

FORM 62-103F3

REQUIRED DISCLOSURE BY AN ELIGIBLE INSTITUTIONAL INVESTOR

UNDER PART 4

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

This report is filed to amend the information disclosed in a previous alternative monthly report dated December 10, 2018 in respect of securities of Cannex Capital Holdings Inc. (“**Cannex**”).

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

4Front Ventures Corp. (the “**Issuer**”)
5060 North 40th Street
Suite 120
Phoenix, Arizona 85018

This report relates to the following securities that are convertible or exercisable into Class B Proportionate Voting Shares of the Issuer (the “**Proportionate Voting Shares**”):

- (a) senior secured convertible notes of the Issuer and its subsidiaries Cannex Holdings (Nevada) Inc. (“**Cannex Nevada**”) and 4Front U.S. Holdings, Inc. (“**4Front U.S.**”, and together with the Issuer and Cannex Nevada, the “**Borrowers**”) (“**4Front Notes**”); and
- (b) warrants to purchase Proportionate Voting Shares (“**4Front Warrants**”).

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

On November 21, 2018, Cannex, a company then listed on the Canadian Securities Exchange (the “**CSE**”), announced a US\$32 million private placement investment (the “**Principal Amount**”) from Gotham Green Partners, LLC (the “**Original Transaction**”). The Original Transaction involved, among other things, a Securities Purchase Agreement among Cannex, Cannex Nevada, and the Funds (as defined herein) dated November 21, 2018 (the “**Original Purchase Agreement**”).

Pursuant to the Original Purchase Agreement, the Funds acquired: (i) senior secured convertible notes of Cannex and Cannex Nevada (“**Original Notes**”), and (ii) warrants to purchase common shares in the capital of Cannex (“**Original Warrants**”). The Original Notes and Original Warrants are described in an

alternative monthly report filed by Gotham Green Partners, LLC (“GGP”) on December 10, 2018 in respect of the holdings of GGP and the Funds as of November 30, 2018 (the “November Report”).

On July 31, 2019, Cannex and 4Front Holdings LLC (“4Front”) announced the closing of their business combination and the creation of the Issuer which now indirectly owns and operates the assets of Cannex and 4Front. The Class A subordinate voting shares of the Issuer (“Subordinate Voting Shares”) trade on the CSE.

The business combination was completed by way of a plan of arrangement under the British Columbia *Business Corporations Act*, pursuant to which:

- (a) holders of common shares of Cannex received Subordinate Voting Shares on a 1:1 basis;
- (b) holders of Class A restricted voting shares of Cannex received Proportionate Voting Shares on a 80:1 basis (the “Cannex Share Exchange Ratio”). Each Proportionate Voting Share carries 80 votes. The Proportionate Voting Shares are not listed for trading on the CSE but may be exchanged for Subordinate Voting Shares in certain circumstances;
- (c) certain key members of 4Front Holdings received multiple voting shares of the Issuer (“Multiple Voting Shares”). Each Multiple Voting Share carries 800 votes. The Multiple Voting Shares are not listed for trading on the CSE and may only be transferred or converted into Proportionate Voting Shares in certain circumstances;
- (d) each Original Note was, and was deemed to be, terminated and cancelled without payment, and each holder of an Original Note became entitled to receive from the Issuer a 4Front Note in exchange for the termination of each Original Note. Each 4Front Note is convertible into Proportionate Voting Shares based on the Cannex Share Exchange Ratio and the conversion price per 4Front Note was adjusted accordingly (such that, upon conversion, in lieu of each 80 Cannex Class A restricted voting shares to which such holder was theretofore entitled upon such conversion, the holder shall receive one Proportionate Voting Share, which is convertible into 80 Subordinate Voting Shares); and
- (e) each Original Warrant was, and was deemed to be, terminated and cancelled without payment, and each holder of an Original Warrant became entitled to receive from the Issuer a 4Front Warrant in exchange for the termination of each Original Warrant. Each 4Front Warrant is exercisable for Proportionate Voting Shares based on the Cannex Share Exchange Ratio and the exercise price per 4Front Warrant was adjusted accordingly (such that, upon exercise, in lieu of each 80 Cannex Class A restricted voting shares to which the holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor,

the holder shall receive one Proportionate Voting Share which is convertible into 80 Subordinate Voting Shares).

On July 31, 2019, the Funds and the Borrowers entered into an Amended Securities Purchase Agreement (the “**Amended Purchase Agreement**”) pursuant to which: (i) the Funds consented to the foregoing; (ii) the Issuer agreed to issue the 4Front Notes and the 4Front Warrants in the forms attached thereto; and (iii) the payment and performance of the obligations of the Issuer contained in the 4Front Notes were secured by, among other things, a General Security Agreement and a Guaranty and Pledge Agreement, each dated July 31, 2019.

The 4Front Notes are largely identical to the Original Notes as they are described in the November Report, except that the principal amount of each 4Front Note increased to incorporate accrued and unpaid interest paid in kind pursuant to each Original Note up to July 31, 2019.

All of the 4Front Notes have a maturity date of November 21, 2021. The 4Front Notes have a coupon of:

- (a) LIBOR +11% in the period beginning November 21, 2018 and ending on November 21, 2019;
- (b) LIBOR +10% in the period beginning November 22, 2019 and ending on November 21, 2020 (“**Year 2**”); and
- (c) LIBOR +9.5% in the period beginning November 22, 2020 and continuing thereafter (“**Year 3**”)

(the “**Applicable Interest Rate**”), with agreed voluntary prepayment rights after November 21, 2019.

Interest on the 4Front Notes shall accrue at the Applicable Interest Rate, of which 50% of the interest due at the end of each month shall be paid in cash in arrears and 50% of the interest due shall accrue and be added to the principal amount of the 4Front Notes and paid in kind (the “**PIK’d Interest**”), and such PIK’d Interest shall be payable on the date that all remaining principal amount is due pursuant to each 4Front Note.

Beginning on November 22, 2019, from time to time, the Borrowers shall have the right to prepay in whole or in part the then-outstanding principal amount of the 4Front Notes together with accrued and unpaid interest and fees, plus a premium of 2% of the principal amount being repaid during Year 2, and a premium of 1% of the principal amount being repaid during Year 3.

The 4Front Notes (including all accrued and unpaid interest and fees thereon) are convertible, at the option of the holder, into Proportionate Voting Shares at any time prior to the close of business on the last business day immediately preceding the Maturity Date. The conversion price for the 4Front Notes is equal to US\$66.40 per Proportionate Voting Share.

The 4Front Warrants are largely identical to the Original Warrants as they are described in the November Report, except that:

- (a) the 4Front Warrants are exercisable for Proportionate Voting Shares;
- (b) each 4Front Warrant is exercisable for the number of Proportionate Voting Shares equal to the number of common shares for which the corresponding Original Warrants were exercisable divided by 80; and
- (c) each 4Front Warrant features an exercise price per Proportionate Voting Share that is equal to the exercise price per share of the corresponding Original Warrant multiplied by 80.

In the aggregate, the 4Front Warrants provide for the purchase of US\$7 million in Proportionate Voting Shares at \$80.00 per share, US\$6 million in Proportionate Voting Shares at \$106.40 per share, and US\$4 million in Proportionate Voting Shares at US\$159.20 per share. All of the 4Front Warrants expire on November 21, 2021.

Item 2 – Identity of the Eligible Institutional Investor

2.1 State the name and address of the eligible institutional investor.

Gotham Green Partners, LLC
1437 4th Street, Suite 200
Santa Monica, CA 90401

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

The transaction occurred on July 31, 2019. See section 1.2.

2.3 State the name of any joint actors.

Gotham Green Fund 1, L.P. by its general partner, Gotham Green GP 1, LLC

Gotham Green Fund 1 (Q), L.P. by its general partner, Gotham Green GP 1, LLC

Gotham Green Credit Partners SPV 2, L.P., by its general partner, Gotham Green Credit Partners GP 2, LLC

(collectively the “**Funds**”).

The Funds are the registered holders of, and GGP has direction and control over, 4Front Notes and 4Front Warrants as described in this report.

2.4 State that the eligible institutional investor is eligible to file reports under Part 4 in respect of the reporting issuer.

GGP is eligible to file reports under Part 4 of National Instrument 62-103 in respect of the Issuer.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and the net increase or decrease in the number or principal amount of securities, and in the eligible institutional investor’s securityholding percentage in the class of securities, since the last report filed by the eligible institutional investor under Part 4 or the early warning requirements.

Net Changes in Principal Amount and Number of Securities

The last report filed by GGP under Part 4 or the early warning requirements was the November Report. On July 31, 2019, the Original Notes and the Original Warrants were cancelled, and the Funds acquired the following 4Front Notes and 4Front Warrants, resulting in the net changes to the principal amount and number of securities held by each Fund since the November Report as set out below.

Gotham Green Fund 1, L.P.

On July 31, 2019, this Fund acquired the following securities:

- (a) US\$1,360,842.29 principal amount of 4Front Notes convertible at US\$66.40 per Proportionate Voting Share, representing a net increase of \$61,004.79 in principal amount from the Original Note issued to this Fund as reported in the November Report;
- (b) 284,339 4Front Warrants exercisable for 3,554 Proportionate Voting Shares at a price of US\$80.00 per share, representing 280,785 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable;
- (c) 183,248 4Front Warrants exercisable for 2,290 Proportionate Voting Shares at a price of US\$106.40 per share, representing 180,958 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable; and
- (d) 81,648 4Front Warrants exercisable for 1,020 Proportionate Voting Shares at a price of US\$159.20 per share, representing 80,628 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable.

Gotham Green Fund 1 (Q), L.P.

On July 31, 2019, this Fund acquired the following securities:

- (a) US\$5,444,206.70 principal amount of 4Front Notes convertible at US\$66.40 per Proportionate Voting Share, representing a net increase of

\$244,044.20 in principal amount from the Original Note issued to this Fund as reported in the November Report;

- (b) 1,137,536 4Front Warrants exercisable for 14,219 Proportionate Voting Shares at a price of US\$80.00 per share, representing 1,123,317 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable;
- (c) 733,106 4Front Warrants exercisable for 9,163 Proportionate Voting Shares at a price of US\$106.40 per share, representing 723,943 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable; and
- (d) 326,643 4Front Warrants exercisable for 4,083 Proportionate Voting Shares at a price of US\$159.20 per share, representing 322,560 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable.

Gotham Green Credit Partners SPV 2, L.P.

On July 31, 2019, this Fund acquired the following securities:

- (a) US\$26,696,730.65 principal amount of 4Front Notes convertible at US\$66.40 per Proportionate Voting Share, representing a net increase of \$1,196,730.65 in principal amount from the Original Note issued to this Fund as reported in the November Report;
- (b) 5,578,125 4Front Warrants exercisable for 69,726 Proportionate Voting Shares at a price of US\$80.00 per share, representing 5,508,399 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable;
- (c) 3,594,925 4Front Warrants exercisable for 44,936 Proportionate Voting Shares at a price of US\$106.40 per share, representing 3,549,989 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable; and
- (d) 1,601,759 4Front Warrants exercisable for 20,021 Proportionate Voting Shares at a price of US\$159.20 per share, representing 1,581,738 fewer shares than the number of shares for which the corresponding Original Warrant was exercisable.

Net Decrease in Securityholding Percentage

In the November Report, GGP disclosed that, assuming the conversion of the US\$32,000,000 principal amount of Original Notes at US\$0.83 per share to acquire 38,554,217 shares of Cannex, and assuming the exercise of all 13,521,328 Original Warrants, GGP exercised control or direction over 52,075,545 shares of

Cannex, representing 22.0856% of the outstanding shares of Cannex on a partially diluted basis as at November 30, 2018.

In connection with the plan of arrangement, the Issuer confirmed to GGP that as of July 31, 2019, there were 120,408,130 Subordinate Voting Shares, 5,114,586 Proportionate Voting Shares, and 1,276,208 Multiple Voting Shares issued and outstanding.

As of July 31, 2019, assuming:

- (a) the conversion of US\$33,501,779.64 aggregate principal amount of 4Front Notes at US\$66.40 per Proportionate Voting Share; and
- (b) the exercise of all of the 4Front Warrants for an aggregate of 169,012 Proportionate Voting Shares,

the Funds are the registered owners of, and GGP exercises control and direction over, 673,556 Proportionate Voting Shares, comprising 11.6368% of the Proportionate Voting Shares on a partially-diluted basis, representing a decrease of 10.4488% from its beneficial ownership of Cannex as disclosed in the November Report.

3.2 State the designation and number or principal amount of securities and the eligible institutional investor's securityholding percentage in the class of securities at the end of the month for which the report is made.

As of July 31, 2019, GGP exercised direction and control over 4Front Notes and 4Front Warrants through the Funds as set out in Item 3.1.

Securityholding Percentage

As of July 31, 2019, assuming:

- (a) the conversion of US\$33,501,779.64 aggregate principal amount of 4Front Notes at US\$66.40 per Proportionate Voting Share; and
- (b) the exercise of all of the 4Front Warrants for an aggregate of 169,012 Proportionate Voting Shares,

the Funds are the registered owners of, and GGP exercises control and direction over, 673,556 Proportionate Voting Shares, comprising 11.6368% of the Proportionate Voting Shares on a partially-diluted basis.

Voting Equity

The Subordinate Voting Shares provide 1 vote per Subordinate Voting Share, the Proportionate Voting Shares provide 80 votes per Proportionate Voting Share, and the Multiple Voting Shares provide 800 votes per Multiple Voting Share.

As of July 31, 2019, assuming:

- (a) the conversion of US\$33,501,779.64 aggregate principal amount of 4Front Notes at US\$66.40 per Proportionate Voting Share; and
- (b) the exercise of all of the 4Front Warrants for an aggregate of 169,012 Proportionate Voting Shares,

the Funds are the registered owners of, and GGP exercises control and direction over, 3.3585% of the voting rights attaching to all of the issued and outstanding shares of the Issuer.

3.3 If the transaction involved a securities lending arrangement, state that fact.

The transaction did not involve a securities lending arrangement.

3.4 State the designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities to which this report relates and over which

(a) the eligible institutional investor, either alone or together with any joint actors, has ownership and control,

GGP, together with the Funds as joint actors, has ownership and control over the 4Front Notes and 4Front Warrants described in Item 3.1 that are convertible and exercisable, respectively, for Proportionate Voting Shares. See Item 3.1.

The Funds are the registered holders of the 4Front Notes and 4Front Warrants described in Item 3.1, and GGP exercises direction and control over them.

(b) the eligible institutional investor, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the eligible institutional investor or any joint actor, and

N/A

(c) the eligible institutional investor, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

N/A

3.5 If the eligible institutional investor or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the eligible institutional investor's securityholdings.

N/A

3.6 If the eligible institutional investor or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement

including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

N/A

3.7 If the eligible institutional investor or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the eligible institutional investor's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

N/A

INSTRUCTIONS

(i) "Related financial instrument" has the meaning ascribed to that term in NI 55-104. Item 3.5 encompasses disclosure of agreements, arrangements or understandings where the economic interest related to a security beneficially owned or controlled has been altered.

(ii) An eligible institutional investor may omit the securityholding percentage from a report if the change in percentage is less than 1% of the class.

(iii) For the purposes of Item 3.5, 3.6 and 3.7, a material term of an agreement, arrangement or understanding does not include the identity of the counterparty or proprietary or commercially sensitive information.

(iv) For the purposes of Item 3.7, any agreements, arrangements or understandings that have been disclosed under other items in this Form do not have to be disclosed under this item.

Item 4 – Purpose of the Transaction

State the purpose or purposes of the eligible institutional investor and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the eligible institutional investor and any joint actors may have which relate to or would result in any of the following:

GGP acquired the securities set out in Item 3.1 in the ordinary course of business, for investment purposes only and not for the purpose of exercising control or direction over the Issuer.

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the issuer;

Depending on various factors, GGP and the Funds may in the future increase or decrease their ownership, control or direction over securities of the Issuer through

open market transactions, private agreements or otherwise, and may transfer securities of the Issuer among affiliated funds.

(b) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;

N/A

(c) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;

The Funds have the right to appoint one non-voting observer to the Issuer's board of directors.

(d) a material change in the present capitalization or dividend policy of the reporting issuer;

N/A

(e) a material change in the reporting issuer's business or corporate structure;

N/A

(f) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person;

N/A

(g) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;

N/A

(h) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;

N/A

(i) a solicitation of proxies from securityholders;

N/A

(j) an action similar to any of those enumerated above.

N/A

Item 5 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the eligible institutional investor and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

INSTRUCTIONS

(i) Agreements, arrangements or understandings that are described under Item 3 do not have to be disclosed under this item.

(ii) For the purposes of Item 5, the description of any agreements, arrangements, commitments or understandings does not include naming the persons with whom those agreements, arrangements, commitments or understandings have been entered into, or proprietary or commercially sensitive information.

See Item 1.2 of this report.

Item 6 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the eligible institutional investor under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

N/A

Item 7 – Certification

The eligible institutional investor must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the eligible institutional investor is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the eligible institutional investor, certify, or I, as the agent filing the report on behalf of the eligible institutional investor, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

August 10, 2019 Date

"Jason Adler" Signature

Jason Adler, Managing Member Name/Title