

BERTRAM CAPITAL FINANCE, INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Expressed in United States Dollars

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This Management's Discussion & Analysis ("**MD&A**") of the financial condition and results of operations of Bertram Capital Finance, Inc. ("**Bertram**" or the "**Company**") should be read in conjunction with Bertram's audited financial statements for the year ended December 31, 2018 and accompanying notes therein. This MD&A is dated April 30, 2019, which is the date that the Board of Directors of the Company approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

For the purposes of this MD&A, the term "Company" means Bertram Capital Finance Inc. and, when making reference to the Company after completion of the RTO (as defined herein), means Cannabis One Holdings Inc. (formerly Metropolitan Energy Corp.) and includes its subsidiary, Bertram Capital Finance Inc.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" section below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CORPORATE OVERVIEW

Bertram is a Colorado-based corporation that presently provides various support services and infrastructure development to licensed producers of cannabis in the state of Colorado. Incorporated in 2015, Bertram indirectly serves thousands of customers in the jurisdictions that its licensed clients operate. The Company itself does not hold any licenses related to cultivation, manufacture, distribution, or sale of cannabis or cannabis-infused products.

Bertram has licensing agreements and contractual partnerships with unrelated licensed cannabis producing entities to provide a variety of services including product packaging, equipment leasing, and site personnel and management resources. Bertram also owns certain intellectual property, including the trademarks, domain names and/or licensing rights for various cannabis related brands within the state of Colorado. This intellectual property includes the trademark, trade name, and domain names for the cannabis production brand "Cannabis", for the retail locations known as "The Joint", and for the innovative vaporizer-style cannabis delivery system known as "INDVR".

Headquartered in Denver, Colorado, Bertram intends to directly (if specifically permitted under state regulations) or indirectly support additional licensed cannabis producers by expanding its current client base in Colorado through new licensing agreements and contractual partnerships. Bertram also intends to expand its client base and provide support services in additional markets across the highly regulated U.S. states (targeting Nevada and Washington in 2018, and California and Oregon in 2019) and Canada should appropriate opportunities present themselves.

Refer to "Proposed Transactions" for additional details of acquisitions that occurred or are proposed to occur subsequent to December 31, 2018.

CORPORATE OUTLOOK AND PROPOSED TRANSACTIONS

Corporate Outlook

Bertram's long-term plan for expansion is to extend its operations throughout North America and internationally with the intention of establishing a leading brand culture and reputation in the cannabis industry. The Company anticipates expanding its current suite of services and products throughout Nevada, Washington, California and Oregon during 2019.

The Company continues to actively identify and evaluate cannabis sector assets and businesses through discussions with various business associates, contacts of the directors and officers, and other parties, with a view to completing acquisitions of, or extending professional services to, cannabis sector participants in the United States. To carry out this activity and to fund continued general corporate requirements, the Company anticipates the need for additional fundraising primarily through equity financing, but possibly through debt financing or related party loans. However, there can be no assurance that any such financing, whether equity or debt, will be available to the Company in the amount required, or if available, that it can be obtained on terms satisfactory to the Company.

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Proposed Transactions

Subsequent to December 31, 2018, the Company entered into the following agreements to acquire certain businesses and or assets:

Liht Transaction (pending completion):

Effective March 5, 2019, the Company executed a letter of intent to acquire a 51% ownership in California license holder, "420 Express Delivery Inc." which operates, "Green Leaf Wellness", a dispensary in the Coachella Valley of California, from Liht Cannabis Corp., (the "**Liht Transaction**") a publicly traded company on the CSE.

Consideration payable by the Company will be the rebranding of the Green Leaf Wellness dispensary, valued at US\$250,000, under the Company's "The Joint™" banner; and US\$350,000 in Class A Subordinate Voting Shares of the Company (the "**Subordinate Voting Shares**"), which will be subject to a 12-month trading restriction following the date of issuance. The Company will retain a right-of-first refusal to purchase the remaining 49% of Green Leaf Wellness and related assets at fair market value in exchange for additional Subordinate Voting Shares and/or cash consideration for a period of 5 years following closing of the Liht Transaction.

The completion of the Liht Transaction will be subject to applicable regulatory approvals.

Honu Transaction (completed):

On May 6, 2019, the Company, through its wholly-owned subsidiary, Bertram, completed an acquisition pursuant to a definitive asset purchase agreement (the "**Honu Purchase Agreement**") of certain business and operating assets of Honu Enterprises, Inc. ("**Honu**"), inclusive of all intellectual property and certain equipment (the "**Honu Transaction**"). In accordance with Washington State regulations and legislation, neither the Company, nor Bertram, acquired any interest in regulated inventory or licenses related to the cultivation, manufacture, distribution, or sale of cannabis or cannabis-related products in connection with the Honu Transaction.

Pursuant to the terms of the Honu Purchase Agreement, the gross consideration payable to Honu in connection with the Honu Transaction will be up to US\$10,280,811 payable through the issuance by the Company to Honu of Class B Super Voting Shares of the Company (the "**Super Voting Shares**") due in three equal parts upon closing of the Honu Transaction ("**Closing**") and subsequently upon the satisfaction of provisions applicable to two (2) earn-out consideration payments (each an "**Earn-Out**"). Upon Closing, the Company issued to Honu 87,802 Super Voting Shares at a per Super Voting Share price equal to CAD\$43.3165 for gross consideration of approximately US\$2,837,952.80 (CAD\$3,803,282.44), which figure is net of those funds previously advanced to Honu by the Company or its subsidiaries prior to Closing.

The two (2) Earn-Out consideration payments will each be contingent on reaching certain annual revenue targets (the "**Annual Revenue Targets**") and will each consist of the issuance of up to such number of Super Voting Shares as is equal to a value of US\$3,426,937. Each Earn-Out consideration will be payable within thirty (30) days following the audited validation of the applicable Annual Revenue Target. The per Super Voting Share price for each Earn-Out will be equal to ten (10) times (given that each Super Voting Share is convertible into ten (10) Subordinate Voting Shares) the greater of: (a) the maximum discount allowed under the policies of the CSE to the closing price of the Subordinate Voting Shares immediately prior to the date of the execution of the Honu Purchase Agreement and the announcement of the same by the Company; and (b) the ten (10) day volume-weighted average price of the Subordinate Voting Shares on the CSE immediately preceding the closing date of the applicable Earn-Out, converted into United States Dollars using a ten (10) day simple average of the USD/CAD foreign exchange rate for the period immediately preceding the closing of the applicable Earn-Out, as published on www.federalreserve.gov.

All Super Voting Shares issued pursuant to the Honu Purchase Agreement will be subject to a contractual lock-up, restricting the transfer of the Super Voting Shares (and any Subordinate Voting Shares issuable upon conversion of the

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Super Voting Shares) for a total of eighteen (18) months from the date of issuance, during which time 33.33% of the issued Super Voting Shares will be released from such lock-up on each six (6) month anniversary of the issuance of the Super Voting Shares (the "**Lock-Up**") pursuant to the terms and conditions of a lock-up agreement entered into between Honu and the Company (the "**Lock-Up Agreement**"). The Lock-Up Agreement provides for certain exemptions from such transfer restrictions, provided that such transferred Super Voting Shares (and any Subordinate Voting Shares issuable upon conversion of the Super Voting Shares) will remain subject to the Lock-Up following such transfer. Additionally, Honu has agreed to grant the Company a sixty (60) day right-of-first-refusal to purchase, or identify a third-party purchaser for, any such the Company shares intended to be sold by Honu.

As at the date of authorization of the financial statements, the initial accounting for the Honu Transaction is incomplete. As a result, the Company is unable to provide disclosure in accordance with IFRS 3 Business Combinations in respect of the following: (i) the amount and qualitative factors that make up goodwill that may be recognized, and the amount if any, of goodwill that is expected to be deductible for tax purposes; (ii) the fair values and gross contractual amounts of receivables acquired; (iii) the amounts recognized for each major class of assets and liabilities assumed; (iv) the amount of separately recognized transactions which may include acquisition-related professional fees and other costs that may be recognized as an expense in profit or loss.

Fat Face Farms Transaction (completed):

On April 16, 2019, the Company, through its wholly-owned subsidiary, Bertram, completed an acquisition pursuant to a definitive asset purchase agreement (the "**JBC Purchase Agreement**") with JBC Enterprises LLC ("**JBC**"), whereby it acquired the business and operating assets of JBC, inclusive of all leasehold rights, intellectual property, and equipment (the "**JBC Transaction**"). In accordance with Colorado regulation and legislation, neither the Company, nor Bertram, acquired any interest in regulated inventory or licenses related to the cultivation, manufacture, distribution, or sale of cannabis or cannabis-related products in connection with the JBC Transaction.

Pursuant to the terms of the JBC Purchase Agreement, the gross consideration payable to JBC in connection with the JBC Transaction was equal to US\$1,100,000 (CAD\$1,467,719) payable through the issuance by the Company to JBC of 37,358 Super Voting Shares at a per Super Voting Share price equal to CAD\$39.2871. Pursuant to a shortfall in consideration due to rounding and in lieu of the issuance of a fractional Super Voting Share, a cash payment of US\$23.62 was paid by Bertram to JBC.

The Super Voting Shares issued to JBC in connection with the transaction are subject to a trading restriction pursuant to applicable Canadian securities legislation, of four (4) months and one (1) day and trading restriction pursuant to applicable United States securities legislation. Additionally, JBC has agreed to grant the Company and Bertram a sixty (60) day right of-first-refusal to purchase, or identify a third-party purchaser for, any such Super Voting Shares intended to be sold by JBC.

As at the date of authorization of the financial statements, the initial accounting for the JBC Transaction is incomplete. As a result, the Company is unable to provide disclosure in accordance with IFRS 3 Business Combinations in respect of the following: (i) the amount and qualitative factors that make up goodwill that may be recognized, and the amount if any, of goodwill that is expected to be deductible for tax purposes; (ii) the fair values and gross contractual amounts of receivables acquired; (iii) the amounts recognized for each major class of assets and liabilities assumed; (iv) the amount of separately recognized transactions which may include acquisition-related professional fees and other costs that may be recognized as an expense in profit or loss.

Evergreen Organix Transaction (pending completion):

On April 22, 2019, the Company announced it had executed three definitive agreements to acquire certain assets of Nevada-based LV 3480 Partners LLC, 3480 Investors, Inc., and Agro Finance LLC (collectively, "**Evergreen Organix**") (the "**Evergreen Organix Transaction**"). Subject to the approval of Nevada State regulators, the Company will acquire

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Nevada-State issued cannabis cultivation and manufacturing licenses, related infrastructure and operations, intellectual property and other assets including several flower and infused-product brands. Evergreen Organix has established manufacturing and distribution relationships for the production of its suite of brands across six states: Nevada, California, Colorado, Washington, Oregon, and Montana.

Total aggregate consideration payable by the Company pursuant to the Evergreen Organix Transaction is equal to approximately US\$47,710,623 comprised of Super Voting Shares, cash, and assumed liabilities as follows:

- i) US\$24,607,506 in Super Voting Shares, less any funds previously advanced by the Company to Evergreen Organix, payable to LV 3480 Partners LLC. The Super Voting Shares will be subject to a lock-up period of 18-months following the date of issuance which restricts the transfer of these securities during the lock-up period. During the lock-up period 33.33% of the issued Super Voting Shares will be released from the lock-up every six months. There will be a trading restriction of four months following closing of the Evergreen Organix Transaction;
- ii) US\$15,000,000 payable to 3480 Investors, Inc., comprised of US\$14,355,000 in assumed liabilities and US\$645,000 in cash; and
- iii) US\$8,103,117 payable to Agro Finance LLC in cash.

The completion of the Evergreen Organix Transaction will be subject to shareholder approval of the Evergreen Organix entities and applicable regulatory approvals.

OVERALL PERFORMANCE / SIGNIFICANT EVENTS DURING THE YEAR ENDED DECEMBER 31, 2018

Completion of Bertram Non-Brokered Private Placement of Subscription Receipts

During the year ended December 31, 2018, Bertram completed a non-brokered private placement of 15,811,974 Subscription Receipts at \$0.38 (CAD\$0.50) per Subscription Receipt for gross proceeds of \$6,066,335 (the "**Bertram Private Placement**"). Each Subscription Receipt was automatically exchanged for one common share and one-half of one common share purchase warrant of the Company on the signing of the Definitive Agreement with Metropolitan Energy Corp. A total of 7,905,987 warrants were issued with each exercisable to purchase one common share of Cannabis One at an exercise price of CAD\$0.75 expiring on October 28, 2020.

Cash share issue costs including finders' fees and other cash share issue costs of \$152,283 were paid. Additionally, 42,326 compensatory finders' warrants to purchase Cannabis One Shares (the "**Cannabis One Broker Warrants**") were issued at a fair value of \$4,000. The Cannabis One Broker Warrants are exercisable at CAD\$0.50 each, expiring on October 28, 2020.

Execution of Definitive Agreement with Metropolitan Energy Corp.

On October 17, 2018, Bertram executed a definitive business combination agreement (the "**Definitive Agreement**") which superseded a Letter of Intent signed on July 5, 2018 with Metropolitan Energy Corp. ("**Metropolitan**"), a public company listed on the NEX board of the TSX Venture Exchange (the "**NEX**"), to affect a reverse takeover transaction (the "**Transaction**") and conduct a concurrent private placement of Subscription Receipts (the Bertram Private Placement as per above). The Transaction closed on February 25, 2019.

Under the terms of the Definitive Agreement, Metropolitan acquired, indirectly through its wholly-owned subsidiary incorporated in the state of Colorado (the "**AcquireCo**"), all issued and outstanding securities of Bertram in exchange for re-designated Class A Subordinate Voting Shares and newly-created Class B non-trading Super Voting Shares, as applicable, in the capital of Metropolitan pursuant to a merger of Bertram and AcquireCo, the result of which constituted a reverse takeover of Metropolitan by the shareholders of Bertram (a "**RTO**"). Upon completion of the Transaction, Metropolitan delisted from the NEX, changed its name to Cannabis One Holdings Inc., ("**Cannabis One**") and obtained a

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listing on the Canadian Securities Exchange (the "CSE"). The common shares of Cannabis One commenced trading on the CSE on February 26, 2019, under the symbol "CBIS."

In conjunction with the execution of the Definitive Agreement, Bertram split its securities on a basis of approximately 5.9343-to-1 (the "**Share Split**"). All share and per share information in the financial statements have been retroactively restated to reflect the effect of the Share Split.

SELECTED ANNUAL INFORMATION AND DISCUSSION OF OPERATIONS

For the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	\$	\$
Revenue	2,707,355	928,253
Gross profit	973,776	632,152
Operating expenses	(2,096,727)	(728,796)
Loss and comprehensive loss	(1,732,715)	(180,296)
Loss and comprehensive loss per share		
- basic and diluted	(0.04)	(0.01)

Revenue increased during the year ended December 31, 2018, relative to the year ended December 31, 2017, by approximately \$1,779,000 or 192%. The aggregate increase in revenue across all business segments is a result of the Company's expanded product and service offerings and customer acquisitions. Specifically, lease and rental income which comprises equipment leasing, and rental of operating premises to other parties, increased by approximately \$229,000 due to the recognition of a full year's worth of equipment leasing income (there were no new lease agreements entered into during the year ended December 31, 2018), and rental income. The Company increased service income by approximately \$933,000 through the provision of increased payroll services and marketing services to new and existing customers. Product sales also increased by approximately \$616,000 driven by greater sales of its INDVR branded products through the addition of significant new customers.

Gross profit increased during the year ended December 31, 2018, relative to the year ended December 31, 2017, by approximately \$342,000. Gross profit percentage was however lower at 36% compared to 68% as a result of higher cost of sales percentages of revenue in all categories. This was driven by increased wages expense in respect of service expenses, increased professional fees in respect of lease expenses, and lower gross profit on the sale of products compared to the prior year.

Operating expenses increased during the year ended December 31, 2018, relative to the year ended December 31, 2017, by approximately \$1,368,000 driven by increases in all components of operating expense except depreciation. These changes are the result of increased operations to fund growth and client acquisition. Notable increases in operating expenses and/or other expenses were as follows:

- Consulting fees by approximately \$531,000 as a result of the increased use of experts relating to the Company's Transaction with Metropolitan and related public listing on the CSE;
- Warrant liability – derivative of \$460,000 is a non-cash expense which arises due to the issuance of non-compensatory warrants that were issued in connection with the Bertram Private Placement which have an exercise price denominated in Canadian dollars, a currency that is different from the functional currency of the Company (United States dollar). Accordingly, the warrants are treated as a financial liability which causes the recognition of an expense.

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- Investor relations by approximately \$254,000 as a result of promotional activity in connection with becoming a reporting issuer and expanding its shareholder base, and customer acquisition efforts;
- Professional fees by approximately \$201,000 as a result of increased legal, audit, and other expenses pursuant to the Company's public listing including services relating to the Company's continuous disclosure obligations included within the Form 2A Listing Statement with the CSE;
- Loss provision on loans receivable of approximately \$166,000 is a non-cash expense and was triggered by the issuance of a notice of default to a debtor in December 2018 as the debtor had failed to engage in a repayment plan with the Company on one of the notes making up loans receivable; and
- Share-based compensation by approximately \$106,000 is a non-cash expense which comprised the fair value of common shares issued to Directors of the Company for services provided to the Company. The increase is driven by an increase in the estimated fair value of the common shares, and the number of shares issued compared to the number of shares which were accrued for in the prior year.

Loss and comprehensive loss increased substantially due to (i) the increase in operating expenses required to fund the Company's growth; and (ii) the \$460,000 warrant liability expense recognized during the year ended December 31, 2018. While operating expenses increased at a greater rate than sales, this disparity is expected to decrease as the Company becomes more efficient in its client acquisition process.

With respect to loss and comprehensive loss per share, financial instruments including warrants, are anti-dilutive.

SUMMARY OF QUARTERLY RESULTS

Period Ending	Revenue \$	Income (Loss) and comprehensive income (loss) \$	Basic and Diluted Loss Per Share \$
December 31, 2018	1,468,593	(889,249)	(0.02)
September 30, 2018	459,111	(338,090)	(0.01)
June 30, 2018	462,248	(169,511)	(0.00)
March 31, 2018	317,403	(335,865)	(0.01)
December 31, 2017	571,107	(88,891)	(0.00)
September 30, 2017	196,378	(67,667)	(0.01)
June 30, 2017	132,060	68,362	(0.00)
March 31, 2017	28,708	(92,100)	(0.00)

Quarter to quarter fluctuations in revenue have been driven by the fluctuations in the normal course of business, and the Company's overall growth efforts, as well as significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the fourth quarter.

During the period ending March 31, 2017, the Company began leasing equipment to Cannabis Corp., by entering into the first of two lease agreements with Cannabis Corp. The second lease agreement with Cannabis Corp., commenced during the period ending June 30, 2017. The Company's only source of revenue during the period ending March 31, 2017 was lease income. During the period ending June 30, 2017, the Company commenced product sales, however such sales for the quarter were minimal. The period ending June 30, 2017, was the Company's only recent profitable quarter as revenue from equipment leasing of approximately \$131,000 exceeded cost of sales and other operating expenses as the Company was not yet incurring the types of operating expenses that arose in subsequent periods as a result of the Transaction with Metropolitan, filing of the Form 2A Listing Statement with the CSE, and all other related costs associated with continued growth efforts.

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During the period ending September 30, 2017, the Company began generating service income albeit such income only began in the last 20 days of the period. Additionally, during this quarter, the Company began earning rental income on two facilities that are rented to Cannabis Corp. Also during this quarter, the Company incurred a loss and comprehensive loss as cost of sales relative to revenue increased thereby reducing gross profit percentage, as well as incurring non-cash share-based compensation expense for the first time, and incurred higher professional fees.

During the period ending December 31, 2017, the Company continued to experience increased revenues in all categories with the primary revenue driver being product sales of approximately \$267,000. The loss and comprehensive loss incurred by the Company was driven by the write-off of investment of \$100,000, share-based compensation of \$50,000, and a significant increase in professional fees and consulting fees related to advancement and growth initiatives.

During the period ending March 31, 2018, the decrease in revenues was driven primarily by a decrease in product sales as the Company had experienced increased product sales in the previous quarter due to seasonality effects. Loss and comprehensive loss for the quarter was characterized by a further reduction in gross profit percentage and increases in advertising and promotion, as well as continued consulting fees, and share-based compensation expense.

During the period ending June 30, 2018, revenues increased as the Company acquired additional customers and expanded its service offering. Loss and comprehensive loss decreased during the quarter as the Company's gross profit percentage improved, while professional fees, advertising and promotion, consulting fees, and certain other operating expenses all decreased.

During the period ending September 30, 2018, revenues were comparable to the previous period with insignificant changes in the composition of revenue. Although loss and comprehensive loss increased compared to the previous quarter, the Company continued to improve its gross profit percentage. However, increases in operating expenses relating to consulting fees, professional fees, investor relations, and share-based compensation greatly outweighed the improvement in gross profit percentage for the quarter. The increase in such operating expenses reflects the Company's increased and ongoing efforts relating to its transaction with Metropolitan and public listing.

During the period ending December 31, 2018, revenues increased due to a significant increase in product sales to approximately \$783,000 driven by seasonality effects. The Company also continued to acquire additional customers which expanded the service income segment with service income reaching approximately \$528,000. Operating performance for the quarter was comparable to the previous quarter, however, the key contributor to the increase in loss and comprehensive loss was the non-cash loss provision on loans receivable of approximately \$166,000, consulting fees of approximately \$418,000, and the recognition of a warrant liability – derivative non-cash expense which arose due to the issuance of non-compensatory warrants that were issued in connection with the Bertram Private Placement which have an exercise price denominated in Canadian dollars, a currency that is different from the functional currency of the Company (United States dollar). Accordingly, the warrants are treated as a financial liability.

FOURTH QUARTER

Fourth quarter ended December 31, 2018 compared to the fourth quarter ended December 31, 2017

Revenue for the three months ended December 31, 2018 increased by approximately \$898,000 to \$1,469,000 (2017 - \$571,000) which was driven by increases in product sales by approximately \$516,000 and service income by approximately \$390,000.

Operating expenses increased by approximately \$243,000 to \$598,000 (2017 - \$355,000) as characterized by increases in:

- Investor relations of \$254,000;
- Consulting fees of \$217,000;

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- Rent of \$80,000;
- Travel of \$51,000; and

Offsetting the increases were decreases in the following operating expenses:

- General and administrative of \$222,000; and
- Professional fees of \$84,000.

Loss and comprehensive loss for the three months ended December 31, 2018 increased by approximately \$800,000 to \$889,000 (2017 - \$89,000). Gross profit was comparable for each period being approximately \$361,000 and \$363,000 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue opportunities to deliver solutions for financing, and complete potential business and/or asset acquisitions of state-licensed cannabis cultivators, manufacturers, and dispensaries throughout legal markets within the United States. The Company has the ability to raise new capital through equity and debt issuances and/or through operations. The Company prepares annual estimates of expected expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations.

The Company is not exposed to any externally imposed capital requirements, nor were there changes in the Company's approach to capital management during the year ended December 31, 2018.

Ability to Access Private and Public Capital

The Company has historically relied entirely on access to private capital in order to support its continuing operations and capital expenditure requirements. The Company expects to rely on both private and public capital markets to finance its growth plans in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, the Company believes that it will be successful in raising private and public financing in the future. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Liquidity and Financial Condition

As at December 31, 2018, and 2017:

	December 31, 2018	December 31, 2017
	\$	\$
Total assets	9,092,641	4,047,276
Working capital	5,351,467	1,410,819
Total liabilities	1,041,404	679,632
Non-current liabilities	-	-
Shareholders' equity	8,051,237	3,367,644
Deficit	(2,448,280)	(715,565)

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The Company's total assets increased by approximately \$5,045,000 in major part due to increases in cash due to the closing of the Bertram Private Placement, trade receivables due to the acquisition of significant new customers, and significant additions to property and equipment characterized mainly by expenditures on leasehold improvements to cultivation and dispensary locations that will be leased out, as well as the addition of extraction equipment which will also be leased out.

As a result of a greater increase in cash, trade receivables, and the current portion of leases receivable (resulting from the deferral of lease payments from Cannabis Corp.) relative to the increase in current liabilities driven by the recognition of a warrant liability, working capital increased by approximately \$3,941,000.

Cash flows

During the year ended December 31, 2018, cash flows used in operating activities increased by approximately \$1,747,000 to \$2,071,000 (2017 - \$324,000) which was driven by an increase in cash-based operating expenses which drove fluctuations in working capital items. Refer to the discussion of operations above for details in respect of significant items of operating expenses.

During the year ended December 31, 2018, cash flows used in investing activities increased by approximately \$1,097,000 to \$1,433,000 (2017 - \$336,000) which was substantially driven by increased additions to property and equipment, and a net cash outflow in respect of amounts advanced for loans receivable compared to repayments received on loans receivable.

During the year ended December 31, 2018, cash flows from financing activities increased by approximately \$5,176,000 to \$6,284,000 (2017 - \$1,108,000) which was substantially driven by the proceeds received on the Bertram Private Placement. Total proceeds received from the issuance of common shares during the year ended December 31, 2018 was approximately \$6,511,000 (2017 - \$1,136,000).

OUTSTANDING SHARE DATA

As at December 31, 2018, the Company had the following equity securities issued and outstanding:

- 53,993,745 common shares; and
- 8,239,122 warrants exercisable at a weighted average exercise price of \$0.74 with remaining lives between 1.04 to 1.83 years.

As at April 30, 2019, due to the completion of the Transaction with Metropolitan, all equity securities are that of the combined entity and reporting issuer, Cannabis One.

CONTINGENCIES

Alan and Brooks Builders LLC ("A&B")

In October 2018, the Company received a notice of civil claim against the Company with respect to the construction of one of the Company's leased properties. A&B is seeking to recover \$507,767 in labor and materials related to work performed. It is the position of the Company that A&B was hired to perform certain construction services at the property, but that the parties never entered into a written contract and never agreed to the cost of construction services. The Company, in consultation with legal counsel, assesses that it is not probable that the claim of A&B will be successful and that the Company will be required to pay any amounts. Accordingly, no provision for possible loss has been included in these financial statements.

Bronner Corp. ("Bronner")

In December 2018, the Company filed a claim against Bronner for breach of contract pursuant to the Materials Purchases Agreement entered into on August 2, 2018 (Note 5(c)) as Bronner had failed to engage in a repayment plan with the Company

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on the funds advanced by the Company to Bronner. The Company is seeking repossession of inventory which was pledged as security for the funds advanced, and monetary damages of approximately \$130,000.

On April 29, 2019, Bronner filed an answer to the litigation and asserted counterclaims. Bronner is also seeking to consolidate this lawsuit with the Strainz & Bronner lawsuit described below. A response to the counterclaim is due from the Company on or before May 20, 2019. The Company intends to answer the counterclaims and proceed with litigation against Bronner.

The likelihood of success of this litigation cannot be determined at this time. Accordingly, no provision for possible loss has been included in these financial statements.

Strainz, Inc. ("Strainz") & Bronner (subsequent to December 31, 2018)

On January 29, 2019, Strainz and Bronner filed a claim against the Company claiming breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraudulent misrepresentation and concealment. Strainz and Bronner were parties to loans receivable that were written-off during the year ended December 31, 2018 (Note 5(b)(c)). Strainz and Bronner are seeking monetary damages against the Company which cannot be confirmed at this time.

On April 29, 2019, the Company filed a Motion to Dismiss this proceeding on the basis that necessary and indispensable parties were not made parties to the litigation. Strainz and Bronner have also filed a Motion to Consolidate this proceeding with the proceeding involving Bronner as disclosed above. Court ruling on the Motion to Dismiss filed by the Company is pending. The Company is required to respond to the Motion to Consolidate the proceedings on or before May 20, 2019.

The Company intends to answer and proceed vigorously with this proceeding. The claims asserted against the Company are believed to be substantially groundless, frivolous, and simply asserted as a means to extort and extract payment from the Company. The Company denies that there is any merit to any of the claims asserted against it and denies that any of the claims are supported by evidence. The Company will likely not challenge the Motion to Consolidate.

No complete evaluation can be made of the likelihood of success of this proceeding at this time. The Company believes that many of the claims are unfounded and the damages claimed are greatly overstated. Accordingly, no provision for possible loss has been included in these financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk (including interest rate risk, price risk, and currency risk), credit risk, and liquidity risk.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Fair value of financial instruments

The fair value of cash is measured using Level 1 inputs. The fair value of the Company's investment classified as FVTPL is measured using Level 2 inputs. The carrying values of subscriptions receivable, trade receivables, and trade and other payables, approximate their respective fair values due to the short-term nature of these instruments. The Company's loans receivable and leases receivable also approximate fair value as they bear market rates of interest.

The Company's warrant liability is measured using Level 3 inputs.

Details of the Company's risks including market risk (interest rate risk, price risk, and currency risk), credit risk, and liquidity risk as detailed in Note 15 of the financials statements.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings, loans, lease financing, and entering into joint venture agreements or licensed partnerships; or any combination thereof.

Economic dependence

The Company derives 44% (2017 – 99%) of its revenues from one company, Cannabis Corp. Additionally, as at December 31, 2018, 24% (December 31, 2017 – 99%) of trade receivables represent amounts due from Cannabis Corp., and 71% of trade receivables as at December 31, 2018 represent amounts due from three other arm's length companies (2017 – 1% due from one other arm's length company).

It is anticipated that expansion of operations into Nevada, Washington, California, and Oregon in fiscal 2019, will realize a differentiation in the source of revenue for the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2018, and as at the date hereof.

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RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere within the financial statements, key management personnel transactions, and related party transactions and balances as at and during the years ended December 31, 2018 and 2017 are listed below. As described below and throughout the financial statements, the Company engaged in several transactions with Cannabis Corp., a company jointly owned by a spouse of an officer of the Company and an unrelated third party.

Compensation paid or payable to key management during the years ended December 31, 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Share-based compensation ⁽¹⁾	195,600	90,000
Lease expenses – cost of sales ⁽²⁾	125,000	-
Consulting fees ⁽³⁾	613,564	165,430
Share issue costs – finders' fees ⁽⁴⁾	10,318	96,392
Share issue costs – finders' warrants ⁽⁴⁾	-	47,000

(1) Comprises the fair value of common shares on the approval date of the award of those shares to Directors of the Company, for their services provided during the years ended December 31, 2018, and 2017. The common shares were issued during the year ended December 31, 2018.

(2) Incurred to the Vice President ("VP") Product Development.

(3) Incurred to the VP Finance, a Director, and a company providing CEO services.

(4) Incurred to Wildhorse Capital Partners, a company in which the CFO has significant influence.

Other related party transactions:

The following transactions within the financial statements involved other related parties as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Interest earned on loan receivable ⁽⁶⁾	9,534	15,246
Interest earned on loan receivable ⁽⁵⁾	3,666	-
Lease and rental income ⁽⁵⁾	665,197	436,380
Product sales ⁽⁵⁾	96,550	264,000
Service income ⁽⁵⁾	897,353	222,110

(5) Amounts charged/products sold to Cannabis Corp.

(6) Amounts charged to a company controlled by a Director.

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Related party balances:

The following balances were payable/receivable to/from related parties as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	\$	\$
Prepaid expenses ⁽⁹⁾	-	30,000
Trade payables and accrued liabilities due to related parties ⁽¹⁰⁾	195	-
Trade receivables ⁽⁷⁾	339,624	315,707
Current portion of leases receivable ⁽⁷⁾	1,031,410	470,870
Long-term portion of leases receivable ⁽⁷⁾	555,428	636,410
Current portion of loans receivable ⁽⁸⁾	42,131	43,449
Long-term portion of loans receivable ⁽⁸⁾	42,131	84,039

(7) Amounts due from Cannabis Corp.

(8) Amount due from a company controlled by a Director.

(9) Prepaid expense to Wildhorse Capital Partners.

(10) Amounts due to the VP Product Development

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. Details of the areas which require management to make critical estimates and judgments are disclosed in Note 2 of the financial statements.

ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in Accounting Policies

During the year ended December 31, 2018, the Company adopted two new accounting standards.

- **IFRS 9 – *Financial Instruments*:** The Company has initially adopted IFRS 9 Financial Instruments from January 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There was no material impact to the Company's financial statements as a result of transitioning to IFRS 9.
- **IFRS 15 – *Revenue from Contracts with Customers*:** IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 became effective on January 1, 2018. There was no significant impact to the financial statements.

A number of other new standards are also effective from January 1, 2018, but they also did not have a material impact on the Company's financial statements. The Company's significant accounting policies are detailed in Note 3 to the financial statements.

Accounting Standards Issued but Not Yet Effective

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019.

The Company has completed the scoping and review of contracts and is in the process of measuring the impact of IFRS 16 on the leases identified upon transition and for modified retrospective restatement.

The Company anticipates the adoption of IFRS 16 will have a material impact on the statements of financial position primarily due to the capitalization and recognition and measurement of the right-of-use assets and lease liabilities. The impacts on profit or loss will be an elimination of lease expense within general and administrative expense, for those contracts which are recognized as leases, and instead will be replaced by an amortization of the right-of-use asset and interest (finance) costs on the lease liability. All lease contracts are denominated in U.S. dollars, therefore there will be no additional volatility in foreign exchange amounts recognized in profit or loss.

The Company has a portfolio of leases for building premises in respect of its corporate office, cultivation facilities that are or will be sub-leased, and dispensary retail locations that are or will be sub-leased. These leases are expected to be recorded as right-of-use assets and lease liabilities under IFRS 16. The Company estimates at January 1, 2019, it will record a right-of use asset of approximately \$1,548,000 and a corresponding lease liability of approximately \$1,739,000, with the difference between the right-of-use asset and lease liability to be recorded to deficit.

LEGAL AND REGULATORY MATTERS

United States Federal Overview

In the United States, 33 states and the District of Columbia have legalized the medical use of cannabis, while 10 states and the District of Columbia have also legalized adult-use cannabis. At the federal level, however, cannabis currently remains a Schedule I drug under the U.S. Controlled Substances Act (the "CSA"). Under U.S. federal law, Schedule I drugs, substances, or chemicals are defined as drugs with no currently accepted medical use and a high potential for abuse. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While cannabis remains illegal under U.S. federal laws, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice (the "DOJ") issued a memorandum known as the "**Cole Memorandum**" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or adult-use cannabis programs. The Cole Memorandum, while not legally binding, assisted in managing the tension between state and federal laws concerning state-regulated cannabis businesses.

On January 4, 2018 the Cole Memorandum was revoked by former Attorney General Jeff Sessions. While this did not create a change in federal law – as the Cole Memorandum was not itself law – the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Mr. Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**". This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that cannabis is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that cannabis activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

Mr. Sessions resigned as United States Attorney General on November 7, 2018 and his successor, William Barr, was confirmed on February 14, 2019. Mr. Barr has expressed his dissatisfaction with the current inconsistencies between U.S. federal and state laws. Mr. Barr has also voiced a preference for a uniform federal rule against cannabis, but noted that an approach permitting states to make their own decisions without violating U.S. federal law is preferable to the current framework.

Despite the continued discussion and guidance relating to the treatment of cannabis at the federal level, Cannabis remains a Schedule I controlled substance. The U.S. federal government reserves the right to enforce federal law in regard to the sale and disbursement of medical or adult-use cannabis, even if state law sanctions such sale and disbursement. It remains unclear whether the risk of enforcement has been altered.

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Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted for money laundering for providing services to cannabis businesses. Moreover, banks and financial institutions that have their deposits federally insured, either through the FDIC or the NCUA, may be reluctant to provide services to cannabis related businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

The FinCEN memorandum remains in effect after the revocation of the Cole Memorandum and the 2014 Cole Memorandum. The FinCEN Memorandum lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the Department of the Treasury and FinCEN are expected to continue following its guidance. However, in the United States, cannabis-based businesses may continue to face difficulties in opening and maintaining a bank account with any bank or other financial institution.

In addition, non-US citizens who participate in the cannabis industry, even in states or foreign countries where cannabis has been legalized, may be permanently barred from entry into the United States by the U.S. Customs and Border Protection Agency, which is an arm of the federal government under the Department of Homeland Security. While legislation has been introduced in Congress to amend the Immigration and Nationality Act to clarify admissibility and deportability of aliens acting in accordance with state and foreign marijuana law on December 12, 2018, titled Maintaining Appropriate Protection for Legal Entry of 2018 ("**MAPLE Act of 2018**"), H.R. 7275 (115th Congress), no action has yet been taken on the bill.

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "**Rohrabacher-Farr Amendment**") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On February 15, 2019, the FY 2019 Federal Budget was signed into law providing similar protections to those contained in the Rohrabacher-Farr Amendment.

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Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. The U.S. federal government's future approach to cannabis remains largely unknown. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations and any cannabis related activities are compliant with all regulatory frameworks as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- implement policies and procedures in place to ensure that revenue is not distributed to criminal enterprises, gangs or cartels;
- ensure that any state-authorized cannabis-related business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;

In addition, the Company may conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence. The Company will also conduct ongoing reviews of the activities of its businesses that provide services to cannabis entities, including review of the premises on which any such businesses may operate and the policies and procedures that are related to any licensee's possession of cannabis or cannabis products outside of the premises, including the cases where such possession is permitted by regulation.

Colorado State Level Overview

The Colorado medical and recreational cannabis industries are regulated by the Colorado Marijuana Enforcement Division (MED), an office of the Colorado Department of Revenue. In November 2000, medical cannabis was decriminalized by voter passage of Amendment 20. Recreational cannabis was later voter approved through the passage of Amendment 64 in November 2012. Laws governing both medical and recreational cannabis are presented within Colorado's Constitutional Article XVIII, sections 14 and 16, respectively. The Colorado Revised Statutes (C.R.S.) are the codified general and permanent statutes of the Colorado General Assembly; laws related to cannabis can be found in C.R.S. Title 44, Articles 11 and 12.

U.S. Legal Advice

The Company uses reasonable commercial efforts to confirm, through the advice of its U.S. counsel, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. Federal enforcement priorities, that its businesses are in compliance with applicable regulatory frameworks. The Company has not received noncompliance orders, citations or notices of violation, that may have an impact on business activities or operations.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Bertram is a U.S.-based, professional management corporation formed to service the fast-growing, legal cannabis industry through real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company, headquartered in Denver, Colorado, intends to redefine the traditional, vertically-integrated, seed-to-sale business model with a specific focus on aggregating cannabis retail distribution and brand manufacturing.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct

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business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Description of Company Activities in Colorado

The Company is focused on providing personnel and management resources, as well as infrastructure and equipment, for the production, cultivation and dispensary operations of licensed cannabis participants in the state of Colorado. The Company itself does not produce or sell cannabis products but does provide support services to licensed cannabis participants in the state of Colorado. The Company operates primarily in the state of Colorado, where the legal commercial production and vending of cannabis by licensed participants is permitted by Colorado state law under Colorado Amendment 64. In addition, the Company will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in any state in which it operates, by continuous review of its compliance with state regulations and affirmation certifications from management.

The Company will continue to monitor, evaluate and re-assess regulatory frameworks in the states in which it operates and any jurisdiction that it may look to expand its operations to in the future, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

Notwithstanding that the Company does not manufacture, produce, distribute, or sell cannabis or cannabis-infused products, the Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends or effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.

RISK FACTORS

Intense Competition in the Cannabis Industry

The U.S. market for cannabis and cannabis-related paraphernalia is very competitive. There are numerous small companies competing in this space. As most sales in this section would be user-based, there is a relatively low capital threshold to enter this business. Management anticipates that the Company will be subject to increased competition as the cannabis market continues to grow in North America.

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No Assurance of Profitability

The Company does not have a history of earnings and, due to the nature of the Company's business, there can be no assurance that the Company will ever become profitable. The Company has not paid dividends on its shares since incorporation and does not presently anticipate doing so in the foreseeable future. The present source of funds available to the Company is from lease income, product sales, and service income, and the sale of its common shares, and, possibly, loans from institutions and related parties. While the Company intends to derive a significant portion of its working capital through its operating business, there can be no assurance that any additional funds derived from equity offerings or debt instruments will be on favourable terms, or at all. At present, it is impossible to determine what amount of additional funding may be required to pursue the Company's expansion plans indefinitely. Failure to raise additional capital could put the expansion plans of the Company at risk.

Dependence Upon Others and Key Personnel

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additionally highly-skilled employees may adversely affect its business and future operations.

Dilution to the Company's Existing Shareholders

The Company will require additional equity financing to be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its expansion plans. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS

The Company provides services to participants in the U.S. cannabis market, and more specifically in the state of Colorado, and may face varied risks. While the company does not own any cannabis licenses, the Company is engaged in business related to cannabis paraphernalia and owns intellectual property ("**IP**") and brands associated with these products, including the INDVR and INDVR Fire brands. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. There are a number of risks that accompany participation, whether direct or indirect, in the cannabis markets in North America. Below is a discussion of some of these risk factors.

- The involvement with recreational cannabis remains illegal under federal law, and it is possible that the Company may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency (the "**DEA**") and Internal Revenue Service (the "**IRS**"), has the right to actively investigate, audit and shut-down cannabis industry participants, including those servicing the industry indirectly. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have an adverse effect on the Company's business, operating results and financial condition.
- Some of the Company's proposed business activities, while believed to be compliant with certain applicable U.S. state and local law, are illegal under United States federal law. Although certain states and territories of the U.S. authorize medical or recreational adult-use cannabis production and distribution by licensed or registered entities under applicable state laws, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act (the "**CSA**"). A shareholder's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment and, in the case of a non-US citizen, a permanent bar to entry into the United States.

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- Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its financial position, operating results, profitability, or liquidity. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.
- The possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law. The Company may be deemed to be aiding and abetting illegal activities through the service contracts it has entered into and the cannabis paraphernalia products that it provides and sells. The Company intends to lease IP and/or real property to cannabis industry participants, including cultivators, distributors, and retailers. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and members could lose their entire investment. Such an action would have a material negative effect on the business and operations of the Company.
- The regulatory system of Colorado is constantly evolving, so there remain uncertainties as to how authorities will interpret and administer applicable regulatory requirements in the future. Any determination that the Company fails to comply with state cannabis regulations would require the Company either to significantly change or terminate lines of business, or the business as a whole, which could adversely affect the Company's business.
- Regulatory scrutiny of the industry to which the Company services may negatively impact its ability to raise additional capital. The Company's business activities are expected to rely, directly and/or indirectly, on the laws and regulations of any state in which the Company operates or may operate in the future. These laws and regulations are rapidly evolving and may be subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis or its derivatives (including cannabidiol) for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry to which the Company services may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.
- The size of the Company's target market is difficult to quantify, and members will be reliant on their own estimates on the accuracy of market data. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for members and potential members to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, members and potential members will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.
- Although the Company does not have difficulty accessing financial services, the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the

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Company to operate. In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis or cannabis-related businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis or cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis or cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company will continue to ensure its operations remain compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS.

- Notwithstanding that the Company maintains trademarks with the State of Colorado, U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.
- The Company's contracts may not be legally enforceable in the United States. Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.
- There is uncertainty surrounding the Trump Administration policies in connection with the cannabis industry as a whole. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum. The Cole Memorandum was addressed to all U.S. Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized and have implemented strong and effective regulatory systems were not characterized as a high priority. On January 4, 2018, US Attorney General Jeff Sessions issued a memorandum to U.S. Attorneys which rescinded the Cole Memorandum. With the Cole Memorandum rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Cole Memorandum is unknown and may have a material adverse effect on the Company's business and results of operations.

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- The Company's business interests in the United States include the provision of real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company is not aware of any non-compliance with the applicable licensing requirements or regulatory framework enacted by the state of Colorado where the Company transacts business.
- In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but Mr. Sessions issued a public statement which said he had received recommendations "on a rolling basis" and he had already "been acting on the task force's recommendations to set the policy of the department." Based on previous public statements made by Mr. Sessions, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard.
- Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes. Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. Despite only an indirect involvement in the cannabis industry, the Company may also be exposed to the foregoing risks.
- In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends and effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.
- In the future, the Company may become subject to Section 280E of the Internal Revenue Code of 1986 ("**Section 280E**") because of its business activities and the resulting disallowance of tax deductions could cause the company to incur more than anticipated U.S. federal income tax. Section 280E provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year "in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any state in which such trade or business is conducted." Because cannabis is a Schedule I controlled substance under the CSA, although the Company is not engaged in the purchase and sale of cannabis products, if any of the Company's activities could be considered the carrying on of a trade or business consisting of "trafficking" in controlled substances then the provisions of Section 280E could apply to disallow tax deductions to the Company. Although the Company is not engaged in the purchase and sale of cannabis products, the Company cannot provide a guarantee that it will not be or become subject to Section 280E. If such tax deductions are disallowed it may increase the Company's effective tax rate and have an adverse effect on the Company's operating results and financial condition.

