

IM Cannabis Closes Non-Brokered Private Placement led by Management and Concurrent Debt Settlement

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TORONTO and GLIL YAM, Israel, Nov. 12, 2024 /CNW/ -- IM Cannabis Corp. ("**IM Cannabis**" or the "**Company**") (NASDAQ: IMCC) (CSE: IMCC), a leading medical cannabis company with operations in Israel and Germany, is pleased to announce that, further to its press release dated October 4, 2024 (the "**October 4 Release**"), the Company has closed its previously announced non-brokered private placement offering (the "**Offering**") effective today (the "**Closing Date**") through the issuance of 742,517 Units for gross proceed of C\$2,138,448.96. Capitalized terms not otherwise defined herein have the meanings attributed to them in the October 4 Release.



Each Unit was sold at a price of C\$2.88 per Unit, calculated on the basis of the deemed price per Share equal to the 10-day volume weighted average price of the Shares on the Exchange ending on the trading day preceding October 3, 2024, and consisted of one Share and one Warrant.

Each Warrant entitles the holder thereof to acquire one Warrant Share at a price of C\$4.32 per Warrant Share, calculated as a 50% premium to the Offering Price, at any time prior to 5:00 pm (Toronto Time) on the date that is twenty-four months following the Closing Date.

All securities issued under the Offering are subject to: (i) a four month and one day hold period from the date of issuance and (ii) applicable legends as required pursuant to the *United States Securities Act of 1933*, as amended.

The Company intends to use the proceeds from the Offering for the repayment of a loan to A.D.I. CAR ALARMS & STEREO SYSTEMS Ltd. provided to the Company's subsidiary IMC Holdings Ltd. on October 11, 2022.

Loan Bonus and Debt Settlement

The Company also announces that the Company has completed a debt settlement (the "**Debt Settlement**" and together, with the Offering, the "**Transactions**") in the amount of US\$560,000.00, approximately C\$758,240.00, based on an exchange rate of US\$1.00 = C\$1.354 as at October 3, 2024, as published on the website of the Bank of Canada, with Oren Shuster, the Company's Chief Executive Officer, in connection with the Benefit, to preserve the Company's cash for working capital through the issuance of 110,576 Settlement Shares and 152,701 Pre-Funded Warrants at a deemed price of C\$2.88.

Each Pre-Funded Warrant will entitle the holder to purchase one Settlement Share for a price of \$0.00001, upon receipt of shareholder approval to allow Mr. Shuster to become a control person (as defined in the policies of the Exchange).

All securities issued in consideration for the Benefit are subject to: (i) a four month and one day hold period from the date of issuance and (ii) applicable legends as required pursuant to the *United States Securities Act of 1933*, as amended.

Related Party Transaction

Oren Shuster, a director and officer of the Company, Shmulik Arbel, a director of the Company and Rafael Gabay, an insider of the Company, (together, the "**Participating Insiders**") each participated in the Offering and Mr. Shuster participated in the Debt Settlement. Mr. Shuster acquired 194,110 Units, 110,576 Settlement Shares and 152,701 Pre-Funded Warrants, Mr. Arbel acquired 48,349 Units and Mr. Gabay acquired 194,088 Units.

The participation of the Participating Insiders in the Offering constitutes a "related party transaction", as such term is defined in MI 61-101 and would require the Company to receive minority shareholder approval for and obtain a formal valuation for the subject matter of, the transaction in accordance with MI 61-101, prior to the completion of such transaction. However, in completing the Offering, the Company has relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101, on the basis of subsections 5.5(g) and 5.7(g) – *Financial Hardship* of MI 61-101, as the Company is (i) in a situation of serious financial difficulty; (ii) the Transactions are designed to improve the financial position of the Company as (x) the Company would be unable to repay back the loan provided to A.D.I. CAR ALARMS & STEREO SYSTEMS Ltd. provided to the Company's subsidiary IMC Holdings Ltd. without the completion of the Offering and (y) would have been unable to obtain Loans without Mr. Shuster personal guaranteeing them; (iii) the circumstances described in Section 5.5(f) of MI 61-101 are not applicable, and (iv) the Board and independent directors (as such term is defined in MI 61-101) have, acting in good faith, determined that (i) and (ii) apply and the terms of the Transactions are reasonable in the circumstances of the Company.

The Transactions were approved by the members of the Board who are independent for the purposes of the Transactions, respectively. No special committee was established in connection with the Transactions; however, the independent members of the Board commissioned a third-party valuator to determine the Benefit.

Further details will be included in a material change report to be filed by the Company. The Company did not file a material change report more than 21 days before the closing date of the Transactions as the participation of Participating Insiders in the Offering was not definitively known to the Corporation until closing. In the Company's view, the shorter period was necessary to permit the Company to close the Transactions in a timeframe consistent with usual market practice for transactions of this nature and was reasonable and necessary to improve the Company's financial position.

Corrective Disclosure – Option Cancellation and Grants

In addition, the Company wishes to correct the following disclosures made in the October 4 Release:

Option Cancellation

The Company cancelled an aggregate of 31,305 Options, not 32,305 Options.

Option Grant

The Company granted an aggregate of 31,305 Options, not 32,305 Options. Each Option granted was at an exercise price of C\$3.00, not the greater of: (i) the Warrant Exercise Price; and (ii) C\$3.00 per Share, with an expiry date of two years from the date of issuance (the "**Option Grants**"). The Options Grants vest as follows: one third vest immediately, one third vests on the six-month anniversary and the final one third vests on the twelve-month anniversary. All securities issued under the Option Grants are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with the policies of the Exchange.

Early Warning Disclosure

This press release is being issued in accordance with the requirements of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* and National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, in connection with the Early Warning Reports (as defined herein) which will be filed by Oren Shuster, whose registered address is 22, Hanachal St. Ra'anana, Israel, 4356990 and Rafael Gabay, whose registered address is Shmerling 8, Tel Aviv, Israel 5251241 (collectively, the "**Acquirors**") in connection with their acquisition of securities of the Company, whose registered address is Kibbutz Gilil Yam, Central District, Israel, 4690500.

Effective November 12, 2024, (i) Mr. Shuster acquired 194,110 Units in the Offering at a price of C\$2.88 per Unit for an aggregate subscription amount of C\$559,036.80 and settled debt with the Company pursuant to the Debt Settlement, in the amount of US\$560,000.00, approximately C\$758,240.00, based on an exchange rate of US\$1.00 = C\$1.354 as at October 3, 2024, as published on the website of the Bank of Canada, and acquired 110,576 Settlement Shares and 152,701 Pre-Funded each at a deemed price of C\$2.88; and (ii) Mr. Gabay acquired 194,088 Units in the Offering at a price of C\$2.88 per Unit for an aggregate subscription amount of C\$558,973.44.

Immediately prior to the completion of the Transactions, Oren Shuster, along with his joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Shuster owns and controls 50% of the outstanding voting, owned an aggregate of 312,145 Common Shares, 21,875 options exercisable into Common Shares and debentures in the principal amount C\$237,214, convertible into up to 46,512 Common Shares at a deemed price of C\$5.10 per Common Share, which represented approximately 13.98% of the then Company's issued and outstanding Common Shares on a non-diluted basis (based on 2,232,359 Common Shares issued and outstanding prior to the completion of the Transactions) and 24.34% on a partially diluted basis if Mr. Shuster converted all of the convertible securities owned or controlled by him.

As a result of the Transactions, Mr. Shuster, along with its joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Shuster owns and controls 50% of the outstanding voting, now beneficially owns or controls an aggregate of 616,831 Common Shares, 194,110 Warrants, 152,701 Pre-Funded Warrants, 21,875 options exercisable into Common Shares and debentures in the principal amount C\$237,214, convertible into up to 46,512 Common Shares at a deemed price of C\$5.10 per Common Share, which represents approximately 19.99% of the Company's issued and outstanding Common Shares on a non-diluted basis (based on 3,085,452 Common Shares issued and outstanding as of the date hereof), and 33.96% on a partially diluted basis if Mr. Shuster converted all of the convertible securities owned or controlled by him.

Immediately prior to the completion of the Transactions, Rafael Gabay, along with his joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Gabay owns and controls 50% of the outstanding voting, owned an aggregate of 195,619 Common Shares, 1,500 options exercisable into Common Shares, 50,549 Common Share purchase warrants exercisable into Common Shares and debentures in the principal amount C\$236,617, convertible into up to 46,395 Common Shares at a deemed price of C\$5.10 per Common Share, which represented approximately 8.76% of the then Company's issued and outstanding Common Shares on a non-diluted basis (based on 2,232,359 Common Shares issued and outstanding prior to the completion of the Transactions) and 20.67% on a partially diluted basis if Mr. Gabay converted all of the convertible securities owned or controlled by him.

As a result of the Transactions, Mr. Gabay, along with its joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Gabay owns and controls 50% of the outstanding voting, now beneficially owns or controls an aggregate of 389,707 Common Shares, 194,088 Warrants, 1,500 options exercisable into Common Shares, 50,549 Common Share purchase warrants exercisable into Common Shares and debentures in the principal amount C\$236,617, convertible into up to 46,395 Common Shares at a deemed price of C\$5.10 per Common Share, which represents approximately 12.63% of the Company's issued and outstanding Common Shares on a non-diluted basis (based on 3,085,452 Common Shares issued and outstanding as of the date hereof), and 25.42% on a partially diluted basis if Mr. Gabay converted all of the convertible securities owned or controlled by him.

The Acquirors acquired the above-noted securities for investment purposes. In the future, the Acquirors will evaluate their respective investment in the Company from time to time and may, based on such evaluation, market conditions and other circumstances, increase or decrease their respective shareholdings as circumstances require through market transactions, private agreements, or otherwise.

The Acquirors currently have no plans or intentions which would result in a corporate transaction, a sale or transfer of a material amount of the assets of the Company or any of its subsidiaries, a change in the board of directors or management of the Company, including any plans or intentions to change the number or term of directors or to fill any existing vacancies on the board, a material change in the Company's business or corporate structure, a change in the Company's charter, bylaws or similar instruments or another action which might impede the acquisition of control of Company by any person or company, a class of securities of the Company being delisted from, or ceasing to be authorized to be quoted on, a marketplace, the Company ceasing to be a reporting issuer in any jurisdiction of Canada, a solicitation of proxies from securityholders, or an action similar to any of those enumerated.

Since the previous early warning report filed by the Acquirors in respect of the Company, the Acquirors' Common Share ownership positions increased by more than 2% and the Acquirors' acquired securities convertible into more than 2% of the issued and outstanding Common Shares, which triggered the requirements to file an early warning report under applicable Canadian Securities legislation (together, the "**Early Warning Reports**").

Copies of the Early Warning Reports may be found at SEDAR+ at www.sedarplus.ca under IM Cannabis' profile. For further information, or to obtain copies of the Early Warning Reports, please contact the Acquirors by emailing michal.l@imcannabis.com or calling 972 542815033.

About IM Cannabis Corp.

IM Cannabis (NASDAQ: IMCC) (CSE: IMCC) is an international cannabis company that provides premium cannabis products to medical patients in Israel and Germany, two of the largest medical cannabis markets. The Company has recently exited operations in Canada to pivot its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel and Germany. The Company leverages a transnational ecosystem powered by a unique data-driven approach and a globally sourced product supply chain. With an unwavering commitment to responsible growth and compliance with the strictest regulatory environments, the Company strives to amplify its commercial and brand power to become a global high-quality cannabis player.

The IM Cannabis ecosystem operates in Israel through its subsidiaries, which imports and distributes cannabis to medical patients, leveraging years of proprietary data and patient insights. The Company also operates medical cannabis retail pharmacies, online platforms, distribution center, and logistical hubs in Israel that enable the safe delivery and quality control of IM Cannabis products throughout the entire value chain. In Germany, the IM Cannabis ecosystem operates through Adjupharm GmbH, where it distributes cannabis to pharmacies for medical cannabis patients.

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Cautionary Note Regarding Forward-Looking Information

This press release contains forward-looking information or forward-looking statements under applicable Canadian and United States securities laws (collectively, "**forward-looking statements**"). All information that addresses activities or developments that we expect to occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made. In the press release, such forward-looking statements include, but are not limited to, statements relating to: the intended use of proceeds and shareholders approving Mr. Shuster becoming a control person.

Forward-looking statements are based on assumptions that may prove to be incorrect, including but not limited to: the Company's ability to focus and resources to achieve sustainable and profitable growth in its highest value markets; the Company's ability to mitigate the impact of the Israel-Hamas war on the Company; the Company's ability to take advantage of the legalization of medicinal cannabis in Germany; the Company's ability to carry out its stated goals, scope, and nature of operations in Germany, Israel, and other jurisdictions the Company may operate; the Company using the proceeds as described herein; and shareholders will approve Mr. Shuster becoming a control person. The above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward looking statements due to a number of factors and risks. These include: the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry; unexpected changes in governmental policies and regulations in the jurisdictions in which the Company operates; the Company's ability to continue to meet the listing requirements of the Exchange and the NASDAQ Capital Market; any unexpected failure to maintain in good standing or renew its licenses; the ability of the Company and its subsidiaries (collectively, the "**Group**") to deliver on their sales commitments or growth objectives; the reliance of the Group on third-party supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations; the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group; the impact of increasing competition; any lack of merger and acquisition opportunities; adverse market conditions; the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses; risks of product liability and other safety-related liability from the usage of the Group's cannabis products; supply chain constraints; reliance on key personnel; the risk of defaulting on existing debt; risks surrounding war, conflict and civil unrest in Eastern Europe and the Middle East, including the impact of the Israel-Hamas war on the Company, its operations and the medical cannabis industry in Israel; risks associated with the Company focusing on the Israel and Germany markets; the inability of the Company to achieve sustainable profitability and/or increase shareholder value; the inability of the Company to actively manage costs and/or improve margins; the inability of the company to grow and/or maintain sales; the inability of the Company to meet its goals and/or strategic plans; the inability of the Company to reduce costs and/or maintain revenues; the Company's inability to take advantage of the legalization of medicinal cannabis in Germany; the Company not using the proceeds as stated herein; and shareholders not disapproving Mr. Shuster becoming a control person. Please see the other risks, uncertainties and factors set out under the heading "Risk Factors" in the Company's annual report dated March 28, 2024, which is available on the Company's issuer profile on SEDAR+ at www.sedarplus.ca and Edgar at www.sec.gov/edgar. Any forward-looking statement included in this press release is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward looking information is made. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements. Forward looking statements contained in this press release are expressly qualified by this cautionary statement.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities to, or for the account or benefit of, persons in the United States or U.S. persons. The securities have not been and will not be registered under the U.S. Securities Act, or any state securities laws and may not be offered or sold to, or for the account or benefit of, persons in the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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