,853)	114,717
C.G.S. Foods Inc. warrants & warrants receivable	12	65,000	65,000	4.21	17.37%	1.68%	11,110	13,870	133,320
Good Buds Company International Inc. warrants	950,000	0.34	0.34	2.64	85.86%	1.71%	0.18	(86,632)	167,601
MYM Nutraceuticals Inc. warrants	1,500,000	0.30	0.10	2.44	57.52%	1.71%	0.01	12,613	12,613
MYM Nutraceuticals Inc. warrants	2,500,000	0.30	0.10	2.58	57.52%	1.71%	0.01	(425,041)	23,088
Total derivatives as at December 31, 2019	**6,938,064**							**$ (723,158)**	**$ 455,064**
Investments									
James E. Wagner Cultivation Corporation common shares	984,208						$ 0.23	$ (147,631)	$ 226,368
Total shares as at December 31, 2019	**984,208**							**$ (147,631)**	**$ 226,368**
Total derivatives and investments								**$ (870,789)**	**$ 681,432**

The table below shows the sensitivity of certain key estimates used in the Black-Scholes option pricing model used to fair value derivative assets:

Derivatives	Number of warrants	Volatility				Share price*			
		+5%	+10%	-5%	-10%	+5%	+10%	-5%	-10%
C.G.S. Foods Inc. warrants & warrants receivable	12	$5,230	$ 10,331	$(5,355)	$(10,831)	$7,607	$ 15,250	$(7,568)	$(15,094)
Good Buds Company warrants	950,000	6,720	13,272	(6,885)	(13,931)	8,380	16,760	(8,380)	(16,760)
James E. Wagner Cultivation warrants	291,667	771	1,602	(706)	(1,341)		N/A		
James E. Wagner Cultivation warrants	1,696,385	9,138	18,199	(9,192)	(18,413)		N/A		
MYM Nutraceuticals Inc. warrants	1,500,000	2,125	4,358	(2,003)	(3,869)		N/A		
MYM Nutraceuticals Inc. warrants	2,500,000	3,757	7,688	(3,558)	(6,889)		N/A		

*****Only applicable in instances in which the company is privately held.*

180 Smoke
Upon settling the loan with 180 Smoke (Note 4) the Company recorded a loss of $17,314 on the unexercised common share purchase warrants of 180 Smoke, originally received when entering the lending arrangement on May 9, 2018.

James E. Wagner Cultivation Corporation
Upon entering the Initial Loan with JWC, 291,667 warrants were issued to the Company (Note 4). Subsequently, upon the issuance of the Tranche 1 loan (Note 4), Trichome Financial was issued an additional 1,696,385 JWC common share purchase warrants. As part of the Tranche 1 lending arrangement, the Company also received 984,208 common shares of JWC.

C.G.S. Food Inc. d/b/a Ganjika House
In connection with C.G.S Foods Facility B (Note 4), Trichome Financial was issued common share purchase warrants of CGS as well as the right to receive a minimum number of additional warrants.

Good Buds Company International Inc.
As part of the lending arrangement with Good Buds (Note 4), the Company received 950,000 common share purchase warrants. The warrants expire on August 20, 2022 and have an exercise price equal to the lesser of (1) $0.60 and (2) the lowest price below $0.60 at which Good Buds issues common shares or securities convertible into common shares. In the instance of a liquidity event for Good Buds, at a price per share less than 1.25 the exercise price or the adjusted exercise price, then the exercise price or adjusted exercise price of the warrants resets to 75% of the price per share. Given Good Buds is not a publicly traded company, the volatility used in the valuation model was based on the average volatility of comparable publicly traded companies in the cannabis industry.

MYM Nutraceuticals Inc.
Upon signing a term sheet with MYM in connection with the lending arrangement, the Company was issued 1,500,000 common share purchase warrants (Note 4) which expire on June 10, 2022. The warrants were to be returned to MYM if the Company decided not to advance funds under a definitive lending agreement, however, the Company would keep the warrants should MYM fail to enter into a definitive lending agreement with the Company. By closing the lending arrangement with MYM, the Company received an additional 2,500,000 common share purchase warrants, which expire on July 31, 2022.

6. Intangible assets

	December 31, 2019	December 31, 2018
Software	**$ 19,633**	$ -
Total intangible assets	**$ 19,633**	$ -

During the year ended December 31, 2019, the Company commenced the development of a software intangible asset to assist in the tracking of factoring arrangements. The costs directly attributable with the development of the software have been capitalized as an intangible asset in accordance with IAS 38 *Intangible Assets.* Amortization of the asset will commence when the asset is put into use and at that time it will be amortized on a straight-line basis over its expected useful life.

7. Related party balances and transactions

Prior to the RTO (Note 1) on October 4, 2019, the Company was a subsidiary of Origin House. All intercompany expenses were recorded as related party expenses and all balances due to or due from Origin House were recorded as due to or due from parent company. After completion of the RTO, Origin House holds approximately 23% of common shares of the Company and all intercompany transactions were still considered related party transactions, on a non-diluted basis. All balances owing to or due from Origin House at December 31, 2019, were recorded as due to or due from related party.

The Company recorded the following related party transactions during the year ended December 31, 2019:

- The Company's employees were included in the Origin House benefits plan. During the year ended December 31, 2019, $33,041 of benefits expense (2018 - $206,913), which includes payroll costs which were still being paid by Origin House on behalf of the Company, were charged by Origin House to the Company. This charge related specifically to the cost of the benefits associated with the Company's employees.

- For the year ended December 31, 2019, Origin House provided $142,150 in executive and administrative services (2018 - $84,931).

- Origin House paid certain shared corporate expenses for the Company which were recorded as general and administrative expenses for the year ended December 31, 2019, in the amounts of $59,208 (2018 - $66,720).

- For the year ended December 31, 2019, Origin House paid $15,814 in professional fees for the Company which has been capitalized as part of one of the lending arrangements (2018 - $17,248).

- During the year ended December 31, 2019, the Company incurred marketing services of $5,389 provided by a subsidiary of Origin House (2018 - $9,377).

As at December 31, 2019, the Company recorded a balance owing from Origin House of $23,583 (2018 - payable balance of $107,910) related to administrative, rent, executive services, design services, and other expenses. These transactions are in the normal course of operations and are measured at the exchange amounts agreed to by the related party.

Amounts not included in amounts due to related parties, but are related party transactions include:

- The Company recorded key management compensation in the form of share-based payments for the year ended December 31, 2019 in the amounts of $258,005 (December 31, 2018 - $478,088). The Company also recorded key management compensation in the form of salaries and benefits for the year ended December 31, 2019 in the amount of $376,764 (December 31, 2018 - $131,226).

- Origin House acquired 180 Smoke on February 19, 2019. As part of the acquisition, Origin House settled the Company's outstanding loan receivable on behalf of 180 Smoke. The Company received proceeds of $589,999 and recorded a gain on the settlement of the loan of $136,592 during the year ended December 31, 2019 (during the year ended December 31, 2018 Origin House loaned $209,890 to 180 Smoke on behalf of the Company).

8. Amounts payable and accrued liabilities

	December 31, 2019	December 31, 2018
Trade payables	**$ 301,099**	$ -
Accrued liabilities	**292,689**	146,927
DSRA obligations	**131,813**	-
Payroll liabilities	**538,559**	125,680
	$ 1,264,160	$ 272,607

The Debt Service Reserve Account (the "DRSA") obligations are advances which have been held back by the Company when lending to a borrower. Included as a clause in certain lending arrangements, borrowers are required to establish a blocked bank account with their financial institution. These blocked bank accounts are initiated to reduce the collection risk of the loan. If a borrower is unable to establish such an account with their financial institution prior to the funds being issued by the Company, the sum of money initially agreed upon between the Company and the borrower to be deposited into the blocked account or DSRA, will be held back by the Company at initiation of the loan. Once the account has been established and the borrower has deposited the required funds into the account, the Company will relieve the obligation and advance the held back funds to the borrower.

9. Share capital

Common shares

Authorized

As at December 31, 2019, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued and outstanding

	Number of shares*		Amount
Balance at January 1, 2018	**3,000,000**	**$**	**5,000**
Common shares issued	3,960,000		330,000
Balance at December 31, 2018	**6,960,000**	**$**	**335,000**

	Number of shares*		Amount
Balance at January 1, 2019	**6,960,000**	**$**	**335,000**
Conversion of series A preferred shares on close of Trichome's RTO	9,513,902		16,332,200
Shares issued for series B subscription receipts	7,849,706		16,484,383
Shares issued for the reverse takeover of 22 Capital Corp.	751,220		1,577,564
Share issuance costs on RTO	-		(879,108)
Balance at December 31, 2019	**25,074,828**	**$**	**33,850,039**

* Number of shares is inclusive of the 3:1 share split, and has been applied retrospectively for the December 31, 2018 comparative gifures.

On September 18, 2017, at inception of the Company, 3,000,000 common shares were issued at $0.0017 per share. On March 12, 2018, additional common shares of 3,960,000 were issued, at $0.083 per share.

On October 4, 2019, the Company completed a reverse takeover of 22 Capital Corp. Immediately prior to this reverse takeover, Trichome Financial executed a 3:1 share split of its existing issued and outstanding common shares. The 1,000,000 common shares issued at inception of the Company and the 1,320,000 common shares issued on March 12, 2018 converted to an aggregate of 6,960,000 issued and outstanding common shares on completion of the 3:1 share split, without diluting the ownership interest of any individual shareholder.

As part of the RTO, Trichome Financial issued 751,220 common shares to the shareholders of 22 Capital for total proceeds of nil and a fair value per share of $2.10. The issuance of these shares was accounted for as a transaction expense as part of the RTO, considering the RTO represented an amalgamation of the two companies, and did not qualify as a business combination under IFRS 3 - *Business Combinations.*

Additionally, upon completion of the RTO, the 3,171,301 Class A preferred shares, which were issued as part of a private placement which closed on September 5, 2018, converted into 9,513,902 issued and outstanding common shares of the Company. The $16,332,200 accreted value of the preferred shares, which is net of the original issuance costs, was reclassified from a liability balance to share capital upon completion of the RTO.

In leading up to the RTO, the Company issued subscriptions receipts as part of a Series B private placement, which represented 7,849,706 common shares, issued at a price of $2.10 per share. Upon completion of the RTO, these subscription receipts were converted into common shares and $16,484,383, was converted from share deposits to share capital. The $16,484,383, represents gross proceeds raised from the issuance of the subscription receipts, net of the issuance costs. The total funds raised in the Series B private placement was previously recorded as restricted cash until the RTO was completed, as the amounts were held in trust. This restriction was released upon the completion of the RTO on October 4, 2019.

As at December 31, 2019 the Company had 4,918,404 common shares held in escrow.

Loss per share

The basic Loss Per Share (the "LPS") has been calculated based on the following net loss attributable to ordinary shareholders and the weighted average number of common shares outstanding:

	Years ended	
	December 31, 2019	December 31, 2018
Net loss and comprehensive loss	**$ (5,793,751)**	$ (2,212,340)
Weighted average number of common share issued and outstanding:		
Issued and outstanding ordinary common shares at beginning of the year	**6,960,000**	3,000,000
Ordinary common shares issued as part of founders' round	**-**	3,092,055
Conversion of series A preferred shares on close of Trichome's RTO	**2,293,763**	-
Other ordinary common shares issued as part of RTO	**2,073,648**	-
Weighted average number of shares	**11,327,411**	6,092,055
Basic and diluted loss per share	**$ (0.51)**	$ (0.36)

The calculation of diluted net loss per share for the years ended December 31, 2019 and December 31, 2018 excludes in-the-money vested RSU's and share options because their effect would have been anti-dilutive.

Class A Preferred Shares and Accretion Expense

Trichome Financial issued 3,171,301 (pre-split) Class A preferred shares as part of a private placement which closed on September 5, 2018, at $4.73 (pre-split) per share. Gross proceeds were $15.0 million, with issuance costs of $0.5 million. The shares were convertible to cash, at the option of the holder, for $5.15 (pre-split) per share should an initial public offering or a change in control (each, a "liquidity event") not occur by September 5, 2019. Although the RTO did not occur until October 4, 2019, no Class A preferred shareholders elected to convert their shares to cash. The Class A preferred shares were initially liability-classified on the Company's consolidated statement of financial position, and issuance costs were netted against the gross proceeds. Upon completion of the RTO on October 4, 2019, the Class A preferred shares automatically converted to 9,513,902 common shares. The ratio of common shares for each preferred share on conversion was 1:1, prior to the execution of the 3:1 share split, which occurred immediately prior to the RTO on October 4, 2019. At inception, the Class A preferred shares were recorded at $14,519,871. During the year-ended December 31, 2019, the Company recorded accretion expense of $1,254,027 (2018 - $558,302).

Share-based Compensation

The Company's Board of Directors approved a new Equity Incentive Plan (the "share unit plan") as well as a separate Stock Option Plan (the "stock option plan") for its employees and directors effective October 8, 2019. The share unit plan is specifically for the issuance of performance and restricted share units ("RSUs" and "PSUs"), while the stock option plan is for the administration and issuance of stock options. Under the new plans, the maximum number of common shares issuable pursuant to this plan shall not exceed 5,014,996 in aggregate, less the number of common shares issuable pursuant to awards outstanding under the Company's other security-based compensation plans. The number of PSUs, RSUs, and stock options granted, and any applicable vesting conditions related to those share-based payments are determined at the discretion of the Board or a compensation committee of the Board. Share-based reserve represents RSUs and PSUs that have vested, for which common shares have not yet been issued. All RSUs, PSUs, and stock options issued and outstanding under previous equity incentive plans will now be administered under the new plan, effecting October 8, 2019.

The following tables summarize the activity of equity awards for the year ended December 31, 2019:

RSUs	**December 31, 2019**		December 31, 2018	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of year	**1,475,300**	**$ 0.85**	-	$ -
Granted during the year	**585,000**	**1.97**	1,635,300	0.92
Forfeited during the year	**-**	**-**	160,000	1.58
Outstanding, end of year	**2,060,300**	**$ 1.17**	1,475,300	$ 0.85

As at December 31, 2019 1,048,950 RSUs have vested. The value of vested RSUs totalled $1,173,157, which has been recorded in share-based reserve, and unvested totalled $1,227,669. The awards vest one-third or one-quarter upon grant, and one-third or one-quarter annually thereafter. The fair value of RSUs is determined based on the most recent common share issuance price at the grant date, which was a Level 3 input for all RSUs issued to date, as they were all issued prior to the RTO (Note 11). For any RSUs issued post-RTO, the fair value of the RSUs is a Level 1 input.

During the year ended December 31, 2019, the Company recorded share-based compensation expense related to RSUs of $977,904 (2018 - $654,407).

PSUs	December 31, 2019		December 31, 2018	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of year	**630,000**	**$ 0.08**	-	$ -
Granted during the year	**-**	**-**	630,000	0.08
Outstanding, end of year	**630,000**	**$ 0.08**	630,000	$ 0.08

As at December 31, 2019 all required performance milestones for the holders of the PSUs have been achieved and therefore the PSUs were fully vested as at year-end December 31, 2019. The total amount of the vested PSUs at December 31, 2019 was $52,500, with the unvested portion being nil.

During the year ended December 31, 2019, the Company recorded share-based compensation expense on the PSUs of $13,583 (December 31, 2018 - $38,816).

Options	December 31, 2019		December 31, 2018	
	Number of options	**Exercise price**	Number of options	Exercise price
Outstanding, beginning of year	**15,000**	**$ 1.58**	-	$ -
Granted during the year	**70,208**	**1.42**	15,000	1.58
Outstanding, end of year	**85,208**	**$ 1.45**	15,000	$ 1.58
Exercisable at the end of year	**80,208**	**$ 1.45**	5,000	$ 1.58

The Company issued 70,208 stock options to the former shareholders of 22 Capital Corp., as part of the RTO on October 4, 2019 (Note 3). The options vested immediately and expire within six months of issuance.

The following table summarizes the outstanding and exercisable stock options at December 31, 2019:

Options outstanding				Options exercisable	
Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 1.42	70,208	0.26	$ 1.42	70,208	$ 1.42
1.58	15,000	0.61	1.58	10,000	1.58
	85,208	**0.32**	**$ 1.45**	**80,208**	**$ 1.44**

As at December 31, 2019, vested options total 80,208. The value of vested options totalled $56,011, of which $55,601 relates to the stock options issued as part of the RTO. The value of unvested stock options totalled $205. The expected remaining life of options is 0.32 of a year. The awards vest one-third upon grant, and one-third annually, thereafter. The fair value of stock options is determined by the Black-Scholes method. Volatility is based on comparable industry benchmarks.

During the year ended December 31, 2019, the Company recorded share-based compensation expense on the stock options of $190 (2018 - $370).

Contributed Surplus

Contributed Surplus is comprised of share-based compensation.

10. General and Administrative Expense

	December 31, 2019	December 31, 2018
Salary and benefits	**$ 761,851**	$ 446,610
Paid and accrued bonuses	**555,488**	79,839
Professional fees	**298,778**	56,213
Marketing and investor relations	**117,626**	19,996
Executive and advisory fee	**142,150**	96,575
Rent	**69,029**	19,726
Insurance	**54,467**	14,405
Office and administration costs	**71,136**	2,235
Legal fees	**300,388**	101,426
Travel costs	**73,716**	6,508
Transaction fees	**13,134**	-
Public company costs	**76,618**	-
Total	**$ 2,534,381**	$ 843,533

11. Fair Value of Financial Instruments

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

			December 31, 2019	December 31, 2018
Cash and cash equivalents	FVTPL	Level 1	**$ 20,887,704**	$ 13,810,095
Amounts receivable	Amortized cost		**109,969**	-
Loans receivable	Amortized cost		**7,023,217**	-
Loans receivable	FVTPL	Level 3	**-**	447,534
Due from related parties	Amortized cost		**23,583**	-
Due to related parties	Amortized cost		**-**	107,910
Investments	FVTPL	Level 1	**226,368**	-
Derivative assets	FVTPL	Level 2	**154,143**	-
Derivative assets	FVTPL	Level 3	**300,921**	17,314
Amounts payable and accrued liabilities	Amortized cost		**1,264,160**	272,607
Class A preferred shares	Amortized cost		**-**	15,078,173
Security deposits	Amortized cost		**78,977**	-

Fair Value Through Profit and Loss ("FVTPL").

In the normal course of business, the Company uses various financial instruments, which by their nature involve risk, including liquidity risk, interest rate risk, and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient, readily available capital in order to meet its liquidity requirements. Considering the capital intensity of the business, this would include analyzing the expectation of future cash outflows for new lending arrangements as well as additional capital draw downs on existing loans. In order to reduce liquidity risk, when entering into a lending arrangement with a borrower, which includes a clause for additional borrowing subsequent to the initial capital outlay, Trichome Financial generally ensures that any additional lending is at the Company's discretion. As at December 31, 2019, $3.0 million of cash and cash equivalents is comprised of a GIC that can be drawn upon, in part or in whole, at any time.

The Company did not institute any changes to its liquidity strategy during the year.

	Due within		
	0-6 months	**6 - 12 months**	**December 31, 2019**
Amounts payable and accrued liabilities	**$ 1,160,589**	**$ 103,571**	**$ 1,264,160**
Deposits	**78,977**	**-**	**78,977**
Total	**$ 1,239,566**	**$ 103,571**	**$ 1,343,137**

	Due within		
	0-6 months	6 - 12 months	December 31, 2018
Amounts payable and accrued liabilities	$ 272,607	$ -	$ 272,607
Due to related parties	107,910	-	107,910
Class A preferred shares	-	15,078,173	15,078,173
Total	$ 380,517	$ 15,078,173	$ 15,458,690

Interest rate risk

The Company's exposure to interest rate risk relates to risk of loss due to volatility of interest rates. The Company does not enter into lending arrangements where the interest rate is variable, which reduces its risk to the volatility of market rates. The Company's policy is to invest excess cash in investment grade short term guaranteed investment certificates. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

The Company did not institute any changes to its interest rate strategy during the year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk relates to the Company's loans receivable. This risk is mitigated through due diligence performed on counterparties, and other contractual arrangements, which includes pledged assets of the borrower as collateral.

Trichome Financial generally assesses borrowers' management experience/integrity, financial health, business plans, capacity, products, customers, contracts, competitive advantages/disadvantages, and other pertinent factors when assessing credit risk. This includes the analysis of forward-looking financial forecasts. Management, using their knowledge and experience in the cannabis industry, will assess the viability of the forecasts prepared by the borrower in order to determine the overall level of credit risk associated with the deployment of capital. On certain loans, interest is paid upfront by the borrower, in addition to set-up and original issuer fees, in order to reduce credit risk. In some instances, loans may also include a minimum working capital surplus to be maintained by the borrower throughout the duration of the loan in order to reduce the risk of the borrower not being able to service their debt obligations with the Company. Finally, as an additional protection to reduce credit risk, the Company may also obtain derivative assets or equity instruments in the borrower when entering certain lending arrangements. Obtaining these financial assets alleviates the credit risk associated with the capital deployed, as they can be liquidated to recoup any proceeds lost in the case of default on a loan.

In addition to due diligence and the factors noted above, Trichome Financial obtains approval from its Board of Directors for significant lending arrangements. Trichome Financial generally considers collateral of the underlying businesses, including property, plant and equipment, inventory, and receivables, in structuring its investments and managing credit risk. Trichome Financial actively monitors financial results of the underlying businesses regularly against the underlying business plans and industry trends. This typically includes comparing the borrower's forecasts originally considered when entering into the lending arrangement versus actual results. Using this information, Management will then reassess the borrowers' overall credit rating throughout the term of the loan and record an additional expected credit loss as needed, if it has been determined that the borrower's credit rating has diminished since entering the arrangement. As part of this assessment, Management will take into consideration whether or not the expected credit loss associated with the loan needs to be determined based of the expected losses over the next year, or alternatively, if the credit rating of the borrower has significantly diminished, the lifetime expected loss on the loan.

Trichome Financial's borrowers are concentrated within the Canadian cannabis industry, however, Trichome Financial diversifies credit risk by lending to companies that operate in different geographic regions, as well as different sectors within the cannabis market such as cultivation, extraction, and retail.

The Company did not institute any changes to its credit risk policy during the year.

Capital management

The Company's objective when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company's capital is composed of equity. The Company's primary uses of capital are loans to companies in the cannabis industry. The Company also uses capital to finance operating losses, capital expenditures, and increases in working capital. The Company currently manages these requirements from raises through financings and may need to raise additional funds to reach its goals. The Company's objective when managing capital are to ensure that the Company will continue to have enough liquidity to build its portfolio of loans from which it will obtain returns based on interest payments and equity interests in their borrowers, which are obtained as part of certain lending arrangements.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth of the business, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

12. Segmented information

Trichome Financial Corp. operates under one reporting segment.

During the years ended December 31, 2019 and 2018, the Company generated the following types of revenue:

		December 31, 2019		December 31, 2018
Interest revenue	**$**	**1,263,175**	$	22,534
Factoring revenue		**1,388**		-
Total revenue	**$**	**1,264,563**	**$**	**22,534**

Three borrowers generated 83% of total revenue during the year ended December 31, 2019, with the largest comprising 39% (2018 - all revenue was generated from one borrower as the Company had a single loan during 2018).

13. Income taxes

Below is the reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 - 26.5%) to the effective tax rate:

26.5% (2018 – 26.5%) to the effective tax rate:

	December 31, 2019	December 31, 2018
Net loss before recovery of income taxes	**$ (5,793,751)**	$ (2,212,340)
Expected income tax recovery	**(1,535,340)**	(586,270)
Non-deductible expenses and other adjustments	**945,370**	300,200
Share issuance cost booked directly to equity	**(232,960)**	-
Other adjustments	**16,130**	-
Change in tax benefits not recognized	**806,800**	286,070
Income tax expense	**$ -**	$ -

The following table summarizes the components of deferred tax for the years ended December 31, 2019 2018:

	December 31, 2019	December 31, 2018
Deferred tax assets (liabilities):		
Unrealized gain on short-term investments	**$ -**	$ (4,560)
Loans receivable	**(118,390)**	-
Non-capital losses carried forward	**118,390**	4,560
Net deferred tax liability	**$ -**	$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because the Company does not have a history of profit available to utilize the benefits:

	December 31, 2019	December 31, 2018
Incorporation costs	**$ 85,990**	$ -
Warrants	**723,160**	-
Marketable securities	**147,630**	78,170
Share issuance costs	**1,288,170**	384,100
Non-capital losses carried forward	**2,268,120**	1,039,160
	$ 4,513,070	$ 1,501,430

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right to offset. Share issuance and financing costs will be fully amortized in 2023. Of the Company's Canadian non-capital income tax losses, $1,056,470 expire in 2038 and $1,658,390 expire in 2039.

14. Commitments and Contingencies

Leases

The Company currently leases office space on a month-to-month basis and therefore does not have any significant lease commitments.

Loans

As part of the lending arrangement entered into with Good Buds Company International Inc. (Note 4) on August 20, 2019, the Company committed to increasing the face value of the loan (at request of the borrower) through additional advances up to an aggregate of $2,500,000 (minimum increments of $500,000), after the original issuance on August 20, 2019, and before maturity of the loan. The additional financing will be subject to the same terms, conditions, pricing, interest rate, covenants, and security requirements of the original loaned funds. As part of any additional funding, the prepayment premium will be adjusted on a proportionate basis, and the lending will also be subject to an original issue discount as well as a set-up fee. Finally, additional warrants will also be issued to the Company. Good Buds is only eligible to request increases in the principal value lent by Trichome Financial, so long as the loan is not in default at the time of the request and all other representations and warranties just prior to the request are true and correct. Finally, Trichome Financial is ultimately the final decision-maker when it comes to additional financing. Despite the fact Good Buds may request additional principal, it is in Trichome Financial's discretion to grant the additional funding, even if Good Buds has met all required conditions for said increased funding.

In connection with the James E. Wagner Corporation loan entered into on November 6, 2019, the Company has committed Tranche 2 financing with a face value of $1,150,000. This tranche will only be released by the Company upon satisfactory completion of certain requirements, as outlined in the lending arrangement. The loan will be subject to an original issue discount, similar to that included in the Tranche 1 loan (Note 15).

15. Subsequent Events

Heritage Cannabis Holdings Corp. senior secured term loan

On January 30, 2020, Trichome Financial entered into a senior secured term loan (the "loan") with Heritage Cannabis Holdings Corp. ("Heritage"). Trichome Financial agreed to advance up to $6.7 million by way of two tranches ($4.875 million for Tranche 1 and $1.825 million for Tranche 2), where the second tranche would not be advanced until certain conditions are met.

Heritage Cannabis Holding Corp. (CSE: CANN.CN) is a publicly listed Canadian company focused on becoming a vertically integrated cannabis provider and currently has two Health Canada licensed producers, through its subsidiaries - Voyage Cannabis and CannaCure Corp. Under these two subsidiaries, Heritage has two additional subsidiaries - Purefarma Solutions (provides extraction services) and BriteLife Sciences (cannabis based medical solutions).

The loan is for a period of two years and carries an interest rate of 9.5% per annum, payable monthly. Tranche 1 of the loan was issued on January 30, 2020, net of a set-up fee, an original issue discount, and an interest reserve account equal to nine months of interest payments. Upon the completion of certain conditions, Tranche 2 will be issued net of an original issue discount on the face value of Tranche 2 (or $82,125) and an interest reserve account totalling a year of interest payments.

Included in the loan arrangement with Heritage is a voluntary prepayment feature which allows Heritage to repay the loan in whole or in part, upon five business days' written notice to Trichome Financial. Any partial prepayment shall be in a minimum amount of $500,000. As part of the voluntary prepayment there is a prepayment premium paid by Heritage.

Finally, after issuance of Tranche 1, but before maturity of the loan, Heritage can request an increase in the loaned funds by an additional $2.3 million. Trichome Financial will assess the request at the time, if any, and determine the viability of advancing additional funds to Heritage at the time of request.

Cresco Labs Inc. senior secured term loan

On January 30, 2020, Trichome Financial entered into, as a syndicate member, a senior secured term loan with Cresco Labs Inc. ("Cresco"). The syndicated loan was for aggregate proceeds of US$100 million, of which US$2 million was advanced by Trichome Financial.

Cresco Labs Inc. (CSE: CL.CN) is a licensed cultivator, manufacturer, and seller of retail and medical cannabis as well as other cannabis products. The company operates in and/or has ownership interests in Illinois, Pennsylvania, Ohio, California, Maryland, and Arizona.

The funds advanced by the syndicate members will be held in a reserve account and are to be used to fund permitted acquisitions and investments, as defined in the lending arrangement.

The loan is for a period of 18 months and bears interest at 12.7% per annum, along with an OID. The loan includes both a voluntary and mandatory prepayment option, as well as an applicable prepayment premium if such prepayment options are exercised by Cresco.

Pure Alpha repayment

On February 19, 2020, the Company settled their outstanding loan with Pure Alpha. The loan was settled by Trichome Financial taking ownership of the $50,000 deposit obtained from Pure Alpha's guarantor, Superette, on issuance of the loan on January 17, 2019. Upon settlement, Trichome Financial was no longer due funds from Pure Alpha and no longer owed funds to Superette, as agreed upon by all parties.

James E. Wagner Cultivation Corporation

On February 19, 2020, the Company amended their first amendment loan agreement with JWC. The terms of this second amendment did not alter the original treatment of the previously advanced Initial Loan and Tranche 1 loan issued on February 20, 2019 and November 6, 2019, respectively. The second amendment was in relation to the terms of the latest tranche ("Tranche 2"), which was part of the November 6, 2019 first amendment to the February 19, 2019 loan agreement between the Company and JWC. The Tranche 2 loan had not been advanced by the Company as at December 31, 2019. Under the second amendment, the Company advanced Tranche 2 with a face value of $1.15 million, net of a set-up fee and transaction costs. Tranche 2 matures on November 6, 2021. As part of entering this arrangement, the Company received an additional 1,052,500 common shares in JWC.

On March 31, 2020 JWC agreed to a plan of consensual restructuring (the "Restructuring") wherein JWC would seek approval for an Initial Order approving an application for creditor protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA"). The Restructuring was reviewed and recommended by the Special Committee of the Board of JWC (the "Special Committee") and approved unanimously by the entire Board through a resolution on March 31, 2020. The Initial Order granting JWC's application for CCAA was granted on April 1, 2020 by the Ontario Superior Court of Justice.

In connection with the Restructuring, Trichome Financial and JWC have agreed to (i) a Debtor-in-Possession Loan ("DIP Loan") in which Trichome Financial will provide up to $4.0 million in interim financing over the term of the Restructuring; (ii) the appointment of KSV Kofman Inc. as monitor in the CCAA proceedings; (iii) an offer by Trichome Financial to purchase the assets of JWC which contemplates
that Trichome Financial will be the "stalking-horse" in the Sales and Investor Solicitation Process ("SISP"), which will be managed by Stoic Advisory and will be overseen by the Special Committee and the monitor (the "Stalking-horse Bid"); and (iv) the appointment of Howard Steinberg, a Trichome Financial Board member, as the Chief Restructuring Officer.

On April 1, 2020 $0.8 million was advanced to JWC in connection with the DIP Loan. The DIP Loan matures on the earlier of: (i) the occurrence of any event of default which has not been cured; (ii) the implementation of a court approved plan of compromise approved by a majority of JWC's creditors, which includes Trichome; (iii) the closing of a court approved sale of JWC to Trichome through its Stalking-horse Bid, or to a successful third-party bidder, which will require the repayment of the JWC Loan and the DIP Loan; (iv) conversion of the CCAA proceedings into a proceeding under the *Bankruptcy and Insolvency Act (Canada)*; and (v) June 30, 2020. Subsequent to year-end, JWC was moved from Stage 2 to Stage 3 with respect to the calculation of ECLs.

2673943 Ontario Inc. ("Hello Cannabis") loan

On March 2, 2020, the Company entered into a loan agreement with Hello Cannabis. The Senior Secured Term Loan (the "Term Loan") has a face value of $1.0 million, with the ability to increase the loan up to an additional $1.25 million. Upon closing, the Company advanced the $1.0 million to Hello Cannabis, gross of set-up fee and interest reserve account, to fund capital expenditures as well as inventory purchases. The Term Loan bears interest at a rate of 10.5% with a maturity of 18 months. At the time of issuing the loan, the Company also entered into a royalty agreement. The royalty agreement includes a monthly fee based on 2.0% of monthly gross revenues of Hello Cannabis' retail location in Sault Ste. Marie, Ontario. The royalty agreement is for a period of 18 months commencing the first month after the month in which the retail location is operational.

The Term Loan also carries an accordion feature that enables Hello Cannabis to upsize the funded amount by $1.25 million.

GTEC Holdings Ltd. Term Sheet

On March 13, 2020, the Company executed a non-binding term sheet for a senior secured debt financing with GTEC Holdings Ltd. ("GTEC") (TSXV: GTEC) for total loan principal of $4.5 million. The lending arrangement, if completed, would have a term of two years and an annual interest rate of 9.5%, to be paid monthly. The loan would be issued net of a set-up fee and OID. In addition, the Company would be issued common shares of GTEC at the lower of 11,000,000 common shares or 16.05% of the value of the loan principal.

Term Sheet with Experion

On January 10, 2020, the Company signed a non-binding term sheet with Experion (TSXV: EXP), a Health Canada licensed cultivator and processor of cannabis, with a portfolio of products in the medical, adult-use, and wellness and therapeutic markets. The term sheet is for a $2.0 million senior secured term loan to be used to fund working capital needs, and up to an additional $6.5 million subject to certain conditions. The loan bears interest at an annual rate of 10.5%, paid monthly in cash. The principal value of the loan is repaid at maturity, unless a voluntary prepayment prior to maturity is made by the borrower, subject to a prepayment penalty. Upon issuance, Trichome Financial would advance the face value of the loan to Experion net of an interest reserve account, set-up fee, and OID.

As additional consideration, the Company would be issued Experion common shares with a value equivalent to 12.5% of the face value of the loan. The Company would also receive Experion common share purchase warrants in an amount equal to 15% of the loan.

COVID-19

Subsequent to year-end, the World Health Organization declared COVID-19 a global pandemic, greatly impacting financial markets and leading governments within the jurisdictions of the Company's borrowers to implement certain social distancing and quarantine measures. As at the date of these consolidated financial statements, any impact to the Company's borrowers is uncertain, however, the impact of COVID-19 may effect ECLs on a go-forward basis should any of the Company's borrowers be unable to maintain liquidity, cultivation activities, or sales to customers. The impact of COVID-19 on financial markets may delay timing of Trichome Financial's Fund.

Good Buds loan

On April 6, 2020, the Company advanced an additional $0.55 million to Good Buds to be used for the purchase of equipment. This advance is pursuant to the original loan agreement signed between both parties on August 20, 2019. As part of that agreement, Good Buds was given the ability to request additional increases in the loan balance up to a maximum of $2.5 million. The loan bears interest at an annual interest rate of 11.5% and matures on September 1, 2020. In connection with the additional advance, the Company obtained 222,340 Good Buds common share purchase warrants. The warrants expire on April 6, 2023 and have an exercise price of $0.60 per warrant. The exercise price of the warrants can be adjusted lower than $0.60 per warrant in the event Good Buds issues common share at a value of less than $0.60 per share or there is a liquidity event.

Trichome Financial Corp.
(formerly 22 Capital Corp.)

Consolidated Condensed Interim Financial Statements
For the three and nine months ended September 30, 2020 and September 30, 2019

(Expressed in Canadian Dollars)

TABLE OF CONTENTS

TRICHOME FINANCIAL CORP.

Consolidated Condensed Interim Statements of Financial Position

As at September 30, 2020 and December 31, 2019

(Unaudited - Expressed in Canadian Dollars)

	Notes	As at September 30, 2020	As at December 31, 2019
ASSETS			
Current			
Cash and cash equivalents	19	$ 5,309,412	$ 20,887,704
Amounts receivable	4, 19	900,015	158,169
Prepaids and other assets	10	1,162,730	134,218
Biological assets	6	598,577	-
Inventory	5	2,379,972	-
Due from related parties	14, 19	26,389	23,583
Loans receivable	7, 19	6,862,187	1,964,538
Total current assets		17,239,282	23,168,212
Non-current			
Derivative assets	8, 19	193,916	455,064
Investments	8, 19	-	226,368
Loans receivable	7, 19	4,078,720	5,058,679
Investment in equity accounted investee	9	314,891	-
Intangible assets	13	168,485	19,633
Property, plant, and equipment	11	13,596,056	-
Right-of-use assets	12	10,970,154	-
Total non-current assets		29,322,222	5,759,744
Total assets		46,561,504	28,927,956
LIABILITIES			
Current			
Amounts payable and accrued liabilities	15, 19	2,127,164	1,264,160
Due to related parties	14, 19	23,790	-
Deposits	19	-	78,977
Current portion of lease liabilities	12	53,092	-
Total current liabilities		2,204,046	1,343,137
Long-term			
Lease liabilities	12	10,853,895	-
Convertible debentures	16, 19	5,188,582	-
Total long-term liabilities		16,042,477	-
Total liabilities		18,246,523	1,343,137
SHAREHOLDERS' EQUITY			
Share capital	17	34,078,414	33,850,039
Contributed surplus	17	810,544	459,203
Share-based reserve	17	1,642,695	1,281,668
Equity component of convertible debenture		626,408	-
Accumulated deficit		(9,149,908)	(8,006,091)
Shareholders' equity attributable to owners of the parent		28,008,153	27,584,819
Other non-controlling interest	17	306,828	-
Total equity		28,314,981	27,584,819
Total liabilities & shareholders' equity		$ 46,561,504	$ 28,927,956

Commitments and contingencies (Note 21)
Subsequent events (Note 22)

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Approved on behalf of the Board:

/s/"Michael Ruscetta"	/s/"Marissa Lauder"
Director	Director

TRICHOME FINANCIAL CORP.

Consolidated Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Revenues					
Interest revenue	20	$ 926,078	412,304	$ 2,575,335	$ 693,368
Other revenue	20	37,707	-	60,889	-
Total interest and other revenue		963,785	412,304	2,636,224	693,368
Medical cannabis sales		$ 8,059	$ -	$ 8,059	$ -
Excise tax		(1,693)	-	(1,693)	-
Net cannabis sales revenue	20	6,366	-	6,366	-
Total revenue		970,151	412,304	2,642,590	693,368
Cost of cannabis sales		196,348	-	196,348	-
Gross margin on cannabis sales, excluding fair value items		(189,982)	-	(189,982)	-
Realized fair value amount of inventory sold	6	-	-	-	-
Unrealized fair value gain on biological assets	6	-	-	-	-
Gross margin on cannabis sales, including fair value items		(189,982)	-	(189,982)	-
Operating expense					
General and administrative	18	1,597,441	724,825	3,494,373	1,582,094
Share-based compensation	17	479,630	154,210	1,055,023	566,381
Expected credit loss (recovery)	7	(426,631)	(9,758)	(242,308)	-
Depreciation and amortization		63,623	-	63,623	-
Total operating expenses		1,714,063	869,277	4,370,711	2,148,475
Loss from operations		(940,260)	(456,973)	(1,924,469)	(1,455,107)
Other expenses (income)					
Accretion expense on preferred shares	17	-	349,602	-	1,253,784
Fair value loss on amounts receivable		3,844	-	3,844	-
Costs incurred to list on stock exchange		-	91,906	-	339,767
Fair value loss on investments	8	-	-	431,605	-
Fair value loss on derivative investments	8	127,008	333,629	285,680	349,436
Fair value gain on loans receivable at FVTPL	7	(421,167)	-	(115,060)	-
Gain on settlement of loans receivable	7	-	(71,278)	-	(207,840)
Loss (gain) on modification of loans receivable	7	205,099	(42,787)	(580,458)	(42,787)
Bargain purchase gain	3	(1,416,471)	-	(1,416,471)	-
Acquisition related transaction costs		309,585	-	528,070	-
Interest expense - convertible debenture	16	155,113	-	155,113	-
Interest expense - lease liabilities	12	152,915	-	152,915	-
Share of loss from equity accounted investee	9	640	-	640	-
Foreign exchange loss (gain)		56,130	(137)	(682)	(240)
Net loss before tax		$ (112,956)	$ (1,117,908)	$ (1,369,665)	$ (3,147,227)
Deferred tax recovery		225,848	-	225,848	-
Net income (loss) for the period		$ 112,892	$ (1,117,908)	$ (1,143,817)	$ (3,147,227)
Total net loss for the period attributable to:					
Owners of the Company		112,892	(1,117,908)	(1,143,817)	(3,147,227)
Other non-controlling interest	17	-	-	-	-
		$ 112,892	$ (1,117,908)	$ (1,143,817)	$ (3,147,227)
Basic earning per share	17	$ 0.00	$ (0.14)	$ (0.04)	$ (0.39)
Weighted average number of basic common shares	17	27,330,931	8,127,709	27,068,771	8,004,477
Diluted earnings (loss) per share	17	$ 0.01	$ (0.14)	$ (0.04)	$ (0.39)
Weighted average number of diluted common shares	17	31,682,464	8,127,709	27,068,771	8,004,477

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

TRICHOME FINANCIAL CORP.

Consolidated Condensed Interim Statements of Cash Flows

For the Nine month periods ended September 30, 2020 and September 30, 2019

(Unaudited - Expressed in Canadian Dollars)

		For the nine months ended	
	Notes	**September 30, 2020**	September 30, 2019
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss for the period		$ (1,143,817)	$ (3,147,227)
Items not affecting cash:			
Bargain purchase gain	3	(1,416,471)	-
Accretion expense on preferred shares	17	-	1,253,784
Accretion expense on debt component of convertible debt	16	155,113	-
Non-cash interest revenue		(1,664,816)	(345,916)
Foreign exchange revaluation on loans receivable		2,673	-
Change in fair value of derivative assets and investments	8	721,129	349,436
Gain on settlement of loans	7	-	(207,840)
Loss (gain) on modification of loans	7	(580,458)	(42,787)
Share-based compensation expense	17	1,055,023	566,381
Change in fair value of loans measured at FVTPL	7	(115,060)	-
Expected credit loss on accounts receivable		(12,329)	-
Expected credit loss on loaned funds		(201,689)	-
Interest expense - lease liabilities	12	152,915	-
Depreciation on property, plant, and equipment	11	156,348	-
Amortization on right-of-use assets	12	77,404	-
Amortization on intangible assets	13	5,570	-
Loss from equity accounted investments	9	640	-
Deferred tax recovery		(225,848)	-
Intangible asset additions included in accrued liabilities	11	(67,010)	-
		(3,100,683)	(1,574,169)
Changes in non-cash items relating to operations:			
Decrease/(increase) in amounts receivable		(310,025)	(46,961)
Decrease/(increase) in prepaid expenses and other current assets		(320,516)	(806,579)
Decrease/(increase) in biological assets		243,382	-
Decrease/(increase) in inventory		(801,977)	-
Increase in due from related parties		454	-
Increase/(decrease) in amounts payable and accrued liabilities		886,521	1,039,941
Decrease in deposits		(28,977)	70,000
Increase/(decrease) in due to related parties		23,790	(29,301)
		(307,348)	227,100
Changes in cash items relating to operations:			
Advances of loaned funds (inclusive of amounts allocated to derivative assets and investments on initial recognition and transaction costs)	7	(17,224,775)	(10,253,855)
Repayment of loaned funds		-	3,234,772
		(17,224,775)	(7,019,083)
Cash outflows used in operating activities		(20,632,806)	(8,366,152)
CASH FLOWS USED IN INVESTING ACTIVITIES	13	(87,412)	-
Purchase of intangible assets			
Purchase of property, plant, and equipment	11	(54,738)	-
Investment in equity accounted investee	9	(315,531)	-
Cash outflows used in investment activities		(457,681)	-
CASH FLOWS FROM FINANCING ACTIVITIES	16	6,163,884	-
Net proceeds from issuance of convertible debentures			
Proceeds from deposit of shares		-	10,484,856
Transfer to restricted cash		-	(9,325,663)
Interest payments on convertible debentures	16	(85,611)	-
Payment of lease obligations and JWC rent arrears	12	(566,078)	-
Cash inflows from financing activities		5,512,195	1,159,193
DECREASE IN CASH		$ (15,578,292)	$ (7,206,959)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		20,887,704	13,810,095
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 5,309,412	$ 6,603,136

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

TRICHOME FINANCIAL CORP.

Consolidated Condensed Interim Statements of Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Notes	Number of shares *	Share capital	Contributed Surplus	Share-based reserve	Equity component of Convertible Debt	Non-controlling interest	Accumulated deficit	Total Shareholders' Equity
Balance at January 1, 2019		**6,960,000**	**$ 335,000**	**$ 162,549**	**$ 531,044**	**$ -**	**$ -**	**$ (2,212,340)**	**$ (1,183,747)**
Comprehensive loss for the period		-	-	-	-	-	-	(3,147,227)	(3,147,227)
Share-based compensation for the period		-	-	566,381	-	-	-	-	566,381
Vested and transferred to share-based reserve		-	-	(283,449)	283,449	-	-	-	-
Balance at September 30, 2019		6,960,000	335,000	445,481	814,493	-	-	(5,359,567)	(3,764,593)
Comprehensive loss for the period		-	-	-	-	-	-	(2,646,524)	(2,646,524)
Share-based compensation for the period		-	-	425,296	-	-	-	-	425,296
Vested share-based compensation		-	-	(467,175)	467,175	-	-	-	-
Conversion of series A preferred shares on close of Trichome's RTO	17	9,513,902	16,332,200	-	-	-	-	-	16,332,200
Shares issued for previously subscribed shares	17	7,849,706	16,484,383	-	-	-	-	-	16,484,383
Shares issued in the reverse-takeover of 22 Capital Corp.**	17	751,219	1,577,564	55,601	-	-	-	-	1,633,165
Share issuance costs		-	(879,108)	-	-	-	-	-	(879,108)
Balance at December 31, 2019		25,074,827	$ 33,850,039	$ 459,203	$ 1,281,668	$ -	$ -	$ (8,006,091)	$ 27,584,819
Comprehensive loss for the period		-	-	-	-	-	-	(1,143,817)	(1,143,817)
Share-based compensation for the period		-	-	748,195	-	-	306,828	-	1,055,023
Vested share-based compensation		-	-	(396,854)	396,854	-	-	-	-
Settlement of restricted share units	17	108,750	228,375		(228,375)	-	-	-	-
Equity component of convertible debentures	16	-	-	-	-	626,408	-	-	626,408
Transaction cost - convertible debentures		-	-	-	192,548	-	-	-	192,548
Balance at September 30, 2020		**25,183,577**	**$ 34,078,414**	**$ 810,544**	**$ 1,642,695**	**$ 626,408**	**$ 306,828**	**$ (9,149,908)**	**$ 28,314,981**

* Number of shares is inclusive of the 3:1 share split, and has been applied retrospectively for the January 1, 2019 comparative figures.
** Number of shares adjusted down by one share from December 31, 2019. This relates to a fractional share adjustment in August 2020.

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

1. Description of the business

Trichome Financial Corp. (the "Company" or "Trichome" or "Trichome Financial"), formerly 22 Capital Corp., was incorporated pursuant to the provisions of the *Business Corporations Act* of Ontario on January 4, 2017. The Company is located at 150 King Street West, Suite 200, Toronto, Ontario, Canada. On October 4, 2019, in connection with Trichome Financial Corp.'s reverse takeover ("RTO") of 22 Capital Corp., the Company completed a 3:1 share split.

Trichome Financial was created to address the lack of credit availability in the increasingly complex cannabis market and has since broadened its platform from solely that of lender, to that of an active licensed producer.

On May 7, 2020, the Company incorporated Trichome JWC Acquisition Corp. ("TJAC"). TJAC was formed specifically for the acquisition of James E. Wagner Cultivation Corporation ("JWC"), which closed on August 28, 2020 (Note 3). TJAC holds the assets and required cannabis licenses for the production of cannabis, and has two facilities located in Kitchener, Ontario, Canada. TJAC is a subsidiary of the Company and the financial results are consolidated with those of the Company's as part of the financial reporting process.

The Company incorporated Trichome Financial Cannabis Private Credit GP Inc. (the "GP") and Trichome Financial Cannabis Manager Inc. as wholly owned subsidiaries and consolidates the financial results of these entities. The entities were formed in preparation for the opening of an alternative investment fund. The Company formed Trichome Financial Cannabis Private Credit LP (the "Fund"), which became an equity accounted investee during the quarter ended September 30, 2020 (Note 9). The Fund performs receivables factoring with cannabis companies in Canada.

2. Significant accounting policies

Statement of compliance with International Financial Reporting Standards

These unaudited consolidated condensed interim financial statements (the "Financial Statements") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee applicable to the preparation of the Financial Statements.

These Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.* The unaudited Financial Statements do not include all of the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

Basis of presentation

These Financial Statements have been prepared by management on a historical cost basis using the accrual basis of accounting, except for the revaluation of certain financial assets and liabilities to fair value, including derivative assets, biological assets, assets acquired through a business combination, investments, convertible debentures, and certain loans receivable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into consideration when pricing the asset or liability at the measurement date.

The currency of presentation for these Financial Statements is the Canadian dollar, which is also the functional currency of the Company. At the end of each reporting period, the Company converts items that are denominated in currencies other than the Company's reporting currency. Changes in fair values are recorded in "Other expenses (income)".

During the three- and nine-month periods ended September 30, 2020, the Company completed the acquisition of James E. Wagner Cultivation Corporation (Note 3) on August 28, 2020. The results of this acquisition have been included in these condensed interim consolidated financial statements.

During the three- and nine-month periods ended September 30, 2020, the Company reclassified certain prior period balances to conform to the current period presentation. These included reclassifying costs incurred to list on the stock exchange from operating expenses to other expenses. In addition, expected credit losses for the three- and nine-month periods ended September 30, 2019 were previously classified in general and administrative expenses and have since been reclassified as a separate financial statement line item under operating expenses. Derivatives and shares received as part of lending arrangements that were entered into during the three- and nine-month periods ended September 30, 2019, were previously classified as an individual line item on the Statement of Cashflow, but have since been combined with the advances of loaned funds line to show the net value of funds advanced during the period.

These Financial Statements were approved by the Company's Board of Directors and authorized for issue on November 26, 2020.

Significant accounting judgments and estimates
The preparation of these Financial Statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements. These estimates, judgements, and assumptions will also affect certain disclosures at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting periods. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Below is a summary of certain of the Company's significant accounting policies and the impact of Management estimates and judgments where necessary.

Business combinations

When accounting for business combinations, the Company uses the acquisition method when control is transferred to the Company. Consideration transferred in an acquisition is measured at fair value, along with the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. A bargain purchase gain may arise, particularly if the acquiree is distressed, when the fair value of net assets acquired is greater than the purchase consideration. Any gain on a bargain purchase is recognized immediately in profit or loss. Transaction costs related to a business combination are expensed as they are incurred.

In a business combination, all identifiable assets and liabilities acquired are recorded at fair value. For any assets and liabilities acquired, which carry a high degree of complexity in determining fair value, an independent valuation expert may be consulted to assist in determining fair value, using appropriate valuation techniques.

Significant judgment is present in Management's ability to forecast future results of the business as well as judgment used in estimating the inputs for the various valuation techniques. As well, judgement is required to assess whether a business combination is present, along with key items such as purchase consideration, the fair value of assets and liabilities acquired, and the date control was obtained.

Interest is equity-accounted investees

The Company's interest in equity accounted investees is comprised of its interest in Trichome Financial Cannabis Private Credit LP. In accordance with IAS 28, an entity has significant influence if it holds 20% or more of the voting rights or can demonstrate significant influence over the daily operations and decision making of the entity. This is the case for the Company's investment in Trichome Financial Cannabis Private Credit LP. The Company does not hold 20% or more of the voting rights but does have significant influence when it comes to decision making and investment selection.

In line with IAS 28, the Company accounts for the investment using the equity method. Under the equity method, investments are first recorded at cost and are subsequently adjusted for their percentage of net income (loss) generated by the equity investee for the period, as well as for any cash disbursements received from the equity investee.

Judgement is required to assess whether another party is an equity accounted investee.

Other non-controlling interest ("NCI")

The Company's Other NCI is comprised of the TJAC equity incentive plan, which is comprised of stock options exercisable into shares of TJAC. Amounts for vested stock options recognized in equity within the Company's accounts are classified as other non-controlling interest in the Company's consolidated financial statements. In accordance with IFRS 10 *Consolidated Financial Statements,* a portion of TJAC's net income is not attributable to Other NCI as holders of the stock options do not have common shares or voting rights in the Company. As the stock options are exercised for common shares of TJAC, the other non-controlling interest will become ordinary non-controlling interest. Ordinary non-controlling interest is adjusted every period based on the net income (loss) attributable to the holders of those common shares.

Biological assets

The Company measures biological assets, which consist of cannabis plants, at their fair value less costs to sell up to the point of harvest, which then become the basis for the cost of inventories after harvest. Biological assets are considered Level 3 fair value estimates. The Company capitalizes direct and indirect costs between the point of initial recognition and the point of harvest including labour, depreciation, consumables, nutrients, utilities, and facilities costs. Costs to sell include post-harvest production, packaging, shipping and fulfillment costs. The identified direct and indirect costs of biological assets are recorded within the line item 'cost of cannabis sales' on the consolidated statement of profit and loss in the period that the related product is sold.

In determining the value of biological assets, the Company uses a number of estimates and assumptions. Key assumptions include the average stage of growth, average selling prices of the product, survival rates, costs to sell, and expected yields of the cannabis plants.

Inventories

Inventories include harvested cannabis and finished goods. These items are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Finished goods consists of purchased inventories for resale, supplies, and consumables, which are valued at the lower of costs and net realizable value. The identified capitalized direct and indirect costs related to inventory are subsequently recorded within 'costs of good sold' on the statement of net income (loss) and comprehensive income (loss) at the time the product is sold, with the exclusion of realized fair value amounts included in inventory sold which are recorded as a separate line within gross margin. Other supplies that are used in production are recorded at cost and expensed as used.

Management compares the cost of inventory with the estimated net realizable value and adjust the inventory balance accordingly at each reporting date.

Property, plant, and equipment ("PP&E")
PP&E is recorded at cost, less accumulated depreciation, and accumulated impairment loss. The residual value, useful life, and depreciation methods for PP&E are reviewed by Management on an annual basis and adjusted prospectively.

Gains or losses on disposal of PP&E are determined by comparing proceeds with the carrying amount of the asset and are included in the consolidated statement of profit and loss.

Quarterly depreciation expense can vary based on Management's judgments and estimates regarding the useful life, impairment, and residual value of PP&E.

The Company uses the following methods of depreciation for property, plant, and equipment:

- Office furniture and fixtures: 20% declining balance method
- Leasehold improvements: straight line method over life of the lease
- Production equipment: 20% declining balance method
- Computers and related equipment: 55% declining balance method

Intangible Assets

The Company's intangible assets have finite useful lives that are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated using the straight-line method. The estimated lives of intangible assets are as follows:

- Acquired cannabis plant genetics: 2.5 years
- Software: 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Compound financial instruments

Compound financial instruments issued by the Company are convertible debentures, which give both the Company and the issuer the ability to convert the debentures to ordinary shares, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of the compound financial instrument is first recognized based on the fair value of a similar standalone liability that does not include an equity component. The equity component is initially recognized as the residual value between the fair value of the compound financial instrument as a whole and the fair value determined for the standalone liability component. The value assigned to the equity component becomes its own line item on the statement of financial position within shareholders' equity.

Subsequent to initial recognition, the liability component of the compound financial instruments is measured at amortized cost using the effective interest method, while the equity component is not remeasured.

Transaction costs related to the issuance of compound financial instruments are capitalized proportionately against the value of the equity and liability components. If the liability component in a financial instrument is recorded at fair value through profit and loss, then any associated transaction costs are expensed immediately as incurred.

Interest expense accruing to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations to determine the values attributed to each component of a compound financial instrument, the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis, and for disclosing the fair value of financial instruments subsequently carried at amortized cost. These estimates could be materially different due to the use of judgment and the inherent uncertainty in estimating the fair value of these instruments.

A key significant estimate used in determining the value of the liability component of a compound financial instrument is the discount rate used to present value the future cashflows. Management bases its assumptions for the discount rate on observable data, when possible. The discount rate used to determine the fair value of the liability component in a compound financial instrument represents Management's estimates of rates currently available for debt of similar terms, risk, and maturity, consistent with the way in which a market participant would price the instrument. Where necessary, professional advice may be consulted before arriving at a final discount rate.

IFRS 16 Leases
The Company leases cultivation facilities and office space in Ontario, Canada. The Company has elected to use the short-term lease recognition exemption which is applied by class of assets. The Company has also elected to use the low dollar value practical expedient, which unlike the short-term recognition exemption, is applied on an asset-by-asset basis.

As part of the August 28, 2020 acquisition of James E. Wagner Cultivation Corporation, the Company was assigned leases for two cultivation facilities, previously leased by JWC. The right-of-use asset and lease liability values for these cultivation facilities was determined as the present value of the future lease payments, discounted using the Company's incremental borrowing rate. The Company's incremental borrowing rate was used, given the discount rate implicit in the leases were not known. In calculating the right-of-use asset and lease liability, Management considered the likelihood of exercising any extension options included in the lease arrangements. If Management believes that the Company will likely exercise an extension option at the end of the initial term of a lease, then the extension option(s) will be included in determining the initial value of the right-of-use asset and lease liability.

Subsequent to initial recognition, the lease liability will be measured at amortized cost using the effective interest rate method. The right-of-use asset will subsequently be measured at its net book value. The deemed cost of the asset will be amortized over the shorter of its expected useful life and the term of the lease on a straight-line basis.

Subsequent to initial recognition, the right-of-use asset and lease liability values can be remeasured throughout the term of the lease if any of the following cause a significant change in the present value of the future lease payments:

- change in an index or a discount rate;
- change in the Company's estimate of the amount expected to be repayable under a residual value guarantee;
- changes in the Company's assessment of whether it will exercise a purchase, extension or termination option.

The value determined for the Company's right-of-use assets and lease liability can be materially different based on the discount rate selected to present value the future lease payments as well as Management's likelihood of exercising extensions, termination, and/or purchase options in a lease agreement. These estimates include significant judgments. The Company's right-of-use assets are currently being amortized over their lease terms of 5.5 and 12.3 years respectively, which includes all expected extension options to be exercised.

Impairment of non-financial assets (goodwill, intangible assets, property and equipment and royalty investments)

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of profit and loss.

The recoverable amount of assets is the greater of an asset's fair value less cost of disposal and value-in-use. In assessing recoverable amounts, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purpose of testing for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which assets requiring testing for impairment are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount of a CGU or a group of CGUs, various estimates are used. The Company analyzes comparable transactions, cost savings, discount rates, capitalization rates, and terminal capitalization rates. The Company determines the recoverable amount by using estimates such as projected future revenues, earnings, and capital investment consistent with strategic plans presented to the Board of Directors. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Management assesses PP&E, as well as in-use intangible assets with finite lives for any indicators of impairment annually. The assessment for indicators of impairment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, as well as the useful lives of assets.

Deferred tax
Deferred tax is recorded on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilized.

In assessing the probability of realizing deferred tax assets, Management makes estimates related to expectation of future taxable income, tax loss carryforward balances, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. Acquisition of James E. Wagner Cultivation Corp.

Pursuant to the March 31, 2020 consensual restructuring where JWC was granted protection under the*Companies' Creditors Arrangement Act (Canada)* ("CCAA") by the Ontario Superior Court of Justice (the "Courts"), Trichome Financial was confirmed the successful bidder for the assets of JWC on May 15, 2020 (Note 7). Under CCAA, JWC was controlled by the Courts. The Company closed the acquisition on August 28, 2020, which resulted in control of JWC's assets and a business combination in accordance with *IFRS 3 Business Combinations*, given the acquired assets of JWC constituted a business with active inputs, processes, and outputs.

JWC was a licensed cannabis cultivator in the province of Ontario, with two production facilities in the city of Kitchener. Trichome Financial now operates these facilities and holds cannabis cultivation licenses from Health Canada.

The identifiable assets acquired, and liabilities assumed of the business were recorded at their fair values on the date of acquisition. A preliminary purchase price allocation was performed using fair values determined by the Company's best estimates and assumptions. Other than the lease liabilities recorded under IFRS 16 *Leases,* the Company did not assume any other liabilities as part of the acquisition of JWC.

Purchase consideration is comprised of the Company's previous loan receivable balances from JWC (Note 7), any accrued and unpaid interest at the time, and amounts settled on behalf of the owners of JWC, as detailed below:

Purchase consideration		
Forgiveness of loans to JWC	$	16,010,930
Payment of JWC rent arrears		425,508
Payment of amounts on behalf of owners of JWC		885,860
Total purchase price		17,322,298
Net assets acquired		
Cash	$	1,062,292
Amounts receivable and recoverable		847,601
Prepaid expenses		707,996
Due from related parties		3,260
Biological assets		841,959
Inventory		1,577,995
Property, plant, and equipment		13,697,666
Right-of-use assets		11,047,558
Lease liabilities		(11,047,558)
Total net assets acquired		18,738,769
Bargain purchase gain	$	(1,416,471)

4. Amounts receivable

		September 30, 2020		December 31, 2019
Accounts receivable	**$**	**675,652**	$	107,771
HST recoverable		**88,883**		2,198
Other receivable		**135,480**		48,200
Total amounts receivable	**$**	**900,015**	$	158,169

All accounts receivable are current in nature, and none are overdue.

5. Inventory

		September 30, 2020		December 31, 2019
Finished goods	**$**	**2,272,468**	$	-
Packaging & shipping material		**107,504**		-
Balance, end of period	**$**	**2,379,972**	$	-

6. Biological assets

The Company obtained its cannabis licenses on August 28, 2020. Recreational cannabis sales were Nil during the quarter due to regulatory rules related to licensure and new product listings.

The Company's biological assets consist of cannabis plants. The continuity of biological assets for the period ending September 30, 2020 is as follows:

		September 30, 2020		December 31, 2019
Balance, beginning of period	**$**	**-**	$	-
Transferred in on purchase of assets (Note 3)		**841,959**		-
Production costs capitalized		**490,908**		
Unrealized fair value on biological assets		**-**		-
Destroyed product recorded in cost of cannabis sales		**(14,604)**		-
Transferred to inventory upon harvest		**(719,686)**		-
Balance, end of period	**$**	**598,577**	$	-

As at September 30, 2020, the Company's biological assets are, on average, 51% complete and the Company has 5,451 plants as biological assets.

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates, by their nature, are subject to changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields and variability of the costs necessary to complete the growth cycle.

The fair value of a plant at the reporting date is estimated based on its age at the reporting date. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy.

Key assumption	Impact to fair value of biological assets:
Growing cycle	An increase in the growing cycle by 2 weeks results in a decrease in the fair value of $0.05 million and vice versa.
Average yield of dried cannabis	An increase in the yield of dried cannabis by 20 grams per plant would result in an increase in the fair value of $0.06 million and vice versa.
Plant survival rate	A 5% change in the plant survival rate to the point of harvest would result in a change of $0.01 million.
Expected costs to sell	An increase in the cost to sell by 5% would result in a decrease in the FVLCS of $0.02 million and vice versa.

7. Loans receivable

	September 30, 2020	December 31, 2019
James E. Wagner Cultivation Corporation	**$ -**	$ 5,359,429
Pure Alpha Holdings Inc.	**-**	50,000
Good Buds Company International Inc.	**2,813,560**	1,942,238
Heritage Cannabis Holdings Corp.	**4,630,147**	-
Hello Cannabis Corporation	**974,841**	-
Cresco Labs Inc.	**2,636,791**	-
	11,055,339	7,351,667
Less: total expected credit losses	**(114,432)**	(328,450)
	10,940,907	7,023,217
Non-current portion	**(4,078,720)**	(5,058,679)
	$ 6,862,187	$ 1,964,538

Maturity profile of loans

Pure Alpha Holdings Inc.

On January 17, 2019, the Company signed a promissory note with Pure Alpha Holdings Inc. ("Pure Alpha"), an Ontario licensed cannabis company, totalling $50,000, with a one-year maturity. The financing was interest free and could be repaid by Pure Alpha at any time throughout the duration of the loan without penalty. The note was guaranteed by Superette Inc. ("Superette"), a retail licence holder in Ontario, Canada. As part of the arrangement, Superette advanced $50,000 to Trichome Financial, which was recorded as a security deposit.

On February 19, 2020, the Company settled its outstanding loan to Pure Alpha. The loan was settled by Trichome Financial taking ownership of the $50,000 deposit obtained from Pure Alpha's guarantor, Superette, on issuance of the loan.

James E. Wagner Cultivation Corporation

Restructuring

On March 31, 2020, JWC agreed to a plan of consensual restructuring (the "Restructuring") wherein JWC sought approval for an Initial Order approving an application for creditor protection under the *Companies' Creditors Arrangement Act (Canada)*. The restructuring was reviewed and recommended by a Special Committee of the Board of JWC (the "Special Committee") and approved unanimously by the entire Board through a resolution on March 31, 2020. The Initial Order granting JWC's application for CCAA was granted on April 1, 2020 by the Ontario Superior Court of Justice (the "Courts"), and further approved on April 9, 2020.

In connection with the Restructuring, Trichome Financial and JWC agreed to (i) a Debtor-in-Possession Loan ("DIP Loan") over the term of the Restructuring; (ii) the appointment of KSV Kofman Inc. as monitor in the CCAA proceedings; (iii) an offer by Trichome Financial to purchase the assets of JWC as the "stalking-horse" bidder in the Sales and Investor Solicitation Process ("SISP"), which was managed by Stoic Advisory and overseen by the Special Committee and the monitor; and (iv) the appointment of Howard Steinberg, a Trichome Financial Board member, as the Chief Restructuring Officer.

On May 15, 2020, the Company was confirmed as the successful bidder of the assets of JWC. On June 2, 2020, the Company received authorization from the Courts to complete the purchase of substantially all the assets of JWC (the "Transaction").

On August 28, 2020, the Company closed the acquisition of the assets of JWC. The acquisition was classified as a business combination in accordance with IFRS 3*Business Combinations* (Note 3).

Loans

On February 20, 2019, the Company signed a senior secured term loan with JWC to lend $3.5 million (the "Initial Loan"). Following the Initial Loan, the lending arrangement was amended ("Amendment 1" or "follow-on loan") on November 6, 2019. In this follow-on loan, the Company committed to two additional tranches of funding ("Tranche 1" and "Tranche 2" respectively). On April 1, 2020, as part of the Restructuring, both parties agreed to a super-priority DIP Loan. The purpose of the DIP Loan was to finance the operations of JWC through the Restructuring process.

I. The Initial Loan was issued at a face value of $3.50 million, with a two-year maturity, and annual interest of 9.25%. The Initial Loan was secured by first ranking perfected security interest in the assets of JWC and was guaranteed by each of its subsidiaries. The Company also received 291,667 common share purchase warrants of JWC when entering the arrangement (Note 8).

In accordance with IFRS 9, the Initial Loan was recorded on initial recognition at its fair value of $3.14 million. The fair value was based on a face value of $3.50 million less the warrants, set-up fee, and original issue discount. The loan was recorded at amortized cost, with an effective annual interest rate of 15.3%, inclusive of the fair value of warrants at initial recognition. Excluding the fair value of warrants and capitalized transaction costs, the loan had an effective annual interest rate of 13.9%. During the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue on the loan of $0.08 and $0.33 million respectively (2019 - $0.12 and $0.28 million).

On April 1, 2020, as part of the Transaction, the maturity date of the Initial Loan was modified to June 30, 2020. On June 30, 2020, the maturity date was further modified to July 31, 2020 to allow additional time for Health Canada to approve the Company's cannabis licenses required to purchase the assets of JWC. On July 31, 2020 the maturity date of the loan was further amended to August 28, 2020 - the date on which the Company closed the acquisition of the assets and business of JWC (Note 3). In accordance with IFRS 9, the alteration of the maturity dates throughout the duration of the loan and thus a change in the timing of the cash inflows created a net modification loss of $0.02 million and a net modification gain of $0.09 million respectively for the three- and nine-month periods ended September 30, 2020.

On August 28, 2020, the $3.5 million face value of the Initial Loan was forgiven by the Company and included as purchase consideration for the acquisition of the assets and business of JWC (Note 3).

II. Tranche 1 of Amendment 1 was issued at a face value of $2.85 million on November 6, 2019, with a two-year maturity and annual interest of 9.25%. Tranche 1 was secured by a perfected first lien on all of JWC's current and future tangible and intangible assets (including a share pledge from all subsidiaries of JWC). Upon closing of Tranche 1, the Company received a total of 984,208 common shares of JWC as well as 1,696,385 common share purchase warrants (Note 8).

In accordance with IFRS 9, Tranche 1 was recorded on initial recognition at its fair value of $2.04 million. The fair value was based on a face value of $2.85 million less the fair value of warrants, fair value of common shares, set-up fee, original issue discount, as well as capitalized legal fees. The loan was recorded at amortized cost, with an effective annual interest rate of 28.0%, inclusive of the fair value of warrants and common shares at initial recognition and 13.3% exclusive of the fair value of warrants and common shares at initial recognition. During the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue on the Tranche 1 loan of $0.12 and $0.45 million respectively (2019 - Nil).

On April 1, 2020, as part of the Transaction, the maturity date of the Tranche 1 Amendment 1 Loan was modified to June 30, 2020. On June 30, 2020, the maturity date was further modified to July 31, 2020 to allow additional time for Health Canada to approve the Company's cannabis license required to purchase the assets of JWC. Finally, on July 31, 2020 the maturity date of the loan was further amended to August 28, 2020 - the date on which the Company closed the acquisition of the assets and business of JWC (Note 3). In accordance with IFRS 9, the alteration of the maturity dates throughout the duration of the loan and thus a change in the timing of the cash inflows created a net modification loss of $0.04 million and a net modification gain of $0.47 million, respectively, for the three- and nine-month periods ended September 30, 2020.

On August 28, 2020, the $2.85 million face value of the Tranche 1 Amendment 1 Loan was forgiven by the Company and included as purchase consideration for the acquisition of the assets and business of JWC (Note 3).

III. On February 19, 2020, the Company issued Tranche 2 of Amendment 2 with a face value of $1.15 million, an annual interest rate of 9.25%, and maturing on November 6, 2021. On initial recognition the loan was recorded at fair value of $0.86 million and was a Stage 2 loan under IFRS 9. The fair value was based on a face value of $1.15 million net of an original issue discount, a debt service reserve account, transaction costs, and 1,052,500 JWC common shares issued to the Company as part of the lending arrangement (Note 8).

In accordance with IFRS 9, the loan was recorded at amortized cost subsequent to initial recognition. The loan was recorded with an effective annual interest rate of 27.7%. Excluding the debt service reserve account, transaction costs, and the 1,052,500 JWC common shares issued as part of the Tranche 2 lending arrangement, the loan had an annual effective interest rate of 12.5%. During the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue of $0.06 and $0.16 million respectively.

On April 1, 2020, as part of the Transaction, the maturity date of the Tranche 2 Amendment 2 Loan was modified to June 30, 2020. On June 30, 2020, the maturity date was further modified to July 31, 2020 to allow additional time for Health Canada to approve the Company's cannabis license required to purchase the assets of JWC. Finally, on July 31, 2020 the maturity date of the loan was further amended to August 28, 2020 - the date on which the Company closed the acquisition of the assets and business of JWC (Note 3). In accordance with IFRS 9, the alteration of the maturity dates throughout the duration of the loan and thus a change in the timing of the cash inflows created an insignificant net modification gain and a net modification gain of $0.19 million, respectively, for the three- and nine-month periods ended September 30, 2020.

On August 28, 2020, the $1.15 million face value of the Tranche 2 Amendment 2 Loan was forgiven by the Company and included as purchase consideration for the acquisition of the assets and business of JWC (Note 3).

IV. In connection with the court approved CCAA process, JWC and the Company entered into a consensual restructuring plan, which included a $4.0 million DIP Loan with a 10% annual interest rate. The DIP Loan included a $0.12 million set-up fee. The first amendment included an amendment fee of $0.05 million, and raised the DIP Loan commitment to $5.5 million. Further, on June 30, 2020, the Company agreed to a second amendment (the "second DIP Loan amendment") to increase the maximum borrowing by an additional $1.7 million to bring the maximum total borrowing to $7.2 million. On July 31, 2020, the Company agreed to a final amendment on the DIP loan which increased the maximum drawdown by an additional $1.0 million to bring the maximum borrowing total to $8.2 million. During the three- and nine-month periods ended September 30, 2020, the Company advanced $2.2 million and $7.9 million respectively under the DIP Loan agreement.

In accordance with the IFRS 9 impairment standards and Stage 3 of the Expected Credit Loss ("ECL") hierarchy, the DIP Loan was considered a*purchased or credit-impaired financial asset* on initial recognition. Any expected defaults on future payments over the term of the loan were netted against the future loan payments in determining the fair value of the loan at each reporting period.

The DIP Loan was recorded both on initial recognition and subsequently at FVTPL. This classification under IFRS 9 is a result of the variable nature of the amount and timing of the advances. Management determines the fair value of the loan on initial recognition, when advancing an additional tranche of financing, and at each reporting period, by calculating the present value of the expected remaining cash inflows using a market discount rate. With each subsequent tranche and at the end of each reporting period, the Company records a fair value adjustment, which is derived from the difference between the present value of the remaining cash flows and the current carrying value of the loan.

As part of the second DIP Loan amendment, the maximum maturity date of the DIP Loan was extended from June 30, 2020 to July 31, 2020. Subsequently, on July 31, 2020, the maturity date of the DIP Loan was amended from July 31, 2020 to August 28, 2020 - the date on which the Company closed the acquisition of the assets and business of JWC (Note 3). In accordance with IFRS 9, the alteration of the maturity dates throughout the duration of the loan and thus a change in the timing of the cash inflows created a net modification loss of $0.04 million and $0.07 million respectively for the three- and nine-month periods ended September 30, 2020. The original discount rate on the DIP Loan was used in determining the present value of the remaining cash flows on the modification dates.

For the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue of $0.19 and $0.33 million respectively. For the three- and nine-month periods ended September 30, 2020 the Company recorded a net fair value gain of $0.36 million and a net fair value gain of $0.1 million respectively.

On August 28, 2020 the value of the DIP loan was forgiven by the Company and included as purchase consideration for the acquisition of the assets and business of JWC (Note 3).

Good Buds Company International Inc.

I. On August 20, 2019, the Company entered into an agreement to provide a $2.35 million non-revolving loan to Good Buds Company International Inc. ("Good Buds") at an interest rate of 11.5% per annum. The financing was used for expansion and construction of Good Buds' cultivation facility as well as for repaying outstanding shareholder loans. Good Buds has the option to prepay the entire balance of the loan, including all accrued and unpaid interest at the time, prior to maturity of the arrangement. If Good Buds were to exercise this prepayment option, it would be required to pay a prepayment premium, which is based on the lesser of six months' interest payable under the arrangement or the amount of remaining number of months' interest to the maturity date.

Good Buds has the ability to request an increase in the value of the loaned funds at any time, prior to maturity of the arrangement, up to a maximum of $2.50 million in additional funding and subject to approval of the Company. In connection with the lending arrangement, the Company was issued 950,000 common share purchase warrants of Good Buds.

In accordance with IFRS 9, the loan was recorded on issuance at fair value, with a principal value of $2.35 million, net of an original issue discount, transaction fees, an upfront lump sum payment of the aggregate monthly interest payments over the term of the loan, and the fair value of warrants (Note 8). The loan was subsequently recorded at amortized cost, with an effective interest rate of 28.7%, inclusive of the fair value of warrants issued on initial recognition. Excluding the fair value of warrants and transaction related costs, the loan has an effective annual interest rate of 17.5%. The loan was secured by all current and future acquired property, assets, and undertakings of the borrower and the guarantors.

The loan originally matured on September 1, 2020, however, on September 1, 2020, the maturity date of the loan was amended to November 2020, and was further amended subsequent to quarter-end (Note 22). As a result of deferring the maturity date of the loan, the Company recorded a net modification loss of $0.1 million during the three- and nine-month periods ended September 30, 2020. The Company also capitalized an insignificant amount of legal fees related to the loan modifications which took place during the three-month period ended September 30, 2020.

For the three- and nine-month periods ended September 30, 2020, the Company earned interest revenue of $0.16 and $0.46 million respectively on the loan (2019 - $0.06 and $0.06 million).

II. On April 6, 2020, the Company advanced a second tranche of senior secured financing to Good Buds with a face value of $0.55 million. This tranche was issued under similar terms as the original advance issued on August 20, 2019. The funds were advanced, net of an original issue discount, set-up fee, certain transaction costs, and an interest reserve account equal to the entire balance of interest owing over the life of the loan.

Similar to the $2.35 million tranche advanced on August 20, 2019, the second tranche has an annual interest rate of 11.5% and original maturity of September 1, 2020. The funds assisted Good Buds' with the acquisition of production equipment. As part of the advance, the Company also received 222,340 Good Buds warrants, which have an exercise price of $0.60 and expire on April 6, 2023 (Note 8).

In accordance with IFRS 9, the second tranche loan was recorded on issuance at fair value, net of its original issue discount, set-up fee, transaction costs, interest reserve account, and fair value of the warrants on issuance. The loan was subsequently recorded at amortized cost, with an effective annual interest rate of 34.9%, inclusive of the fair value of the warrants issued on initial recognition. Excluding the fair value of warrants and transaction related costs, the second tranche loan has an effective annual interest rate of 25.7%. The loan is secured by all current and future acquired property, assets, and undertakings of the borrower and the guarantors.

On September 1, 2020, the maturity date of the loan was amended to November 2020 and was further amended subsequent to quarter-end (Note 22). As a result of deferring the maturity date of the loan, the Company recorded a net modification loss of $0.03 million during the three- and nine-month periods ended September 30, 2020.

For the three- and nine-month periods ended September 30, 2020, the Company earned interest revenue of $0.05 and 0.09 million respectively on the loan.

Heritage Cannabis Holdings Corp.

On January 30, 2020, Trichome Financial entered into a senior secured term loan with Heritage Cannabis Holdings Corp. ("Heritage"). Trichome Financial agreed to advance up to $6.70 million by way of two tranches ($4.875 million for Tranche 1 and $1.825 million for Tranche 2), where the second tranche would not be advanced until certain conditions are met. The loan is secured by all current and future assets, property, and undertakings of all obligors listed in the security agreement. Trichome is no longer committed to providing additional funds to Heritage under Tranche 2.

The loan is for a period of two years and carries an interest rate of 9.5% per annum, payable monthly. Tranche 1 of the loan was issued on January 30, 2020, net of a set-up fee, an original issue discount, and an interest reserve account equal to nine months of interest payments.

Included in the loan arrangement with Heritage is a voluntary prepayment feature which allows Heritage to repay the loan in whole or in part, upon five business days' written notice to Trichome Financial. Any partial prepayment shall be in a minimum amount of $0.50 million. As part of the voluntary prepayment there is a prepayment premium paid by Heritage.

In accordance with IFRS 9, the loan was recorded at fair value on initial recognition of $4.22 million, which was net of a set-up fee, an interest reserve account equal to nine months of interest payments, an original issue discount, and certain transactions costs. Subsequent to initial recognition, the loan was recorded at amortized cost. The loan was recorded with an effective annual interest rate of 13.3%. Excluding the related transaction costs, the loan has an annual effective interest rate of 14.6%.

On September 29, 2020, the Company amended the terms of the loan agreement with Heritage. The amended terms included monthly principal repayments of $0.09 million commencing February 2021, with the remaining principal balance due on maturity. This is an adjustment from the original terms of the loan agreement, which contemplated principal repaid in full on maturity of the loan. Amending the principal repayment terms of the loan agreement resulted in a modification gain of $0.01 million for the three- and nine-month periods ended September 30, 2020.

For the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue of $0.15 and $0.4 million respectively.

Cresco Labs Inc.
On January 30, 2020, as a syndicate member, Trichome Financial entered into a senior secured term loan with Cresco Labs Inc. ("Cresco"). The syndicated loan was for aggregate proceeds of US$100.0 million, of which US$2.0 million was advanced by Trichome Financial, gross of a set-up fee.

The funds advanced to Cresco by the syndicate members will be held in a reserve account and are to be used to fund permitted acquisitions and investments, as defined in the lending arrangement. The loan is for a term of 18 months, with an annual interest rate of 12.7%. Interest payments are due quarterly, with principal due at maturity of the loan.

In accordance with IFRS 9, the loan was recorded at fair value on initial recognition of $2.62 million. Excluding the set-up fee, the loan has an annual effective interest rate of 14.8%. Subsequent to initial recognition, the loan was recorded at amortized costs. For the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue of $0.09 and $0.25 million respectively. For the three- and nine-month periods ended September 30, 2020, the Company recorded foreign exchange losses on the USD denominated loan of $0.06 and $0.003 million respectively.

2673943 Ontario Inc. ("Hello Cannabis")
On February 28, 2020, the Company entered into a loan agreement with Hello Cannabis. The senior secured term loan has a face value of $1.0 million, with the ability to increase the loan up to an additional $1.25 million. Upon closing, the Company advanced $1.0 million to Hello Cannabis, gross of a set-up fee and interest reserve account, to fund capital expenditures as well as inventory purchases. The Term Loan bears interest at a rate of 10.5% per annum with a maturity of 18 months.

In connection with the loan, the Company entered into a royalty agreement with Hello Cannabis. The royalty agreement includes a monthly fee based on 2.0% of monthly gross revenues of Hello Cannabis' retail location in Sault Ste. Marie, Ontario. The royalty agreement is for a period of 18 months commencing the first month after the month in which the retail location is operational and commenced in April 2020. The loan is secured by a first-ranking priority of all shares in the capital of each guarantor, together with the share certificates. The loan is also guaranteed by personal assets of the listed guarantors.

The loan was recorded at fair value on initial recognition of $0.91 million, which was net of a set-up fee, and an interest reserve account equal to five months of interest payments. Subsequent to initial recognition, the loan was recorded at FVTPL. The recognition of the loan at FVTPL is due to the fact that the monthly royalty interest payments, which are based on 2% of gross sales for the retail location, are considered variable interest payments and thus do not meet the *Simply Payments of Principal and Interest ("SPPI")* requirements under IFRS 9 to be recorded at amortized cost. The fair value of the loan was recorded with a reasonable market interest rate of 23.6%. Excluding the value of the royalty agreement and transaction costs, the loan has an interest rate of 13.1%. For the three- and nine-month periods ended September 30, 2020, the Company recorded interest revenue of $0.02 and $0.07 million respectively, as well royalty revenue of $0.04 and $0.06 million respectively. The Company recorded a net fair value gain of $0.05 million and a net fair value gain of $0.01 million for the three- and nine-month periods ended September 30, 2020. The fair value of the loan on September 30, 2020 was based on an updated forecast of variable interest payments over the remaining term of the loan. Management also took into consideration any expected credit losses which are expected to occur over the life of the loan. Finally, Management assessed the reasonableness of the discount rate used to determine the fair value of the loan on day one and noted no significant changes in the market interest rate for a loan with similar terms.

Certain potential borrowers have contributed funds towards due diligence deposits related to legal fees totaling $Nil as at September 30, 2020 (2019 - $0.03 million). Undrawn deposits are refundable to potential borrowers and are recorded as a liability.

Expected Credit Losses
The loans to Heritage and Cresco were classified as Stage 1 loans in the three-stage ECL model under IFRS 9 Under Stage 1, the expected credit loss is based on the expected loss from default on the cash inflows over 12 months from each reporting date. During the quarter, Good Buds was moved from a Stage 1 to Stage 2 ECL due to the requested principal payment extension.

The Initial, Tranche 1, and Tranche 2 loans to JWC were reclassified as Stage 3 on March 31, 2020, from Stage 2 at December 31, 2019, in connection with the borrower's filings under CCAA. The associated expected credit losses on each of the Initial, Tranche 1, and Tranche 2 loans were reversed during the three- and nine-month periods ended September 30, 2020, due to the forgiveness of the principal value of these loans in exchange for the acquisition of the assets and business of JWC (Note 3). The loan to Hello Cannabis is classified as FVTPL under IFRS 9. As a result, this loan does not have a stand alone ECL. Instead, the analysis of the expected amount of the future cash flows to be received are considered in determining the fair value of the loan at each reporting date.

As at September 30, 2020 the allowance for ECLs was $0.11 million (2019 - $0.33 million).

8. Derivative assets and investments

The fair values of the derivative assets and investments as at September 30, 2020 and December 31, 2019 are as follows:

		Inputs to Black-Scholes Models							
Derivatives	**Number**	**Exercise price**	**Share price**	**Life (years)**	**Volatility**	**Risk-free Rate**	**Fair Value / Warrant**	**Fair Value Gain/(Loss)**	**Total Value**
Value as at January 1, 2019	1,460,217							$ 17,314	$ 17,314
180 Smoke Inc. warrants	-	-	-	-	-	-	-	(7,129)	-
180 Smoke Inc. warrants	-	-	-	-	-	-	-	(10,185)	-
James E. Wagner Cultivation Corporation warrants	291,667	0.80	0.23	1.14	82.19%	1.69%	0.01	(80,801)	3,725
James E. Wagner Cultivation Corporation warrants	1,696,385	0.42	0.23	1.85	87.16%	1.69%	0.07	(139,853)	114,717
C.G.S. Foods Inc. warrants & warrants receivable	12	65,000	65,000	4.21	17.37%	1.68%	11,110	13,870	133,320
Good Buds Company International Inc. warrants	950,000	0.34	0.34	2.64	85.86%	1.71%	0.18	(86,632)	167,601
MYM Nutraceuticals Inc. warrants	1,500,000	0.30	0.10	2.44	57.52%	1.71%	0.01	12,613	12,613
MYM Nutraceuticals Inc. warrants	2,500,000	0.30	0.10	2.58	57.52%	1.71%	0.01	(425,041)	23,088
Total derivatives as at December 31, 2019	**6,938,064**							**$ (723,158)**	**$ 455,064**
Investments									
James E. Wagner Cultivation Corporation common shares	984,208						$ 0.23	$ (147,631)	$ 226,368
Total shares as at December 31, 2019	**984,208**							**$ (147,631)**	**$ 226,368**
Total derivatives and investments								**$ (870,789)**	**$ 681,432**

		Inputs to Black-Scholes Models							
Derivatives	**Number**	**Exercise price**	**Share price**	**Life (years)**	**Volatility**	**Risk-free Rate**	**Fair Value / Warrant**	**Fair Value Gain/(Loss)**	**Total Value**
Value as at January 1, 2020	6,938,064							$ (723,158)	$ 455,064
James E. Wagner Cultivation Corporation warrants	291,667	$ 0.80	$ -	-	83.09%	0.46%	$ -	$ (3,725)	$ -
James E. Wagner Cultivation Corporation warrants	1,696,385	0.42	-	-	84.41%	0.42%	-	(114,717)	-
C.G.S. Foods Inc. warrants & warrants receivable	12	65,000	66,041	3.45	82.21%	0.31%	12,024	10,965	144,285
Good Buds Company International Inc. warrants	950,000	0.08	0.08	1.89	99.31%	0.23%	0.040	(129,164)	38,437
Good Buds Company International Inc. warrants	222,340	0.08	0.08	2.52	99.31%	0.23%	0.05	(14,390)	10,142
MYM Nutraceuticals Inc. warrants	1,500,000	0.30	0.05	1.69	56.58%	0.23%	0.0002	(12,294)	319
Total derivatives as at September 30, 2020	**7,160,404**							**$ (285,680)**	**$ 193,916**
Investments									
James E. Wagner Cultivation Corporation common shares	1,052,500						$ -	$ (205,237)	$ -
James E. Wagner Cultivation Corporation common shares	984,208						-	(226,368)	-
Total shares as at September 30, 2020	**2,036,708**							**$ (431,605)**	**$ -**
Total derivatives and investments								**$ (717,285)**	**$ 193,916**

The table below outlines the sensitivities of certain key estimates used in the Black-Scholes option pricing model used to fair value the derivative assets on September 30, 2020:

Derivatives	**Number of warrants**	**Volatility**				**Share price***			
		+5%	+10%	-5%	-10%	+5%	+10%	-5%	-10%
C.G.S. Foods Inc. warrants & warrants receivable	12	$ 5,692	$ 11,211	$ (5,860)	$ (11,884)	$ 10,125	$ 20,366	$ (8,076)	$ (15,224)
Good Buds Company warrants	950,000	1,617	3,194	(1,653)	(3,343)	1,923	3,845	(1,921)	(3,843)
Good Buds Company warrants	222,340	403	792	(414)	(841)	508	1,015	(506)	(1,014)
MYM Nutraceuticals Inc. warrants	1,500,000	151	346	(114)	(195)		N/A		
MYM Nutraceuticals Inc. warrants	2,500,000	324	731	(249)	(431)		N/A		

**Only applicable in instances in which the company is privately held.*

James E. Wagner Cultivation Corporation
Upon entering the Initial Loan with JWC, 291,667 warrants were issued to the Company (Note 7). Subsequently, upon the issuance of the Tranche 1 loan (Note 7), Trichome Financial was issued an additional 1,696,385 common share purchase warrants of JWC. As part of the Tranche 1 lending arrangement, the Company also received 984,208 common shares of JWC. In connection with the Tranche 2 loan (Note 7), the Company received an additional 1,052,500 JWC common shares.

Pursuant to JWC filing for creditor protection through the CCAA process on April 1, 2020, JWC's common shares were delisted from the TSX Venture Exchange on April 7, 2020. As at September 30, 2020, the Company's common share purchase warrants and common shares of JWC were valued at Nil.

C.G.S. Food Inc. d/b/a Ganjika House
In connection with C.G.S Foods Facility B, originally entered into in March 2019, Trichome Financial was issued common share purchase warrants of CGS as well as the right to receive a variable number of additional warrants.

Good Buds Company International Inc.
As part of the $2.35 million lending arrangement with Good Buds entered on August 20, 2019 (Note 7), the Company received 950,000 common share purchase warrants. The warrants expire on August 20, 2022. Pursuant to the $0.55 million second tranche loan issued to Good Buds on April 6, 2020 (Note 7), the Company received an additional 222,340 common share purchase warrants. These warrants expire on April 6, 2023. All of the Good Buds common share purchase warrants issued to the Company as part of the August 20, 2019 and April 6, 2020 lending arrangements have an exercise price equal to the lesser of (1) $0.60 and (2) the lowest price below $0.60 at which Good Buds issues common shares or securities convertible into common shares. In the instance of a liquidity event for Good Buds, at a price per share less than 1.25x the exercise price or the adjusted exercise price, then the exercise price or adjusted exercise price of the warrants resets to 75% of the price per share. Given Good Buds is not a publicly traded company, the volatility used in the valuation model was based on the average volatility of comparable publicly traded companies in the cannabis industry.

MYM Nutraceuticals Inc.
Upon signing a term sheet with MYM in connection with the lending arrangement, the Company was issued 1,500,000 common share purchase warrants which expire on June 10, 2022. The warrants were to be returned to MYM if the Company decided not to advance funds under a definitive lending agreement, however, the Company would keep the warrants should MYM fail to enter into a definitive lending
agreement with the Company. By closing the lending arrangement with MYM, the Company received an
additional 2,500,000 common share purchase warrants, which expire on July 31, 2022.

9. Equity accounted investees

On August 13, 2020, the Company launched Trichome Financial Private Credit LP ("Trichome LP" or the "Fund") by entering an $8.0 million Purchase Facility (the "Facility") with Auxly Cannabis Group Inc. ("Auxly"). To finance the Facility, the Company, along with other participants, committed to contributing up to $7.63 million to the Fund, with an aggregate total of $4.82 million contributed by September 30, 2020. For the three and nine months ended September 30, 2020, the Company contributed an aggregate total of $0.32 million to Trichome LP, which represents a 6.55% participation interest. Certain other participants within the Fund are key management of the Company who are considered related parties in this arrangement (Note 14).

Trichome LP was launched to provide cannabis companies with short-term financing through recourse factoring account receivables with creditworthy counterparties, such as the provincial cannabis bodies. Factored accounts receivables within Trichome LP are managed at the discretion of Trichome Financial. The Company earns a 20% origination fee from third parties for purchased accounts receivable balances which are successfully repaid to Trichome LP.

In accordance with *IFRS 10 Consolidated Financial Statements,* Management has concluded that the Company is an agent of participants and therefore Trichome LP is not consolidated as part of the Company's consolidated condensed interim financial statements. Furthermore, in accordance with *IAS 28 Investments in Associates,* the Company has significant influence over Trichome LP, and therefore measures the investment in Trichome LP using the equity method.

The table below is a summary of the Company's investment in Trichome LP using the equity method for three and nine months ended September 30, 2020:

Opening balance - January 1, 2020	**$ -**
Contribution made during the period	315,531
Net loss pick up during the period	(640)
Ending balance - September 30, 2020	**$ 314,891**

The table below is a balance sheet and revenue summary for Trichome LP for the three- and nine-month periods ended September 30, 2020:

	Balance Sheet				**Revenue**	
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Three-months ended - September 30, 2020	Nine-months ended September 30, 2020
Trichome LP	**$ 4,834,412**	**$ -**	**$ (30,199)**	**$ -**	**$ 9,705**	**$ 9,705**

The Company factored its first invoices with Auxly on September 17, 2020.

10. Prepaid and other assets

Prepaid expenses and other assets were made up of the following amounts at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Rent	**$ 842,151**	$ -
Security deposit	**7,345**	7,345
Utilities	**26,682**	-
Insurance	**222,432**	34,303
Other	**64,120**	92,570
Total prepaid expenses	**$ 1,162,730**	$ 134,218

11. Property, plant and equipment

The following table summarizes the property, plant, and equipment activity for the three- and nine-month periods ended September 30, 2020:

Cost

	Opening balance	Additions through acquisition	Additions	**Ending balance**
Office furniture and equipment	$ -	$ 225,500	$ -	**$ 225,500**
Production equipment	-	2,320,622	54,738	**2,375,360**
Computer equipment	-	131,192	-	**131,192**
Leasehold improvements	-	11,020,352	-	**11,020,352**
Total - cost	-	13,697,666	54,738	**13,752,404**

Accumulated depreciation

	Opening balance	Depreciation	Adjustments	**Ending balance**
Office furniture and equipment	-	4,134	-	**4,134**
Production equipment	-	51,781	-	**51,781**
Computer equipment	-	6,614	-	**6,614**
Leasehold improvements	-	93,819	-	**93,819**
Total - accumulated depreciation	$ -	$ 156,348	$ -	**$ 156,348**

Total - net book value	$ - **$ 13,596,056**

Of the $0.16 million in depreciation expense for the three- and nine- month periods ended September 30, 2020, $0.15 million was recorded in cost of cannabis sales, while the remaining $0.01 million was recorded as depreciation expense as part operating expenses.

12. Right-of-use assets and lease obligations

The following table summarizes the Company's right-of-use asset activity for the three- and nine-month periods ended September 30, 2020:

	Net book value - January 1, 2020	Additions	Amortization	Net book value - September 30, 2020
Cultivation facilities	$ -	$ 11,047,558	$ (77,404)	**$ 10,970,154**
Total balance	$ -	$ 11,047,558	$ (77,404)	**$ 10,970,154**

Additions during the period are in relation to leases assumed by the Company through the acquisition of the assets of JWC (Note 3) on August 28, 2020. In determining the fair value of the right-of-use assets and lease obligations on acquisition of JWC, the Company used 12% and 17% as market interest rates to present value the future lease payments over the remaining term of the leases. The market interest rates used in these calculations were determined as reasonable rates at which the Company could borrow funds in the market to acquire similar assets as those under lease.

Of the $0.08 million in amortization expense, $0.03 million was recorded in cost of cannabis sales, while the remaining $0.05 million was recorded as amortization expense as part of operating expenses for three- and nine- month periods ended September 30, 2020.

The following table shows the breakdown of lease obligations related to the right-of-use assets as at September 30, 2020:

Total lease obligations	**$ 10,906,987**
Current portion of lease obligations	**(53,092)**
Long-term portion of lease obligations	**$ 10,853,895**

The following table summarizes the contractual undiscounted cash flows for the Company’s lease obligations as at September 30, 2020:

	Cultivation facilities
Within one year	**$ 1,709,840**
Two to five years	**8,586,832**
Six to thirteen years	**17,054,110**
	$ 27,350,782

Interest expense related to the lease obligations for the cultivation facilities was $0.15 million for the three and nine- month periods ended September 30, 2020, which has been recorded as an accrued liability. Total cash outflows for the same periods were $0.14 million.

Management has assessed the likelihood of exercising any optional lease terms. If the Company has an expectation that an optional lease term will be exercised at the end of the initial lease term, then Management has included the extension period(s) in the calculation of the right-of-use asset and lease liability values on day one. Management will record a lease modification gain or loss in subsequent periods if the Company alters its expectation regarding the likelihood of exercising lease extension options.

13. Intangible asset

The following tables summarize the Company's intangible assets and intangible asset activity for the three- and nine-month periods ended September 30, 2020:

Cost

	Opening balance	Additions	Disposals	**Ending balance**
Software	$ 19,633	$ 19,422	$ -	$ 39,055
Acquired cannabis plant genetics	-	135,000	-	135,000
Total intangible assets - cost	19,633	154,422	-	174,055

Accumulated amortization

	Opening balance	Additions	Disposals	**Ending balance**
Software	-	(620)	-	**(620)**
Acquired cannabis plant genetics	-	(4,950)	-	**(4,950)**
Total intangible assets - accumulated amortization	-	(5,570)	-	(5,570)
Total intangible assets - net book value	$ 19,633			**$ 168,485**

The Company acquired new genetics in connection with its cannabis licence prior to closing the acquisition of the assets of JWC.

Of the $0.006 million in amortization expense, $0.005 million was recorded in cost of cannabis sales, while the remaining $0.001 million was recorded as amortization expense as part of operating expenses for the three- and nine- month periods ended September 30, 2020.

14. Related party balances and transactions

Related party transactions

Prior to the RTO on October 4, 2019, the Company was a subsidiary of CannaRoyalty Corp. (d/b/a Origin House). All intercompany expenses were recorded as related party expenses and all balances due to or due from Origin House were recorded as due to or due from Trichome Financial's parent company. After completion of the RTO, Origin House held approximately 23% of the common shares of the Company and all intercompany transactions were considered related party transactions. All balances owing to or due
from Origin House at September 30, 2020, were recorded as due to or due from a related party and have been reclassified in the 2019 comparative period.

The Company recorded the following related party transactions during the three- and nine-month periods ended September 30, 2020:

- For part of the year, the Company's employees were included in the Origin House benefits plan. During the three- and nine-month periods ended September 30, 2020, nil and $12,329 of benefits expense (2019 - $7,615 and $26,907), were charged by Origin House to the Company.
- Stock based compensation expense for the three- and nine-month periods ended September 30, 2020 of nil and $1,932 (2019 - $3,139 and $13,280).

- For the three- and nine-month periods ended September 30, 2020, Origin House provided nil and $53,824 in administrative services (2019 - $36,642 and $104,930).
- For the three- and nine-month periods ended September 30, 2020, the Company purchased nil and $4,850 of computer equipment from the Origin House (2019 - Nil).
- During the three- and nine-month periods ended September 30, 2020, the Company was owed a $10,120 rebate from Origin House relating to payroll health taxes.

During the three- and nine-month periods ended September 30, 2020, the Company made a $15,442 payment to Origin House to offset the related party balance owing at the time. As at September 30, 2020, the Company recorded a balance owing to Origin House of $23,790 (2019 - receivable balance of $23,583) related to the above noted transactions. These transactions are in the normal course of operations and are measured at the exchange amounts agreed to by the related party.

As at September 30, 2020 the Company was owed $24,934 from Trichome Financial Cannabis Private Credit LP for operating expenses the Company has covered on behalf of the Fund.

Certain members of key management committed to contributing $0.3 million to Trichome Financial Cannabis Private Credit LP (Note 9) to finance the purchase of accounts receivable balances from third-party customers. As at September 30, 2020, these members of key management have contributed $0.19 million of the $0.3 million committed capital contributions.

Key management compensation
The Company recorded key management compensation in the form of share-based payment expense for the three- and nine-month periods ended September 30, 2020, in the amounts of $328,722 and $642,353 (2019 - $4,536 and $19,213). The Company also recorded key management compensation in the form of salaries and benefits for the three- and nine-month periods ended September 30, 2020 in the amounts of $239,458 and $603,048 (2019 - $31,275 and $153,405). For the three and month-periods ended September 30, 2020, the Company recorded a $135,870 consulting fee and accrued an additional consulting fee of $40,000 for work performed by a member of key management.

15. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of the following balances at September 30, 2020:

		September 30, 2020		December 31, 2019
Accounts payable	**$**	**675,460**	$	301,099
DSRA obligation		**-**		131,813
Accrued interest expense - convertible debt		**85,611**		-
Accrued interest expense - lease liabilities		**152,915**		-
Accrued payroll expenses		**736,923**		292,689
Other accrued expenses		**476,255**		538,559
Total amounts payable and accrued liabilities	**$**	**2,127,164**	$	1,264,160

16. Convertible debentures

On August 5, 2020, the Company closed a non-brokered private placement of 6,200 convertible debentures at a price of $1,000 per debenture for aggregate proceeds of $6.2 million. The convertible debentures have a 2-year term and carry an annual coupon rate of 9%, with interest paid quarterly along a calendar year. Each convertible debenture can be converted at the option of the holder into 770 common shares of the Company at any time prior to close of business on the business day immediately preceding the maturity date, at a conversion price equal to $1.30 ("the conversion price") per common share. The Company also has the right to require the holders of the convertible debentures to convert all of the principal amount of the then outstanding convertible debentures at the conversion price, if the five-day volume weighted average of the common shares for each of the twenty trading days prior to the date the Company provides notice via press release is equal to or greater than 130% of the conversion price. The Company can repay the principal and all outstanding accrued interest at any time throughout the term of the loan, without having to pay a penalty to the holders of the convertible debentures.

The Company allocated the above gross proceeds of $6.2 million as follows: $5.1 million was allocated to debt, $0.9 million was allocated to equity representing the conversion component of the convertible debt, and the remaining $0.2 million was allocated to contributed surplus, which represented the value of restricted share units issued as a finder's fee. The equity component representing the conversion feature was fair valued based on the residual value of the net proceeds, less the fair value of the debt component on issuance of the convertible debentures, and its proportionate share of transaction costs. The fair value of the debt component was determined by discounting the present value of the future cash flows associated with the debt using a market rate. Finally, the value of the restricted share units which were issued as a finder's fee and allocated to contributed surplus was based on the Company's stock price on the day of grant.

Management has noted that the discount rate used in determining the fair value of the debt component in the convertible debentures represents a significant unobservable input. However, Management does not expect a significant variation in the discount rate which would have a material impact on the value assigned to the debt and equity components of the convertible debentures.

For the three- and nine-month periods ended September 30, 2020, the Company recorded accretion expense of $0.07 million and recorded accrued interest payable of $0.09 million.

Gross proceeds from issuance of convertible debentures	$	6,200,000
Transaction costs*		(228,664)
Value of conversion feature on initial recognition		(852,256)
Accretion expense during the period		69,502
Closing balance at September 30, 2020	**$**	**5,188,582**

* Includes $192,548 of restricted share units which were issued as a finder's fee and considered a transaction cost

Subsequent to the initial recognition of the conversion feature on issuance of the convertible debentures, the Company recorded a deferred tax liability of $225,848, thus decreasing the value equity component to $626,408 for the three- and nine- month periods ended September 30, 2020.

17. Share capital

Common shares

Authorized

As at September 30, 2020, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued and outstanding

	Number of shares		Amount
Balance at January 1, 2019	**6,960,000**	**$**	**335,000**
Conversion of series A preferred shares on close of Trichome's RTO	9,513,902		16,332,200
Shares issued for series B subscription receipts	7,849,706		16,484,383
Shares issued for the reverse takeover of 22 Capital Corp.*	751,219		1,577,564
Share issuance costs on RTO	-		(879,108)
Balance at December 31, 2019	**25,074,827**	**$**	**33,850,039**
Restricted shares units converted to common shares in the period	108,750		228,375
Balance at September 30, 2020	**25,183,577**	**$**	**34,078,414**

*Number of shares adjusted down by one share from December 31, 2019. This relates to a fractional share adjustment in August 2020.

On September 18, 2017, 3.00 million common shares (or 1.00 million common shares pre the 3:1 share split noted below) were issued at $0.0017 per share. On March 12, 2018, additional common shares of 3.96 million (or 1.32 million common shares pre the 3:1 share split as noted below) were issued, at $0.083 per share.

On October 4, 2019, the Company completed a reverse takeover of 22 Capital Corp. Immediately prior to this reverse takeover, Trichome Financial executed a 3:1 share split of its existing issued and outstanding common shares. The 1.00 million common shares issued at inception of the Company and the 1.32 million common shares issued on March 12, 2018 converted to an aggregate of 6.96 million issued and outstanding common shares on completion of the 3:1 share split, without diluting the ownership interest of any individual shareholder.

As part of the RTO, Trichome Financial issued 0.75 million common shares to the shareholders of 22 Capital for cash proceeds of Nil and a fair value per share of $2.10. The issuance of these shares was accounted for as a transaction expense as part of the RTO, considering the RTO represented an amalgamation of the two companies, and did not qualify as a business combination under IFRS 3 - *Business Combinations.*

Additionally, upon completion of the RTO, the 3.17 million Class A preferred shares, which were issued as part of a private placement which closed on September 5, 2018, converted into 9.51 million issued and outstanding common shares of the Company. The $16.33 million accreted value of the preferred shares, which is net of the original issuance costs, was reclassified from a liability balance to share capital upon completion of the RTO.

Prior to the RTO, the Company issued subscriptions receipts as part of a Series B private placement, which represented 7.85 million common shares, issued at a price of $2.10 per share. Upon completion of the RTO, these subscription receipts were converted into common shares and $16.48 million, was converted from share deposits to share capital, representing gross proceeds raised from the issuance of the subscription receipts, net of issuance costs.

As at September 30, 2020, the Company had 3.28 million common shares held in escrow related to shares held by insiders of the Company. The shares are held in escrow related to the RTO and are released to their associated owners over time. The remaining amounts in escrow are scheduled to be released from escrow, equally, in October 2020 and April 2021.

Income (Loss) per share

The basic and diluted Net Income (Loss) Per Share has been calculated based on the following net income (loss) and the weighted average number of common shares outstanding:

	Three months ended		**Nine months ended**	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Net income (loss) for the period - applicable for basic earnings (loss) per share	**$ 112,892**	$ (1,117,908)	**$ (1,143,817)**	$ (3,147,227)
Dilution adjustment	**111,681**	$ -	**$ -**	$ -
Net income (loss) for the period - applicable for diluted earnings (loss) per share	**$ 224,573**	$ (1,117,908)	**$ (1,143,817)**	$ (3,147,227)
Issued and outstanding shares at beginning of period	**25,074,827**	6,960,000	**25,074,827**	6,960,000
Settlement of restricted share units	**33,099**	-	**11,114**	-
Net effect from vested and forfeited restricted share units	**1,593,005**	747,709	**1,352,830**	624,477
Effect from vested performance share units	**630,000**	420,000	**630,000**	420,000
Basic weighted average outstanding common shares	**27,330,931**	8,127,709	**27,068,771**	8,004,477
Dilution effect of convertible debentures	**2,903,010**	-	**-**	-
Dilution effect from restricted share units	**1,448,523**	-	**-**	-
Diluted weighted average outstanding common shares*	**31,682,464**	8,127,709	**27,068,771**	8,004,477
Basic earnings (loss) per share	**$ 0.00**	$ (0.14)	$ (0.04)	$ (0.39)
Diluted earnings (loss) per share	**$ 0.01**	$ (0.14)	$ (0.04)	$ (0.39)

The calculation of diluted and basic net loss per share for the three and nine-month periods ended September 30, 2020 and September 30, 2019 includes vested RSU's and the prior period comparative has been restated to reflect this.

Class A preferred shares and accretion expense

Trichome Financial issued 9.51 million Class A preferred shares (inclusive of the 3:1 share split which took place immediately prior to the RTO on October 4, 2019) as part of a private placement which closed on September 5, 2018 at $1.58 per share. Gross proceeds were $15.00 million, with issuance costs of $0.50 million. The shares were convertible to cash, at the option of the holder, for $1.72 per share should an initial public offering or a change in control not occur by September 5, 2019. As such, the Class A preferred shares were initially liability-classified on the Company's consolidated statement of financial position, and issuance costs were netted against the gross proceeds. In connection with the RTO, the Class A preferred shares were reclassified to equity, upon conversion to common shares of the Company. During the three- and nine-month periods ended September 30, 2020 Nil accretion expense was recorded (2019 - $0.35 million and $1.25 million) in connection with the liability-classified preferred shares.

Share-based compensation

The Company's Board of Directors approved an Equity Incentive Plan (the "share unit plan") as well as a separate Stock Option Plan (the "stock option plan") for its employees and directors effective October 8, 2019. The share unit plan is specifically for the issuance of performance and restricted share units ("PSUs" and "RSUs"), while the stock option plan is for the administration and issuance of stock options. Under the plans, the maximum number of common shares issuable pursuant to this plan shall not exceed 5,014,996 in aggregate, less the number of common shares issuable pursuant to awards outstanding under the Company's other security-based compensation plans. The number of PSUs, RSUs, and stock options granted, and any applicable vesting conditions related to those share-based payments are determined at the discretion of the compensation committee of the Board of Directors. Share-based reserve represents RSUs and PSUs that have vested, for which common shares have not yet been issued.

The following tables summarize the activity of equity awards for the three- and nine-month periods ended September 30, 2020:

RSUs	**Three months ended**			
	September 30, 2020		September 30, 2019	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of period	**3,000,300**	**$ 1.04**	1,625,300	$ 0.92
Granted during the period	**154,038**	**1.25**	-	-
Forfeited during the period	**(40,000)**	**1.58**	-	-
Converted to common shares during the period	**(108,750)**	**2.10**	-	-
Outstanding, end of period	**3,005,588**	**$ 1.00**	1,625,300	$ 0.92

RSUs			**Nine months ended**	
	September 30, 2020		September 30, 2019	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of period	**2,060,300**	**$ 1.17**	1,475,300	$ 0.85
Granted during the period	**1,094,038**	**0.82**	150,000	1.58
Forfeited during the period	**(40,000)**	**1.58**	-	-
Converted to common shares during the period	**(108,750)**	**2.10**	-	-
Outstanding, end of period	**3,005,588**	**$ 1.00**	1,625,300	$ 0.92

As at September 30, 2020 a total of 1.75 million RSUs have vested. The value of vested RSUs totals $1.76 million, which has been recorded in share-based reserve, and unvested totalled $1.47 million. The awards vest one-third or one-quarter upon grant, and one-third or one-quarter annually thereafter. The fair value of RSUs is determined based on the most recent common share issuance price at the grant date, which is a Level 3 input for all RSUs which were issued prior to the RTO. For any RSUs issued post-RTO, the fair value of the RSUs is a Level 1 input.

During the three- and nine-month periods ended September 30, 2020, the Company recorded share-based compensation expense related to RSUs of $0.17 and $0.75 million (2019 - $0.15 and $0.56 million). Note that 0.15 million RSUs issued during the three-month period ended September 30, 2020 were a finder's fee for the convertible debenture issuance on August 5, 2020 (Note 16) and therefore were capitalized to the liability and equity components of the compound financial instrument.

PSUs — **Three months ended**

	September 30, 2020		September 30, 2019	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of period	**630,000**	**$ 0.08**	630,000	$ 0.08
Granted during the period	**-**	**-**	-	-
Outstanding, end of period	**630,000**	**$ 0.08**	630,000	$ 0.08

PSUs — **Nine months ended**

	September 30, 2020		September 30, 2019	
	Amount	**Value per award**	Amount	Value per award
Outstanding, beginning of period	**630,000**	**$ 0.08**	630,000	$ 0.08
Granted during the period	**-**	**-**	-	-
Outstanding, end of period	**630,000**	**$ 0.08**	630,000	$ 0.08

As at September 30, 2020 all required performance milestones for the holders of PSUs had been achieved, and all PSUs were vested. The total amount of the vested PSUs at September 30, 2020 was $0.05 million.

During the three- and nine-month periods ended September 30, 2020, the Company recorded share-based compensation expense for PSUs of Nil (2019 - $0.001 and $0.004 million).

Options - Trichome Financial Corp.	**Three months ended**			
	September 30, 2020		September 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of period	**15,000**	**$ 1.58**	15,000	$ 1.58
Granted during the period	**-**	**-**	-	-
Expired during the period	**-**	**-**	-	-
Outstanding, end of period	**15,000**	**$ 1.58**	15,000	$ 1.58
Exercisable at the end of period	**15,000**	**$ 1.58**	10,000	$ 1.58

Options - Trichome Financial Corp.			**Nine months ended**	
	September 30, 2020			September 30, 2019
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of period	**85,208**	**$ 1.45**	15,000	$ 1.58
Granted during the period	**-**	**-**	-	-
Expired during the period	**(70,208)**	**1.42**	-	-
Outstanding, end of period	**15,000**	**$ 1.58**	15,000	$ 1.58
Exercisable at the end of period	**15,000**	**$ 1.58**	10,000	$ 1.58

The Company issued 70,208 stock options to the former shareholders of 22 Capital Corp., as part of the RTO on October 4, 2019. The options vested immediately and expired within six months of issuance on April 3, 2020. No options were exercised prior to expiry and all 70,208 stock options were therefore cancelled during the the three months ended June 30, 2020.

As at September 30, 2020, vested options total 15,000. The value of the vested and unexercised options totalled $0.06 million, of which the majority relates to the stock options issued as part of the RTO. The fair value of stock options was determined using the Black-Scholes option pricing model.

Options - Trichome JWC Acquisition Corp.	**Three months ended**			
	September 30, 2020		September 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of period	**-**	**$ -**	-	$ -
Granted during the period	**5,920,714**	**1.00**	-	-
Expired during the period	**-**	**-**	-	-
Outstanding, end of period	**5,920,714**	**$ 1.00**	-	$ -
Exercisable at the end of period	**2,960,357**	**$ 1.00**	-	$ -

Options - Trichome JWC Acquisition Corp.		**September 30, 2020**		**Nine months ended** September 30, 2019
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of period	**-**	**$ -**	-	$ -
Granted during the period	**5,920,714**	**1.00**	-	-
Expired during the period	**-**	**-**	-	
Outstanding, end of period	**5,920,714**	**$ 1.00**	-	$ -
Exercisable at the end of period	**2,960,357**	**$ 1.00**	-	$ -

As part of the acquisition of JWC on August 28, 2020, the Company implemented an equity incentive plan for its subsidiary - Trichome JWC Acquisition Corp. During the three- and nine-month periods ended September 30, 2020, the Company issued 5.9 million stock options to employees of the Company and Trichome JWC Acquisition Corp. Half of the stock options vest immediately upon grant, with the remaining half vesting equally, quarterly, over a one-year period from the grant date on August 28, 2020. The stock options have an exercise price of $1.00 and expire on the tenth anniversary of the grant date. For the three- and nine-month periods ended September 30, 2020 the Company recorded $0.3 and $0.3 million in stock compensation expense for the Trichome JWC Acquisition Corp. stock options.

The fair value of the Trichome JWC Acquisition Corp. stock options was determined using the black-scholes option pricing model. The inputs into said model were determined as follows:

- Stock price - determined as the net asset value of Trichome JWC Acquisition Corp. on the grant date of the stock options. The total number of outstanding common shares on that date and hence the value per share was determined based on the fully diluted share count of Trichome JWC Acquisition Corp. on the grant date.
- Volatility - average volatility of publicly listed comparable companies. Data points used to determine the volatility align with the expected life of the stock options.
- Expected life - based on the expected time when the stock options will be fully exercised by the holders.
- Risk-free rate - based on government of Canada bond yields at the time of grant, with similar expected lives as the stock options.

Contributed surplus

Contributed surplus is comprised of share-based compensation.

Non-controlling interest

The table below is the summarized financial information of the Company's subsidiary with non-controlling interests.

Assets	
Cash and cash equivalents	**$ 728,545**
Amounts receivable	**638,948**
Prepaid expenses and other assets	**1,133,723**
Inventory	**2,379,972**
Biological assets	**598,577**
Due from related parties	**1,455**
Intangible assets	**130,050**
Property plant and equipment	**13,596,056**
Right of use assets	**10,970,154**
Total assets	**30,177,480**
Liabilities and equity	
Amounts payable and accrued liabilities	**740,744**
Lease liabilities - current	**53,092**
Lease liabilities - long-term	**10,853,895**
Non-controlling interest	**(306,828)**
Equity attributable to the Company	**$ 18,836,577**

The net change in non-controlling interest is as follows for the three- and nine-month periods ended September 30, 2020:

Opening balance - January 1, 2020	**$ -**
TJAC equity incentive plan	**306,828**
Balance as at September 30, 2020	**$ 306,828**

18. General and administrative expense

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Salaries and benefits	**$ 577,271**	$ 188,471	**$ 1,116,248**	$ 518,986
Accrued bonuses	**179,358**	116,571	**416,827**	315,075
Professional fees	**328,585**	113,722	**574,132**	195,540
Marketing and investor relations	**60,117**	5,603	**193,401**	9,733
Executive and advisory fees	**-**	36,642	**53,826**	104,930
Rent and CAM fees	**56,996**	20,709	**96,879**	47,883
Insurance	**89,565**	9,255	**147,061**	27,765
Office and administration costs	**58,083**	29,280	**140,532**	52,111
Legal fees	**170,327**	178,540	**629,652**	259,251
Travel, meals, and entertainment costs	**11,229**	26,032	**25,335**	42,345
Transaction fees	**-**	-	**-**	8,475
Janitorial	**3,352**	-	**3,352**	-
Vehicles, equipment, and rentals	**10,311**	-	**10,311**	-
Licenses and permits	**7,761**	-	**7,761**	-
Repairs and maintenance	**7,289**	-	**7,289**	-
Shipping	**175**	-	**175**	-
Utilities	**29,056**	-	**29,056**	-
Public company costs	**7,966**	-	**42,536**	-
Total	**$ 1,597,441**	$ 724,825	**$ 3,494,373**	$ 1,582,094

19. Fair value of financial instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

			September 30, 2020	December 31, 2019
Cash and cash equivalents	FVTPL	Level 1	**$ 5,309,412**	$ 20,887,704
Investments	FVTPL	Level 1	**-**	226,368
Derivative assets	FVTPL	Level 2	**1,052**	154,143
Derivative assets	FVTPL	Level 3	**192,864**	300,921
Loans receivable	Amortized cost		**9,966,066**	7,023,217
Loans receivable	FVTPL	Level 3	**974,841**	-
Amounts receivable	Amortized cost		**732,675**	158,169
Amounts receivable	FVTPL	Level 1	**78,457**	-
Due from related parties	Amortized cost		**26,389**	23,583
Due to related parties	Amortized cost		**23,790**	-
Amounts payable	Amortized cost		**2,127,164**	1,264,160
Convertible debentures	Amortized cost		**5,188,582**	-

In the normal course of business, the Company holds various financial instruments, which by their nature involve risk, including liquidity risk, interest rate risk, and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Liquidity risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient, readily available capital in order to meet its liquidity requirements. Considering the capital intensity of the business, this includes analyzing expected future cash outflows for new lending arrangements, additional capital draw downs on existing loans, potential future equity investments, as well as cash requirements of the Company's active investments.

As at September 30, 2020, the Company's financial liabilities have contractual maturities as follows. The expected cash outflows are the undiscounted cash balances to be paid over the coming periods.

	0 - 12 months	2 - 5 years	5+ years	Total
Amounts payable, accrued liabilities, and other liabilities	$ 2,127,164	$ -	$ -	$ 2,127,164
Due from related parties	23,790	-	-	23,790
Convertible debentures	-	6,200,000	-	6,200,000
Lease liabilities	1,709,840	10,742,584	14,898,358	27,350,782
Total	$ 3,860,794	$ 16,942,584	$ 14,898,358	$ 35,701,736

With the acquisition of JWC on August 28, 2020, the Company's focus on cash outflows to support lending was refocused to also consider future working capital needs of JWC. The Company performs modelling and budgeting activities to assess liquidity needs.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic, greatly impacting financial markets and leading governments within the jurisdictions of the Company's borrowers to implement certain social distancing and quarantine measures. As at the date of these Financial Statements, any impact to the Company's borrowers is uncertain, however, the impact of COVID-19 may effect ECLs on a go-forward basis should any of the Company's borrowers be unable to maintain liquidity, cultivation activities, or sales to customers.

Interest rate risk

The Company's exposure to interest rate risk relates to risk of loss due to volatility of interest rates. The Company does not enter into lending arrangements where the interest rate is variable, which reduces its risk to the volatility of market rates. The Company's policy is to invest excess cash in investment grade short term guaranteed investment certificates. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks. The Company does not hold any loans at a floating rate.

The Company did not institute any changes to its interest rate strategy during the period.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposures to credit risk relates to the Company's amounts receivable and loans receivable balances. This risk is mitigated through due diligence performed on counterparties, and other contractual arrangements, which includes pledged assets of the borrower as collateral.

Trichome Financial generally assesses borrowers' management experience/integrity, financial health, business plans, capacity, products, customers, contracts, competitive advantages/disadvantages, and other pertinent factors when assessing credit risk. This includes the analysis of forward-looking financial forecasts. Management, using knowledge and experience in the cannabis industry, assesses the viability of the forecasts prepared by the borrower in order to determine the overall level of credit risk associated with the deployment of capital. On certain loans, interest is paid upfront by the borrower, in addition to set-up fees and original issuer discounts, in order to reduce credit risk. In some instances, loans may also include a minimum working capital surplus to be maintained by the borrower throughout the duration of the loan in order to reduce the risk of the borrower not being able to service their debt obligations with the Company. Finally, as an additional protection to reduce credit risk, the Company may also obtain derivative assets or equity instruments in the borrower when entering certain lending arrangements.

Obtaining these financial assets alleviates the credit risk associated with the capital deployed, as they can be liquidated to recoup any proceeds lost in the case of default on a loan.

In addition to due diligence and the factors noted above, Trichome Financial obtains approval from its Board of Directors for significant lending arrangements. Trichome Financial generally considers collateral of the underlying businesses, including property, plant and equipment, inventory, and receivables, in structuring its investments and managing credit risk. Trichome Financial actively monitors financial results of the underlying businesses regularly against the underlying business plans and industry trends. This typically includes comparing the borrower's forecasts originally considered when entering into the lending arrangement versus actual results. Using this information, Management will then reassess the borrowers' overall credit rating throughout the term of the loan and record an additional expected credit loss as needed, if it has been determined that the borrower's credit rating has diminished since entering the arrangement. As part of this assessment, Management will take into consideration whether or not the expected credit loss associated with the loan needs to be determined based on the expected losses over the next year, or alternatively, if the credit rating of the borrower has significantly diminished, the lifetime expected loss on the loan. There are currently no overdue amounts owing on the Company's loans receivable. If a borrower is not expected to repay the principal balance of the loan on maturity, the Company will amend the terms of the loan agreement to extend the maturity date of the loan.

Trichome Financial's borrowers are generally within the Canadian cannabis industry, however, Trichome Financial diversifies credit risk by lending to companies that operate in different Canadian geographic regions, as well as different sectors within the cannabis market such as cultivation, extraction, and retail.

The Company is also exposed to credit risk with respect to accounts receivable in connection with cannabis sales. Currently, these accounts receivable primarily relate to amounts owed by government provincial cannabis bodies, which the Company considers low risk counterparties. To address risks related to account receivables from non-government counterparties, the Company considers the financial health of the counterparty, and may require cash upfront in certain instances.

Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company has certain assets denominated in U.S. dollars that are affected by changes in exchange rates between the Canadian and U.S. dollar.

Capital management

The Company's objective when managing capital is to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company's capital is composed of equity and convertible debentures. The Company's primary uses of capital include both credit and equity investments with companies in the cannabis industry, as well as managing active cannabis production assets. The Company also uses capital to finance operations, capital expenditures, and increases in working capital. The Company currently manages these requirements through debt and equity financings and may need to raise additional funds to reach its goals. The Company's objective when managing capital is to ensure that the Company will continue to have enough liquidity to meet its obligations.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan and growth strategy. In order to maximize flexibility to finance growth of the business, the Company does not currently pay a dividend to holders of its common shares.

20. Segmented information

During the quarter, Trichome Financial operated under two separate reporting segments. Below is a summary of the financial performance, as well as select balance sheet amounts, of the individual segments during the nine-month period ended September 30, 2020.

Three borrowers generated 84% and 84% of total revenue during the three- and nine-month periods ended September 30, 2020, with the largest comprising 47% and 48% of total revenues respectively over those periods (for the three- and nine-month periods ended September 30, 2019, two borrowers generated 100% and three borrowers generated 98% of total revenues respectively, with the largest comprising 75% and 60% of total revenues respectively over those periods).

TJAC acquired the assets of JWC on August 28, 2020, and therefore, financial results for this segment represent a 33-day period.

	Trichome Financial Corp.	Trichome JWC Acquisition Corp.	Consolidated
Select income statement items:			
Medical cannabis sales (net of excise tax)	$ -	$ 6,366	**$ 6,366**
Interest revenue	926,078	-	**926,078**
Royalty and other revenue	37,707	-	**37,707**
Total revenue	963,785	6,366	**970,151**
Cost of cannabis sales	-	196,348	**196,348**
Realized fair value amount of inventory sold	-	-	**-**
Unrealized fair value on biological assets	-	-	**-**
General and administrative expenses	925,674	671,767	**1,597,441**
Expected credit loss	(426,631)	-	**(426,631)**
Share-based compensation expense	172,802	306,828	**479,630**
Depreciation and amortization expense not included in cost of cannabis sales	620	63,003	**63,623**
Total operating expenses	672,465	1,041,598	**1,714,063**
Gain (loss) from operations	291,320	(1,231,580)	**(940,260)**
Other operating expenses (income)	436,252	(1,263,556)	**(827,304)**
Net (loss) income before tax	(144,932)	31,976	**(112,956)**
Deferred tax recovery	225,848	-	**225,848**
Net income for the period	$ 80,916	$ 31,976	**$ 112,892**

	Trichome Financial Corp.	Trichome JWC Acquisition Corp.	Consolidated
Select segmented assets:			
Current and non-current loans receivable	$ 10,940,907	$ -	**$ 10,940,907**
Amounts receivable	261,068	638,948	**900,015**
Biological asset	-	598,577	**598,577**
Inventory	-	2,379,972	**2,379,972**
Equity accounted investees	314,891	-	**314,891**
Property, plant and equipment	-	13,596,056	**13,596,056**
Intangible assets	38,435	130,050	**168,485**
Right of use asset	-	10,970,154	**10,970,154**

21. Commitments and contingencies

Leases

The Company currently leases two cultivation facilities in Kitchener, Ontario as well as office space in Toronto, Ontario. Commitments over the coming years related to leased cultivation facilities are shown in more detail in Note 12. The leased office space in Toronto, Ontario is on a month-to-month basis and therefore does not have any significant lease commitments moving forward.

22. Subsequent events

On October 30, 2020, the Company sold its Cresco Labs Inc. loan receivable to an unrelated third party. The loan was sold for proceeds of USD$1.98 million (CAD$2.61 million) and resulted in a settlement gain of nil. Proceeds from the sale of the loan will be used by the Company to pursue further investment opportunities in the cannabis industry as well as to meet working capital needs.

On November 19, 2020, one of the Company's borrower, Good Buds, extended its repayment to December 2020. Good Buds is in the final stages of obtaining refinancing with a major lender, for which a portion of the proceeds is to be used to fully repay its loans to the Company.

PART II

INFORMATION NOT REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

Indemnification of Directors and Officers

The *Business Corporations Act* (British Columbia) (the "BCBCA") provides that a company may:

(a) indemnify an eligible party (as defined below) against all eligible penalties (as defined below) to which the eligible party is or may be liable; and
(b) after the final disposition of an eligible proceeding (as defined below), pay the expenses (as defined below) actually and reasonably incurred by an eligible party in respect of that proceeding.

However, after the final disposition of an eligible proceeding, a company must pay expenses actually and reasonably incurred by an eligible party in respect of that proceeding if the eligible party (i) has not been reimbursed for those expenses, and (ii) is wholly successful, on the merits or otherwise, or is substantially successful on the merits, in the outcome of the proceeding. The BCBCA also provides that a company may pay the expenses as they are incurred in advance of the final disposition of an eligible proceeding, if the company first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited under the BCBCA, the eligible party will repay the amounts advanced.

For the purposes of the BCBCA, an "eligible party", in relation to a company, means an individual who:

(a) is or was a director or officer of the company;

(b) is or was a director or officer of another corporation (i) at a time when the corporation is or was an affiliate of the company, or (ii) at the request of the company; or

(c) at the request of the company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity,

and includes, with some exceptions, the heirs and personal or other legal representatives of that individual.

An "associated corporation" means a corporation or entity referred to in paragraph (b) or (c) of the definition of "eligible party" above.

An "eligible penalty" under the BCBCA means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding.

An "eligible proceeding" under the BCBCA is a proceeding in which an eligible party or any of the heirs and personal or other legal representatives of the eligible party, by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the company or an associated corporation (i) is or may be joined as a party, or (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

"expenses" include costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding.

A "proceeding" includes any legal proceeding or investigative action, whether current, threatened, pending or completed.

Notwithstanding the foregoing, the BCBCA prohibits indemnifying an eligible party or paying the expenses of an eligible party if any of the following conditions apply:

(a) if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that such agreement was made, the company was prohibited from giving the indemnity or paying the expenses by its memorandum or articles;
(b) if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the company is prohibited from giving the indemnity or paying the expenses by its memorandum or articles;
(c) if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the company or the associated corporation, as the case may be; or
(d) in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

Additionally, if an eligible proceeding is brought against an eligible party by or on behalf of the company or by or on behalf of an associated corporation, the company must not (i) indemnify the eligible party in respect of the proceeding; or (ii) pay the expenses of the eligible party in respect of the proceeding.

Whether or not payment of expenses or indemnification has been sought, authorized or declined under the BCBCA, on the application of a company or an eligible party, the Supreme Court of British Columbia may do one or more of the following:

(a) order a company to indemnify an eligible party against any liability incurred by the eligible party in respect of an eligible proceeding;
(b) order a company to pay some or all of the expenses incurred by an eligible party in respect of an eligible proceeding;
(c) order the enforcement of, or any payment under, an agreement of indemnification entered into by a company;
(d) order a company to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order; or
(e) make any other order the court considers appropriate.

The BCBCA provides that a company may purchase and maintain insurance for the benefit of an eligible party or the heirs and personal or other legal representatives of the eligible party against any liability that may be incurred by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the company or an associated corporation.

The Registrant's articles define "eligible penalty" to mean a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. An "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Registrant (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Registrant (a) is or may be joined as a party; or (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

The Registrant's articles, subject to the BCBCA, provide that the Registrant must indemnify a director, former director or alternate director of the Registrant and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Registrant must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Registrant on the aforementioned terms.

The Registrant's articles further provide that subject to any restrictions in the BCBCA, the Registrant may indemnify any person and that the failure of a director, alternate director or officer of the Registrant to comply with the BCBCA or the Registrant's articles does not invalidate any indemnity to which he or she is entitled under the Registrant's articles.

The Registrant is authorized by its articles to purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who: (i) is or was a director, alternate director, officer, employee or agent of the Registrant; (ii) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Registrant; (iii) at the request of the Registrant, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity; (iv) at the request of the Registrant, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity; against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

The Registrant maintains directors' and officers' liability insurance coverage through primary and Side A policies covering the Registrant and its subsidiaries, with annual aggregate policy limits of US$5,000,000, subject to a corporate self-retention of US$5,000,000. This insurance provides indemnity to the Registrant and to its directors and officers as required or permitted by law for liability claim damages, including legal costs, incurred by officers, directors and alternate directors in their capacity as such. This policy, subject to its terms and conditions, may also provide coverage directly to individual directors and officers if they are not indemnified by the Registrant. The insurance coverage for directors and officers is subject to various terms, conditions, and exclusions.

* * *

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable.

EXHIBIT INDEX

Exhibit Number	Description
4.1	Annual Information Form of the Registrant dated January 27, 2021 (incorporated by reference from Exhibit 99.79 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.2	The Registrant's Audited Consolidated Financial Statements as at and for the financial year ended December 31, 2019, and related notes thereto, together with the independent auditor's report thereon (incorporated by reference from Exhibit 99.2 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.3	Management's Discussion and Analysis for the year and three months ended December 31, 2019 and 2018 (incorporated by reference from Exhibit 99.1 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.4	The Registrant's Unaudited Interim Condensed Consolidated Financial Statements for the three and nine-month periods ended September 30, 2020 and 2019, and related notes thereto (incorporated by reference from Exhibit 99.68 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.5	Management's Discussion and Analysis for the three and nine-month periods ended September 30, 2020 and 2019 (incorporated by reference from Exhibit 99.67 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.6	The Management Information Circular of the Registrant dated February 5, 2020 in connection with the annual general meeting of shareholders of the Registrant held on March 16, 2020 (incorporated by reference from Exhibit 99.13 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.7	The Management Information Circular of the Registrant dated November 12, 2020 in connection with the special meeting of shareholders of the Registrant held on December 16, 2020 (incorporated by reference from Exhibit 99.64 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.8	The Material Change Report of the Registrant dated January 8, 2021 related to the announcement of the definitive arrangement agreement between the Registrant and Trichome Financial Corp. (incorporated by reference from Exhibit 99.74 to the Registrant's Form 40-F, filed with the Commission on February 12, 2021)
4.9	The Material Change Report of the Registrant dated February 17, 2021 related to the completion of the consolidation of the Registrant's common shares on a four to one basis on February 12, 2021 (incorporated by reference from Exhibit 99.3 to the Registrant's Form 6-K, filed with the Commission on March 9, 2021)
4.10	The Material Change Report of the Registrant dated February 26, 2021 related to the appointments of Brian Schinderle and Haleli Barath to the Registrant's board of directors and concurrent resignations of Rafael Gabay and Steven Mintz from the Registrant's board of directors on February 22, 2021 (incorporated by reference from Exhibit 99.6 to the Registrant's Form 6-K, filed with the Commission on March 9, 2021)
4.11	The Material Change Report of the Registrant dated February 26, 2021 related to the Registrant's announcement on February 25, 2021 that its application to list the Registrant's common shares on the NASDAQ Capital Market was approved (incorporated by reference from Exhibit 99.7 to the Registrant's Form 6-K, filed with the Commission on March 9, 2021)

4.12	The Material Change Report of the Registrant dated March 25, 2021 related to the Registrant's completion of the acquisition of Trichome Financial Corp. (incorporated by reference from Exhibit 99.1 to the Registrant's Form 6-K, filed with the Commission on March 29, 2021)
5.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global
5.2	Consent of MNP LLP
6.1	Powers of Attorney (included on the signature page of the F-10 Registration Statement filed with the Commission on March 15, 2021)
7.1	Form of Indenture

PART III

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Item 1. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to Form F-10 or to transactions in said securities.

Item 2. Consent to Service of Process

A written Appointment of Agent for Service of Process and Undertaking on Form F-X for the Registrant and its agent for service of process was filed concurrently with the initial filing of this Registration Statement on Form F-10.

Any change to the name or address of the agent for service of process of the Registrant shall be communicated promptly to the Commission by amendment to Form F-X referencing the file number of this Registration Statement on Form F-10.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Amendment No. 1 to Form F-10 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Glil Yam, Country of Israel on March 31, 2021.

IM CANNABIS CORP.

By: */s/ Oren Shuster*
Name: Oren Shuster
Title: Chief Executive Officer and Director

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated and on the dates indicated.

Signature	**Capacity**	**Date**
/s/ Oren Shuster Oren Shuster	Chief Executive Officer and Director	March 31, 2021
* Shai Shemesh	Chief Financial Officer	March 31, 2021
* Marc Lustig	Director	March 31, 2021

*	Director	March 31, 2021
Vivian Bercovici		
*	Director	March 31, 2021
Brian Schinderle		
*	Director	March 31, 2021
Haleli Barath		

*By: */s/ Oren Shuster*
Name: Oren Shuster
Title: Attorney-in-fact

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, as amended, the undersigned has signed this Amendment No. 1 to the Registration Statement, in the capacity of the duly authorized representative of the Registrant in the United States, on March 31, 2021.

By: */s/ Brian Schinderle*
Name: Brian Schinderle
Title: Director

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the incorporation by reference of our report dated April 20, 2020, with respect to the consolidated financial statements IM Cannabis Corp. (the "Company") as at and for the years ended December 31, 2019 and 2018, in the Registration Statement on Form F-10 of the Company being filed with the United States Securities and Exchange Commission pertaining to the registration of up to an aggregate of US$250,000,000 of common shares, warrants, subscription receipts, debt securities and units of the Company.

/s/ Kost Forer Gabbay & Kasierer

Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

March 31, 2021

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the incorporation by reference of our report dated April 9, 2020, with respect to the consolidated financial statements Trichome Financial Corp. as at and for the years ended December 31, 2019 and 2018, in the Registration Statement on Form F-10 of IM Cannabis Corp. ("IMC") being filed with the United States Securities and Exchange Commission pertaining to the registration of up to an aggregate of US$250,000,000 of common shares, warrants, subscription receipts, debt securities and units of IMC.

Yours truly,

/s/ MNP LLP

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

March 31, 2021

IM CANNABIS CORP.
as Issuer

and

[ ]
as U.S. Trustee

and

[ ]
as Canadian Trustee

Indenture

Dated as of [ ]

TABLE OF CONTENTS

CROSS-REFERENCE TABLE

TIA Section		Indenture Section
310	(a)	6.08(1)
	(b)	6.09
	(c)	Not Applicable
311	(a)	6.05
	(b)	6.05
	(c)	Not Applicable
312	(a)	7.05
	(b)	7.03
	(c)	7.03
313	(a)	7.04
	(b)	7.04
	(c)	7.04
	(d)	7.05
314	(a)	7.05
	(a)(4)	10.04
	(b)	Not Applicable
	(c)(1)	1.01
	(c)(2)	1.01
	(d)	Not Applicable
	(e)	1.01
	(f)	Not Applicable
315	(a)	6.02
	(b)	6.01
	(c)	6.02
	(d)	6.02
	(e)	5.15
316	(a)(last sentence)	1.02 ("Outstanding")
	(a)(1)(A)	5.12
	(a)(1)(B)	5.02, 5.13
	(a)(2)	Not Applicable
	(b)	5.08
	(c)	1.04(e)
317	(a)(1)	5.03
	(a)(2)	5.04
	(b)	10.03
318	(a)	1.16

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of this Indenture.

INDENTURE, dated as of _____, among IM CANNABIS CORP., a corporation duly continued and existing under the laws of British Columbia, Canada (herein called the "**Company**"), having its principal office at Kibbutz Glil Yam, Central District, Israel 4690500, and _____, a _____, organized under the laws of _____, as U.S. trustee (herein called the "**U.S. Trustee**"), and _____, a _____, organized under the laws of _____, as Canadian trustee (the "**Canadian Trustee**" and, together with the U.S. Trustee, the "**Trustees**").

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debentures, notes, bonds or other evidences of indebtedness (herein called the "**Securities**"), which may be convertible into or exchangeable for any securities of any Person (including the Company), to be issued in one or more series as in this Indenture provided.

This Indenture is subject to the provisions of Trust Indenture Legislation that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01 Definitions.

"**Act**," when used with respect to any Holder, has the meaning specified in Section 1.04.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Authenticating Agent**" means any Person authorized by the applicable Trustee pursuant to Section 6.12 to act on behalf of such Trustee to authenticate Securities.

"**Authorized Newspaper**" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"**Base Currency**" has the meaning specified in Section 1.14.

"**Bearer Security**" means any Security except a Registered Security.

"**Board of Directors**" means the board of directors of the Company or any duly authorized committee thereof.

"**Board Resolution**" means a copy of a resolution certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustees.

"**Business Day**," when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.01, any day other than Saturday, Sunday or any other day on which commercial banking institutions in that Place of Payment or other location are permitted or required by any applicable law, regulation or executive order to close.

"**calculation period**" has the meaning specified in Section 3.11.

"**Canadian Trustee**" means the Person named as the "Canadian Trustee" in the first paragraph of this Indenture until a successor Canadian Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Canadian Trustee" shall mean or include each Person who is then a Canadian Trustee hereunder; *provided, however*, that if at any time there is more than one such Person, "Canadian Trustee" as used with respect to the Securities of any series shall mean only the Canadian Trustee with respect to Securities of that series.

"**Commission**" means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"**Common Depository**" has the meaning specified in Section 3.04.

"**Company**" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"**Company Request**" or "**Company Order**" means a written request or order signed in the name of the Company by an Officer and delivered to the Trustees.

"**Component Currency**" has the meaning specified in Section 3.12(h).

"**Conversion Date**" has the meaning specified in Section 3.12(d).

"**Conversion Event**" means the cessation of use of (i) a Foreign Currency (other than the Euro or other Currency unit) both by the government of the country which issued such Currency and by a central bank or other public institution of or within the international banking community for the settlement of transactions, (ii) the Euro or (iii) any currency unit (or composite currency) other than the Euro for the purposes for which it was established.

"**Corporate Trust Office**" means the principal corporate trust office of the U.S. Trustee or the Canadian Trustee, as applicable, at which at any particular time its corporate trust business may be administered, such an office on the date of execution of this Indenture of the U.S. Trustee is located at _____, Attention: _____, and of the Canadian Trustee is located at _____, Attention: _____, except that with respect to presentation of Securities for payment or for registration of transfer or exchange, such term shall mean the office or agency of the U.S. Trustee or the Canadian Trustee, as applicable, designated in writing to the Company at which, at any particular time, its corporate agency business shall be conducted.

"**coupon**" means any interest coupon appertaining to a Bearer Security.

"**covenant defeasance**" has the meaning specified in Section 14.03.

"**Currency**" means any currency or currencies, composite currency or currency unit or currency units, including, without limitation, the Euro, issued by the government of one or more countries or by any recognized confederation or association of such governments.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Defaulted Interest**" has the meaning specified in Section 3.07.

"**defeasance**" has the meaning specified in Section 14.02.

"**Depositary**" means, with respect to the Securities of any series issuable or issued in the form of one or more Registered Securities, the Person designated as Depositary by the Company pursuant to Section 3.05 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and, if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Registered Securities of that series.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

"**Dollar Equivalent of the Currency Unit**" has the meaning specified in Section 3.12(g).

"**Dollar Equivalent of the Foreign Currency**" has the meaning specified in Section 3.12(f).

"**Election Date**" has the meaning specified in Section 3.12(h).

"**Euro**" means the single currency of the participating member states from time to time of the European Union described in legislation of the European Counsel for the operation of a single unified European currency (whether known as the Euro or otherwise).

"**Event of Default**" has the meaning specified in Section 5.01.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Exchange Date**" has the meaning specified in Section 3.04.

"**Exchange Rate Agent**" means, with respect to Securities of or within any series, unless otherwise specified with respect to any Securities pursuant to Section 3.01, a New York clearing house bank, designated pursuant to Section 3.01 or Section 3.13.

"**Exchange Rate Officer's Certificate**" means a tested telex or a certificate setting forth (i) the applicable Market Exchange Rate and (ii) the Dollar or Foreign Currency amounts of principal, premium (if any) and interest (if any) (on an aggregate basis and on the basis of a Security having the lowest denomination principal amount determined in accordance with Section 3.02 in the relevant Currency), payable with respect to a Security of any series on the basis of such Market Exchange Rate, sent (in the case of a telex) or signed (in the case of a certificate) by the Chief Executive Officer, President or Chief Financial Officer of the Company.

"**Extension Notice**" has the meaning specified in Section 3.08.

"**Extension Period**" has the meaning specified in Section 3.08.

"**Final Maturity**" has the meaning specified in Section 3.08.

"**First Currency**" has the meaning specified in Section 1.15.

"**Foreign Currency**" means any Currency other than Currency of the United States.

"**GAAP**" means generally accepted accounting principles in Canada in effect from time to time, unless the Person's most recent audited or quarterly financial statements are not prepared in accordance with generally accepted accounting principles in Canada, in which case "GAAP" shall mean generally accepted accounting principles in the United States in effect from time to time.

"**Government Obligations**" means, unless otherwise specified with respect to any series of Securities pursuant to Section 3.01, securities which are (i) direct obligations of the government which issued the Currency in which the Securities of a particular series are payable or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the government which issued the Currency in which the Securities of such series are payable, the payment of which is unconditionally guaranteed by such government, which, in either case, are full faith and credit obligations of such government payable in such Currency and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt.

"**Holder**" means, in the case of a Registered Security, the Person in whose name a Security is registered in the Security Register and, in the case of a Bearer Security, the bearer thereof and, when used with respect to any coupon, shall mean the bearer thereof.

"**Indenture**" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, and shall include the terms of particular series of Securities established as contemplated by Section 3.01; *provided, however,* that, if at any time more than one Person is acting as Trustee under this instrument, "Indenture" shall mean, with respect to any one or more series of Securities for which such Person is Trustee, this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of the particular series of Securities for which such Person is Trustee established as contemplated by Section 3.01, exclusive, however, of any provisions or terms which relate solely to other series of Securities for which such Person is not Trustee, regardless of when such terms or provisions were adopted, and exclusive of any provisions or terms adopted by means of one or more indentures supplemental hereto executed and delivered after such Person had become such Trustee but to which such Person, as such Trustee, was not a party.

"**Indexed Security**" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"**interest**," when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity at the rate prescribed in such Original Issue Discount Security.

"**Interest Payment Date**," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"**Judgment Currency**" has the meaning specified in Section 1.14.

"**Lien**" means any mortgage, pledge, hypothecation, charge, assignment, deposit arrangement, encumbrance, security interest, lien (statutory or other), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any agreement to give or grant a Lien or any lease, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**mandatory sinking fund payment**" has the meaning specified in Section 12.01.

"**Market Exchange Rate**" means, unless otherwise specified with respect to any Securities pursuant to Section 3.01, (i) for any conversion involving a Currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant Currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 3.01 for the Securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon (New York City time) buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in New York City, Toronto, London or any other principal market for Dollars or such purchased Foreign Currency, in each case determined by the Exchange Rate Agent. Unless otherwise specified with respect to any Securities pursuant to Section 3.01, in the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii), the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, Toronto, London or another principal market for the Currency in question, or such other quotations as the Exchange Rate Agent shall deem appropriate. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in any Currency by reason of foreign exchange regulations or otherwise, the market to be used in respect of such Currency shall be that upon which a non-resident issuer of securities designated in such Currency would purchase such Currency in order to make payments in respect of such securities.

"**Maturity**," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, notice of redemption, notice of option to elect repayment or otherwise.

"**Notice of Default**" has the meaning specified in Section 6.01.

"**Officer**" means the Chair of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Operating Officer, any Executive Vice President, any Vice President, the Treasurer or the Corporate Secretary of the Company or, in the event that the Company is a partnership or a limited liability company that has no such officers, a person duly authorized under applicable law by the general partner, managers, members or a similar body to act on behalf of the Company.

"**Officer's Certificate**" means a certificate, which shall comply with this Indenture, signed by an Officer and delivered to the Trustees.

"**Opinion of Counsel**" means a written opinion of counsel, who may be counsel for the Company, including an employee of the Company, who shall be acceptable to the Trustees, which opinion may contain customary exceptions and qualifications as to the matters set forth therein.

"**Optional Reset Date**" has the meaning specified in Section 3.07.

"**optional sinking fund payment**" has the meaning specified in Section 12.01.

"**Original Issue Discount Security**" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02.

"**Original Stated Maturity**" has the meaning specified in Section 3.08.

"**Outstanding**," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by either Trustee or delivered to either Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption or repayment at the option of the Holder, money in the necessary amount has been theretofore deposited with either Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any coupons appertaining thereto; *provided* that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustees has been made;

(iii) Securities, except to the extent provided in Section 14.02 and Section 14.03, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Fourteen; and

(iv) Securities which have been paid pursuant to Section 3.06 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustees proof satisfactory to them that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders for quorum purposes, and for the purpose of making the calculations required by TIA Section 313, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.02, (ii) the principal amount of any Security denominated in a Foreign Currency that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the Dollar equivalent, determined as of the date such Security is originally issued by the Company as set forth in an Exchange Rate Officer's Certificate delivered to the Trustees, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent as of such date of original issuance of the amount determined as provided in clause (i) above) of such Security, (iii) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Security pursuant to Section 3.01, and (iv) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustees shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustees know to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustees the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"**Paying Agent**" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of, premium (if any) or interest (if any) on any Securities on behalf of the Company. Such Person must be capable of making payment in the Currency of the issued Security.

"**Person**" means any individual, corporation, body corporate, partnership, limited partnership, limited liability partnership, joint venture, limited liability company, unlimited liability company, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Place of Payment**" means, when used with respect to the Securities of or within any series, each place where the principal of, premium (if any) and interest (if any) on such Securities are payable as specified as contemplated by Sections 3.01 and 10.02.

"**Predecessor Security**" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or a Security to which a mutilated, destroyed, lost or stolen coupon appertains shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security or the Security to which the mutilated, destroyed, lost or stolen coupon appertains, as the case may be.

"**Privacy Laws**" has the meaning specified in Section 6.14.

"**rate(s) of exchange**" has the meaning specified in Section 1.14.

"**Redemption Date**," when used with respect to any Security to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

"**Redemption Price**," when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture, plus accrued and unpaid interest thereon to the Redemption Date.

"**Registered Security**" means any Security registered in the Security Register.

"**Regular Record Date**" for the interest payable on any Interest Payment Date on the Registered Securities of or within any series means the date specified for that purpose as contemplated by Section 3.01.

"**Repayment Date**" means, when used with respect to any Security to be repaid at the option of the Holder, the date fixed for such repayment pursuant to this Indenture.

"**Reset Notice**" has the meaning specified in Section 3.07.

"**Responsible Officer**," when used with respect to a Trustee, means any vice president, secretary, any assistant secretary, treasurer, any assistant treasurer, any senior trust officer, any trust officer, the controller within the corporate trust administration division of a Trustee or any other officer of a Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"**Securities**" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture; *provided, however,* that if at any time there is more than one Person acting as Trustee under this Indenture, "Securities" with respect to the Indenture as to which such Person is Trustee shall have the meaning stated in the first recital of this Indenture and shall more particularly mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

"**Security Register**" and "**Security Registrar**" have the respective meanings specified in Section 3.05.

"**Special Record Date**" for the payment of any Defaulted Interest on the Registered Securities of or within any series means a date fixed by the Trustees pursuant to Section 3.07.

"**Specified Amount**" has the meaning specified in Section 3.12(h).

"**Stated Maturity**," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security or a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may be extended pursuant to the provisions of Section 3.08 (if applicable).

"**Subsequent Interest Period**" has the meaning specified in Section 3.07.

"**Trust Indenture Act**" or "**TIA**" means the United States Trust Indenture Act of 1939, as amended, as in force at the date as of which this Indenture was executed, except as provided in Section 9.05.

"**Trust Indenture Legislation**" means, at any time, the provisions of (i) any applicable statute of Canada or any province or territory thereof and the regulations thereunder as amended or re-enacted from time to time, but only to the extent applicable, or (iii) the Trust Indenture Act and regulations thereunder, in each case, relating to trust indentures and to the rights, duties and obligations of trustees under trust indentures and of corporations issuing debt obligations under trust indentures, to the extent that such provisions are at such time in force and applicable to this Indenture or the Company or the Trustees.

"**Trustee**" or "**Trustees**" means the U.S. Trustee and the Canadian Trustee. If a Canadian Trustee is not appointed under this Indenture, or resigns or is removed and, pursuant to Section 6.09, the Company is not required to appoint a successor Trustee to the Canadian Trustee, "Trustee," "Trustees" and any reference to "either Trustee," "both of the Trustees" or such similar references shall mean the Person named as the U.S. Trustee or any successor thereto appointed pursuant to the applicable provisions of this Indenture. Except to the extent otherwise indicated, "Trustees" shall refer to the Canadian Trustee (if appointed and still serving) and the U.S. Trustee, both jointly and individually.

"**U.S. Federal Bankruptcy Code**" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

"**U.S. Trustee**" means the Person named as the "U.S. Trustee" in the first paragraph of this Indenture until a successor U.S. Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "U.S. Trustee" shall mean or include each Person who is then a U.S. Trustee hereunder; *provided, however,* that if at any time there is more than one such Person, "U.S. Trustee" as used with respect to the Securities of any series shall mean only the U.S. Trustee with respect to Securities of that series.

"**United States**" means, unless otherwise specified with respect to any Securities pursuant to Section 3.01, the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"**United States person**" means, unless otherwise specified with respect to any Securities pursuant to Section 3.01, an individual who is a citizen or resident of the United States, a corporation, partnership (including any entity treated as a corporation or as a partnership for United States federal income tax purposes) or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if (A) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (B) it has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

"**Valuation Date**" has the meaning specified in Section 3.12(c).

"**Writing**" has the meaning specified in Section 6.13.

"**Yield to Maturity**" means the yield to maturity, computed at the time of issuance of a Security (or, if applicable, at the most recent redetermination of interest on such Security) and as set forth in such Security in accordance with generally accepted United States bond yield computation principles.

SECTION 1.02 Rules of Construction.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Indenture have the meanings assigned to them herein and include the plural as well as the singular;

(2) all terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein, and the terms "cash transaction" and "self-liquidating paper," as used in TIA Section 319, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(3) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(4) "or" is not exclusive;

(5) words implying any gender shall apply to all genders;

(6) the words Subsection, Section and Article refer to the Subsections, Sections and Articles, respectively, of this Indenture unless otherwise noted; and

(7) "include," "includes" or "including" means include, includes or including, in each case, without limitation.

SECTION 1.03 Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustees to take any action under any provision of this Indenture, the Company shall furnish to the Trustees an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 10.04) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such covenant or condition has been complied with.

SECTION 1.04 Form of Documents Delivered to Trustees.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons may certify or give an opinion with respect to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, a certificate of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Any certificate or opinion of an officer of the Company or counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of, or representations by, an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the accounting matters upon which such certificate or opinion may be based are erroneous. Any certificate or opinion of any independent firm of public accountants filed with the Trustees shall contain a statement that such firm is independent.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.05 Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of the Outstanding Securities of all series or one or more series, as the case may be, may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. If Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustees and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act**" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustees and the Company, if made in the manner provided in this Section 1.05. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 15.06.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustees deem sufficient.

(c) The principal amount and serial numbers of Registered Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustees to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustees to be satisfactory. The Trustees and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustees by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may also be proved in any other manner that the Trustees deem sufficient.

(e) If the Company shall solicit from the Holders of Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding Trust Indenture Legislation, including TIA Section 316(c), such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; *provided* that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 1.06 Notices, Etc. to Trustees and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the U.S. Trustee, by the Canadian Trustee, any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the U.S. Trustee at its Corporate Trust Office, Attention: _____, or

(2) the Canadian Trustee, by the U.S. Trustee, any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Canadian Trustee at its Corporate Trust Office, Attention: _____, or

(3) the Company by either Trustee or any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or sent by overnight courier, to the Company at Kibbutz Glil Yam, Central District, Israel 4690500, Attention: Corporate Secretary or such other address and/or officer as the Company may designate on written notice to the Trustees.

SECTION 1.07 Notice to Holders; Waiver.

Where this Indenture provides for notice of any event to Holders of Registered Securities by the Company or the Trustees, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

In case, by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impractical to mail notice of any event to Holders of Registered Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustees shall be deemed to be sufficient giving of such notice for every purpose hereunder.

Except as otherwise expressly provided herein or otherwise specified with respect to any Securities pursuant to Section 3.01, where this Indenture provides for notice to Holders of Bearer Securities of any event, such notice shall be sufficiently given to Holders of Bearer Securities if published in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Securities on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice. Any such notice shall be deemed to have been given on the date of the first such publication.

In case, by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause, it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be satisfactory to the Trustees shall be deemed to be sufficient giving of such notice for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of such notice with respect to other Holders of Bearer Securities or the sufficiency of any notice to Holders of Registered Securities given as provided herein.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustees, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.08 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09 Successors and Assigns.

All covenants and agreements in this Indenture by the Company and the Trustees shall bind their successors and assigns, whether so expressed or not.

SECTION 1.10 Severability Clause.

In case any provision in this Indenture or in any Security or coupon shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11 Benefits of Indenture.

Nothing in this Indenture or in the Securities or coupons, express or implied, shall give to any Person, other than the parties hereto, any Authenticating Agent, any Paying Agent, any Securities Registrar and their successors hereunder and the Holders of Securities or coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture. Subject to Section 1.16, at all times in relation to this Indenture and any action to be taken hereunder, the Company and the Trustees each shall observe and comply with Trust Indenture Legislation and the Company, the Trustees and each Holder of a Security shall be entitled to the benefits of Trust Indenture Legislation.

SECTION 1.12 Governing Law.

This Indenture and the Securities and coupons shall be governed by and construed in accordance with the law of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. Each Trustee and the Company agrees to comply with all provisions of Trust Indenture Legislation applicable to or binding upon it in connection with this Indenture and any action to be taken hereunder. This Indenture is subject to the provisions of the Trust Indenture Act that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions. Notwithstanding the preceding sentence, the exercise, performance or discharge by the Canadian Trustee of any of its rights, powers, duties or responsibilities hereunder shall be construed in accordance with the laws of the Province of [Ontario] and the federal laws of Canada applicable thereto.

SECTION 1.13 Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date or Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment or other location contemplated hereunder, then (notwithstanding any other provision of this Indenture or of any Security or coupon other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section 1.13), payment of principal, premium (if any) or interest (if any), need not be made at such Place of Payment or other location contemplated hereunder on such date, but may be made on the next succeeding Business Day at such Place of Payment or other location contemplated hereunder with the same force and effect as if made on the Interest Payment Date or Redemption Date or sinking fund payment date, or at the Stated Maturity or Maturity; *provided* that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

SECTION 1.14 Agent for Service; Submission to Jurisdiction; Waiver of Immunities.

By the execution and delivery of this Indenture, the Company (i) acknowledges that it has irrevocably designated and appointed _____ as its authorized agent upon which process may be served in any suit, action or proceeding arising out of or relating to the Securities or this Indenture that may be instituted in any United States federal or New York state court located in The Borough of Manhattan, The City of New York, or brought by the Trustees (whether in their individual capacity or in their capacity as Trustees hereunder), (ii) irrevocably submits to the non-exclusive jurisdiction of any such court in any such suit or proceeding, and (iii) agrees that service of process upon _____ and written notice of said service to the Company (mailed or delivered to the Company at Kibbutz Glil Yam, Central District, Israel 4690500, Attention: Corporate Secretary or such other address and/or officer as the Company may designate on written notice to the Trustees), shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of _____ in full force and effect so long as this Indenture shall be in full force and effect.

To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Company hereby irrevocably waives such immunity in respect of its obligations under this Indenture and the Securities, to the extent permitted by law.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any such action, suit or proceeding in any such court or any appellate court with respect thereto. The Company irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any such action, suit or proceeding in any such court.

SECTION 1.15 Conversion of Judgment Currency.

(a) The Company covenants and agrees that the following provisions shall apply to conversion of Currency in the case of the Securities and this Indenture, to the fullest extent permitted by applicable law:

(i) If for the purposes of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into a Currency (the "**Judgment Currency**") an amount due or contingently due in any other Currency under the Securities of any series and this Indenture (the "**Base Currency**"), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the final judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(ii) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment referred to in (i) above is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Company shall pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in the Base Currency originally due.

(b) In the event of the winding-up of the Company at any time while any amount or damages owing under the Securities and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Company shall indemnify and hold the Holders and the Trustees harmless against any deficiency arising or resulting from any variation in rates of exchange between (1) the date as of which the equivalent of the amount in the Base Currency due or contingently due under the Securities and this Indenture (other than under this Subsection (b)) is calculated for the purposes of such winding-up and (2) the final date for the filing of proofs of claim in such winding-up. For the purpose of this Subsection (b) the final date for the filing of proofs of claim in the winding-up of the Company shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Company may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(c) The obligations contained in Subsections (a)(ii) and (b) of this Section 1.15 shall constitute separate and independent obligations of the Company from its other obligations under the Securities and this Indenture, shall give rise to separate and independent causes of action against the Company, shall apply irrespective of any waiver or extension granted by any Holder or the Trustees from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding up of the Company for a liquidated sum in respect of amounts due hereunder (other than under Subsection (b) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders or the Trustees, as the case may be, and no proof or evidence of any actual loss shall be required by the Company or its liquidator. In the case of Subsection (b) above, the amount of such deficiency shall not be deemed to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

The term "**rate(s) of exchange**" shall mean the rate of exchange quoted by a Canadian chartered bank as may be designated in writing by the Company to the Trustees from time to time, at its central foreign exchange desk in its main office in Ontario at 12:00 noon (Ontario time) on the relevant date for purchases of the Base Currency with the Judgment Currency and includes any premiums and costs of exchange payable. The Trustees shall have no duty or liability with respect to monitoring or enforcing this Section 1.15.

SECTION 1.16 Currency Equivalent.

Except as otherwise provided in this Indenture, for purposes of the construction of the terms of this Indenture or of the Securities, in the event that any amount is stated herein in the Currency of one nation (the "**First Currency**"), as of any date such amount shall also be deemed to represent the amount in the Currency of any other relevant nation which is required to purchase such amount in the First Currency at the Bank of Canada noon rate as reported by Telerate on screen 3194 (or such other means of reporting the Bank of Canada noon rate as may be agreed upon by each of the parties to this Indenture) on the date of determination.

SECTION 1.17 Conflict with Trust Indenture Legislation.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with any mandatory requirement of Trust Indenture Legislation, such mandatory requirement shall control. If and to the extent that any provision hereof modifies or excludes any provision of Trust Indenture Legislation that may be so modified or excluded, the latter provision shall be deemed to apply hereof as so modified or to be excluded, as the case may be.

SECTION 1.18 Incorporators, Shareholders, Officers and Directors of the Company Exempt from Individual Liability.

No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future shareholder, officer or director, as such, of the Company or of any successor, either directly or through the Company or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders and as part of the consideration for the issue of the Securities.

SECTION 1.19 Waiver of Jury Trial.

Each of the Company and the Trustees hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Indenture, the Securities or the transactions contemplated hereby.

SECTION 1.20 Counterparts.

This Indenture may be executed in any number of counterparts (either by facsimile or by original manual signature), each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

SECTION 1.21 Force Majeure.

Except for the payment obligations of the Company contained herein, neither the Company nor the Trustees shall be liable to each other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section 1.21.

ARTICLE TWO
SECURITIES FORMS

SECTION 2.01 Forms Generally.

The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series and related coupons, if any, shall be in substantially the forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the Officer executing such Securities or coupons, as evidenced by the execution of such Securities or coupons by such Officer. If the forms of Securities or coupons of any series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Corporate Secretary or an Assistant Secretary of the Company and delivered to the Trustees at or prior to the delivery of the Company Order contemplated by Section 3.03 for the authentication and delivery of such Securities or coupons. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

Unless otherwise specified as contemplated by Section 3.01, Bearer Securities shall have interest coupons attached.

Either Trustee's certificate of authentication shall be in substantially the form set forth in this Article Two.

SECTION 2.02 Form of Trustee's Certificate of Authentication.

Subject to Section 6.12, either Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

(Certificate of Authentication may be executed by either Trustee)

Dated: _____

_____, as U.S. Trustee, certifies that this is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

_____,
as U.S. Trustee

By: _____
Authorized Officer

Dated: _____

_____, as Canadian Trustee, certifies that this is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

_____,
as Canadian Trustee

By: _____
Authorized Officer

SECTION 2.03 Securities Issuable in Global Form.

If Securities of or within a series are issuable in global form, as specified and contemplated by Section 3.01, then any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities of such series from time to time endorsed thereon and that the aggregate amount of Outstanding Securities of such series represented thereby may from time to time be increased or decreased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustees in such manner and upon instructions given by the Holder or its nominee as shall be specified therein or in the Company Order to be delivered to the Trustees pursuant to Section 3.03 or 3.04. Subject to the provisions of Sections 3.03 and 3.04 (if applicable), the Trustees shall deliver and redeliver any Security in global form in the manner and upon instructions given by the Holder or its nominee as shall be specified therein or in the applicable Company Order. If a Company Order pursuant to Section 3.03 or Section 3.04 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 1.03 and need not be accompanied by an Opinion of Counsel.

Notwithstanding the provisions of Section 3.07, unless otherwise specified as contemplated by Section 3.01, payment of principal of, premium (if any) and interest (if any) on any Security in permanent global form shall be made to the Holder or its nominee specified therein.

Notwithstanding Section 3.09 and except as provided in the preceding paragraph, the Company, the Trustees and any agent of the Company and the Trustees shall treat as the Holder of such principal amount of Outstanding Securities represented by a permanent global Security (i) in the case of a permanent global Security in registered form, the Holder of such permanent global Security in registered form, or (ii) in the case of a permanent global Security in bearer form, the Depositary.

ARTICLE THREE
THE SECURITIES

SECTION 3.01 Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series and may be denominated and payable in Dollars or any Foreign Currency. There shall be established in one or more Board Resolutions or pursuant to authority granted by one or more Board Resolutions and set forth in, or determined in the manner provided in, an Officer's Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series, any or all of the following, as applicable:

(1) the title of the Securities of the series (which shall distinguish the Securities of such series from the Securities of all other series);

(2) the aggregate principal amount of the Securities of the series and any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer (including any restriction or condition on the transferability of the Securities of such series) of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.04, 3.05, 3.06, 9.06, 11.07 or 13.05) and, in the event that no limit upon the aggregate principal amount of the Securities of that series is specified, the Company shall have the right, subject to any terms, conditions or other provisions specified pursuant to this Section 3.01 with respect to the Securities of such series, to re-open such series for the issuance of additional Securities of such series from time to time;

(3) the extent and manner, if any, to which payment on or in respect of the Securities of the series will be senior or will be subordinated to the prior payment of other liabilities and obligations of the Company, and whether the payment of principal, premium (if any) and interest (if any) will be guaranteed by any other Person;

(4) the percentage or percentages of principal amount at which the Securities of the series will be issued;

(5) the date or dates, or the method by which such date or dates will be determined or extended, on which the Securities of the series may be issued and the date or dates, or the method by which such date or dates will be determined or extended, on which the principal of and premium (if any) on the Securities of the series is payable;

(6) the rate or rates at which the Securities of the series shall bear interest, whether fixed or variable (if any), or the method by which such rate or rates shall be determined, whether such interest shall be payable in cash or additional Securities of the same series or shall accrue and increase the aggregate principal amount outstanding of such series, the date or dates from which such interest shall accrue, or the method by which such date or dates shall be determined, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date, or the method by which such date or dates shall be determined, and the basis upon which interest shall be calculated if other than on the basis of a 360-day year of twelve 30-day months;

(7) the place or places, if any, other than or in addition to the Borough of Manhattan, The City of New York, where the principal of, premium (if any) and interest (if any) on Securities of the series shall be payable, where any Registered Securities of the series may be surrendered for registration of transfer, where Securities of the series may be surrendered for exchange, where Securities of the series that are convertible or exchangeable may be surrendered for conversion or exchange, as applicable and, if different than the location specified in Section 1.06, the place or places where notices or demands to or upon the Company in respect of the Securities of the series and this Indenture may be served;

(8) the period or periods within which, the date or dates on which, the price or prices at which, the Currency in which, and other terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option;

(9) the obligation, if any, of the Company to redeem, repay or purchase Securities of the series pursuant to any sinking fund, amortization or analogous provisions or at the option of a Holder thereof, and the period or periods within which, the price or prices at which, the Currency in which, and other terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(10) if other than denominations of $1,000 and any integral multiple thereof, the denomination or denominations in which any Registered Securities of the series shall be issuable and, if other than denominations of $5,000, the denomination or denominations in which any Bearer Securities of the series shall be issuable;

(11) the identity of each Security Registrar and/or Paying Agent;

(12) if other than the principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.02 or the method by which such portion shall be determined;

(13) if other than Dollars, the Foreign Currency in which payment of the principal of, premium (if any) or interest (if any) on the Securities of the series shall be payable or in which the Securities of the series shall be denominated and the particular provisions applicable thereto in accordance with, in addition to or in lieu of any of the provisions of Section 3.12;

(14) whether the amount of payments of principal of, premium (if any) or interest (if any) on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on one or more Currencies, commodities, equity indices or other indices), and the manner in which such amounts shall be determined;

(15) whether the principal of, premium (if any) or interest (if any) on the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a Currency other than that in which such Securities are denominated or stated to be payable, the period or periods within which (including the Election Date), and the terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the Currency in which such Securities are denominated or stated to be payable and the Currency in which such Securities are to be so payable, in each case in accordance with, in addition to or in lieu of any of the provisions of Section 3.12;

(16) the designation of the initial Exchange Rate Agent, if any;

(17) the applicability, if any, of Sections 14.02 and/or 14.03 to the Securities of the series and any provisions in modification of, in addition to or in lieu of any of the provisions of Article Fourteen that shall be applicable to the Securities of the series;

(18) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(19) any deletions from, modifications of or additions to the Events of Default or covenants (including any deletions from, modifications of or additions to Section 10.09) of the Company with respect to Securities of the series, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(20) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities (with or without coupons) or both, any restrictions applicable to the offer, sale or delivery of Securities of the series, whether any Securities of the series are to be issuable initially in temporary global form and whether any Securities of the series are to be issuable in permanent global form with or without coupons and, if so, whether beneficial owners of interests in any such permanent global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 3.05, whether Registered Securities of the series may be exchanged for Bearer Securities of the series (if permitted by applicable laws and regulations), whether Bearer Securities of the series may be exchanged for Registered Securities of such series, and the circumstances under which and the place or places where any such exchanges may be made and, if Securities of the series are to be issuable in global form, the designation of any Depositary therefor;

(21) the date as of which any Bearer Securities of the series and any temporary global Security of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(22) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, and the extent to which, or the manner in which, any interest payable on a temporary global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 3.04;

(23) if Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and/or terms of such certificates, documents or conditions;

(24) if the Securities of the series are to be issued upon the exercise of warrants or subscription receipts, the time, manner and place for such Securities to be authenticated and delivered;

(25) if the Securities of the series are to be convertible into or exchangeable for any securities or property of any Person (including the Company), the terms and conditions upon which such Securities will be so convertible or exchangeable, and any additions or changes to permit or facilitate such conversion or exchange;

(26) provisions as to modification, amendment or variation of any rights or terms attaching to the Securities;

(27) whether the Securities will be secured or unsecured and the nature and priority of any security; and

(28) any other terms, conditions, rights and preferences (or limitations on such rights and preferences) relating to the series (which terms shall not be inconsistent with the requirements of Trust Indenture Legislation or the provisions of this Indenture).

All Securities of any one series and the coupons appertaining to any Bearer Securities of such series shall be substantially identical except, in the case of Registered Securities, as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution (subject to Section 3.03) and set forth in such Officer's Certificate or in any such indenture supplemental hereto. Not all Securities of any one series need be issued at the same time, and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

If any of the terms of the series are established by action taken pursuant to one or more Board Resolutions, such Board Resolutions shall be delivered to the Trustees at or prior to the delivery of the Officer's Certificate setting forth the terms of the series.

SECTION 3.02 Denominations.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 3.01. With respect to Securities of any series denominated in Dollars, in the absence of any such provisions, the Registered Securities of such series, other than Registered Securities issued in global form (which may be of any denomination), shall be issuable in denominations of $1,000 and any integral multiple thereof and the Bearer Securities of such series, other than the Bearer Securities issued in global form (which may be of any denomination), shall be issuable in a denomination of $5,000 and any integral multiples thereof.

SECTION 3.03 Execution, Authentication, Delivery and Dating.

The Securities and any coupons appertaining thereto shall be executed on behalf of the Company by an Officer. The signature of an Officer on the Securities or coupons may be the manual or facsimile signatures of the present or any future such authorized officer and may be imprinted or otherwise reproduced on the Securities.

Securities or coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities or coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series together with any coupons appertaining thereto, executed by the Company to the applicable Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the applicable Trustee in accordance with such Company Order shall authenticate and deliver such Securities; *provided, however*, that, in connection with its original issuance, no Bearer Security shall be mailed or otherwise delivered to any location in the United States; *provided further* that, unless otherwise specified with respect to any series of Securities pursuant to Section 3.01, a Bearer Security may be delivered in connection with its original issuance only if the Person entitled to receive such Bearer Security shall have furnished a certificate in the form set forth in Exhibit A-1 to this Indenture, dated no earlier than 15 days prior to the earlier of the date on which such Bearer Security is delivered and the date on which any temporary Security first becomes exchangeable for such Bearer Security in accordance with the terms of such temporary Security and this Indenture. If any Security shall be represented by a permanent global Bearer Security, then, for purposes of this Section 3.03 and Section 3.04, the notation of a beneficial owner's interest therein upon original issuance of such Security or upon exchange of a portion of a temporary global Security shall be deemed to be delivery in connection with its original issuance of such beneficial owner's interest in such permanent global Security. Except as permitted by Section 3.06, the Trustees shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled. If not all the Securities of any series are to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustees for the issuance of such Securities and determining terms of particular Securities of such series such as interest rate, Stated Maturity, date of issuance and date from which interest shall accrue.

In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustees shall be entitled to receive, and (subject to Trust Indenture Legislation, including TIA Sections 315(a) through 315(d)) shall be fully protected in relying upon, an Opinion of Counsel stating:

(a) that the form or forms of such Securities and any coupons have been established in conformity with the provisions of this Indenture;

(b) that the terms of such Securities and any coupons have been established in conformity with the provisions of this Indenture;

(c) that such Securities, together with any coupons appertaining thereto, when completed by appropriate insertions and executed and delivered by the Company to the applicable Trustee for authentication in accordance with this Indenture, authenticated and delivered by the applicable Trustee in accordance with this Indenture and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms;

(d) the execution and delivery by the Company of such Securities, any coupons and any supplemental indenture will not contravene the articles of incorporation or continuance, or such other constating documents then in effect, if any, or the by-laws of the Company, or violate applicable laws; and

(e) that the Company has the corporate power to issue such Securities and any coupons, and has duly taken all necessary corporate action with respect to such issuance.

Notwithstanding the provisions of Section 3.01 and of the preceding two paragraphs, if not all the Securities of any series are to be issued at one time, it shall not be necessary to deliver the Officer's Certificate otherwise required pursuant to Section 3.01 or the Company Order and Opinion of Counsel otherwise required pursuant to the preceding two paragraphs prior to or at the time of issuance of each Security, but such documents shall be delivered prior to or at the time of issuance of the first Security of such series.

The Trustees shall not be required to authenticate and deliver any such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustees' own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustees.

Each Registered Security shall be dated the date of its authentication and each Bearer Security shall be dated as of the date specified as contemplated by Section 3.01.

No Security or coupon shall entitle a Holder to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the applicable Trustee by manual signature of an authorized officer thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustees for cancellation as provided in Section 3.10 together with a written statement (which need not comply with Section 1.03 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never entitle a Holder to the benefits of this Indenture.

SECTION 3.04 Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the applicable Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more coupons or without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the Officer executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form (which shall be exchanged in accordance with the provisions of the following paragraphs), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the applicable Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations and of like tenor and evidencing the same indebtedness; *provided, however*, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security;*provided further* that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 3.03. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

If temporary Securities of any series are issued in global form, any such temporary global Security shall, unless otherwise provided therein, be delivered to the office of the Depositary for credit to the respective accounts of the beneficial owners of such Securities (or to such other accounts as they may direct).

Without unnecessary delay, but in any event not later than the date specified in, or determined pursuant to the terms of, any such temporary global Security (the "**Exchange Date**"), the Company shall deliver to the Trustees definitive Securities, in aggregate principal amount equal to the principal amount of such temporary global Security and of like tenor and evidencing the same indebtedness, executed by the Company. On or after the Exchange Date, such temporary global Security shall be surrendered by the Depositary to the Trustees, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the applicable Trustee shall authenticate and deliver, in exchange for each portion of such temporary global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor and evidencing the same indebtedness as the portion of such temporary global Security to be exchanged. The definitive Securities to be delivered in exchange for any such temporary global Security shall be in bearer form, registered form, permanent global bearer form or permanent global registered form, or any combination thereof, as specified as contemplated by Section 3.01, and, if any combination thereof is so specified, as requested by the beneficial owner thereof; *provided, however*, that, unless otherwise specified in such temporary global Security, upon such presentation by the Depositary, such temporary global Security is accompanied by a certificate dated the Exchange Date or a subsequent date and signed by the Depositary as to the portion of such temporary global Security held for its account then to be exchanged and a certificate dated the Exchange Date or a subsequent date, each in the form set forth in Exhibit A-2 to this Indenture (or in such other form as may be established pursuant to Section 3.01); *provided further* that definitive Bearer Securities shall be delivered in exchange for a portion of a temporary global Security only in compliance with the requirements of Section 3.03.

Unless otherwise specified in such temporary global Security, the interest of a beneficial owner of Securities of a series in a temporary global Security shall be exchanged for definitive Securities of the same series and of like tenor and evidencing the same indebtedness following the Exchange Date when the account holder instructs the Depositary to request such exchange on his behalf and delivers to the Depositary a certificate in the form set forth in Exhibit A-1 to this Indenture (or in such other form as may be established pursuant to Section 3.01), dated no earlier than 15 days prior to the Exchange Date, copies of which certificate shall be available from the offices of the Depositary, the Trustees, any Authenticating Agent appointed for such series of Securities and each Paying Agent. Unless otherwise specified in such temporary global Security, any such exchange shall be made free of charge to the beneficial owners of such temporary global Security, except that a Person receiving definitive Securities must bear the cost of insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Securities in person at the offices of the Depositary. Definitive Securities in bearer form to be delivered in exchange for any portion of a temporary global Security shall be delivered only outside the United States and Canada.

Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor and evidencing the same indebtedness authenticated and delivered hereunder, except that, unless otherwise specified as contemplated by Section 3.01, interest payable on a temporary global Security on an Interest Payment Date for Securities of such series occurring prior to the applicable Exchange Date shall be payable to the Depositary on such Interest Payment Date upon delivery by the Depositary to the Trustees of a certificate or certificates in the form set forth in Exhibit A-2 to this Indenture (or in such other form as may be established pursuant to Section 3.01), for credit without further interest thereon on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such temporary global Security on such Interest Payment Date and who have each delivered to the Depositary a certificate dated no earlier than 15 days prior to the Interest Payment Date occurring prior to such Exchange Date in the form set forth in Exhibit A-1 to this Indenture (or in such other form as may be established pursuant to Section 3.01). Notwithstanding anything to the contrary herein contained, the certifications made pursuant to this paragraph shall satisfy the certification requirements of the preceding two paragraphs of this Section 3.04 and of the third paragraph of Section 3.03 and the interests of the Persons who are the beneficial owners of the temporary global Security with respect to which such certification was made will be exchanged for definitive Securities of the same series and of like tenor and evidencing the same indebtedness on the Exchange Date or the date of certification if such date occurs after the Exchange Date, without further act or deed by such beneficial owners. Except as otherwise provided in this paragraph, no payments of principal of, premium (if any) or interest (if any) owing with respect to a beneficial interest in a temporary global Security will be made unless and until such interest in such temporary global Security shall have been exchanged for an interest in a definitive Security. Any interest so received by the Depositary and not paid as herein provided shall be returned to the Trustees immediately prior to the expiration of two years after such Interest Payment Date in order to be repaid to the Company in accordance with Section 10.03.

SECTION 3.05 Registration, Registration of Transfer and Exchange.

So long as required by Trust Indenture Legislation, the Company shall cause to be kept at the Corporate Trust Offices of the Trustees a register for each series of Securities (the registers maintained in the Corporate Trust Offices of the Trustees and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "**Security Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of the Holders of Registered Securities and of transfers of Registered Securities. The Security Register shall be in written form or any other form capable of being converted into written form within a reasonable time. At all reasonable times, the Security Register shall be open to inspection by the Trustees. The Trustees are hereby initially appointed as security registrar (the "Security Registrar") for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided. The Company shall have the right to remove and replace from time to time the Security Registrar for any series of Securities; provided, however, that, no such removal or replacement shall be effective until a successor Security Registrar with respect to such series of Registered Securities shall have been appointed by the Company and shall have accepted such appointment by the Company. In the event that the Trustees shall not be or shall cease to be the Securities Registrar with respect to a series of Securities, they shall have the right to examine the Security Register for such series at all reasonable times. There shall be only one Securities Register for such series of Securities.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the applicable Trustee shall authenticate and deliver, in the name of the designated transferee, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor and evidencing the same indebtedness.

For Canadian Securities, the Security must be duly endorsed for transfer or in a duly endorsed transferable form as applicable and must comply with the current industry practice in accordance with the Securities Transfer Association of Canada.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series, of any authorized denomination and of a like aggregate principal amount and tenor and evidencing the same indebtedness, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the applicable Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified with respect to any series of Securities as contemplated by Section 3.01, Bearer Securities may not be issued in exchange for Registered Securities.

If (but only if) expressly permitted in or pursuant to the applicable Board Resolution and (subject to Section 3.03) set forth in the applicable Officer's Certificate, or in any indenture supplemental hereto, delivered as contemplated by Section 3.01, at the option of the Holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denomination and of a like aggregate principal amount and tenor and evidencing the same indebtedness, upon surrender of the Bearer Securities to be exchanged at the office of the applicable Trustee, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, any such permitted exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustees if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; *provided, however*, that, except as otherwise provided in Section 10.02, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in a permitted exchange for a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the applicable Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 3.01, any permanent global Security shall be exchangeable only as provided in this Section. If any beneficial owner of an interest in a permanent global Security is entitled to exchange such interest for Securities of such series and of like tenor and principal amount of another authorized form and denomination, as contemplated by Section 3.01 and provided that any applicable notice provided in the permanent global Security shall have been given to the Company, the Trustees and the Depositary, then without unnecessary delay but in any event not later than the earliest date on which such interest may be so exchanged, the Company shall deliver to the applicable Trustee definitive Securities in aggregate principal amount equal to the principal amount of such beneficial owner's interest in such permanent global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such permanent global Security shall be surrendered by the Depositary or such other depositary as shall be specified in the Company Order with respect thereto to the applicable Trustee, as the Company's agent for such purpose, to be exchanged in whole or from time to time in part, for definitive Securities without charge, and the applicable Trustee shall authenticate and deliver, in exchange for each portion of such permanent global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such permanent global Security to be exchanged which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as specified as contemplated by Section 3.01, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof. No Bearer Security delivered in exchange for a portion of a permanent global Security shall be mailed or otherwise delivered to any location in the United States or Canada. If a Registered Security is issued in exchange for any portion of a permanent global Security after the close of business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such permanent global Security is payable in accordance with the provisions of this Indenture.

Transfers of global Securities shall be limited to transfers in whole, but not in part, to the Depositary, its successors or their respective nominees. If at any time the Depositary for Securities of a series notifies the Company that it is unwilling, unable or no longer qualifies to continue as Depositary for Securities of such series or if at any time the Depositary for such series shall no longer be registered or in good standing under the Exchange Act, or other applicable statute or regulation, the Company shall appoint a successor Depositary for the Securities of such series. If a successor to the Depositary for Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, the Company's election pursuant to Section 3.01 shall no longer be effective with respect to the Securities for such series and the Company will execute, and the applicable Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive, registered form, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the global Security or Securities representing such series and evidencing the same indebtedness in exchange for such global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more global Securities shall no longer be represented by such global Security or Securities. In such event the Company will execute, and the applicable Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive, registered form, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the global Security or Securities representing such series and evidencing the same indebtedness in exchange for such global Security or Securities.

Upon the exchange of a global Security for Securities in definitive registered form, such global Security shall be cancelled by the applicable Trustee. Securities issued in exchange for a global Security pursuant to this Section 3.05 shall be registered in such names and in such authorized denominations as the Depositary for such global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the applicable Trustee in writing. The applicable Trustee shall deliver such Securities to the Persons in whose names such Securities are so registered.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar or applicable securities transfer industry practices) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

Any registration of transfer or exchange of Securities may be subject to service charges by the Securities Registrar and the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04, 9.06, 11.07 or 13.05 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series in definitive form during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of that series under Section 11.03 or 12.03 and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, (C) if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security in definitive form so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; *provided* that such Registered Security shall be simultaneously surrendered for redemption, or (iv) to issue, register the transfer of or exchange any Security in definitive form which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

SECTION 3.06 Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the applicable Trustee, the Company shall execute and the applicable Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and evidencing the same indebtedness and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security, or, in case any such mutilated Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security, pay such Security or coupon. If there shall be delivered to the Company and to the Trustees (i) evidence to their satisfaction of the destruction, loss or theft of any Security or coupon and (ii) such security (or surety in the case of the Canadian Trustee) or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustees that such Security or coupon has been acquired by a bona fide purchaser , the Company shall execute and upon Company Order the applicable Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security for which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a new Security of the same series and of like tenor and principal amount and evidencing the same indebtedness and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains.

Notwithstanding the provisions of the previous two paragraphs, in case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, with coupons corresponding to the coupons, if any, appertaining to such mutilated, destroyed, lost or stolen Security or to the Security to which such mutilated, destroyed, lost or stolen coupon appertains, pay such Security or coupon; *provided, however*, that payment of principal of, premium (if any) and interest (if any) on Bearer Securities shall, except as otherwise provided in Section 10.02, be payable only at an office or agency located outside the United States and Canada and, unless otherwise specified as contemplated by Section 3.01, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section 3.06, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustees) connected therewith.

Every new Security of any series with its coupons, if any, issued pursuant to this Section 3.06 in lieu of any mutilated, destroyed, lost or stolen Security or in exchange for a Security to which a mutilated, destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security and its coupons, if any, or the mutilated, destroyed, lost or stolen coupon shall be at any time enforceable by anyone, and the Holders of such Security shall be entitled to all the benefits of this Indenture equally and proportionately with the Holders of any and all other Securities of that series and their coupons, if any, duly issued hereunder.

The provisions of this Section 3.06 as amended or supplemented pursuant to this Indenture with respect to a particular series of Securities or generally are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

SECTION 3.07 Payment of Principal, Premium and Interest; Interest Rights Preserved; Optional Interest Reset

(a) Unless otherwise provided as contemplated by Section 3.01 with respect to any series of Securities, interest (if any) on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid by the Paying Agent to the Person in whose name such Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 10.02; *provided, however*, that each installment of interest (if any) on any Registered Security may at the Company's option be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto pursuant to Section 3.09, to the address of such Person as it appears on the Security Register or (ii) wire transfer to an account located in the United States maintained by the Person entitled to such payment as specified in the Security Register. Unless otherwise provided as contemplated by Section 3.01 with respect to any series of Securities, principal and premium (if any) paid in relation to any Security shall be paid to the Holder of such Security only upon presentation and surrender of such Security at the office or agency of the Company maintained for such purpose pursuant to Section 10.02.

Unless otherwise provided as contemplated by Section 3.01 with respect to the Securities of any series, payment of interest (if any) may be made, in the case of a Bearer Security, by transfer to an account located outside the United States and Canada maintained by the payee.

Unless otherwise provided as contemplated by Section 3.01, every permanent global Security will provide that interest (if any) payable on any Interest Payment Date will be paid to the Depositary with respect to that portion of such permanent global Security held for its account by the Depositary, for the purpose of permitting the Depositary to credit the interest (if any) received by it in respect of such permanent global Security to the accounts of the beneficial owners thereof.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such defaulted interest and, if applicable, interest on such defaulted interest (to the extent lawful) at the rate specified in the Securities of such series (such defaulted interest and, if applicable, interest thereon herein collectively called "**Defaulted Interest**") must be paid by the Company as provided for in either clause (1) or (2), at the Company's election:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustees in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the applicable Trustee an amount of money in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustees for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustees shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustees of the notice of the proposed payment. The Trustees shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided in Section 1.07, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose name the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on the Registered Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and, upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustees of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustees.

(b) The provisions of this Section 307(b) may be made applicable to any series of Securities pursuant to Section 3.01 (with such modifications, additions or substitutions as may be specified pursuant to such Section 3.01). The interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) on any Security of such series may be reset by the Company on the date or dates specified on the face of such Security (each an "**Optional Reset Date**"). The Company may exercise such option with respect to such Security by notifying the Trustees of such exercise at least 50 but not more than 60 days prior to an Optional Reset Date for such Security. Not later than 40 days prior to each Optional Reset Date, the Trustees shall transmit, in the manner provided for in Section 1.07, to the Holder of any such Security a notice (the "**Reset Notice**") indicating whether the Company has elected to reset the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable), and if so (i) such new interest rate (or such new spread or spread multiplier, if applicable) and (ii) the provisions, if any, for redemption during the period from such Optional Reset Date to the next Optional Reset Date or if there is no such next Optional Reset Date, to the Stated Maturity of such Security (each such period a "**Subsequent Interest Period**"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to the Optional Reset Date, the Company may, at its option, revoke the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) provided for in the Reset Notice and establish an interest rate (or the spread or spread multiplier, if applicable) that is higher than the interest rate (or the spread or spread multiplier, if applicable) provided for in the Reset Notice, for the Subsequent Interest Period by causing the Trustees to transmit, in the manner provided for in Section 1.07, notice of such higher interest rate (or such higher spread or spread multiplier, if applicable) to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) is reset on an Optional Reset Date, and with respect to which the Holders of such Securities have not tendered such Securities for repayment (or have validly revoked any such tender) pursuant to the next succeeding paragraph, will bear such higher interest rate (or such higher spread or spread multiplier, if applicable).

The Holder of any such Security will have the option to elect repayment by the Company of the principal of such Security on each Optional Reset Date at a price equal to the principal amount thereof plus interest accrued to such Optional Reset Date. In order to obtain repayment on an Optional Reset Date, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders except that the period for delivery or notification to the Trustees shall be at least 25 but not more than 35 days prior to such Optional Reset Date and except that, if the Holder has tendered any Security for repayment pursuant to the Reset Notice, the Holder may, by written notice to the Trustees, revoke such tender or repayment until the close of business on the tenth day before such Optional Reset Date.

Subject to the foregoing provisions of this Section 3.07 and Section 3.05, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 3.08 Optional Extension of Stated Maturity.

The provisions of this Section 3.08 may be made applicable to any series of Securities pursuant to Section 3.01 (with such modifications, additions or substitutions as may be specified pursuant to such Section 3.01). The Stated Maturity of any Security of such series may be extended at the option of the Company for the period or periods specified on the face of such Security (each an "**Extension Period**") up to but not beyond the date (the "**Final Maturity**") set forth on the face of such Security. The Company may exercise such option with respect to any Security by notifying the Trustees of such exercise at least 50 but not more than 60 days prior to the Stated Maturity of such Security in effect prior to the exercise of such option (the "**Original Stated Maturity**"). If the Company exercises such option, the Trustees shall transmit, in the manner provided for in Section 1.07, to the Holder of such Security not later than 40 days prior to the Original Stated Maturity a notice (the "**Extension Notice**") indicating (i) the election of the Company to extend the Stated Maturity, (ii) the new Stated Maturity, (iii) the interest rate (if any) applicable to the Extension Period and (iv) the provisions, if any, for redemption during such Extension Period. Upon the Trustees' transmittal of the Extension Notice, the Stated Maturity of such Security shall be extended automatically and, except as modified by the Extension Notice and as described in the next paragraph, such Security will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing, not later than 20 days before the Original Stated Maturity of such Security, the Company may, at its option, revoke the interest rate provided for in the Extension Notice and establish a higher interest rate for the Extension Period by causing the Trustees to transmit, in the manner provided for in Section 1.07, notice of such higher interest rate to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the Stated Maturity is extended will bear such higher interest rate.

If the Company extends the Maturity of any Security, the Holder will have the option to elect repayment of such Security by the Company on the Original Stated Maturity at a price equal to the principal amount thereof, plus interest accrued to such date. In order to obtain repayment on the Original Stated Maturity once the Company has extended the Maturity thereof, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders, except that the period for delivery or notification to the Trustees shall be at least 25 but not more than 35 days prior to the Original Stated Maturity and except that, if the Holder has tendered any Security for repayment pursuant to an Extension Notice, the Holder may by written notice to the Trustees revoke such tender for repayment until the close of business on the tenth day before the Original Stated Maturity.

SECTION 3.09 Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustees and any agent of the Company or the Trustees may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium (if any) and (subject to Sections 3.05 and 3.07) interest (if any) on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustees or any agent of the Company or the Trustees shall be affected by notice to the contrary.

Title to any Bearer Security and any coupons appertaining thereto shall pass by delivery. The Company, the Trustees and any agent of the Company or the Trustees may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or coupons be overdue, and none of the Company, the Trustees or any agent of the Company or the Trustees shall be affected by notice to the contrary.

The Depositary for Securities may be treated by the Company, the Trustees, and any agent of the Company or the Trustees as the owner of such global Security for all purposes whatsoever. None of the Company, the Trustees, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Notwithstanding the foregoing, with respect to any global Security, nothing herein shall prevent the Company, the Trustees, or any agent of the Company or the Trustees, from giving effect to any written certification, proxy or other authorization furnished by any Depositary, as a Holder, with respect to such global Security or impair, as between such Depositary and owners of beneficial interests in such global Security, the operation of customary practices governing the exercise of the rights of such Depositary (or its nominee) as Holder of such global Security.

SECTION 3.10 Cancellation.

All Securities and coupons surrendered for payment, redemption, repayment at the option of the Holder, registration of transfer or exchange or for credit against any current or future sinking fund payment shall, if surrendered to any Person other than a Trustee, be delivered to either Trustee. All Securities and coupons so delivered to either Trustee shall be promptly cancelled by such Trustee. The Company may at any time deliver to a Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to either Trustee (or to any other Person for delivery to such Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by such Trustee. If the Company shall so acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to either Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section 3.10, except as expressly permitted by this Indenture. All cancelled Securities held by either Trustee shall be disposed of by such Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company unless by Company Order the Company shall direct that cancelled Securities be returned to it.

SECTION 3.11 Computation of Interest.

Except as otherwise specified as contemplated by Section 3.01 with respect to any Securities, interest (if any) on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months. For the purposes of disclosure under the Interest Act (Canada), the yearly rate of interest to which interest calculated under a Security for any period in any calendar year (the "**calculation period**") is equivalent, is the rate payable under a Security in respect of the calculation period multiplied by a fraction the numerator of which is the actual number of days in such calendar year and the denominator of which is the actual number of days in the calculation period.

SECTION 3.12 Currency and Manner of Payments in Respect of Securities.

(a) With respect to Registered Securities of any series not permitting the election provided for in paragraph (b) below or the Holders of which have not made the election provided for in paragraph (b) below, and with respect to Bearer Securities of any series, except as provided in paragraph (d) below, payment of the principal of, premium (if any) and interest (if any) on such Registered Security or Bearer Security of such series will be made in the Currency in which such Registered Security or Bearer Security, as the case may be, is payable. The provisions of this Section 3.12 may be modified or superseded with respect to any Securities pursuant to Section 3.01.

(b) It may be provided pursuant to Section 3.01 with respect to Registered Securities of any series that Holders shall have the option, subject to paragraphs (d) and (e) below, to receive payments of principal of, premium (if any) or interest (if any) on such Registered Securities in any of the Currencies which may be designated for such election by delivering to the Trustees a written election with signature guarantees and in the applicable form established pursuant to Section 3.01, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in any such Currency, such election will remain in effect for such Holder or any transferee of such Holder until changed by such Holder or such transferee by written notice to the Trustees (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date and no such change of election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or with respect to which the Company has deposited funds pursuant to Article Four or Fourteen or with respect to which a notice of redemption has been given by the Company or a notice of option to elect repayment has been sent by such Holder or such transferee). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustees not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant Currency as provided in Section 3.12(a). The Trustees shall notify the Exchange Rate Agent as soon as practicable after the Election Date of the aggregate principal amount of Registered Securities for which Holders have made such written election.

(c) Unless otherwise specified pursuant to Section 3.01, if the election referred to in paragraph (b) above has been provided for pursuant to Section 3.01, then, unless otherwise specified pursuant to Section 3.01, not later than the fourth Business Day after the Election Date for each payment date for Registered Securities of any series, the Exchange Rate Agent will deliver to the Company a written notice specifying, in the Currency in which Registered Securities of such series are payable, the respective aggregate amounts of principal of, premium (if any) and interest (if any) on the Registered Securities to be paid on such payment date, specifying the amounts in such Currency so payable in respect of the Registered Securities as to which the Holders of Registered Securities of such series shall have elected to be paid in another Currency as provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for pursuant to Section 3.01 and if at least one Holder has made such election, then, unless otherwise specified pursuant to Section 3.01, on the second Business Day preceding such payment date the Company will deliver to the Trustees for such series of Registered Securities an Exchange Rate Officer's Certificate in respect of the Dollar or Foreign Currency payments to be made on such payment date. Unless otherwise specified pursuant to Section 3.01, the Dollar or Foreign Currency amount receivable by Holders of Registered Securities who have elected payment in a Currency as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the third Business Day (the "**Valuation Date**") immediately preceding each payment date, and such determination shall be conclusive and binding for all purposes, absent manifest error.

(d) If a Conversion Event occurs with respect to a Foreign Currency in which any of the Securities are denominated or payable other than pursuant to an election provided for pursuant to paragraph (b) above, then, with respect to each date for the payment of principal of, premium (if any) and interest (if any) on the applicable Securities denominated or payable in such Foreign Currency occurring after the last date on which such Foreign Currency was used (the "**Conversion Date**"), the Dollar shall be the Currency of payment for use on each such payment date. Unless otherwise specified pursuant to Section 3.01, the Dollar amount to be paid by the Company to the Trustees and by the Trustees or any Paying Agent to the Holders of such Securities with respect to such payment date shall be, in the case of a Foreign Currency other than a currency unit, the Dollar Equivalent of the Foreign Currency or, in the case of a currency unit, the Dollar Equivalent of the Currency Unit, in each case as determined by the Exchange Rate Agent in the manner provided in paragraph (f) or (g) below.

(e) Unless otherwise specified pursuant to Section 3.01, if the Holder of a Registered Security denominated in any Currency shall have elected to be paid in another Currency as provided in paragraph (b) above, and a Conversion Event occurs with respect to such elected Currency, such Holder shall receive payment in the Currency in which payment would have been made in the absence of such election; and if a Conversion Event occurs with respect to the Currency in which payment would have been made in the absence of such election, such Holder shall receive payment in Dollars as provided in paragraph (d) above.

(f) The "**Dollar Equivalent of the Foreign Currency**" shall be determined by the Exchange Rate Agent and shall be obtained for each subsequent payment date by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(g) The "**Dollar Equivalent of the Currency Unit**" shall be determined by the Exchange Rate Agent and subject to the provisions of paragraph (h) below shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

(h) For purposes of this Section 3.12 the following terms shall have the following meanings:

A "**Component Currency**" shall mean any Currency which, on the Conversion Date, was a component currency of the relevant currency unit, including, but not limited to, the Euro.

A "**Specified Amount**" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which were represented in the relevant currency unit, including, but not limited to, the Euro, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single Currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single Currency, and such amount shall thereafter be a Specified Amount and such single Currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be replaced by amounts of such two or more currencies, having an aggregate Dollar Equivalent value at the Market Exchange Rate on the date of such replacement equal to the Dollar Equivalent value of the Specified Amount of such former Component Currency at the Market Exchange Rate immediately before such division and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies. If, after the Conversion Date of the relevant currency unit, including, but not limited to, the Euro, a Conversion Event (other than any event referred to above in this definition of "**Specified Amount**") occurs with respect to any Component Currency of such currency unit and is continuing on the applicable Valuation Date, the Specified Amount of such Component Currency shall, for purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market Exchange Rate in effect on the Conversion Date of such Component Currency.

"**Election Date**" shall mean the date for any series of Registered Securities as specified pursuant to clause (15) of Section 3.01 by which the written election referred to in paragraph (b) above may be made.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit, the Market Exchange Rate and changes in the Specified Amounts as specified above shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company, the Trustees and all Holders of such Securities denominated or payable in the relevant Currency. The Exchange Rate Agent shall promptly give written notice to the Company and the Trustees of any such decision or determination.

In the event that the Company determines in good faith that a Conversion Event has occurred with respect to a Foreign Currency, the Company will immediately give written notice thereof to the Trustees and to the Exchange Rate Agent (and the Trustees will promptly thereafter give notice in the manner provided for in Section 1.07 to the affected Holders) specifying the Conversion Date. In the event the Company so determines that a Conversion Event has occurred with respect to the Euro or any other currency unit in which Securities are denominated or payable, the Company will immediately give written notice thereof to the Trustees and to the Exchange Rate Agent (and the Trustees will promptly thereafter give notice in the manner provided for in Section 1.07 to the affected Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event the Company determines in good faith that any subsequent change in any Component Currency as set forth in the definition of Specified Amount above has occurred, the Company will similarly give written notice to the Trustees and the Exchange Rate Agent.

The Trustees shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent and shall not otherwise have any duty or obligation to determine the accuracy or validity of such information independent of the Company or the Exchange Rate Agent.

SECTION 3.13 Appointment and Resignation of Successor Exchange Rate Agent.

(a) Unless otherwise specified pursuant to Section 3.01, if and so long as the Securities of any series (i) are denominated in a Currency other than Dollars or (ii) may be payable in a Currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent. The Company will cause the Exchange Rate Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 3.01 for the purpose of determining the applicable rate of exchange and, if applicable, for the purpose of converting the issued Currency into the applicable payment Currency for the payment of principal, premium (if any) and interest (if any) pursuant to Section 3.12.

(b) The Company shall have the right to remove and replace from time to time the Exchange Rate Agent for any series of Securities. No resignation of the Exchange Rate Agent and no appointment of a successor Exchange Rate Agent pursuant to this Section 3.13 shall become effective until the acceptance of appointment by the successor Exchange Rate Agent as evidenced by a written instrument delivered to the Company and the Trustees.

(c) If the Exchange Rate Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Exchange Rate Agent for any cause with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Exchange Rate Agent or Exchange Rate Agents with respect to the Securities of that or those series (it being understood that any such successor Exchange Rate Agent may be appointed with respect to the Securities of one or more or all of such series and that, unless otherwise specified pursuant to Section 3.01, at any time there shall only be one Exchange Rate Agent with respect to the Securities of any particular series that are originally issued by the Company on the same date and that are initially denominated and/or payable in the same Currency).

ARTICLE FOUR
SATISFACTION AND DISCHARGE

SECTION 4.01 Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect with respect to any series of Securities specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of Securities of such series expressly provided for herein or pursuant hereto and the rights of Holders of such series of Securities and any related coupons to receive, solely from the trust fund described in subclause (b) of clause (1) of this Section 4.01, payments in respect of the principal of, premium (if any) and interest (if any) on such Securities and any related coupons when such payments are due and except as provided in the last paragraph of this Section 4.01) and the Trustees, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series when

(1) either

(a) all Securities of such series theretofore authenticated and delivered and all coupons, if any, appertaining thereto (other than (i) coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 3.05, (ii) Securities and coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06, (iii) coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 11.06, and (iv) Securities and coupons of such series for whose payment money has theretofore been deposited in trust with either Trustee or any Paying Agent or segregated and held in trust by the Company and thereafter repaid to the Company, as provided in Section 10.03) have been delivered to either Trustee for cancellation; or

(b) all Securities of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to either Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustees for the giving of notice of redemption by the Trustees in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with either Trustee as trust funds in trust for such purpose an amount in the Currency in which the Securities of such series are payable, sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to such Trustee for cancellation, for principal, premium (if any) and interest (if any) to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustees an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustees under Section 6.07, the obligations of the Trustees to any Authenticating Agent under Section 6.12 and, if money shall have been deposited with the Trustees pursuant to subclause (b) of clause (1) of this Section 4.01, the obligations of the Trustees under Section 4.02 and the last paragraph of Section 10.03 shall survive.

SECTION 4.02 Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.03, all money deposited with the Trustees pursuant to Section 4.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustees may determine, to the Persons entitled thereto, of the principal, premium (if any) and interest (if any) for whose payment such money has been deposited with the Trustees; but such money need not be segregated from other funds except to the extent required by law.

ARTICLE FIVE
REMEDIES

SECTION 5.01 Events of Default.

"**Event of Default**," wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is specifically deleted or modified in or pursuant to a supplemental indenture, Board Resolution or Officer's Certificate establishing the terms of such series pursuant to Section 3.01 of this Indenture:

(1) default in the payment of any interest due on any Security of that series, or any related coupon, when such interest or coupon becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal or premium (if any) in respect of any Security of that series at its Maturity; or

(3) default in the deposit of any sinking fund, amortization or analogous payment when due by the terms of any Security of that series and Article Twelve; or

(4) default in the performance, or breach, of any covenant or agreement of the Company in this Indenture which affects or is applicable to the Securities of that series (other than a covenant or agreement, a default in whose performance or whose breach is elsewhere in this Section 5.01 specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given (and 120 days with respect to a default or breach under Section 7.05), by registered or certified mail, to the Company by the Trustees or to the Company and the Trustees by the Holders of at least 25% in principal amount of all Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under or subject to the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the U.S. Federal Bankruptcy Code or any other federal, provincial, state or foreign bankruptcy, insolvency or analogous laws, or the issuance of a sequestration order or the (appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or in receipt of any substantial part of the property of the Company, and any such decree, order or appointment continues unstayed and in effect for a period of 90 consecutive days; or

(6) the institution by the Company of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under or subject to the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the U.S. Federal Bankruptcy Code or any other federal, provincial, state or foreign bankruptcy, insolvency or analogous laws or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of a general assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due or the taking by it of corporate action in furtherance of any of the aforesaid purposes; or

(7) any other Event of Default provided with respect to Securities of that series.

SECTION 5.02 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default described in clause (1), (2), (3), (4) or (7) of Section 5.01 with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case, either Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series, may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series and all interest thereon to be due and payable immediately, by a notice in writing to the Company (and to the Trustees if given by Holders), and upon any such declaration such principal amount (or specified portion thereof) shall become immediately due and payable. If an Event of Default specified in clause (5) or (6) of Section 5.01 occurs and is continuing, then the principal amount of all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustees or any Holder.

At any time after such a declaration of acceleration with respect to Securities of any series (or of all series, as the case may be) has been made and before a judgment or decree for payment of the money due has been obtained by either Trustee as hereinafter provided in this Article Five, the Holders of a majority in principal amount of the Outstanding Securities of that series (or of all series, as the case may be), by written notice to the Company and the Trustees, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with either Trustee a sum sufficient to pay in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)),

(a) all overdue interest (if any) on all Outstanding Securities of that series (or of all series, as the case may be) and any related coupons,

(b) all unpaid principal of and premium (if any) on any Outstanding Securities of that series (or of all series, as the case may be) which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal and premium (if any) at the rate or rates prescribed therefor in such Securities,

(c) to the extent that payment of such interest is legally enforceable, interest on overdue interest at the rate or rates prescribed therefor in such Securities, and

(d) all sums paid or advanced by the Trustees hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustees, their agents and counsel; and

(2) all Events of Default with respect to Securities of that series (or of all series, as the case may be), other than the non-payment of amounts of principal of, premium (if any) or interest (if any) on Securities of that series (or of all series, as the case may be) which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.03 Collection of Debt and Suits for Enforcement by Trustees.

The Company covenants that if

(1) default is made in the payment of any installment of interest on any Security and any related coupon when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or premium (if any) any Security at the Maturity thereof,

then the Company will, upon demand of the Trustees, pay to the applicable Trustee for the benefit of the Holders of such Securities and coupons, the whole amount then due and payable on such Securities and coupons for principal of, premium (if any) and interest (if any) and interest on any overdue principal, overdue premium (if any) and, to the extent lawful, overdue interest (if any), at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustees, their agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustees, in their own names as trustees of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series (or of all series, as the case may be) occurs and is continuing, either Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series (or of all series, as the case may be) by such appropriate judicial proceedings as such Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.04 Trustees May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, each Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether either Trustee shall have made any demand on the Company for the payment of overdue principal, premium (if any) or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal and premium (if any), or such portion of the principal amount of any series of Original Issue Discount Securities or Indexed Securities as may be specified in the terms of such series, and interest (if any) owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of such Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to such Trustee and, in the event that such Trustee shall consent to the making of such payments directly to the Holders, to pay to such Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of each Trustee, its agents and counsel, and any other amounts due to such Trustee under Section 6.07.

Nothing herein contained shall be deemed to authorize the Trustees to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustees to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.05 Trustees May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture, the Securities or coupons may be prosecuted and enforced by the Trustees without the possession of any of the Securities or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by either Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities and coupons in respect of which such judgment has been recovered.

SECTION 5.06 Application of Money Collected.

Any money collected by either Trustee pursuant to this Article Five shall be applied in the following order, at the date or dates fixed by the Trustees and, in case of the distribution of such money on account of principal of, premium (if any) or interest (if any) upon presentation of the Securities or coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: to the payment of all amounts due the Trustees under Section 6.07;

Second: to the payment of the amounts then due and unpaid for principal of, premium (if any) and interest (if any), on the Securities and coupons in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and coupons for principal, premium (if any) and interest (if any), respectively; and

Third: the balance, if any, to the Person or Persons entitled thereto.

SECTION 5.07 Limitation on Suits.

No Holder of any Security of any series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or the Securities, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustees of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series in the case of any Event of Default described in clause (1), (2), (3), (4) or (7) of Section 5.01, or, in the case of any Event of Default described in clause (5) or (6) of Section 5.01, the Holders of not less than 25% in principal amount of all Outstanding Securities, shall have made written request to the Trustees to institute proceedings in respect of such Event of Default in their own names as Trustees hereunder;

(3) such Holder or Holders have offered to the Trustees reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustees for 60 days after their receipt of such notice, request and offer of indemnity have failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustees during such 60-day period by the Holders of a majority or more in principal amount of the Outstanding Securities of that series in the case of any Event of Default described in clause (1), (2), (3), (4) or (7) of Section 5.01, or in the case of any Event of Default described in clause (5) or (6) of Section 5.01, by the Holders of a majority or more in principal amount of all Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of the same series, in the case of any Event of Default described in clause (1), (2), (3), (4) or (7) of Section 5.01, or of Holders of all Securities in the case of any Event of Default described in clause (5) or (6) of Section 5.01, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Holders of Securities of the same series, in the case of any Event of Default described in clause (1), (2), (3), (4) or (7) of Section 5.01, or of Holders of all Securities in the case of any Event of Default described in clause (5) or (6) of Section 5.01.

SECTION 5.08 Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment, as provided herein (including, if applicable, Article Fourteen) and in such Security, of the principal of and premium (if any) and (subject to Section 3.07) interest (if any) on, such Security or payment of such coupon on the respective Stated Maturities expressed in such Security or coupon (or, in the case of redemption, on the Redemption Date or, in the case of repayment at the option of the Holder as contemplated by Article Twelve, on the Repayment Date) and subject to the limitations on a Holder's ability to institute suit contained Section 5.07, to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 5.09 Restoration of Rights and Remedies.

If either Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to such Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustees and the Holders of Securities and coupons shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustees and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10 Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustees or to the Holders of Securities or coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not, to the extent permitted by law, prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11 Delay or Omission Not Waiver.

No delay or omission of the Trustees or of any Holder of any Security or coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article Five or by law to the Trustees or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustees or by the Holders, as the case may be.

SECTION 5.12 Control by Holders.

With respect to the Securities of any series, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred on the Trustees, relating to or arising under clause (1), (2), (3), (4) or (7) of Section 5.01, and, with respect to all Securities, the Holders of not less than a majority in principal amount of all Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred on the Trustees, not relating to or arising under clause (1), (2), (3), (4) or (7) of Section 5.01, *provided* that in each case

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustees may take any other action deemed proper by the Trustees which is not inconsistent with such direction, and

(3) the Trustees need not take any action which might involve them in personal liability or be unjustly prejudicial to the Holders of Securities of such series not consenting.

SECTION 5.13 Waiver of Past Defaults.

Subject to Section 5.02, the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past Default described in clause (1), (2), (3), (4) or (7) of Section 5.01 (or, in the case of a Default described in clause (5) or (6) of Section 5.01, the Holders of not less than a majority in principal amount of all Outstanding Securities may waive any such past Default), and its consequences, except a default

(1) in respect of the payment of the principal of, premium (if any) or interest (if any) on any Security or any related coupon, or

(2) in respect of a covenant or provision herein which under Article Nine cannot be modified or amended without the consent of the Holder of each outstanding Security of such series affected.

Upon any such waiver, any such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 5.14 Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustees, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.15 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against either Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in Trust Indenture Legislation; *provided, however*, that neither this Section 5.15 nor the provisions of TIA Section 315(e) shall apply to any suit instituted by either Trustee or by any Holder or group of Holders holding more than 10% in principal amount of all Outstanding Securities or by any Holder of any Security on any suit for the enforcement of the right to receive the principal of and interest on any such Securities.

ARTICLE SIX
THE TRUSTEES

SECTION 6.01 Notice of Defaults.

Each Trustee shall promptly give the other Trustee notice of any Default or Event of Default known to it. Within a reasonable time, but no more than 30 days after either Trustee has knowledge of any Default hereunder with respect to the Securities of any series, one or both of the Trustees shall transmit in the manner and to the extent provided in Trust Indenture Legislation, including TIA Section 313(c), notice to the Holders of such Default hereunder known to either Trustee, unless such Default shall have been cured or waived (and, in the case where such Default shall have been cured, the Trustees shall notify the Holders in writing of such cure in writing within a reasonable time, but not exceeding 30 days, after the Trustees have become aware that the Default has been cured); *provided, however*, that, except in the case of a Default in the payment of the principal of, premium (if any) or interest (if any) on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustees shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of each Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Securities of such series and any related coupons; *provided further* that in the case of any Default of the character specified in clause (4) of Section 5.01 with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

SECTION 6.02 Certain Duties and Responsibilities of Trustees.

(a) The Trustees, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform with respect to the Securities of any series such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants shall be read into this Indenture against the Trustees.

(b) In all instances, in the exercise of the powers, rights, duties and discharge of obligations prescribed or conferred by the terms of this Indenture, each Trustee shall act honestly and in good faith with a view to the best interests of the Holders and exercise that degree of care, diligence and skill that a reasonably prudent trustee in respect of indentures for the purpose of issuing corporate debt obligations would exercise in comparable circumstances.

(c) No provision of this Indenture shall be construed to relieve each Trustee from liability for its own actions or failure to act in accordance with Subsection 6.02(b), except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of each Trustee with respect to the Securities of any series shall be determined solely by the express provisions of this Indenture, and the Trustees shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustees; and

(B) in the absence of bad faith on the part of either Trustee, such Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustees and conforming to the requirements of this Indenture and Trust Indenture Legislation; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustees, the Trustees shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture; *provided, however*, the Canadian Trustee shall not be required to determine whether the certificates or opinions presented to it conform to the Trust Indenture Act and the U.S. Trustee shall not be required to determine whether the certificates or opinions presented to it conform to Canadian Trust Indenture Legislation.

(ii) the Trustees shall not be liable with respect to any action taken or omitted to be taken by them in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Securities of any series at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred upon the Trustees under this Indenture;

(iii) none of the provisions contained in this Indenture shall require either Trustee to expend or risk their own funds or otherwise incur personal or any financial liability in the performance of any of their duties or in the exercise of any of their rights or powers; and

(iv) whether or not therein expressly so provided, except to the extent expressly provided herein to the contrary, every provision of this Indenture relating to the conduct or effecting the liability or affording protection to the Trustees shall be subject to the provisions of this Section 6.02.

(d) Notwithstanding the provisions of this Section 6.02 or any provision in this Indenture or in the Securities, the Trustees will not be charged with knowledge of the existence of any Event of Default or any other fact that would prohibit the making of any payment of monies to or by the Trustees, or the taking of any other action by the Trustees, unless and until the Trustees have received written notice thereof from the Company or any Holder.

SECTION 6.03 Certain Rights of Trustees.

Subject to the provisions of TIA Sections 315(a) through 315(d):

(1) the Trustees may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustees shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, each Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(4) the Trustees may consult with counsel and the written advice of such counsel or any opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by them hereunder in good faith and in reliance thereon;

(5) the Trustees shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series or any related coupons pursuant to this Indenture, unless such Holders shall have offered to the Trustees reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by them in compliance with such request or direction;

(6) the Trustees shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustees, in their discretion, may make such further inquiry or investigation into such facts or matters as they may see fit, and, if the Trustees shall determine to make such further inquiry or investigation, they shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(7) in an Event of Default, the Trustees' powers shall not be infringed upon so long as they act in accordance with Section 6.02(b);

(8) the Trustees may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustees shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by them hereunder; and

(9) the Trustees shall not be liable for any action taken, suffered or omitted by them in good faith and believed by them to be authorized or within the discretion or rights or powers conferred upon them by this Indenture, so long as they act in accordance with this Section 6.02(b).

SECTION 6.04 Trustees Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except for a Trustee's certificate of authentication, and in any coupons shall be taken as the statements of the Company, and neither Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustees make no representations as to the validity or sufficiency of this Indenture or of the Securities or coupons, except that the Trustees represent that they are duly authorized to execute and deliver this Indenture, authenticate the Securities and perform their obligations hereunder and that the statements made by the U.S. Trustee in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof. Nothing herein contained will impose on either Trustee any obligation to see to, or to require evidence of, the registration or filing (or renewal thereof) of this Indenture or any supplemental indenture. The Trustees shall not be bound to give notice to any person of the execution hereof.

SECTION 6.05 May Hold Securities.

The Trustees, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustees, in their individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company, including, without limitation, as a creditor of the Company, with the same rights they would have if they were not Trustees, Authenticating Agent, Paying Agent, Security Registrar or such other agent. A Trustee that has resigned or is removed shall remain subject to TIA Section 311(a) to the extent provided therein.

SECTION 6.06 Money Held in Trust.

Money held by the Trustees in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustees shall be under no liability for interest on any money received by them hereunder except as otherwise agreed with the Company.

SECTION 6.07 Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustees from time to time reasonable compensation for all services rendered by them hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustees upon their request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of their agents and counsel), except any such expense, disbursement or advance as may be attributable to the U.S. Trustee's gross negligence or bad faith or the Canadian Trustee's gross negligence or willful misconduct, respectively; and

(3) to indemnify the Trustees for, and to hold them and their directors, officers, agents, representatives, successors, assigns and employees harmless against, any loss, liability or expense incurred without gross negligence or bad faith on the part of the U.S. Trustee, or gross negligence or willful misconduct on the part of the Canadian Trustee, respectively, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including reasonable attorneys' fees and other reasonable costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

The obligations of the Company under this Section 6.07 to compensate the Trustees, to pay or reimburse the Trustees for expenses, disbursements and advances and to indemnify and hold harmless the Trustees shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee. As security for the performance of such obligations of the Company, the Trustees shall have a claim prior to the Securities upon all property and funds held or collected by the Trustees as such, except funds held in trust for the payment of principal of, premium (if any) or interest (if any) on particular Securities or any coupons.

When the Trustees incur expenses or render services in connection with an Event of Default specified in clause (5) or (6) of Section 5.01, the expenses (including reasonable charges and expense of its counsel) of and the compensation for such services are intended to constitute expenses of administration under any applicable United States or Canadian federal, state or provincial bankruptcy, insolvency or other similar law.

The provisions of this Section 6.07 shall survive the termination of this Indenture.

SECTION 6.08 Corporate Trustees Required; Eligibility.

(1) There shall be at all times a U.S. Trustee hereunder which shall be eligible to act as Trustee under TIA Section 310(a)(1) and, together with its immediate parent, shall have a combined capital and surplus of at least $50,000,000. If the U.S. Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of United States federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 6.08, the combined capital and surplus of U.S. Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the U.S. Trustee shall cease to be eligible in accordance with the provisions of this Section 6.08, it shall resign immediately in the manner and with the effect hereinafter specified in this Article Six.

(2) For so long as required by Trust Indenture Legislation, there shall be a Canadian Trustee under this Indenture. The Canadian Trustee shall at all times be a resident or authorized to do business in the Province of [Ontario] and any other province in Canada where Holders may be resident from time to time. The Canadian Trustee represents and warrants that no material conflict of interest exists in the Canadian Trustee's role as a fiduciary hereunder and agrees that in the event of a material conflict of interest arising hereafter it will, within 30 days after ascertaining that it has such material conflict of interest, either eliminate the same or resign its trust hereunder. If any such material conflict of interests exists or hereafter shall exist, the validity and enforceability of this Indenture shall not be affected in any manner whatsoever by reason thereof.

(3) The Trustees will not be required to give any bond or security in respect of the execution of the trusts and powers set out in this Indenture or otherwise in respect of the premises.

(4) Neither Trustee nor any Affiliate of either Trustee shall be appointed a receiver or receiver and manager or liquidator of all or any part of the assets or undertaking of the Company.

SECTION 6.09 Resignation and Removal; Appointment of Successor.

(1) No resignation or removal of either Trustee and no appointment of a successor Trustee pursuant to this Article Six shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 6.10.

(2) Either Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.10 shall not have been delivered to such Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(3) Either Trustee may be removed following 30 days notice at any time with respect to the Securities of any series by Act of the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, delivered to such Trustee and to the Company.

(4) If at any time:

(i) either Trustee shall acquire any conflicting interest as defined in TIA Section 310(b) and fail to comply with the provisions of TIA Section 310(b)(i), or

(ii) either Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(iii) either Trustee shall cease to be eligible under Section 6.08 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(iv) either Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of such Trustee or of its property shall be appointed or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove such Trustee with respect to all Securities, or (ii) subject to TIA Section 315(e), any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee with respect to all Securities of such series and the appointment of a successor Trustee or Trustees.

(5) If either Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the U.S. Trustee or the Canadian Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series) *provided, however*, that the Company shall not be required to appoint a successor Trustee to the Canadian Trustee if the Canadian Trustee resigns or is removed and a Canadian Trustee under this Indenture is no longer required under Trust Indenture Legislation. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(6) The Company shall give notice of each resignation and each removal of a Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to the Holders of Securities of such series in the manner provided for in Section 1.07. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

(7) If a Canadian Trustee under this Indenture is no longer required by Trust Indenture Legislation, then the Company by a Board Resolution may remove the Canadian Trustee.

SECTION 6.10 Acceptance of Appointment by Successor.

(1) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(2) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates. Whenever there is a successor Trustee with respect to one or more (but less than all) series of Securities issued pursuant to this Indenture, the terms "Indenture" and "Securities" shall have the meanings specified in the provisos to the respective definitions of those terms in Section 1.01 which contemplate such situation.

(3) Upon reasonable request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all rights, powers and trusts referred to in paragraph (1) or (2) of this Section 6.10, as the case may be.

(4) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article Six.

SECTION 6.11 Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which either Trustee or its corporate trust business may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which either Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of either Trustee, shall be the successor of such Trustee hereunder, *provided* such corporation shall be otherwise qualified and eligible under this Article Six, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by a Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities. In case any of the Securities shall not have been authenticated by such predecessor Trustee, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee. In all such cases such certificates shall have the full force and effect which this Indenture provides for the certificate of authentication of such Trustee; *provided, however*, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.12 Appointment of Authenticating Agent.

At any time when any of the Securities remain outstanding, the Trustees may appoint an Authenticating Agent or Agents, with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustees to authenticate Securities of such series and the Trustees shall give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 1.07. Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the applicable Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustees, and a copy of such instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustees or either Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustees by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustees by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia or the laws of Canada or any province thereof, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by United States federal or state or Canadian federal or provincial authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 6.12, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.12, it shall resign immediately in the manner and with the effect specified in this Section 6.12.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, *provided* such corporation shall be otherwise eligible under this Section 6.12, without the execution or filing of any paper or any further act on the part of the Trustees or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustees and to the Company. The Trustees may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.12, the Trustees may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 1.07. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section 6.12.

The Trustees agree to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section 6.12, and the Trustees shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.07.

If an appointment with respect to one or more series is made pursuant to this Section 6.12, the Securities of such series may have endorsed thereon, in addition to either Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

(Certificate of Authentication may be executed by either Trustee)

_____, as U.S. Trustee, certifies that this is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

_____,
as U.S. Trustee

By: _____
As Authenticating Agent

By: _____
Authorized Officer

_____, as Canadian Trustee, certifies that this is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

_____,
as Canadian Trustee

By: _____
As Authenticating Agent

By: _____
Authorized Officer

SECTION 6.13 Joint Trustees.

The rights, powers, duties and obligations conferred and imposed upon the Trustees are conferred and imposed upon and shall be exercised and performed by the U.S. Trustee and the Canadian Trustee individually, except to the extent the Trustees are required under Trust Indenture Legislation to perform such acts jointly, and neither Trustee shall be liable or responsible for the acts or omissions of the other Trustee. If the U.S. Trustee and Canadian Trustee are unable to agree jointly to act or refrain from acting, the applicable Trustee shall make the decision in accordance with its applicable legislation. Unless the context implies or requires otherwise, any written notice, request, direction, certificate, instruction, opinion or other document (each such document, a "**Writing**") delivered pursuant to any provision of this Indenture to any of the U.S. Trustee or the Canadian Trustee shall be deemed for all purposes of this Indenture as delivery of such Writing to the Trustee. Each such Trustee in receipt of such Writing shall notify such other Trustee of its receipt of such Writing within two Business Days of such receipt *provided, however*, that any failure of such trustee in receipt of such Writing to so notify such other Trustee shall not be deemed as a deficiency in the delivery of such Writing to the Trustee.

SECTION 6.14 Other Rights of Trustees.

Each Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, either Trustee, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should either Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to all parties provided (i) that such Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to such Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

The parties hereto acknowledge that Canadian federal and provincial legislation addressing the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Indenture. Despite any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Company, prior to transferring, or causing to be transferred, personal information to the Canadian Trustee, shall obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have been previously given and can be relied on or are not required under Privacy Laws. The Canadian Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees to (i) have designated a chief privacy officer; (ii) maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (iii) use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent and direction of the Company; (iv) not sell or otherwise improperly disclose personal information to any third party; and (v) use employee administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft or unauthorized access, use or modification.

It is expressly acknowledged and agreed that the Canadian Trustee may, in the course of providing services hereunder, collect or receive, use and disclose financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

(i) to provide the services required under this Indenture and other services that may be requested from time to time;

(ii) to help the Canadian Trustee manage its servicing relationships with such individuals;

(iii) to meet the Canadian Trustee's legal and regulatory requirements; and

(iv) if social insurance numbers are collected by the Canadian Trustee, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Further, each party agrees that it shall not provide or cause to be provided to the Canadian Trustee any personal information relating to an individual who is not a party to this Indenture unless that party has assured itself that such individual understands and has consented to the aforementioned uses and disclosures. Notwithstanding anything to the contrary herein, the Company and the Trustees may, without liability, disclose information about the Holders and beneficial owners or potential Holders or potential beneficial owners of the Securities pursuant to subpoena or other order issued by a court of competent jurisdiction or when otherwise required by applicable law.

Each Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be holders, subject to all the terms and conditions herein set forth.

ARTICLE SEVEN
HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.01 Company to Furnish Trustees Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustees (1) not more than 15 days after each Regular Record Date, or such lesser time as required by the Trustees, a list, in such form as the Trustees may reasonably require, of the names and addresses of Holders as of such Regular Record Date; *provided, however*, that the Company shall not be obligated to furnish or cause to be furnished such list at any time that the list shall not differ in any respect from the most recent list furnished to the Trustees by the Company or at such times as either Trustee is acting as Security Registrar for the applicable series of Securities and (2) at such other times as the Trustees may request in writing within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished.

SECTION 7.02 Preservation of List of Names and Addresses of Holders.

The Trustees shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to them as provided in Section 7.01 and as to the names and addresses of Holders received by either Trustee in its capacity as Security Registrar for the applicable series of Securities (if acting in such capacity).

The Trustees may destroy any list furnished as provided in Section 7.01 upon receipt of a new list so furnished.

Holders may communicate as provided in TIA Section 312(b) with other Holders with respect to their rights under this Indenture or under the Securities.

SECTION 7.03 Disclosure of Names and Addresses of Holders.

Every Holder of Securities or coupons, by receiving and holding the same, agrees with the Company and the Trustees that none of the Company or the Trustees or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustees shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

SECTION 7.04 Reports by Trustees.

(1) Within 60 days after May 15 of each year commencing with the first year after the first issuance of Securities pursuant to this Indenture, the U.S. Trustee shall transmit to the Holders of Securities, in the manner and to the extent provided in TIA Section 313(c), a brief report dated as of such reporting date, if required by TIA Section 313(a).

(2) The U.S. Trustee shall comply with TIA Sections 313(b) and 313(c).

(3) A copy of such report shall, at the time of such transmission to the Holders, be filed by the U.S. Trustee with the Company, with each securities exchange upon which any of the Securities are listed (if so listed) and also with the Commission. The Company agrees to notify the Trustees when the Securities become listed on any securities exchange.

SECTION 7.05 Reports by the Company.

(1) The Company will file with the Trustees, within 20 days after filing with or furnishing to the Commission, copies of its annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Company is required to file or furnish with the Commission pursuant to Section 13 or 15(d) of the Exchange Act or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustees and the Commission, in accordance with rules and reulations prescribed by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations; *provided* that any such reports, information or documents filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system shall be deemed filed with the Trustees.

(2) The Company will transmit to all Holders, in the manner and to the extent provided in TIA Section 313(c), within 30 days after the filing thereof with the Trustees, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraph (1) of this Section 7.05 as may be required by rules and regulations prescribed from time to time by the Commission.

(3) If at any time the Securities are guaranteed by a direct or indirect parent of the Company, and such parent has furnished the reports required by this Section 7.05 with respect to parent as required by this Section 7.05 as if parent were the Company (including any financial information required hereby), the Company shall be deemed to be in compliance with this Section 7.05.

ARTICLE EIGHT
CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 8.01 Company May Consolidate, etc., only on Certain Terms.

The Company shall not amalgamate or consolidate with or merge into or enter into any statutory arrangement with any other Person, or, directly or indirectly, convey, transfer or lease all or substantially all of its properties and assets to any Person, unless:

(1) the Person formed by or continuing from such amalgamation or consolidation or into which the Company is merged or with which it enters into such statutory arrangement or the Person which acquires by operation of law or by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Company shall be a corporation, partnership or trust organized and validly existing under the laws of Canada or any province or territory thereof, the United States of America or any state thereof or the District of Columbia or, if such amalgamation, consolidation, merger, statutory arrangement or other transaction would not impair the rights of Holders, any other country, and, unless the Company is the continuing corporation, shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustees, in form satisfactory to the Trustees, the Company's obligation for the due and punctual payment of the principal of, premium (if any) and interest (if any) on all the Securities and the performance and observance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing; and

(3) the Company or such Person shall have delivered to the Trustees an Officer's Certificate and an Opinion of Counsel, each stating that such amalgamation, consolidation, merger, statutory arrangement or other transaction and such supplemental indenture comply with this Article Eight and that all conditions precedent herein provided for relating to such transaction have been complied with.

Notwithstanding the above, the Company may consolidate with, amalgamate with, undergo an arrangement with, merge with or into an Affiliate of the Company solely for the purpose of reincorporating the Company in a state of the United States or the District of Columbia or in another province or territory of Canada.

This Section 8.01 shall only apply to a merger, consolidation or amalgamation in which the Company is not the surviving Person and to conveyances, leases and transfers by the Company as transferor or lessor.

SECTION 8.02 Successor Person Substituted.

Upon any amalgamation or consolidation by the Company with or merger by the Company into any other corporation or a statutory arrangement or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to any Person in accordance with Section 8.01, the successor Person formed by such amalgamation or consolidation or into which the Company is merged or statutory arrangement, or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and in the event of any such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Indenture or any successor Person which shall theretofore become such in the manner described in Section 8.01), except in the case of a lease, shall be discharged of all obligations and covenants under this Indenture and the Securities and the coupons and may be dissolved and liquidated.

ARTICLE NINE
SUPPLEMENTAL INDENTURES

SECTION 9.01 Supplemental Indentures Without Consent of Holders.

Notwithstanding Section 9.02, without the consent of any Holders, the Company, when authorized by or pursuant to a Board Resolution, and the Trustees, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustees, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company contained herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities and any related coupons (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default (and if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are being included solely for the benefit of such series); or

(4) to delete or modify any Events of Default with respect to all or any series of the Securities, the form and terms of which are being established pursuant to such supplemental indenture as permitted in Section 3.01 (and if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are being included solely for the benefit of such series, and to specify the rights and remedies of the Trustees and the Holders of such Securities in connection therewith); or

(5) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of or any premium or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form; *provided* that any such action shall not adversely affect the interests of the Holders of Securities of any series or any related coupons in any material respect; or

(6) to change or eliminate any of the provisions of this Indenture;*provided* that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.01 and 3.01; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10; or

(9) to close this Indenture with respect to the authentication and delivery of additional series of Securities; or

(10) to cure any ambiguity or to correct or supplement any provision contained herein or in any indenture supplemental hereto which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture or to conform the terms hereof, as amended and supplemented, that are applicable to the Securities of any series to the description of the terms of such Securities in the offering memorandum, prospectus supplement or other offering document applicable to such Securities at the time of initial sale thereof; or

(11) to make any change in any series of Securities that does not adversely affect in any material respect the rights of the Holders of such Securities; or

(12) to add to or change or eliminate any provision of this Indenture as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act; or

(13) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Sections 4.01, 14.02 and 14.03; *provided* that any such action shall not adversely affect the interests of the Holders of Securities of such series and any related coupons or any other series of Securities in any material respect; or

(14) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualifications of this Indenture under any applicable law of the United States and Canada or of any province or territory thereof to the extent they do not conflict with the applicable law of the United States heretofore or hereafter enacted.

SECTION 9.02 Supplemental Indentures with Consent of Holders.

Except as provided in Section 9.01 and this Section 9.02, with the consent of the Holders of not less than a majority in principal amount of all Outstanding Securities affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustees, the Company, when authorized by or pursuant to a Board Resolution, and the Trustees may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture which affect such series of Securities or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security of such series,

(1) change the Stated Maturity of the principal of, premium (if any) or any installment of interest (if any) on any Security of such series, or reduce the principal amount thereof, premium (if any) or the rate of interest (if any) thereon, or reduce the amount of the principal of an Original Issue Discount Security of such series that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.02 or the amount thereof provable in bankruptcy pursuant to Section 5.04, or adversely affect any right of repayment at the option of any Holder of any Security of such series, or change any Place of Payment where, or the Currency in which, any Security of such series or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or repayment at the option of the Holder, on or after the Redemption Date or Repayment Date, as the case may be), or adversely affect any right to convert or exchange any Security as may be provided pursuant to Section 3.01 herein, or

(2) reduce the percentage in principal amount of the Outstanding Securities of such series required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture which affect such series or certain defaults applicable to such series hereunder and their consequences provided for in this Indenture, or reduce the requirements of Section 15.04 for quorum or voting with respect to Securities of such series, or

(3) modify any of the provisions of this 9.02 Section, Section 5.13 or Section 10.09, except to increase any such percentage or to provide that certain other provisions of this Indenture which affect such series cannot be modified or waived without the consent of the Holder of each Outstanding Security of such series.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series. Any such supplemental indenture adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture, or modifying in any manner the rights of the Holders of Securities of such series, shall not affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this 9.02 Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03 Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article Nine or the modifications thereby of the trusts created by this Indenture, the Trustees shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. Each Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects such Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article Nine, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05 Conformity with Trust Indenture Legislation.

Every supplemental indenture executed pursuant to this Article Nine shall conform to the requirements of Trust Indenture Legislation as then in effect.

SECTION 9.06 Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Nine may, and shall if required by the Trustees, bear a notation in form approved by the Trustees as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustees and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustees in exchange for outstanding Securities of such series.

SECTION 9.07 Notice of Supplemental Indentures.

Promptly after the execution by the Company and the Trustees of any supplemental indenture pursuant to the provisions of Section 9.02, the Company shall give notice thereof to the Holders of each outstanding Security affected, in the manner provided for in Section 1.07, setting forth in general terms the substance of such supplemental indenture.

ARTICLE TEN
COVENANTS

SECTION 10.01 Payment of Principal, Premium and Interest

The Company covenants and agrees for the benefit of the Holders of each series of Securities and any related coupons that it will duly and punctually pay the principal of, premium (if any) and interest (if any), on the Securities of that series in accordance with the terms of the Securities, any coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 3.01 with respect to any series of Securities, any interest installments due on Bearer Securities on or before Maturity shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 10.02 Maintenance of Office or Agency.

(1) If the Securities of a series are issuable as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange, where Securities of that series that are convertible or exchangeable may be surrendered for conversion or exchange, as applicable, and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served and, if the Securities of a series are also issuable as Bearer Securities, where Bearer Securities of that series and related coupons may be presented or surrendered for payment in the circumstances described in Subsection 10.02(3).

(2) If Securities of a series are issuable as Bearer Securities, the Company will maintain (A) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Securities of that series and related coupons may be presented and surrendered for payment; *provided, however*, that, if the Securities of that series are listed on any securities exchange located outside the United States and such securities exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in any required city located outside the United States so long as the Securities of that series are listed on such exchange and (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, where Securities of that series that are convertible and exchangeable may be surrendered for conversion or exchange, as applicable, and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served.

(3) The Company will give prompt written notice to the Trustees of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustees with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Offices of the Trustees, except that Bearer Securities of any series and the related coupons may be presented and surrendered for payment at the offices specified in the Security and the Company hereby appoints the same as its agents to receive such respective presentations, surrenders, notices and demands.

(4) Unless otherwise specified with respect to any Securities pursuant to Section 3.01, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; *provided, however*, that, if the Securities of a series are payable in Dollars, payment of principal of, premium (if any) and interest (if any), on any Bearer Security shall be made at the office of the Company's Paying Agent in The City of New York, if (but only if) payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for such purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

(5) The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities of any series for such purposes. The Company will give prompt written notice to the Trustees of any such designation or rescission and of any change in the location of any such other office or agency. Unless otherwise specified with respect to any Securities as contemplated by Section 3.01 with respect to a series of Securities, the Company hereby initially appoints the U.S. Trustee at its Corporate Trust Office as Paying Agent in such city and as its agent to receive all such presentations, surrenders, notices and demands.

(6) Unless otherwise specified with respect to any Securities pursuant to Section 3.01, if and so long as the Securities of any series (i) are denominated in a Currency other than Dollars or (ii) may be payable in a Currency other than Dollars, or so long as it is required under any other provision of the Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent.

SECTION 10.03 Money for Securities Payments to Be Held in Trust

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities and any related coupons, it will, on or before each due date of the principal of, premium (if any) or interest (if any) on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) sufficient to pay the principal of, premium (if any) or interest (if any) on Securities of such series so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustees of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities and any related coupons, it will, prior to or on each due date of the principal of, premium (if any) or interest (if any) on any Securities of that series, deposit with a Paying Agent a sum (in the Currency described in the preceding paragraph) sufficient to pay the principal, premium (if any) or interest (if any) so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is a Trustee) the Company will promptly notify the Trustees of its action or failure so to act.

The Company will cause each Paying Agent (other than the Trustees) for any series of Securities to execute and deliver to the Trustees an instrument in which such Paying Agent shall agree with the Trustees, subject to the provisions of this 10.03 Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of, premium (if any) and interest (if any) on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustees notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal of, premium (if any) or interest (if any) on the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustees, forthwith pay to the Trustees all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustees all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustees upon the same trusts as those upon which sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustees, such Paying Agent shall be released from all further liability with respect to such sums.

Except as provided in the Securities of any series, any money deposited with the Trustees or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium (if any) or interest (if any) on any Security of any series, or any coupon appertaining thereto, and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or coupon shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustees or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustees or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04 Statement as to Compliance.

The Company shall deliver to the Trustees, on or before 120 days after the end of the Company's fiscal year, an Officer's Certificate stating that a review of the activities of the Company during such fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to such Officer, that the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred and is continuing, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or propose to take with respect thereto). The Company shall deliver to the Trustees upon demand evidence in such form as the Trustees may require as to compliance by the Company with any condition or covenant of the Company set out herein relating to any action required or permitted to be taken by the Company under this Indenture or as a result of any obligation imposed by this Indenture. For purposes of this Section 10.04, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 10.05 Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all material taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or property of the Company, and (2) all material lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon any property or assets of the Company; *provided, however*, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 10.06 Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the rights (charter and statutory) and franchises of the Company; *provided, however*, that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company.

SECTION 10.07 Waiver of Certain Covenants.

The Company may, with respect to any series of Securities, omit in any particular instance to comply with any term, provision or condition which affects such series set forth in Sections 10.06 and 10.07, or, as specified pursuant to Section 3.01(19) for Securities of such series, in any covenants of the Company added to this Article Ten pursuant to Section 3.01(19) in connection with Securities of such series, if before the time for such compliance the Holders of at least a majority in principal amount of all Outstanding Securities of any series, by Act of such Holders, waive such compliance in such instance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustees to Holders of Securities of such series in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN
REDEMPTION OF SECURITIES

SECTION 11.01 Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Article Eleven.

SECTION 11.02 Election to Redeem; Notice to Trustees.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustees), notify the Trustees of such Redemption Date and of the principal amount of Securities of such series to be redeemed and shall deliver to the Trustees such documentation and records as shall enable the Trustees to select the Securities to be redeemed pursuant to Section 11.03. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish to the Trustees an Officer's Certificate evidencing compliance with such restriction.

SECTION 11.03 Selection by Trustees of Securities to Be Redeemed.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustees, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustees shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Securities of such series; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Security not redeemed to less than the minimum authorized denomination for Securities of such series established pursuant to Section 3.01.

The Trustees shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 11.04 Notice of Redemption.

Except as otherwise specified as contemplated by Section 3.01, notice of redemption shall be given in the manner provided for in Section 1.07 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed. Failure to give notice in the manner provided in Section 1.07 to the Holder of any Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price and the amount of accrued interest to the Redemption Date payable as provided in Section 11.06, if any,

(3) if less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date, the Redemption Price and accrued interest (if any) to the Redemption Date payable as provided in Section 11.06 will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(6) the Place or Places of Payment where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price and accrued interest (if any),

(7) that the redemption is for a sinking fund, if such is the case,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the Redemption Date or the amount of any such missing coupon or coupons will be deducted from the Redemption Price unless security or indemnity satisfactory to the Company, the Trustees and any Paying Agent is furnished, and

(9) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on such Redemption Date pursuant to Section 3.05 or otherwise, the last date, as determined by the Company, on which such exchanges may be made.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustees in the name and at the expense of the Company.

SECTION 11.05 Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with a Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) sufficient to pay the Redemption Price of, and accrued interest (if any) on, all the Securities which are to be redeemed on that date.

SECTION 11.06 Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) (together with accrued interest (if any) to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest (if any)) such Securities shall, if the same were interest-bearing, cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest (if any), to the Redemption Date; *provided, however*, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 10.02) and, unless otherwise specified as contemplated by Section 3.01, only upon presentation and surrender of coupons for such interest; *provided further* that installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant record dates according to their terms and the provisions of Section 3.07.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustees if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustees or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; *provided, however*, that interest represented by coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 10.02) and, unless otherwise specified as contemplated by Section 3.01, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium (if any) shall, until paid, bear interest from the Redemption Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in such Security.

SECTION 11.07 Securities Redeemed in Part.

Any Security which is to be redeemed only in part (pursuant to the provisions of this Article Eleven or of Article Twelve) shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustees so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustees duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the applicable Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE
SINKING FUNDS

SECTION 12.01 Applicability of Article.

Retirements of Securities of any series pursuant to any sinking fund shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Article Twelve.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "**mandatory sinking fund payment**," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "**optional sinking fund payment**". If provided for by the terms of Securities of any series, the cash amount of any mandatory sinking fund payment may be subject to reduction as provided in Section 12.02. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 12.02 Satisfaction of Sinking Fund Payments with Securities.

Subject to Section 12.03, in lieu of making all or any part of any mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option (1) deliver to the Trustees Outstanding Securities of a such series (other than any previously called for redemption) theretofore purchased or otherwise acquired by the Company together in the case of any Bearer Securities of such series with all un-matured coupons appertaining thereto, and/or (2) receive credit for the principal amount of Securities of such series which have been previously delivered to the Trustees by the Company or redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any mandatory sinking fund payment with respect to the Securities of the same series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; *provided, however*, that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustees at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 12.03 Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustees an Officer's Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) and the portion thereof, if any, which is to be satisfied by delivering or crediting Securities of that series pursuant to Section 12.02 (which Securities will, if not previously delivered, accompany such certificate) and whether the Company intends to exercise its right to make a permitted optional sinking fund payment with respect to such series.

Such certificate shall be irrevocable and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. In the case of the failure of the Company to deliver such certificate, the sinking fund payment due on the next succeeding sinking fund payment date for that series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of such Securities subject to a mandatory sinking fund payment without the option to deliver or credit Securities as provided in Section 12.02 and without the right to make any optional sinking fund payment, if any, with respect to such series.

Not more than 60 days before each such sinking fund payment date the Trustees shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 11.03 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 11.04. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 11.06 and 11.07.

Prior to any sinking fund payment date, the Company shall pay to the Trustees or a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) in cash a sum equal to any interest that will accrue to the date fixed for redemption of Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this 12.03 Section.

Notwithstanding the foregoing, with respect to a sinking fund for any series of Securities, if at any time the amount of cash to be paid into such sinking fund on the next succeeding sinking fund payment date, together with any unused balance of any preceding sinking fund payment or payments for such series, does not exceed in the aggregate $100,000, the Trustees, unless requested by the Company, shall not give the next succeeding notice of the redemption of Securities of such series through the operation of the sinking fund. Any such unused balance of moneys deposited in such sinking fund shall be added to the sinking fund payment for such series to be made in cash on the next succeeding sinking fund payment date or, at the request of the Company, shall be applied at any time or from time to time to the purchase of Securities of such series, by public or private purchase, in the open market or otherwise, at a purchase price for such Securities (excluding accrued interest and brokerage commissions, for which the Trustees or any Paying Agent will be reimbursed by the Company) not in excess of the principal amount thereof.

ARTICLE THIRTEEN
REPAYMENT AT OPTION OF HOLDERS

SECTION 13.01 Applicability of Article.

Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Article Thirteen.

SECTION 13.02 Repayment of Securities.

Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest (if any) thereon accrued to the Repayment Date specified in or pursuant to the terms of such Securities. The Company covenants that, with respect to such Securities, on or before the Repayment Date it will deposit with a Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.01 for the Securities of such series and except, if applicable, as provided in Sections 3.12(b), 3.12(d) and 3.12(e)) sufficient to pay the principal (or, if so provided by the terms of the Securities of any series, a percentage of the principal) of and (except if the Repayment Date shall be an Interest Payment Date) accrued interest (if any) on, all the Securities or portions thereof, as the case may be, to be repaid on such date.

SECTION 13.03 Exercise of Option.

Securities of any series subject to repayment at the option of the Holders thereof will contain an "Option to Elect Repayment" form on the reverse of such Securities. To be repaid at the option of the Holder, any Security so providing for such repayment, with the "Option to Elect Repayment" form on the reverse of such Security duly completed by the Holder (or by the Holder's attorney duly authorized in writing), must be received by the Company at the Place of Payment therefor specified in the terms of such Security (or at such other place or places which the Company shall from time to time notify the Holders of such Securities) not earlier than 45 days nor later than 30 days prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of the minimum denomination for Securities of such series, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid, must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 13.04 When Securities Presented for Repayment Become Due and Payable.

If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in this Article Thirteen and as provided by or pursuant to the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) such Securities shall, if the same were interest- bearing, cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be repaid, except to the extent provided below, shall be void. Upon surrender of any such Security for repayment in accordance with such provisions, together with all coupons, if any, appertaining thereto maturing after the Repayment Date, the principal amount of such Security so to be repaid shall be paid by the Company, together with accrued interest (if any) to the Repayment Date; *provided, however*, that coupons whose Stated Maturity is on or prior to the Repayment Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 10.02) and, unless otherwise specified pursuant to Section 3.01, only upon presentation and surrender of such coupons; *provided further* that, in the case of Registered Securities, installments of interest (if any) whose Stated Maturity is on or prior to the Repayment Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.07.

If any Bearer Security surrendered for repayment shall not be accompanied by all appurtenant coupons maturing after the Repayment Date, such Security may be paid after deducting from the amount payable therefor as provided in Section 13.02 an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustees if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustees or any Paying Agent any such missing coupon in respect of which a deduction shall have been made as provided in the preceding sentence, such Holder shall be entitled to receive the amount so deducted; *provided, however*, that interest represented by coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 10.02) and, unless otherwise specified as contemplated by Section 3.01, only upon presentation and surrender of those coupons.

If any Security surrendered for repayment shall not be so repaid upon surrender thereof for repayment, the principal amount and premium (if any) shall, until paid, bear interest from the Repayment Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in such Security.

SECTION 13.05 Securities Repaid in Part.

Upon surrender of any Registered Security which is to be repaid in part only, the Company shall execute and the applicable Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Registered Security or Securities of the same series, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

ARTICLE FOURTEEN
DEFEASANCE AND COVENANT DEFEASANCE

SECTION 14.01 Company's Option to Effect Defeasance or Covenant Defeasance.

Except as otherwise specified as contemplated by Section 3.01 for Securities of any series, the provisions of this Article Fourteen shall apply to each series of Securities, and the Company may, at its option, effect defeasance of the Securities of or within a series under Section 14.02, or covenant defeasance of or within a series under Section 14.03 in accordance with the terms of such Securities and in accordance with this Article Fourteen.

SECTION 14.02 Defeasance and Discharge.

Upon the Company's exercise of the above option applicable to this Section 14.02 with respect to any Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Securities and any related coupons on the date the conditions set forth in Section 14.04 are satisfied (hereinafter, "**defeasance**"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and any related coupons, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 14.05 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all of its other obligations under such Securities and any related coupons and this Indenture insofar as such Securities and any related coupons are concerned (and the Trustees, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Securities and any related coupons to receive, solely from the trust fund described in Section 14.04 and as more fully set forth in such Section, payments in respect of the principal of, premium (if any) and interest (if any) on such Securities and any related coupons when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 3.05, 3.06, 10.02 and 10.03, (C) the rights, powers, trusts, duties and immunities of the Trustees hereunder and (D) this Article Fourteen. Subject to compliance with this Article Fourteen, the Company may exercise its option under this Section 14.02 notwithstanding the prior exercise of its option under Section 14.03 with respect to such Securities and any related coupons.

SECTION 14.03 Covenant Defeasance.

Upon the Company's exercise of the above option applicable to this Section 14.03 with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 10.05 and 10.06, and, if specified pursuant to Section 3.01, its obligations under any other covenant, with respect to such Securities and any related coupons on and after the date the conditions set forth in Section 14.04 are satisfied (hereinafter, "**covenant defeasance**"), and such Securities and any related coupons shall thereafter be deemed not to be "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities and any related coupons, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under clauses (4) or (7) of Section 5.01 or otherwise but, except as specified above, the remainder of this Indenture and such Securities and any related coupons shall be unaffected thereby.

SECTION 14.04 Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 14.02 or Section 14.03 to any Securities of or within a series and any related coupons:

(1) The Company shall irrevocably have deposited or caused to be deposited with either Trustee (or another trustee satisfying the requirements of Section 6.08 who shall agree to comply with the provisions of this Article Fourteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any related coupons, (A) an amount (in such Currency in which such Securities and any related coupons are then specified as payable at Stated Maturity), or (B) Government Obligations applicable to such Securities (determined on the basis of the Currency in which such Securities are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal of and premium (if any) and interest (if any) under such Securities and any related coupons, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustees, to pay and discharge, and which shall be applied by the Trustees (or another trustee satisfying the requirements of Section 6.08 who shall agree to comply with the provisions of this Article Fourteen) to pay and discharge, (i) the principal of, premium (if any) and interest (if any) on such Securities and any related coupons on the Stated Maturity (or Redemption Date, if applicable) of such principal of, premium (if any) or installment of interest (if any), (ii) any mandatory sinking fund payments or analogous payments applicable to such Securities and any related coupons on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Securities and any related coupons, and (iii) all amounts due the Trustees under Section 6.07; *provided* that the Trustees shall have been irrevocably instructed to apply such money or the proceeds of such Government Obligations to said payments with respect to such Securities and any related coupons. Before such a deposit, the Company may give to the Trustees, in accordance with Section 11.02, a notice of its election to redeem all or any portion of such Securities at a future date in accordance with the terms of such Securities and Article Eleven hereof, which notice shall be irrevocable. Such irrevocable redemption notice, if given, shall be given effect in applying the foregoing.

(2) No Default or Event of Default with respect to such Securities or any related coupons shall have occurred and be continuing on the date of such deposit or, insofar as clauses (5) and (6) of Section 5.01 are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(3) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default or an Event of Default under, this Indenture or any default under any material agreement or instrument to which the Company is a party or by which it is bound.

(4) In the case of an election under Section 14.02, the Company shall have delivered to the Trustees an Opinion of Counsel in the United States stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of execution of this Indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities and any related coupons will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(5) In the case of an election under Section 14.03, the Company shall have delivered to the Trustees an Opinion of Counsel in the United States to the effect that the Holders of such Securities will not recognize income, gain or loss for United States federal income tax purposes as a result of such covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(6) The Company shall have delivered to the Trustees an Opinion of Counsel in Canada or a ruling from the Canada Revenue Agency to the effect that the Holders of such Securities will not recognize income, gain or loss for Canadian federal, provincial or territorial income tax or other tax purposes as a result of such defeasance or covenant defeasance, as applicable, and will be subject to Canadian federal, provincial or territorial income tax and other tax on the same amounts, in the same manner and at the same times as would have been the case had such defeasance or covenant defeasance, as applicable, not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that Holders of such Securities include Holders who are not resident in Canada).

(7) The Company is not an "insolvent person" within the meaning of the Bankruptcy and Insolvency Act (Canada) on the date of such deposit or at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(8) Notwithstanding any other provisions of this Section 14.04, such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations in connection therewith pursuant to Section 3.01.

(9) The Company shall have delivered to the Trustees an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for, relating to either the defeasance under Section 14.02 or the covenant defeasance under Section 14.03 (as the case may be), have been complied with.

SECTION 14.05 Deposited Money and Government Obligations to Be Held in Trust; Other Miscellaneous Provisions

Subject to the provisions of the last paragraph of Section 10.03, all money and Government Obligations (or other property as may be provided pursuant to Section 3.01) (including the proceeds thereof) deposited with a Trustee (or another trustee satisfying the requirements of Section 6.08 who shall agree to comply with the provisions of this Article Fourteen) pursuant to Section 14.04 in respect of such Securities and any related coupons shall be held in trust and applied by such Trustee, in accordance with the provisions of such Securities and any related coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), to the Holders of such Securities and any related coupons of all sums due and to become due thereon in respect of principal, premium (if any) and interest (if any) on such Securities but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified with respect to any Security pursuant to Section 3.01, if, after a deposit referred to in Section 14.04(1) has been made, (a) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 3.12(b) or the terms of such Security to receive payment in a Currency other than that in which the deposit pursuant to Section 14.04(1) has been made in respect of such Security, or (b) a Conversion Event occurs as contemplated in Section 3.12(d) or 3.12(e) or by the terms of any Security in respect of which the deposit pursuant to Section 14.04(1) has been made, the indebtedness represented by such Security and any related coupons shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, premium (if any) and interest (if any) on such Security as they become due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the Currency in which such Security becomes payable as a result of such election or Conversion Event based on the applicable Market Exchange Rate for such Currency in effect on the third Business Day prior to each payment date, except, with respect to a Conversion Event, for such Currency in effect (as nearly as feasible) at the time of the Conversion Event.

The Company shall pay and indemnify such Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Section 14.04 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Securities and any related coupons.

Anything in this Article Fourteen to the contrary notwithstanding, such Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in Section 14.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to such Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance, as applicable, in accordance with this Article Fourteen.

SECTION 14.06 Reinstatement.

If a Trustee or any Paying Agent is unable to apply any money in accordance with Section 14.05 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and such Securities and any related coupons shall be revived and reinstated as though no deposit had occurred pursuant to Section 14.02 or 14.03, as the case may be, until such time as such Trustee or Paying Agent is permitted to apply all such money in accordance with Section 14.05; *provided, however*, that if the Company makes any payment of principal of, premium (if any) or interest (if any) on any such Security or any related coupon following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities and any related coupons to receive such payment from the money held by such Trustee or Paying Agent.

ARTICLE FIFTEEN
MEETINGS OF HOLDERS OF SECURITIES

SECTION 15.01 Purposes for Which Meetings May Be Called.

If Securities of a series are issuable as Bearer Securities, a meeting of Holders of Securities of such series may be called at any time and from time to time pursuant to this Article Fifteen to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 15.02 Call, Notice and Place of Meetings.

(1) The Trustees may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 15.01, to be held at such time and at such place in The City of New York, in Toronto or in London as the Trustees shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided for in Section 1.07, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(2) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustees to call a meeting of the Holders of Securities of such series for any purpose specified in Section 15.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustees shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in The City of New York, in Toronto or in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in paragraph (1) of this Section 15.02.

SECTION 15.03 Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder of Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustees and their counsel and any representatives of the Company and its counsel.

SECTION 15.04 Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series; *provided, however*, that, if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Securities of a series, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chair of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chair of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 15.02(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of any adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Subject to the foregoing, at the reconvening of any meeting adjourned for lack of a quorum the Persons entitled to vote 25% in principal amount of the Outstanding Securities at the time shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Except as limited by the proviso to Section 9.02, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of not less than a majority in principal amount of the Outstanding Securities of such series who have casted their votes; *provided, however*, that, except as limited by the proviso to Section 9.02, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of not less than such specified percentage in principal amount of the Outstanding Securities of such series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section 15.04 shall be binding on all the Holders of Securities of such series and the related coupons, whether or not present or represented at the meeting.

Notwithstanding the foregoing provisions of this Section 15.04, if any action is to be taken at a meeting of Holders of Securities of any series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage in principal amount of all Outstanding Securities affected thereby, or of the Holders of such series and one or more additional series:

(i) there shall be no minimum quorum requirement for such meeting; and

(ii) the principal amount of the Outstanding Securities of such series that vote in favor of such request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under this Indenture.

SECTION 15.05 Determination of Voting Rights; Conduct and Adjournment of Meetings.

(1) Notwithstanding any provisions of this Indenture, the Trustees may make such reasonable regulations as they may deem advisable for any meeting of Holders of Securities of a series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as they shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 1.05 and the appointment of any proxy shall be proved in the manner specified in Section 1.05 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 1.05 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 1.05 or other proof.

(2) The Trustees shall, by an instrument in writing appoint a temporary chair of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 15.02(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chair. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(3) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each $1,000 principal amount of Outstanding Securities of such series held or represented by him (determined as specified in the definition of "Outstanding" in Section 1.01); *provided, however*, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chair of the meeting to be not Outstanding. The chair of the meeting shall have no right to vote, except as a Holder of a Security of such series or a proxy.

(4) Any meeting of Holders of Securities of any series duly called pursuant to Section 15.02 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 15.06 Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers, if any, of the Outstanding Securities of such series held or represented by them. The permanent chair of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 15.02 and, if applicable, Section 15.04. Each copy shall be signed and verified by the affidavits of the permanent chair and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustees to be preserved by the Trustees, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

IM CANNABIS CORP.

By:_____
Name:_____
Title:_____

_____,
as U.S. Trustee

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

_____,
as Canadian Trustee

By:_____
Name:_____
Title: Authorized Signing Officer

By:_____
Name:_____
Title: Authorized Signing Officer

EXHIBIT A-1

FORM OF CERTIFICATE TO BE GIVEN BY
PERSON ENTITLED TO RECEIVE BEARER SECURITY
OR TO OBTAIN INTEREST PAYABLE PRIOR
TO THE EXCHANGE DATE

CERTIFICATE

IM CANNABIS CORP.
_____% Notes due _____

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Securities held by you for our account (i) are owned by any person(s) that is not a citizen or resident of the United States; a corporation or partnership (including any entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia unless, in the case of a partnership, United States Treasury Regulations provide otherwise; any estate whose income is subject to United States federal income tax regardless of its source; or a trust if (A) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (B) it was in existence on August 20, 1996 and has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person ("United States persons(s)"), (ii) are owned by United States person(s) that are (a) foreign branches of United States financial institutions (financial institutions, as defined in United States. United States Treasury Regulation Section 1.165-12(c)(1)(iv) are herein referred to as "financial institutions") purchasing for their own account or for resale, or (b) United States person(s) who acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise IM Cannabis Corp. or its agent that such financial institution will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(7)), and, in addition, if the owner is a United States or foreign financial institution described in clause (iii) above (whether or not also described in clause (i) or (ii)), this is to further certify that such financial institution has not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "United States" means the United States of America (including the states and the District of Columbia); and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We undertake to advise you promptly in writing on or prior to the date on which you intend to submit your certification relating to the above-captioned Securities held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certificate excepts and does not relate to U.S. $_____ of such interest in the above-captioned Securities in respect of which we are not able to certify and as to which we understand an exchange for an interest in a permanent global security or an exchange for and delivery of definitive Securities (or, if relevant, collection of any interest) cannot be made until we do so certify.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:_____
[To be dated no earlier than the 15th day prior to (i) the Exchange Date or (ii) the relevant Interest Payment Date occurring prior to the Exchange Date, as applicable]

[Name of Person Making Certification]

By:_____
Name:_____
Title:_____

EXHIBIT A-2

FORM OF CERTIFICATE TO BE GIVEN BY THE DEPOSITARY
IN CONNECTION WITH THE EXCHANGE OF A PORTION OF A
TEMPORARY GLOBAL SECURITY OR TO OBTAIN INTEREST
PAYABLE PRIOR TO THE EXCHANGE DATE

CERTIFICATE

IM CANNABIS CORP.
_____% Notes due _____

This is to certify that based solely on written certifications that we have received in writing or by electronic transmission from each of the persons appearing in our records as persons entitled to a portion of the principal amount set forth below (our "Member Organizations") substantially in the form attached hereto, as of the date hereof, U.S. $_____ principal amount of the above-captioned Securities (i) is owned by any person(s) that is not a citizen or resident of the United States; a corporation or partnership (including any entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia unless, in the case of a partnership, United States Treasury Regulations provide otherwise; any estate whose income is subject to United States federal income tax regardless of its source; or a trust if (A) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (B) it was in existence on August 20, 1996 and has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person ("United States person(s)"), (ii) is owned by United States person(s) that are (a) foreign branches of United States financial institutions (financial institutions, as defined in United States Treasury Regulation Section 1.165-12(c)(1)(iv) are herein referred to as "financial institutions") purchasing for their own account or for resale, or (b) United States person(s) who acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such financial institution has agreed, on its own behalf or through its agent, that we may advise IM Cannabis Corp. or its agent that such financial institution will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) is owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(7)) and, to the further effect, that financial institutions described in clause (iii) above (whether or not also described in clause (i) or (ii)) have certified that they have not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "United States" means the United States of America (including the states and the District of Columbia); and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We further certify that (i) we are not making available herewith for exchange (or, if relevant, collection of any interest) any portion of the temporary global Security representing the above-captioned Securities excepted in the above-referenced certificates of Member Organizations and (ii) as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:_____
[To be dated as of (i) the Exchange Date or (ii) the relevant Interest Payment Date occurring prior to the Exchange Date, as applicable]

[INSERT NAME OF DEPOSITARY]

By:_____
Name:_____
Title:_____