

**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 in respect of the control and direction exercised by Gotham Green Partners, LLC (“**GGP**”) over securities of 4Front Ventures Corp. (“**4Front**”) as at July 31, 2019 (the “**July Report**”).

**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.  
5060 North 40<sup>th</sup> 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 4Front (also referred to by 4Front as “Class B subordinate proportionate voting shares”) (“**Class B Shares**”):

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

Each Class B Share is convertible into 80 Class A subordinate voting shares of 4Front (“**Class A Shares**”). The Class A Shares trade on the Canadian Securities Exchange (the “**CSE**”).

**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.**

See Item 2.2.

**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 following transactions occurred on January 29, 2020 and triggered the requirement to file this report:

- (a) the Borrowers issued to certain Funds by way of private placement additional 4Front Notes in the aggregate initial principal amount of US\$3,000,000.00 (the “**Bridge Loan Notes**”); and
- (b) 4Front issued to certain Funds by way of private placement additional 4Front Warrants (the “**Bridge Loan Warrants**”)

(collectively, the “**Bridge Loan Transaction**”).

The Bridge Loan Notes mature no later than six months from issuance, being July 29, 2020 (the “**Bridge Loan Maturity Date**”). The Bridge Loan Notes bear interest at the rate of 15% per annum, all of which shall be added to the principal amount and paid in kind, and such paid-in-kind interest shall be payable on the date that all remaining principal amount is due pursuant to each such Bridge Loan Note. The Bridge Loan Notes (including all accrued and unpaid interest and fees thereon) are convertible, at the option of the holder, into Class B Shares at any time prior to the close of business on the last business day immediately preceding the Bridge Loan Maturity Date. The conversion price for the Bridge Loan Notes is equal to US\$51.74 per Class B Share, which is equivalent to US\$0.647 per Class A Share.

The Bridge Loan Warrants are exercisable to acquire up to 27,876 Class B Shares at an exercise price of US\$53.81 per Class B Share, which is equivalent to 2,230,080 Class A Shares at an exercise price of US\$0.673 per Class A Share. The Bridge Loan Warrants have a term of three years, and expire on January 29, 2023.

**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

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

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

(collectively the “Funds”).

**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 4Front.

**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.**

In the July Report, GGP disclosed that as of July 31, 2019:

- (a) GGP had direction and control over US\$33,501,779.64 principal amount of 4Front Notes which are convertible, at the option of the holder, into Class B Shares at a conversion price equal to US\$66.40 per share (equivalent to US\$0.83 per Class A Share) at any time prior to the maturity date of November 21, 2021 (the “**2019 4Front Notes**”);
- (b) GGP had direction and control over 4Front Warrants for the purchase of 87,499 Class B Shares at US\$80.00 per share (equivalent to US\$1.00 per Class A Share), 56,389 Class B Shares at US\$106.40 per share (equivalent to US\$1.33 per Class A Share), and 25,124 Class B Shares at US\$159.20 per share (equivalent to US\$1.99 per Class A Share), all of which expire on November 21, 2021 (the “**2019 4Front Warrants**”);
- (c) assuming the exchange and exercise, respectively, of the 2019 4Front Notes and the 2019 4Front Warrants to acquire Class B Shares, GGP had direction and control over an aggregate of 673,556 Class B Shares as at July 31, 2019, representing 11.637% of all of the issued and outstanding Class B Shares as at such date, calculated on a partially-diluted basis.

The 2019 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; and
- (c) LIBOR +9.5% in the period beginning November 22, 2020 and continuing thereafter.

Since the July Report, GGP’s securityholding percentage of the Class B Shares has increased as a result of the following occurrences:

- (a) 50% of the interest due at the end of each month under the 2019 4Front Notes is added to the principal amount of such 2019 4Front Notes and is paid in kind;
- (b) the Bridge Loan Notes and the Bridge Loan Warrants were issued; and
- (c) interest has been paid in kind on the Bridge Loan Notes.

Pursuant to the Form 9 filed by 4Front with the CSE on January 29, 2020, 4Front disclosed that as at January 29, 2020, there were 126,092,132 Class A Shares issued and outstanding. In connection with the Bridge Loan Transaction, 4Front disclosed to GGP that as of January 29, 2020, there were 5,114,591 Class B Shares and 1,276,208 Class C Multiple Voting Shares issued and outstanding.

As of January 31, 2020, assuming the conversion of all 4Front Notes and the exercise of all 4Front Warrants described in Item 3.2, the Funds are the registered owners of, and GGP exercises control and direction over, 776,614 Class B Shares, comprising 13.183% of the Class B Shares calculated on a partially-diluted basis as at January 31, 2020. This represents an increase of 1.546% from the percentage of Class B Shares over which GGP had direction and control as disclosed in the July Report.

As of January 31, 2020, the conversion restrictions on the Class B Shares contained in the articles of 4Front have terminated. Assuming the exchange of all such Class B Shares for Class A Shares at the rate of 80 Class A Shares for every one Class B Share, the Funds are the registered owners of, and GGP exercises control and direction over, 62,129,096 Class A Shares, comprising 33.009% of the Class A Shares calculated on a partially-diluted basis as at January 31, 2020.

**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 January 31, 2020, GGP exercised direction and control over the following 4Front Notes and 4Front Warrants:

**Gotham Green Fund 1, L.P.**

This Fund held:

- (a) US\$1,407,099.51 principal amount of 2019 4Front Notes convertible into Class B Shares at US\$66.40 per Class B Share, which is equivalent to US\$0.83 per Class A Share;
- (b) 2019 4Front Warrants exercisable to purchase 3,554 Class B Shares at US\$80.00 per Class B Share, which is equivalent to US\$1.00 per Class A Share;

- (c) 2019 4Front Warrants exercisable to purchase 2,290 Class B Shares at US\$106.40 per Class B Share, which is equivalent to US\$1.33 per Class A Share; and
- (d) 2019 4Front Warrants exercisable to purchase 1,020 Class B Shares at US\$159.20 per Class B Share, which is equivalent to US\$1.99 per Class A Share.

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

This Fund held:

- (a) US\$5,629,264.04 principal amount of 2019 4Front Notes convertible into Class B Shares at US\$66.40 per Class B Share, which is equivalent to US\$0.83 per Class A Share;
- (b) 2019 4Front Warrants exercisable to purchase 14,219 Class B Shares at US\$80.00 per Class B Share, which is equivalent to US\$1.00 per Class A Share;
- (c) 2019 4Front Warrants exercisable to purchase 9,163 Class B Shares at US\$106.40 per Class B Share, which is equivalent to US\$1.33 per Class A Share; and
- (d) 2019 4Front Warrants exercisable to purchase 4,083 Class B Shares at US\$159.20 per Class B Share, which is equivalent to US\$1.99 per Class A Share.

**Gotham Green Credit Partners SPV 2, L.P.**

This Fund held:

- (a) US\$27,604,195.44 principal amount of 2019 4Front Notes convertible into Class B Shares at US\$66.40 per Class B Share, which is equivalent to US\$0.83 per Class A Share;
- (b) 2019 4Front Warrants exercisable to purchase 69,726 Class B Shares at US\$80.00 per Class B Share, which is equivalent to US\$1.00 per Class A Share;
- (c) 2019 4Front Warrants exercisable to purchase 44,936 Class B Shares at US\$106.40 per Class B Share, which is equivalent to US\$1.33 per Class A Share; and
- (d) 2019 4Front Warrants exercisable to purchase 20,021 Class B Shares at US\$159.20 per Class B Share, which is equivalent to US\$1.99 per Class A Share.

### **Gotham Green Fund II, L.P.**

This Fund held:

- (a) US\$440,166.50 principal amount of Bridge Loan Notes convertible into Class B Shares at US\$51.74 per Class B Share, which is equivalent to US\$0.647 per Class A Share; and
- (b) Bridge Loan Warrants exercisable to purchase 4,087 Class B Shares at US\$53.81 per Class B Share, which is equivalent to US\$0.673 per Class A Share.

### **Gotham Green Fund II (Q), L.P.**

This Fund held:

- (a) US\$2,562,333.50 principal amount of Bridge Loan Notes convertible into Class B Shares at US\$51.74 per Class B Share, which is equivalent to US\$0.647 per Class A Share; and
- (b) Bridge Loan Warrants exercisable to purchase 23,789 Class B Shares at US\$53.81 per Class B Share, which is equivalent to US\$0.673 per Class A Share.

### **Voting Equity**

4Front has three authorized classes of shares: the Class A Shares, the Class B Shares, and Class C Multiple Voting Shares. The Class A Shares provide 1 vote per share, the Class B Shares provide 80 votes per share, and the Class C Multiple Voting Shares provide 800 votes per share.

As of January 31, 2020, assuming the conversion and exercise, respectively, of all of the 4Front Notes and 4Front Warrants held by the Funds as set out in this Item 3.2, the Funds are the registered owners of, and GGP exercises control and direction over, 3.992% of the voting rights attaching to all of the issued and outstanding shares of 4Front.

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

N/A

### **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 securities described in Item 3.2. See Item 3.2.

The Funds are the registered holders of the securities described in Item 3.2, 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 together with the Funds acquired the securities set out in Item 3.2 in the ordinary course of business, for investment purposes only and not for the purpose of exercising control or direction over 4Front.

**(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 4Front through open market transactions, private agreements or otherwise, and may transfer securities of 4Front 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 4Front'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.*

N/A

**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.

<u>February 10, 2020</u>	Date
<u>“Jason Adler”</u>	Signature
<u>Jason Adler, Managing Member</u>	Name/Title