November	$1.06	$1.01
December	$1.02	$0.99

Holders of Record

The approximate number of holders of record of the SVS as of April 11, 2022 was 519.

Dividends

We have not historically declared dividends on our SVS, and we do not currently intend to pay dividends on our SVS. The declaration, amount and payment of any future dividends on SVS, if any, will be at the sole discretion of our board of directors, out of funds legally available for dividends. We anticipate that we will retain our earnings, if any, for the growth and development of our business.

Item 6. [RESERVED]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our management's discussion and analysis of financial condition and results of operations should be read in conjunction with our accompanying Consolidated Audited Financial Statements and related notes, as well other information contained in this annual report. The discussion is based upon, among other things, our Consolidated Audited Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires us to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent liabilities at the financial statement dates and the reported amounts of revenues and expenses during the reporting periods. We review our estimates and assumptions on an ongoing basis. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations, although they could. All references to results of operations in this discussion are references to results of continuing operations, unless otherwise noted.

Overview

The Company exists pursuant to the provisions of the *British Columbia 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 December 31, 2021, the Company operated six dispensaries, three in Massachusetts, two in Illinois, and one in Michigan, primarily under the "MISSION" brand name. Also, as of December 31, 2021, the Company operated two production facilities in Massachusetts, one in Illinois, and one in California. 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'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 Secure and Fair Enforcement Act (the "SAFE Banking 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 (the STATES Act), a bill that seeks protections for businesses and individuals in states that have legalized and comply with state laws.

The Company's 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 ("$") unless otherwise specified. Canadian dollar amounts are denoted by "C$".

COVID-19

In March 2020, the United States and much of the world began experiencing a rapid increase in 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, and health and safety protocols for both employees and customers remain a focus of the Company. Through the date of this filing, sales continue to meet or exceed comparable periods last year, however there is no guarantee that the Company's dispensaries/operations will not see future negative effects from COVID-19.

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. Given the daily evolution of COVID-19 and the global responses to curb its spread, the Company is not able to estimate the effects of COVID-19, including specifically the Delta and Omnicron variant or other variants, on its results of operations, financial condition, or liquidity for the year ended December 31, 2021 and beyond. To date, the effects of both the Delta and Omnicron variants have mirrored the impacts of the earlier variants of the virus. While the development and availability of multiple COVID-19 vaccines lessened the impact of COVID-19 in 2021, if COVID-19 continues, it may have a material adverse effect on the Company's financial condition, liquidity, and future results of operations.

War in Ukraine

In February 2022, the Russian Federation and Belarus commenced a military action with the country of Ukraine. As a result of this action, various nations, including the United States, have instituted economic sanctions against the Russian Federation and Belarus. Further, the impact of this action and related sanctions on the world economy are not determinable as of the date of these financial statements. The specific impact on our financial condition, results of operations, and cash flows is also not determinable as of the date of these financial statements.

Recent Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in "Part IV, Item 15, Note 2 – Significant Accounting Policies" to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

Significant Accounting Judgments, Estimates and Assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in the statement of operations in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Significant estimates made in the preparation of these consolidated financial statements include the following areas:

Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of operations in specific periods.

Amortization of intangible assets is dependent upon estimates of useful lives based on management's estimate.

Inventory

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures. See Note 16.

Fair value of financial instrument

The individual fair values attributed to the different components of a financing transaction, notably investment in equity securities, derivative financial instruments, convertible debt and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the derivative liabilities are disclosed in Note 19.

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Goodwill Impairment

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a business combination is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company uses the approach described in ASC Topic 350 which includes both qualitative and quantitative measures to test for impairment. There was no goodwill impairment for the year ended December 31, 2021. Goodwill impairment for the year ended December 31, 2020 was $13,400 associated with the Pure Ratio's RU.

Determination of Reporting Units

The Company's assets are aggregated into two reportable segments (THC Cannabis and CBD Wellness). For the purposes of testing goodwill, the Company has identified four reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on retail vs. production operations for THC, and comprehensive operations of Pure Ratios for CBD. The production operating segment was then further divided into two reporting units determined through primary activities for cultivation and production, and ancillary services supporting the production operating segment.

Business combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. See Note 9 for additional details.

Intangible assets

Intangible assets acquired in a business combination are measured at fair value at the acquisition date. The Company must exercise judgment in identifying intangible assets, in determining their useful life, if any, and in testing for impairment.

Segmented reporting

The Company must exercise judgement in defining its business segments (Note 20) and allocating revenue, expenses and assets among the segments. The Company bases allocations on the groupings used to manage the business and report to senior management.

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Income taxes

The Company must exercise judgment in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for expected tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Results of Operations

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

The following table sets forth our consolidated statement of operations for the years ended December 31, 2021 and 2020, and the change between the two years ($ in thousands):

			Change	
	2021	2020	$	%
Revenue from Sale of Goods	$ 93,387	$ 46,616	$ 46,771	100%
Real Estate Income	11,179	11,019	160	1%
Total Revenues	104,566	57,635	46,931	81%
Cost of Goods Sold	(55,170)	(21,124)	(34,046)	161%
Gross profit	49,396	36,511	12,885	35%
Total Operating Expense	63,502	69,121	(5,619)	(8)%
Income (Loss) from Operations	(14,106)	(32,610)	18,504	57%
Total Other income (expense), net	(10,252)	(12,333)	2,081	17%
Net Loss Before Income Taxes	(24,358)	(44,943)	20,585	46%
Income Tax Expense	(13,931)	(15,049)	1,118	7%
Net Loss from Continuing Operations	(38,289)	(59,992)	21,703	36%
Net Loss from Discontinued Operations, Net of Taxes	—	12,987	(12,987)	100%
Net Loss	$ (38,289)	$(47,005)	$ 8,716	19%

Revenue from Sale of Goods

Revenue from sale of goods for the year ended December 31, 2021 was $93,387, an increase of $46,771 or 100% compared to the year ended December 31, 2020. This increase is primarily due to sales from the Calumet City, IL dispensary that opened in December 2020, sales from the Brookline, MA dispensary that opened in August 2021, and higher sales across other dispensaries with Michigan and Massachusetts dispensaries benefiting from a full twelve months of adult-use sales in 2021.

Real Estate Income

Real Estate Income from leasing cannabis production facilities for the year ended December 31, 2021 was $11,179, an increase of $160 or 1% which is relatively flat compared to the $11,019 recognized for the year ended December 31, 2020.

Cost of Goods Sold

Cost of goods sold ("COGS") increased $34,046, for the year ended December 31, 2021, which is an increase of 161%, primarily resulting from the increase in revenues. COGS represent costs to cultivate and produce cannabis and CBD products that are produced in our owned facilities and are sold to third parties and through our owned dispensaries. For products that are purchased from third parties, COGS is the cost of inventory for sales to retail customers.

Gross Profit

Gross profit for the year ended December 31, 2021 was $49,396 or 47% of revenue compared to $36,511 or 63% of revenue for the year ended December 31, 2020. The decrease in gross profit percentage of 16% is primarily due to a one-time inventory revaluation adjustment.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2021 were $63,502, a decrease of $5,619 or 8%, as compared to the year ended December 31, 2020. This decrease is primarily due to no impairment of goodwill and intangible assets in 2021 and a reduction in selling and marketing expenses of $2,637 offset by an increase in equity based compensation of $4,775 and $7,288 in general and administrative expense.

Total Other Income (Expense), net

Total Other Income (Expense) for the year ended December 31, 2021 was $10,252, as compared to $12,333 for the year ended December 31, 2020. This is primarily driven by lesser interest expense in 2021 of $2,050 from the GGP and LI Lending loans (Note 11).

Net Loss From Continuing Operations

Net loss from continuing operations for the year ended December 31, 2021 was $38,289, compared to a net loss from continuing operations of $59,992 for the year ended December 31, 2020. The higher loss for the year ended December 31, 2020 is primarily due to the impairment of goodwill from the Cannex business combination.

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Results of Operations – Segments

The following tables summarize revenues net of sales discounts by segment for the years ended December 31, 2021 and 2020:

	For the Year ended December 31,		2021 vs. 2020	
	2021	2020	$	%
THC Cannabis	102,262	50,041	52,221	104%
CBD Wellness	2,304	7,594	(5,290)	(70)%
Total	104,566	57,635	46,931	81%

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

Net revenues for the THC Cannabis Segment were $102,262 for the year ended December 31, 2021, an increase of $52,221 or 104%, compared to the year ended December 31, 2020. The increase is due to higher sales across other dispensaries with Michigan and Massachusetts dispensaries benefiting from a full twelve months of adult-use sales in 2021.

Net revenues for the CBD Wellness Segment were $2,304 for the year ended December 31, 2021, a decrease of $5,290 or 70%, compared to the year ended December 31, 2020. The decrease is largely attributable to changes in marketing strategy prioritizing profitable growth with a focus on achieving positive cash flow.

Non-GAAP Financial and Performance Measures

In addition to providing financial measurements based on GAAP, we provide 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. Management uses the non-GAAP measurement of adjusted EBITDA, which we believe reflects our 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. We also believe 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 measures 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 non-GAAP measures, our methods may differ from those used by others, and accordingly, the use of these measures 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.

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Adjusted EBITDA

Adjusted EBITDA is a financial measure that is not calculated in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management believes that because adjusted EBITDA excludes (a) certain non-cash expenses (such as depreciation, amortization and stock-based compensation) and (b) expenses that are not reflective of the Company's core operating results over time (such as restructuring costs, litigation or dispute settlement charges or gains, and transaction-related costs), this measure provides investors with additional useful information to measure the Company's financial performance, particularly with respect to changes in performance from period to period. The Company's management uses adjusted EBITDA (a) as a measure of operating performance, (b) for planning and forecasting in future periods, and (c) in communications with the Company's board of directors concerning the Company's financial performance. The Company's presentation of adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation and should not be used by investors as a substitute or alternative to net income or any measure of financial performance calculated and presented in accordance with U.S. GAAP. Instead, management believes adjusted EBITDA should be used to supplement the Company's financial measures derived in accordance with U.S. GAAP to provide a more complete understanding of the trends affecting the business.

Although adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, adjusted EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for, or more meaningful than, amounts determined in accordance with U.S. GAAP. Some of the limitations to using non-GAAP measures as an analytical tool are (a) they do not reflect the Company's interest income and expense, or the requirements necessary to service interest or principal payments on the Company's debt, (b) they do not reflect future requirements for capital expenditures or contractual commitments, and (c) although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and non-GAAP measures do not reflect any cash requirements for such replacements.

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, accretion, share-based compensation expense, legal settlement, change in value of derivative liability, foreign exchange gain (loss), loss on lease termination, other non-cash expenses, and one-time charges related to acquisition costs, financing related costs, extraordinary pre-opening expenses and non-recurring expenses.

We consider these measures to be an important indicator of the financial strength and performance of our business. The following table reconciles adjusted EBITDA to its closest GAAP measure.

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For the years ended December 31, 2021 and 2020, adjusted EBITDA consisted of the following:

Year ended December 31,	2021	2020
Net loss (GAAP)	$(38,309)	$(47,051)
Interest income	(15)	(77)
Interest expense	13,704	15,779
Income tax expense	13,931	15,049
Depreciation and amortization	6,636	8,563
Accretion	5,381	(643)
Equity based compensation	10,081	5,306
Legal settlement	(3,768)	(2,480)
Change in value of derivative liability	(832)	1,578
Foreign exchange gain (loss)	—	(19)
Acquisition, transaction, and other non-cash costs	9,607	3,872
Non-cash inventory adjustment	8,506	2,305
Non-cash lease expense	3,814	2,404
Loss on lease termination	1,210	—
Investment write-off	—	1,701
Adjustment to contingent consideration	—	775
Commerce facility pre-opening expense	3,989	—
Impairment of goodwill	—	16,748
Gain on sale of subsidiary	—	(12,987)
Gain on sale leaseback transaction	—	(3,345)
Gain on restructuring of notes receivable	—	(380)
Gain on settlement of debt	—	(1,218)
Adjusted EBITDA (Non-GAAP)	$ 33,935	$ 5,880

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, net loss. There are a number of limitations related to the use of adjusted EBITDA as compared to net operating loss, the closest comparable GAAP measure. Adjusted EBITDA excludes:

- Interest income and expense
- Current income tax expense
- Non-cash depreciation and amortization expense
- Accretion expense related to a periodic update of the present value of a liability
- Equity based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy
- Legal settlements
- Non-cash change in fair value of derivative liability
- Non-cash foreign exchange gains or losses, which accounts for the effect of both realized and unrealized foreign exchange transactions; unrealized gains or losses represent foreign exchange revaluation of foreign denominated monetary assets and liabilities

- Acquisition, transaction, and other expenses (income), which vary significantly by transactions and are excluded to evaluate ongoing operating results
- Investment write-off
- Non-cash impairment charges, as the charges are not expected to be a recurring business activity

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

Liquidity and Capital Resources

As of December 31, 2021 and 2020, we had total current liabilities of $48,838 and $37,784, respectively, and current assets of $50,874 and $44,736, respectively to meet its current obligations. As of December 31, 2021 and 2020, we had working capital of $2,036 and $6,952, respectively. The decrease of $4,916 is driven primarily by an increase in taxes payable, partially offset by increases in cash and cash equivalents and inventory, and decreases in accounts payable and derivative liability.

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

Net Cash provided by (Used in) Continuing Operations

Net cash provided by continued operating activities was $5,777 for the year ended December 31, 2021, an increase of $19,191 as compared to $13,414 of net cash used in continued operating activities for the year ended December 31, 2020. The increase is due to higher sales at the Company's dispensaries, corporate cost reductions, and improved sell-through in vertically-integrated locations.

Net cash used in continued operating activities was $13,414 for the year ended December 31, 2020. This was largely due to increased non-cash charges such as depreciation and accrued interest, which was offset by higher interest charges from debt acquired through the Cannex acquisition and from other loans.

Net Cash Provided by (Used in) Continuing Investing

Net cash used in continued investing activities was $13,041 for the year ended December 31, 2021, a decrease of $54,030 as compared to $41,016 of cash provided by investing activities for the year ended December 31, 2020. The decrease is primarily due to additional purchases of property and equipment for the year ended December 31, 2021 as compared to the year ended December 31, 2020.

Net cash provided by investing activities was $41,016 for the year ended December 31, 2020. This was largely due to the primary source of proceeds from the sale of our dispensaries and interests in Arizona, Pennsylvania, Maryland and Arkansas, as well as the closing of a sale leaseback transaction. Some of these proceeds were used to purchased $13,785 in property and equipment during the period.

Net Cash Provided by (Used in) Continuing Financing Activities

Net cash provided by continued financing activities was $10,886 for the year ended December 31, 2021, an increase of $28,894 as compared to $18,008 of cash used by financing activities for the year ended December 31, 2020. The increase is primarily attributed to the issuance of the new 2021 convertible note.

Net cash used by financing activities was $18,008 for the year ended December 31, 2020. This was largely due to the repayment of $37,813 of convertible debentures, which was partially offset by $8,597 of cash proceeds from issuing convertible debt and $12,134 from the sale of stock.

Net Cash Provided by (Used in) Discontinuing Operations

The Company did not have any cash provided by or used in discontinued operating, investing, and financing activities in 2021, a decrease of $1,197 as compared to the year ended December 31, 2020. The Company did not have any discontinued operations for the year ended December 31, 2021.

Availability of Additional Funds

While the Company believes that its current cash on hand is sufficient to meet operating and capital requirements for the next twelve months, there is substantial doubt about continuing as a going concern thereafter that the Company will be able to meet such requirements. The Company may need to raise further capital, through the sale of additional equity or debt securities or otherwise, to support its future operations. The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. If the Company is unable to secure additional capital, it may be required to curtail its research and development initiatives and take additional measures to reduce costs in order to conserve its cash.

Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

Contractual Obligations

The Company has the following gross contractual obligations as of December 31, 2021, which are expected to be payable in the following respective periods:

	Less than 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 11,542	$ 1,200	$ —	$ —	$12,742
Convertible notes, notes payable and accrued interest	6,197	64,616	—	—	70,813
Contingent consideration payable	—	2,393	—	—	2,393
Total	$ 17,739	$ 68,209	$ —	$ —	$85,948

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Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any relationships with any organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Subsequent Events

Merger Agreement

On January 28, 2022 (the "Closing Date"), 4Front Ventures Corp. (the "Company") entered into the First Amendment to that certain agreement and plan of merger (the "Merger Agreement") by and among the Company, New England Cannabis Corporation, Inc., a Massachusetts corporation ("NECC"), Kenneth V. Stevens ("Mr. Stevens"), who is the sole owner of all of the issued and outstanding capital stock of NECC, and 4Front NECC Acquisition Co., a Massachusetts corporation (the "Merger Sub"). Pursuant to the terms and conditions of the Merger Agreement, NECC would be merged with and into the Merger Sub, which will change its name to New England Cannabis Corporation, Inc., and continue its corporate existence as a wholly-owned subsidiary of the Company (the "Merger").

Also on the Closing Date, the parties to the Merger Agreement, as amended, consummated the Merger. At the effective time of the Merger, pursuant to the terms and conditions of the Merger Agreement, as amended, the Company (i) paid Mr. Stevens cash in the amount of USD$9,000,000, and (ii) issued Mr. Stevens 28,571,428 Class A Subordinate Voting shares of the Company (the "SVS"), with a deemed value of $1.05 U.S. dollars per share, or a total estimated valuation of USD$30,000,000.

The foregoing description of the Merger Agreement, as amended, is qualified in its entirety by reference to the Merger Agreement, a complete copy of which was filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on October 8, 2021, and the First Amendment to the Merger Agreement, a complete copy of which is filed as Exhibit 10.3 hereto, each of which is incorporated herein by reference.

Membership Interest Purchase Agreement

In connection with the consummation of the Merger, on the Closing Date, the Company, Mission Partners RE, LLC, a Delaware limited liability company wholly-owned by the Company ("Mission Partners RE"), and Mr. Stevens entered into the First Amendment to that certain membership interest purchase agreement (the "Purchase Agreement"), pursuant to which the Company (through Mission Partners RE) completed its acquisition of 100% of the issued and outstanding membership interests of 29 Everett Street LLC, a Massachusetts limited liability company (the "Everett LLC"), which was solely held by Mr. Stevens and which owns certain real property that is currently leased to and used by NECC. Pursuant to the terms and conditions of the Purchase Agreement, as amended, the Company (i) paid Mr. Stevens cash in the amount of USD$16,000,000, and (ii) issued Mr. Stevens a promissory note (the "Note") in the initial principal amount of USD$2,000,000, which will bear interest at an annual rate of ten percent (10%) and will mature on the six-month anniversary of the Closing Date.

The foregoing description of the Purchase Agreement, as amended, is qualified in its entirety by reference to the Purchase Agreement, a complete copy of which was filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on October 8, 2021, the First Amendment to the Purchase Agreement, a complete copy of which is filed as Exhibit 10.4 hereto, and the Note, a complete copy of which is filed as Exhibit 10.5 hereto, each of which is incorporated herein by reference.

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On January 14, 2022, Healthy Pharms Inc. Unsecured promissory note with the outstanding balance of $3,213 at December 31, 2021, was settled in shares. In conjunction with the settlement agreement, the Company agreed to issue a total of 6,235,512 class A subordinate voting shares to the noteholder to settle outstanding debt. The settlement was signed and agreed upon by both parties on the date of the agreement, January 14, 2022.

On January 28, 2022, the Company entered into the first amendment of the merger agreement with New England Cannabis Corporation, Inc., a Massachusetts corporation ("NECC"), Kenneth V. Stevens ("Mr. Stevens"), who is the sole owner of all of the issued and outstanding capital stock of NECC, and 4Front NECC Acquisition Co., a Massachusetts corporation (the "Merger Sub"). At the effective time of the merger, the Company (i) paid Mr. Stevens cash in the amount of USD$9,000,000, and (ii) issued Mr. Stevens 28,571,428 Class A Subordinate Voting shares of the Company (the "SVS"), with a deemed value of $1.05 U.S. dollars per share, or a total estimated valuation of USD$30,000,000.

In connection with the consummation of the Merger on January 28, 2022, Mission Partners RE, LLC, a Delaware limited liability company wholly-owned by the Company ("Mission Partners RE"), and Mr. Stevens entered into the first amendment to that certain membership interest purchase agreement (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Company (through Mission Partners RE) completed its acquisition of 100% of the issued and outstanding membership interests of 29 Everett Street LLC, a Massachusetts limited liability company (the "Everett LLC"), which was solely held by Mr. Stevens and which owns certain real property that is currently leased to and used by NECC. The Company (i) paid Mr. Stevens cash in the amount of $16,000,000, and (ii) issued Mr. Stevens a promissory note in the initial principal amount of $2,000,000, which will bear interest at an annual rate of ten percent (10%) and will mature on the six-month anniversary of January 28, 2022.

We are in the process of assessing the fair values of the acquired tangible assets and any intangible assets and liabilities for these acquisitions, and thus, have not presented purchase price allocations as of the date of this filing.

On March 30, 2022, the Company entered into a merger agreement with Island Global Holdings, Inc., a California corporation ("Island"); and Navy Capital SR LLC, a Delaware limited liability company, solely in its capacity as the representative of the Island stockholders (the "Stockholder Representative").

All classes of Island's equity securities are to be converted into a combination of (i) SVS of the Company; and (ii) subordinated promissory notes (the "Merger Notes") to be negotiated and issued by the Company, using formulae to be determined at a later date pursuant to the terms of the Merger Agreement.

We are in the process of assessing the fair values of the acquired tangible assets and any intangible assets and liabilities for these acquisitions, and thus, have not presented purchase price allocations as of the date of this filing.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The information required by this item is included below in "Item 15. Exhibits and Financial Statement Schedules" and incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was performed pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as a result of the material weaknesses in the Company's internal control described below, the Company's disclosure controls and procedures were not effective as of December 31, 2021.