



Oct. 3, 2019

## 4Front CEO Josh Rosen Responds to Investors' Frequently Asked Questions

*The following questions were aggregated from those 4Front's team has lately received from investors while on the road or in other forums. To provide transparency and a more open dialogue in between earnings calls, we will try to publish more of these FAQs with 4Front CEO Josh Rosen on a regular basis. If you have questions for Josh, email [IR@4frontventures.com](mailto:IR@4frontventures.com) or reach out on Twitter at <https://twitter.com/4FrontVentures>, and we'll add them to the queue.*

**Q: The U.S. House of Representatives this week passed the SAFE Banking Act. Given 4Front's strong advocacy and regulatory heritage, I would be curious to hear what you think the chances the bill has in the Senate and what that timing could look like?**

JR: I would classify this as highly uncertain and I'm usually not one to shy away from handicapping, so that leaves me with thinking it's 50/50 that a similar bill passes in the Senate. 4Front is active in an effort to broaden this legislation to extend beyond the commercial banking safe harbor. I'd put the chances of a broadened bill passing at an even lower probability. But we think it's important to get these topics on the radar regardless, as we'd like to see the enablement of a normal U.S. capital markets environment.

**Q: What are the practical implications of the SAFE Banking Act for the industry in terms of access to capital? Do you think if this legislation passed it would clear the way for U.S. plant-touching businesses to be listed on U.S. exchanges? Do you think the bill will provide legal cover for more traditional U.S. investment banks and fund companies to participate in the U.S. cannabis industry?**

JR: I think that for capital formation, the SAFE Banking Act is not likely to be a substantial catalyst on its own. The legislative movement itself would be a positive data point and could help investor sentiment, but commercial banks are not likely to satisfy a meaningful portion of the industry's capital needs even if legally protected. For instance, the ability to lend money for real estate purchases would be useful, but the larger transactions we're seeing in the industry (for example, [Cresco recently selling two facilities in Illinois to a REIT](#)) include loan-to-value ratios well outside the norm for commercial-bank lending. My view is the SAFE Banking Act is a step in the right direction related to capital formation but will have much more meaningful impact in reducing the industry's day-to-day friction with banking and payment systems.

**Q: The troubling headlines around vaping continued this week. I would be curious about your views on the subject. Are the health concerns around vaping just a "black market" issue? How do you think this attention will affect your business? What is 4Front doing to communicate to their customers about health concerns and potential alternatives to vaping?**

JR: We think this is largely an illicit market issue and speaks directly to the need for legalization and regulation. We believe the legal and highly regulated market that we have is capable of protecting consumers. Prohibition

creates so many negative externalities and yet our knee-jerk reaction is often to default back to prohibition (note the announcement from Governor Baker in Massachusetts and similar discussions in other states). While the harm created by bad vape cartridges is sad and currently acute, we have to remember the absolute numbers in play and realize how small this actually is compared to use, particularly in the context of opioids, alcohol, tobacco and other drugs. Unfortunately, I think this is the outcome one can expect when we set up systems that reward illicit-market and grey-market actors and—make no mistake—that’s what we have (mostly to “protect” us from ourselves).

We’ve been proactive in communicating through our ecosystems and also making sure we re-double our efforts to understand the operative science and history behind vaping solutions. We also revisited our insurance policies and product labeling to be sure we’re managing prospective liabilities the best we can. At this point, it’s difficult to predict with any precision the longer-term dynamics in play with vaping, yet we’re confident in our capabilities to adjust and develop our business accordingly.

**Q: Cannabis stocks in the capital markets continued to struggle in September despite encouraging developments in Washington, D.C., with the SAFE Banking Act and ever-increasing political support. Not asking about 4Front’s stock specifically, but would appreciate your views on why investor sentiment is low and what could change that?**

JR: One of the things we’ve noted in the past is that it’s not really difficult to buy cannabis licenses or companies. But it’s much more difficult to pay the right price for assets and successfully operate them. With the capital markets in Canada being particularly receptive to cannabis stories, perhaps it was inevitable that bankers and promoters would capitalize on investors’ growing appetite to participate in this nascent industry. Simply put, this mania created excess. Honestly, it happened faster than we anticipated. With the amount of acquisitions that have been made, and many (almost all) companies still largely consuming more capital than they generate (ourselves included), we think access to capital is quickly becoming even more important than it was previously. We like the combination of our leadership team’s capital markets background (I’d stress institutional capital markets background) and believe this plays well with our more deliberate approach to aggressive, yet prudent growth (not rolled up).

The reality to me is the end market continues to remain incredibly exciting and, for the first time in a while, we’re seeing a lot more value than we have the past few years. Most values felt quite high to us until recently, particularly with respect to how much work was needed to operationalize most assets. It’s hard to know when sentiment will change, but I’d note that a few of the folks on our leadership team have been taking advantage of the bear market and acquiring our stock (see [this link](#) for more on that).

Similar to what we’ve highlighted on our initial conference calls, our leadership team and many of our long-time investors are aligned in building this business to be the best possible platform for institutional capital and prospective strategic partners as legalization takes hold. It’s difficult to predict the timing of legalization with any precision, but we believe having a strong foundation established for when it does happen offers us the greatest optionality for delivering value to our investors and team; that’s what we’re focused on building.

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