

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally relate to future events or our future financial or operating performance and may include statements concerning, among other things, our business strategy (including anticipated trends and developments in, and management plans for, our business and the markets in which we operate), financial results, the impact of COVID-19 on our business, operations, and the markets and communities in which we, our clients, and partners operate, results of operations, revenues, operating expenses, and capital expenditures, sales and marketing initiatives and competition. In some cases, you can identify forward-looking statements because they contain words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “suggests,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

We discuss many of these risks in other filings we make from time to time with the Securities and Exchange Commission (the “SEC”). Also, these forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q, which are inherently subject to change and involve risks and uncertainties. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Given these uncertainties, investors should not place undue reliance on these forward-looking statements.

Investors should read this Quarterly Report on Form 10-Q and the documents that we reference in this report and have filed with the SEC and on SEDAR, including our Annual Report on Form 10-K, filed with the SEC on April 7, 2021, with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements for the three months ended March 31, 2021 and 2020.

Unless the context otherwise indicates, when used in this Quarterly Report on Form 10-Q, “4Front,” “the Company,” “we,” “us” and “our” refer to 4Front Ventures Corp., a British Columbia corporation, and its wholly owned subsidiaries on a consolidated basis.

Overview

The Company exists pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company’s SVS are listed on the Canadian Securities Exchange (“CSE”) under the ticker “FFNT” and are quoted on the OTC (OTCQX: FFNTF).

The Company has two primary operating segments: THC Cannabis and CBD Wellness. With regard to its THC Cannabis segment, as of March 31, 2021, the Company operated five dispensaries in Massachusetts, Illinois, and Michigan, primarily under the “MISSION” brand name. Also, as of March 31, 2021, the Company operated two production facilities in Massachusetts and one in Illinois. The Company produces the majority of products that are sold at its Massachusetts and Illinois dispensaries. Also, as part of its THC Cannabis segment, the Company sells equipment, supplies and intellectual property to cannabis producers in the state of Washington. The Company also operates age-gated online educational platforms for THC Cannabis patients and customers.

The Company’s CBD Wellness segment is focused upon its ownership and operation of its wholly owned subsidiary, Pure Ratios Holdings, Inc. (“Pure Ratios”), a CBD-focused wellness company in California, that sells non-THC products throughout the United States.

While marijuana is legal under the laws of several U.S. states (with varying restrictions), the United States Federal Controlled Substances Act classifies all “marijuana” as a Schedule I drug, whether for medical or recreational use. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety data for the use of the drug under medical supervision. In late January 2021, Senate Majority Leader Chuck Schumer said lawmakers are in the process of merging various cannabis bills, including his own legalization legislation. He is working to enact reform in this Congressional session. This would include the Marijuana Freedom and Opportunity Act, that would federally de-schedule cannabis, reinvest tax revenue into communities most affected by the drug war, and fund efforts to expunge prior cannabis records. It is likely that the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act would be incorporated. Other federal legislation under review for possible submission includes the SAFE Banking Act (or Secure and Fair Enforcement Act), a bill that would allow cannabis companies to access the federally insured banking system and capital markets without the risk of federal enforcement action, and the Strengthening the Tenth

Amendment Through Entrusting States Act (or STATES Act), a bill that seeks protections for businesses and individuals in states that have legalized and comply with state laws.

The Company's Interim Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), and the financial information contained herein, are reported in thousands (000's) of United States dollars ("\$\$") unless otherwise specified. Canadian dollar amounts are denoted by "C\$".

Recent Developments

Land and Funding for Illinois Cultivation and Production Facility

On March 15, 2021, the Company announced that it had entered into definitive agreements with the landowner and an affiliate of Innovative Industrial Properties, Inc. ("IIPR") to build a cultivation and production facility in Illinois. The agreements provide for IIPR to acquire the land for \$6,500 and fund the approximately \$45,000 buildout of phase one of the facility which will be leased back to the Company in the form of a 20-year lease with two five-year extensions at the Company's option.

COVID-19

In March 2020, the United States and much of the world began to experience a rapid increase in the number of COVID-19 cases. The emergence of COVID-19, an extremely infectious airborne respiratory virus, caused a significant response on the part of many governments to contain it. The most relevant containment measure for the Company's business is the implementation of "essential" type business designations and implementation of social distancing protocols. Thus far, the Company's dispensaries and operations have been allowed to continue operating. Social distancing protocols have been implemented at the Company's dispensaries which meet or exceed those required by the local jurisdiction. Through the date of this Quarterly Report on Form 10-Q, sales continue to meet or exceed comparable periods prior to March 2020, however there is no guarantee that the Company's dispensaries/operations will not see future negative effects from COVID-19.

As of May 10, 2021, all of the Company's retail stores in the following states remained open and operating with "Essential Service" designations: Illinois, Massachusetts, and Michigan. Also as of May 10, 2021, online ordering, curbside pickup, and delivery have also been implemented where allowed by law.

The situation related to the pandemic and recovery from the pandemic continues to be complex and rapidly evolving. Certain vaccines have been authorized by major regulatory bodies to help fight the infection of COVID-19, and certain other vaccines are in the last stages of development to provide such treatment. While it is anticipated in the ensuing months that authorized vaccines will become more widely available to the public, vaccine availability remains limited in certain regions and the timeline to sufficiently mitigate the effects of the pandemic through vaccines or other measures remains uncertain. If COVID-19 persists or worsens before vaccines or other treatments are made widely available, there may be further external developments, such as restrictions imposed by government authorities, that are beyond our control and may impact our operating plans. Parts of our business have experienced and may continue to experience, operational disruption and customer demand impacts. Currently, we are unable to reasonably estimate the duration of the pandemic or fully ascertain its long-term impact to our business.

Commerce Facility

The Company is building a cannabis manufacturing facility in Commerce, California, and expects to begin operating the facility in the second quarter of 2021. Manufactured products will be sold to licensed dispensaries in California.

Foreign Private Issuer Status

As of January 1, 2021, we were no longer a foreign private issuer, and we are required to comply with all of the provisions applicable to a U.S. domestic issuer under the Exchange Act, including filing an Annual Report on Form 10-K, quarterly periodic reports and current reports for certain events, complying with the sections of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regulating the solicitation of proxies, requiring insiders to file public reports of their share ownership and trading activities and insiders being liable for profit from trades made in a short period of time. We are also no longer exempt from the requirements of Regulation FD promulgated under the Exchange Act related to selective disclosures. In addition, we are required to report our financial results under U.S. Generally Accepted Accounting Principles, including our historical financial results, which have previously been prepared in accordance with International Financial Reporting Standards. We expect to continue to incur significant legal, accounting, insurance, and other expenses and to expend greater time and resources to comply with these requirements. In addition, we may need to develop our reporting and compliance infrastructure and may face challenges in complying with the new requirements applicable to us.

	For the Three Months Ended March 31,	
	2021	2020
Total revenues	\$ 22,970	\$ 12,652
Cost of goods sold	(9,125)	(4,649)
Gross profit	13,845	8,003
Total expenses	(24,929)	(16,657)
Net loss from continuing operations	(11,084)	(8,654)
Net income from discontinued operations	—	872
Net loss	\$ (11,084)	\$ (7,782)
Net income attributable to non-controlling interest	5	12
Net loss attributable to shareholders	\$ (11,089)	\$ (7,794)

	March 31, 2021	December 31, 2020
Total assets	\$ 208,922	\$ 204,756
Total liabilities	\$ 166,559	\$ 162,553
Total equity	\$ 42,363	\$ 42,203

RESULTS OF OPERATIONS

Components of Revenue

Revenue

As of March 31, 2021, 4Front owns or manages operations in California, Illinois, Massachusetts, Michigan, and Washington. As of March 31, 2021, 4Front generates revenue in each of these states. Adult use sales began in August 2020 in Georgetown, MA, and in September 2020 in Worcester, MA. The Company opened its Calumet City, IL dispensary in December 2020. The additional adult use sales and the new dispensary have driven sales higher in 2021. The Company has utilized cultivation and production techniques developed by Cannex for its Washington state customers to increase the yields and quality of products produced in Illinois and Massachusetts. The ability to supply the Company’s adult use dispensaries will ensure that the Company can meet increasing demand. As production increases, the Company will begin to sell excess production in the wholesale market. The company also sells equipment and supplies to third party cannabis operators and sells non-THC wellness products through its Pure Ratios subsidiary.

Revenue from Sale of Goods

Revenue from sale of goods includes the sale of cannabis products through the Company’s dispensaries. These products are either manufactured by the Company or are purchased from other licensed cannabis companies. Also included are equipment and supply sales and non-THC wellness product sales.

Real Estate Income

Real estate income from leasing cannabis production facilities to third party cannabis operators in the state of Washington.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs to purchase products from third parties and includes finished goods such as flower, edibles, and concentrates. Cost of goods sold also includes costs to internally manufacture products such as packaging and other supplies, and allocated overhead which includes rent, salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis products, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes.

Total Operating Expenses

Total operating expenses include selling and marketing expenses, general and administrative expenses, depreciation and amortization, and equity-based compensation.

Selling and marketing expenses generally correlate to revenue. These expenses include labor costs and other selling costs to support the Company's retail locations. The Company expects selling costs as a percentage of revenue to decrease over time as volumes increase at the Massachusetts and Illinois dispensaries due to adult use sales and as the Company begins to sell cannabis to the wholesale market.

General and administrative expenses include costs incurred at the corporate offices, primarily related to personnel costs, benefits, and other professional service costs. These costs are anticipated to be stable.

Provision for Income Taxes

Although the Company is a Canadian corporation, we are classified as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") and will be subject to U.S. federal income tax on our worldwide income. However, for Canadian tax purposes, regardless of any application of section 7874 of the U.S. Tax Code, we are treated as a Canadian resident corporation. As a result, we are subject to taxation in both Canada and the United States, which could have a material adverse effect on our financial condition and results of operations.

We are subject to income taxes in the jurisdictions in which we operate, and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. Section 280E of the U.S. Tax Code prohibits businesses from deducting certain expenses associated with trafficking-controlled substances (within the meaning of Schedule I and II of the CSA). The Internal Revenue Service of the United States ("IRS") has invoked section 280E of the U.S. Tax Code in tax audits against various cannabis businesses in the United States that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permissible deductions. As a result, we will have an effective tax rate in the U.S. significantly higher than the rate typically applicable to U.S. corporations. While there are currently several pending cases before various U.S. administrative and federal courts challenging these restrictions, there can be no assurance that these courts will issue an interpretation of Section 280E of the U.S. Tax Code favorable to cannabis businesses.

Three-Months Ended March 31, 2021

Revenue from sale of goods

Revenue for the three months ended March 31, 2021 from the Company's dispensaries and from wholesale sales is \$18,236 an increase of \$10,823 or 146%, from \$7,413 for the three months ended March 31, 2020. This increase is primarily due sales from the Calumet City dispensary that opened in December 2020 and higher sales in the two Massachusetts dispensaries due to the start of adult use sales in the second half of 2020

Revenue from the sale of equipment and supplies to third party cannabis operators was \$1,022 for the three months ended March 31, 2021 as compared to \$552 for the three months ended March 2020. This \$470 or 85% increase is due to normal fluctuation in revenue between quarters and future revenue is expected to remain at 2021 levels.

Revenue from the non-THC wellness segment is \$822 for the three months ended March 31, 2021 as compared to \$1,790 for the three months ended March 31, 2020. This revenue decrease of \$968 or 54% from the three months ended March 31, 2020 is because in 2021 the Company implemented a new marketing strategy and began using new marketing partners which will decrease revenue until the new strategies gain traction.

Real Estate Income

Real estate income for the three months ended March 31, 2021 is \$2,890 which is flat from \$2,897 for the three months ended March 31, 2020.

Cost of Goods Sold

Cost of goods sold (“COGS”) for the three months ended March 31, 2021 is \$9,125, an increase of \$4,476 or 96%, from \$4,649 for the period ended March 31, 2020. The smaller percentage increase as compared to revenue (96% vs 106%) is because there were more sales of internally produced products that have a higher profit margin than purchased products.

Gross Profit

Gross profit for the three months ended March 31, 2021 is \$13,845 as compared to \$8,003 during the period ended March 31, 2020. Gross profit margin is 60% and 55% for the three months ended March 31, 2021 and 2020, respectively. This increase is due to an increase in sales of internally produced products that have a higher profit margin than purchased products.

Total Operating Expenses

Total operating expenses for the three months ended March 31, 2021 are \$13,492, a decrease of \$535 as compared \$14,027 for the three months ended March 31, 2020. This decrease is primarily due to lower marketing expenses for Pure Ratios as they develop a new marketing strategy. This is partially offset by an increase of \$1,169 in equity based compensation as more stock options were outstanding in 2021.

Total Other Income (Expense)

Net other income (expense) for the three months ended March 31, 2021 is a net expense of \$8,784 as compared to \$2,080 of net expense for the three months ended March 31, 2020. This increase is because \$2,915 in loan discounts were amortized in 2021 as debt was converted to equity. Also, in 2021 there is a \$2,532 loss on a derivative liability from warrants that are denominated in C\$ due to an increase in the Company’s stock price during the first quarter of 2021. These warrants were issued in the last quarter of 2020. Additionally in 2021 there is a \$879 loss from the termination of a lease on excess retail space.

Net Income (Loss) Before Income Taxes

Net income (loss) before taxes and non-controlling interest for the three months ended March 31, 2021 is a net loss of \$8,431, that is \$327 higher than the \$8,104 net loss before income taxes for the three months ended March 31, 2020. The improvement in operating income due to higher dispensary sales was offset by other non-cash expenses from the conversion of debt to equity and changes in the fair value of a derivative liability.

Non-GAAP Financial and Performance Measures

In addition to providing financial measurements based on GAAP, the Company provides additional financial metrics that are not prepared in accordance with GAAP. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company’s financial performance. The Company utilizes the non-GAAP financial measurement of Adjusted EBITDA, which management believes reflects the Company’s ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as it facilitates comparing financial results across accounting periods. Management also believes that this non-GAAP financial measure enables investors to evaluate the Company’s operating results and future prospects in the same manner as management. This non-GAAP financial measure may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company’s ongoing operating results. As there are no standardized methods of calculating these non-GAAP measures, the Company’s methods may differ from those used by others, and accordingly, the use of this measurement may not be directly comparable to similarly titled measures used by others. Accordingly, non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Pro Forma Adjusted EBITDA

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, share-based compensation expense and one-time charges related to acquisition and business combination related costs. 4Front considers these measures to be an important indicator of the financial strength and performance of its business. The following table reconciles Pro Forma Adjusted EBITDA to its closest GAAP measure.

	Three Months Ended March 31,	
	2021	2020
Net Loss from Continuing Operations (GAAP)	\$ (11,084)	\$ (8,654)
Interest income	(3)	(56)
Interest expense	2,461	2,136
Amortization of loan discount upon conversion of debt to equity	2,915	—
Income tax expense	2,653	550
Depreciation and amortization	1,046	1,118
Accretion	—	(37)
Equity based compensation	2,396	1,227
Change in value of derivative liability	2,532	—
Non-cash lease expense	612	—
Loss on lease termination	879	—
Acquisition, transaction, and other one-time costs	1,496	63
Adjusted EBITDA (Non-GAAP)	\$ 5,903	\$ (3,653)

Liquidity and Capital Resources

As of March 31, 2021 and December 31, 2020, the Company had total current liabilities of \$44,077 and \$37,784, respectively and current assets of \$45,533 and \$44,736, respectively to meet its current obligations. As of March 31, 2021, we had working capital of \$1,456, down \$5,496 as compared to December 31, 2020, driven primarily by construction costs to complete the Commerce facility.

Specific factors affecting the Company's liquidity are:

- A loan due to LI Lending, LLC (see *Transactions with Related Parties*, below) with a balance of \$45,704 at March 31, 2021 is due in May 2024.
- Convertible debt with a balance of \$11,466 at March 31, 2021 is due in May 2025.

The Company is generating cash from retail sales and the opening of the Commerce facility is expected to generate additional cash to meet the needs of the Company. The Company may raise capital through equity offerings or the issuance of convertible debt to meet future capital requirements.

Cash Flows

Cash Flow from Operating Activities

Net cash provided in continued operating activities is \$2,814 for the three months ended March 31, 2021, an increase of \$6,515 as compared to the three months ended March 31, 2020. The increase is due to higher sales at the Company's dispensaries.

Cash Flow from Investing Activities

Net cash used in continued investing activities is \$6,030 for the three months ended March 31, 2021, an increase of \$6,557 as compared to the three months ended March 31, 2020. The increase is due to a \$3,129 increase in capital expenditures which were primarily from the Commerce facility and because 2020 included \$4,198 in additional proceeds from the sale of dispensaries.

Cash Flow from Financing Activities

Net cash provided by continued financing activities is \$2,090 for the three months ended March 31, 2021, a decrease of \$1,396 as compared to the three months ended March 31, 2020. The decrease is because in 2020 the Company receive \$2,810 in proceeds from a convertible debt issuance. This was partially offset by \$2,434 in proceeds from the exercise of warrants and stock options in 2021. In 2020 there was also an additional \$781 in payments received from notes receivable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

Critical Accounting Policies

We review new accounting standards as issued. Although some of these accounting standards issued or effective after the end of our previous fiscal year may be applicable to the Company, we have not identified any standards that we believe merit further discussion. We do not expect the adoption of any recently issued accounting pronouncements to have a significant impact on our financial position, results of operations, or cash flows.

REGULATORY ENVIRONMENT: ISSUES WITH U.S. CANNABIS-RELATED ASSETS

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities (“**Staff Notice 51-352**”) which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state’s regulatory framework. As a result of the Company’s operations in the United States, the Company is subject to Staff Notice 51-352. For more detail regarding the regulatory regimes under which the Company currently operates, please see the Company’s Listing Statement, Form 2A, available at www.thecse.com.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor, and reassess the disclosure contained herein and any related risks on an ongoing basis and the same will be supplemented, amended, and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws, or regulations regarding cannabis regulation. As a result of the Company’s investments and/or ownership of certain U.S. entities as set forth herein, the Company is subject to Staff Notice 51-352 and accordingly provides the following disclosure.

CURRENT BUSINESS OPERATIONS

At March 31, 2021, the Company operates in the United States as more specifically described below.

State	Direct, Indirect, or Ancillary Involvement in the U.S. Cannabis Industry Per Staff Notice 51-352	Currently Operational?	Brief Description of Operations
Illinois	Direct	Yes	Beneficial owner of 1 dispensary license (allowing for the operation of 2 dispensaries) and 1 cultivation/production license
Massachusetts	Direct	Yes	Owner of 3 medical treatment center licenses for retail, cultivation, and processing (2 operating), 2 adult use retail licenses, and 2 adult use cultivation and processing licenses
Michigan	Direct	Yes	Will be the owner of entity which holds 1 Medical Provisioning Center license and 1 Adult-Use dispensary license when final 18 regulatory approval is received. The Company estimates regulatory approval will be received in Q2 2021.
California	Direct and Ancillary	No – Direct Yes – Ancillary	Direct: The Company owns a subsidiary which holds a temporary state cannabis manufacturing and distribution license. The Company expects to complete construction and begin operations in Q2 2021. Ancillary: The Company’s subsidiary, Pure Ratios Holdings Inc., is engaged in the sale of hemp products, and also the licensing of certain

			intellectual property to entities which are directly involved in various state cannabis operations.
Washington	Ancillary	Yes	Landlord and packaging supplier to cultivation and production licensees.
Divested Operations			
Maryland	Direct and Indirect	Yes	As disclosed on September 30, 2020, the Company has divested its Maryland cannabis assets.
Pennsylvania	Direct	Yes	As disclosed on May 1, 2020, the Company has divested of its Pennsylvania cannabis assets.
Arkansas	Direct and Indirect	Yes	As previously disclosed, the Company sold two of its Arkansas assets in January 2020 and divested the final Arkansas asset in September 2020.
Potential Future Licenses			
New Jersey	Direct	No	Intend to pursue a medical and/or recreational cannabis license if/when a licensing window re-open.
Ohio	Direct	No	The Company is currently contesting the denial of a cultivation license by the Ohio Department of Health.

REGULATORY OVERVIEW

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently involved directly, indirectly, or through ancillary businesses. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and promptly disclosed to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

REGULATION OF CANNABIS IN THE UNITED STATES

The United States federal government regulates drugs through the CSA, 21 U.S.C. § 811, which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. With the limited exception of the FDA approving the use of marijuana-derived CBD to treat specific forms of epilepsy, the FDA has not approved marijuana as a safe and effective drug for any indication.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the *Cannabis Regulations*, SOR/2018-144 (“**Cannabis Regulations**”) and the Cannabis Act S.C. 2018, c. 16 (the “**Cannabis Act**”), marijuana is largely regulated at the state level in the United States.

State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, 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 CSA. Although the Company’s activities are compliant with applicable United States state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against 4Front.

The risk of federal enforcement and other risks associated with the Company’s business are described in its Listing Statement, Form 2A, *Section 17 – Risk Factors*, available at www.these.com.

REGULATION OF INDUSTRIAL HEMP IN THE UNITED STATES FEDERALLY

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the “2018 Farm Bill”) was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9

tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The 2018 Farm Bill did not legalize CBD derived from “marihuana” (as such term is defined in the CSA), which is and remains a Schedule I controlled substance under the CSA. The U.S. Department of Agriculture (“USDA”) is responsible for promulgating regulations under the 2018 Farm Bill. Pursuant to the 2018 Farm Bill, U.S. territories and tribal governments may adopt their own regulatory plans for hemp production even if more restrictive than federal regulations so long as they meet minimum federal standards approved by the USDA. Those territories or tribal governments which choose not to adopt their own hemp production regulations will be governed by USDA regulations.

On October 31, 2019, the USDA issued an interim final ruling governing domestic production of hemp under the 2018 Farm Bill which establishes the U.S. Domestic Hemp Production Program and opening a 60-day public comment period. The interim rule will be effective through November 1, 2021, when the USDA may adopt permanent regulations. The interim rules outline various USDA requirements for state and tribal hemp programs and provide for a process of state/tribal hemp production plan submission and USDA approval/rejection within 60 days of such submission. There can be no assurances regarding any plan’s acceptance, and the final rulemaking may potentially be delayed. While regulations are finalized and plans are being submitted, the provisions of the 2014 Farm Bill remain in effect until on or about October 31, 2021 for any hemp which has been, is, or will be cultivated.

The 2018 Farm Bill also preserved the U.S. Food and Drug Administration’s (“FDA”) authority to the introduction of hemp and compounds derived from it, such as CBD, in foods, beverages, cosmetics, and dietary supplements. The FDA is expected to engage in rulemaking on this subject but has not done so and there can be no assurances on the timing or content of such rulemaking.

REGULATORY LANDSCAPE OF U.S. STATES IN WHICH THE COMPANY CURRENTLY OPERATES

Illinois

The table below lists the licenses beneficially owned by the Company. For more information, see 4Front’s Listing Statement, Form 2A, Section 4 “Narrative Description of the Business – General Business of the Company – General Business of 4Front – Mission,” available at www.these.com:

<u>Holding Entity</u>	<u>Percentage Owned</u>	<u>License Number</u>	<u>City</u>	<u>Description</u>
Illinois Grown Medicine	100%	1504160768	Elk Grove	Cultivation
Mission Illinois	100%	DISP.000053	Chicago	Dispensary

The Compassionate Use of Medical Cannabis Pilot Program Act (the “IL Act”) was signed into law in August 2013 and took effect on January 1, 2014. The IL Act provides medical cannabis access to registered patients who suffer from a list of over 30 medical conditions including epilepsy, cancer, HIV/AIDS, Crohn’s disease, and post-traumatic stress disorder, to which additional conditions were added by law in June 2019. The Opioid Alternative Pilot Program launched January 31, 2019 and allows patients that receive or are qualified to receive opioid prescriptions access to medical marijuana as an alternative in situations where an opioid could generally be prescribed. Under this program, qualified patients may bypass the fingerprinting and background checks which often delayed medical cannabis approvals by up to three months.

In January 2019, J.B. Pritzker was sworn in as governor of Illinois. In June 2019, Governor Pritzker signed the Cannabis Regulation and Taxation Act (“CRTA”) into law, making Illinois the 11th state to legalize adult-use cannabis.

There are two types of licenses in Illinois: (1) cultivation/process and (2) dispensary, which are independently issued by separate regulatory bodies. The Department of Agriculture handles the issuance of cultivation/processing licenses, and the Department of Financial and Professional Regulation handles the issuance of dispensary licenses. Licenses must be renewed yearly by the respective agency, typically by email. Vertical integration, i.e., the ownership by one entity of both cultivation/processing and dispensary licenses, is not forbidden in Illinois.

The license issued to IL Grown Medicine, LLC allows it to cultivate, process, manufacture, package, sell, and purchase cannabis in an area not to exceed 210,000 square feet of total flowering canopy.

Harborside Illinois Grown Medicine, Inc. operates a licensed dispensary in the South Shore neighborhood of Chicago which allows it to serve medical cannabis patients and opened for adult-use sales in January 2020. Harborside Illinois Grown Medicine was issued a provisional license in October 2020 allowing it to open a second retail location for both medical and adult use sales. As of the date of this MD&A, construction on the second location is substantially complete and the Company expects it to open before the end of the year. The Company will be issued a final license upon the completion of its final inspection in December 2020.

Massachusetts

The table below lists the licenses owned by 4Front Subsidiaries:

 Holding Entity 	 Percentage Owned 	 License Number 	 City 	 Description
Healthy Pharms	100%	11	Georgetown	Co-located Cultivation /Production/Dispensary
Healthy Pharms	100%	24	Cambridge	Dispensary

The Massachusetts Medical Use of Marijuana Program (the “MA Program”) was established pursuant to the Act for the Humanitarian Medical Use of Marijuana (the “MA ACT”). The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Registered Marijuana Dispensary (“RMD”), and RMD agent that qualifies and registers under the MA Program. To qualify, patients must suffer from a debilitating condition as defined by the MA Program. On December 23, 2018 administration of the MA Program was transferred to the Cannabis Control Commission (the “MA CCC”).

In November 2016, Massachusetts voted affirmatively on a ballot petition to legalize and regulate cannabis for adult recreational use. The Massachusetts legislature amended the law on December 28, 2016, delaying the date recreational cannabis sales would begin by six months. The delay allowed the legislature to clarify how municipal land-use regulations would treat the cultivation of cannabis and authorized a study of related issues. After further debate, the state House of Representatives and state Senate approved H.3818 which became Chapter 55 of the Acts of 2017, An Act to Ensure Safe Access to Marijuana, and established the MA CCC. The MA CCC consists of five commissioners and regulates the Massachusetts Recreational Marijuana Program. Adult recreational use of cannabis in Massachusetts was legalized in July 2018.

Vertically integrated RMDs grow, process, and dispense their own cannabis. As such, each RMD is required to have a retail facility as well as cultivation and production operations, although retail operations may be separate from grow and cultivation operations. A RMD’s cultivation location may be in a different municipality or county than its retail facility.

The MA Program mandates a comprehensive application process for RMDs. Each RMD applicant must submit a Certificate of Good Standing, comprehensive financial statements, a character competency assessment, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operation of the RMD. Municipalities may individually determine what local permits or licenses are required if an RMD wishes to establish an operation within its boundaries.

Each Massachusetts dispensary, grower and processor license is valid for one year and must be renewed no later than 60 calendar days prior to expiration. As in other states where cannabis is legal, the MA CCC can deny or revoke licenses and renewals for multiple reasons, including (a) submission of materially inaccurate, incomplete, or fraudulent information, (b) failure to comply with any applicable law or regulation, including laws relating to taxes, child support, workers compensation and insurance coverage, (c) failure to submit or implement a plan of correction (d) attempting to assign registration to another entity, (e) insufficient financial resources, (f) committing, permitting, aiding, or abetting of any illegal practices in the operation of the RMD, (g) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at an RMD, and (h) lack of responsible RMD operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of this state.

As of the date of this MD&A, the Company’s subsidiaries remain open and operating under Massachusetts’s COVID-19 “essential”-business (or equivalent) guidance.

Michigan

 Holding Entity 	 Percentage of Economic Interest 	 License Number 	 City 	 Description
Om of Medicine, LLC (“Om”)	100%	N536209	Ann Arbor	Dispensary

In 2008, the Michigan Compassionate Care Initiative established a medical cannabis program for serious and terminally ill patients, was approved by the House but not acted upon, and defaulted to a public initiative on the November ballot. Proposal 1 was approved by 63% of voters on November 8, 2008. Proposal 1 was then written into law and approved by Michigan’s lawmakers in December 2008. The resulting act became the Michigan Medical Marijuana Act (“MMM Act”).

In 2016, the Michigan legislature passed two new acts and also amended the original MMM Act. The first act establishes a licensing and regulation framework for medical marijuana growers, processors, secure transporters, provisioning centers, and safety compliance facilities. The second act establishes a “seed-to-sale” system to track marijuana that is grown, processed, transferred, stored, or disposed of under the Medical Marijuana Facilities Licensing Act.

The Bureau of Medical Marijuana Regulation is responsible for the oversight of medical cannabis in Michigan and consists of the Medical Marijuana Facility Licensing Division and the Michigan Medical Marijuana Program Division. Additionally, the Michigan Department of Licensing and Regulatory Affairs (“LARA”) has supplemented Michigan’s cannabis regulations to clarify the regulatory landscape surrounding cannabis. LARA is the main regulatory authority for the licensing of cannabis businesses in Michigan. The MMM Act provides access to state residents to cannabis and cannabis related products under one of 11 debilitating conditions, including epilepsy, cancer, HIV/AIDS, cancer, and PTSD. In July 2018, the Medical Marijuana Facility Licensing Division approved 11 additional conditions to the list of ailments to qualify for medical cannabis. The additional 11 include Chronic pain, colitis and spinal cord injury.

Under Michigan law, LARA licenses give types of state operating licenses: (1) grower, (2) processor, (3) secure transporter, (4) provisioning center, and (5) safety compliance facility. There are no stated limits on number of licenses, but LARA exercises discretion over application approval, including background checks and vetting of principal licensee officers, and municipalities may impose additional restrictions. Vertical integration, i.e., the ownership of a grower, processor and/or provisioning center by one entity, is allowed under Michigan cannabis law and regulations.

Recreational cannabis was legalized by ballot initiative in November 2018. The initiative mandates that the Michigan Department of Licensing and Regulatory Affairs (“LARA”) begin accepting applications for retail stores no later than December 6, 2019. The initial application period will be limited to existing medical cannabis license holders.

The cannabis license ownership transfer of Om of Medicine LLC to the Company has not been approved by Michigan regulators, but management hopes to obtain such approval in Q1 2021. Om received for permission to sell recreational cannabis as of December 23, 2019.

California

In 1996, California voters passed Proposition 215, the Compassionate Use Act allowing physicians to legally recommend medical cannabis for patients who would benefit from cannabis. The Compassionate Use Act legalized the use, possession, and cultivation of medical cannabis for a set of qualifying conditions including AIDS, anorexia, arthritis, cachexia, cancer and chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result.

In September 2015, the California legislature passed three bills, collectively known as the “Medical Marijuana Regulation and Safety Act”. The Medical Marijuana Regulation and Safety Act established a licensing and regulatory framework for the medical cannabis businesses in California. Multiple agencies oversee different aspects of the program and require businesses obtain a state license and local approval to operate.

In November 2016, voters in California passed Proposition 64, the Adult Use of Marijuana Act (“AUMA”) creating an adult-use cannabis program for individuals 21 years of age or older. AUMA contained conflicting provisions with the Medical Marijuana Regulation and Safety Act. Consequently, in June 2017, the California State Legislature passed Senate Bill No. 94, known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”), which combined the Medical Marijuana Regulation and Safety Act and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses. The three agencies that regulate cannabis at the state level are: (a) the California Department of Food and Agriculture, via CalCannabis, which issues licenses to cannabis cultivators, (b) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, which issues licenses to cannabis manufacturers and (c) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, which issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California’s cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and have started issuing temporary licenses.

To legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and a state license. This requires license holders to operate in cities with cannabis licensing and approval programs. Municipalities in California are authorized to determine the number of licenses they will issue to cannabis operators, or can choose to outright ban the cultivation, manufacturing or the retail sale of cannabis. MAUCRSA went into effect on January 1, 2018.

On January 16, 2019, the California Department of Consumer Affairs, the California Department of Public Health and the California Department of Food and Agriculture approved the state regulations for cannabis businesses across the supply chain. These new regulations became effective immediately and superseded the emergency cannabis regulations that California had previously enacted.

Although vertical integration across multiple license types is allowed under the state regulations, it is not required.

The California dispensary, grower, and processing state and local licenses are renewed annually from the date of issuance. Cannabis business owners who hold an annual commercial cannabis license can use the Cannabis track and trace system, METRC, to ensure they remain in compliance with the California licensing requirements. The license holders are required to submit a renewal application per the guidelines under Text of Emergency Rules section 8203. An application for renewal of a cultivation license shall be submitted to the state at least thirty (30) calendar days prior to the expiration date of the current license. A license holder that does not submit a completed license renewal application to the state within thirty (30) calendar days after the expiration of the current license forfeits their eligibility to apply for a license renewal and, instead, would be required to submit a new license application. The license holders must ensure that no cannabis may be sold, delivered, transported, or distributed by a producer from or to a location outside of this state.

The Company owns Pure Ratios Holdings, Inc., which is indirectly involved in the California licensed cannabis industry because of its occasional engagement of licensed cannabis entities to contract manufacture certain products which contain THC. The Company also owns a subsidiary in California which possesses a temporary license for the distribution and processing of cannabis but is not yet operational.

Washington

Through various subsidiaries, 4Front is a landlord, packaging and equipment supplier, and consultant to multiple Washington licensees. The Company does not have a direct ownership interest in any Washington licensees, and for the purposes of Staff Notice 51-532, its involvement in Washington is ancillary.

Washington has authorized the cultivation, possession, processing, wholesaling, and retail sale of marijuana by certain licensed Washington businesses. The Washington State Liquor and Cannabis Board (“**WSLCB**”) regulates Washington’s marijuana regulatory program. Every individual with an ownership or equity interest, with a right to receive a percentage of gross or net profits, or who exercises control over a licensed marijuana operator must apply for licensing with the WSLCB and be approved. Each applicant must be over 21 years of age and a Washington resident for a minimum of 6 months. An applicant must provide the WSLCB with the applicant’s organizational and operational documents, including the entity’s operating agreement and a detailed operating plan, in order to verify that the proposed business meets the minimum requirements for licensing. Any change in the initial ownership of a cannabis entity must receive prior approval through the WSLCB and undergoes a review of the same rigor and breadth as an initial application.

One of the Company’s operating tenants, NWCS, received administrative violation notices (“**AVN**”) in 2019 for various alleged violations of Washington cannabis regulations. NWCS has recently received a settlement proposal from the WSLCB. The terms of the proposal require NWCS to pay a fine and enable the Tumwater, WA Facility to continue to operate. As a further term of settlement, the current sole member of NWCS will be required to dispose of his interest to an arms-length party. The exact amount of the fine is still to be determined but expected to not be material to NWCS’ operations.

LEGAL AND REGULATORY TRENDS

The Company’s flagship investments are in states of California, Illinois, Massachusetts, Michigan and Washington and currently management expects the legal and regulatory regimes in the United States (on a federal level), those states, and Canada to be the most relevant to its business.

In the United States, 33 states and Washington D.C. have legalized medical marijuana, while ten states and Washington, D.C. have also legalized recreational marijuana. Although cannabis currently remains a Schedule I drug under federal law, the U.S. Department of Justice issued a memorandum, known as the “Cole Memorandum”, on August 29, 2013 to the U.S. Attorneys’ offices (federal prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law. This federal policy was reinforced by passage of a 2015 federal budget bill amendment (passed in 2014) known as the Rohrabacher-Farr Amendment that prohibits the use of federal funds to interfere in the implementation of state medical marijuana laws. This bill targets Department of Justice funding, which encompasses the Drug Enforcement Agency and Offices of the United States Attorneys. This bill showed the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum. Given that the Cole Memorandum was never legally binding, the U.S. Department of Justice continues to have discretion to enforce federal drug laws.

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or the sale of any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Treasury Department issued a memorandum in February 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal law. Under these guidelines, financial institutions must submit a “suspicious activity report” (SAR) as required by federal anti-money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape.

Political and regulatory risks also exist due to the presidential administration of Donald Trump. The President’s positions on cannabis regulation have been difficult to discern. President Trump has appointed William Barr, who served as Attorney General in the presidential administration of George H.W. Bush from 1991 to 1993, and Mr. Barr was confirmed by the Senate on February 14, 2019. Mr. Barr has testified before the U.S Senate Appropriations Committee that he believes that a federalist approach allowing states to individually determine the legal status of cannabis is the appropriate regime for the regulation of cannabis. It remains unclear what stance the U.S. Department of Justice under the current administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substance Act and other applicable laws is possible. Forty-four states have now enacted laws decriminalizing or legalizing some form of marijuana. After four years of little to no regulatory change in the cannabis space, industry leaders are looking to parlay increasing public support for legalized marijuana into friendlier laws and rules under the Biden administration. During the campaign, Biden publicly supported decriminalizing cannabis, though he has not offered full-throated support for federal legalization. Vice President-elect Kamala Harris was the lead sponsor of the MORE Act (Marijuana Opportunity Reinvestment and Expungement), which would remove marijuana from the Controlled Substances Act and shift regulatory power to the states. While it has not yet been enacted into law, the Act would remove marijuana from the List of Controlled Substances. That bill passed the House in a historic vote last year, but it did not advance in the GOP-controlled Senate. But now with Democrats in control of both chambers of Congress and the White House, reform activists want to see certain changes before the cannabis legislation goes to the floor again. Specifically, they’ve taken issue with a provision that was added at the last minute before the House action requiring a federal permit to operate a “cannabis enterprise”—along with restrictions that could ban people with prior marijuana convictions from being eligible. Lawmakers have signaled that those components would be removed the next time it’s introduced.

Currently, a pair of congressional Republican lawmakers have introduced a bill to federally legalize marijuana, protect banks that service state-legal cannabis business and ensure that military veterans are specifically permitted to use marijuana in compliance with state laws. The Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act is currently being sponsored by Reps. David Joyce (R-OH) and Don Young (R-AK). The main crux of the legislation is to federally deschedule cannabis—and it’s similar to past bipartisan proposals—but this one goes a few steps further with language on legal protections and mandates for federal studies into medical cannabis. It does not contain social justice provisions to repair the past harms of the war on drugs, however.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Control and Procedures

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard AS 2201, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weaknesses in Internal Control

The Company did not fully design and implement effective control activities based on the criteria established in the COSO framework. The Company has identified deficiencies that constitute a material weakness, either individually or in the aggregate. This material weakness is attributable to the following factors:

- We did not have sufficient accounting staff resources to timely perform closing and audit related procedures.
- We did not have effective controls over the review procedures for balance sheet account reconciliations and manual journal entries.
- We did not have documented evidence of review procedures and did not have sufficient segregation of duties within our accounting function.

Due to the existence of the above material weakness, management, including the CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2020. This material weakness creates a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2021 due to the material weaknesses listed above under “Material Weakness in Internal Control”.

We plan to take steps to remediate these material weaknesses as soon as practicable by implementing a plan to improve our internal control over financial reporting including, but not limited to:

- The Company will assess sufficient resources, both in accounting staff and related technology, needed to timely perform closing and audit related procedures and align identified resources.
- The Company will assess controls needed to effectively review procedures for balance sheet account reconciliations and manual journal entries and implement identified controls.
- The Company will assess review procedures to have sufficient segregation of duties within our accounting function, then standardize and document such procedures for evidence of review.

Changes in Internal Control over Financial Reporting

Except for the matters described above, there have been no changes in the Company's internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On December 4, 2019, counsel for Limevee, LLC sent a letter to our wholly owned subsidiary Pure Ratios Holdings, Inc. (successor of International Bioceutical Company) regarding allegations of breach of contract involving a Consulting Services Agreement between Limevee and International Bioceutical Company. Limevee, LLC alleges that \$79,000 plus additional damages are owed, which would be determined following an accounting of sales in November and December 2019. Limevee, LLC's counsel sent an additional letter on February 18, 2020. As of May 10, 2021, no lawsuit has been filed.

On March 2, 2021, the Company received correspondence from Brothers for Life LLC asserting that the Company was obligated to make a \$200,000 payment pursuant to a June 18, 2019 Fee Agreement (the "Fee Agreement") entered into between Brothers for Life LLC and Cannex Capital Holdings Inc. (which was the entity acquired by the Company in its Reverse Takeover Transaction, consummated July 31, 2019). As the Company believes that Brothers for Life LLC's claim has no merit, and that no payment is due under the Fee Agreement, the Company has declined to make the \$200,000 payment to Brothers for Life LLC, and instead intends to pursue its rights under the Fee Agreement vigorously.

Apart from the foregoing and ongoing legal proceedings, from time to time, we may be subject to various other legal proceedings and claims that are routine and incidental to our business. Although some of the legal proceedings set forth herein may result in adverse decisions or settlements, Management believes that the final disposition of such matters will not have a material adverse effect on our business, financial position, results of operations or cash flows.

Item 1A. Risk Factors.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company did not issue any shares of its unregistered securities during the three months ended March 31, 2021.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

There is no other information required to be disclosed under this item which was not previously disclosed.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Filing Date	Exhibit Number	Filed Herewith
31.1	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act				x
31.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act				x
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) Under the Securities Exchange Act of 1934 and Section 1350 of Chapter 60 of Title 18 of the United States Code *				x
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

4Front Ventures Corp.

Date: May 24, 2021

By: /s/ Leo Gontmakher
Leo Gontmakher
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 24, 2021

By: /s/ Peter Rennard
Peter Rennard
Interim Chief Financial Officer
(Principal Financial Officer)