

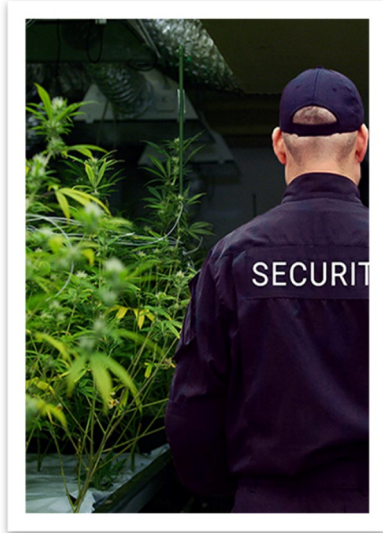
White Paper



Cannabis Industry Security Plans – State Today and Fed Tomorrow, Are You Ready?



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The State Today - Different requirements State by State

The cannabis industry is rapidly expanding, and operators are mandated to comply with regulations which are defined by each individual state. Often, the operations and security requirements vary dramatically from state to state and it is the responsibility of the operator to decipher those regulations. The operator must then comply precisely with state regulations in order to attain and maintain their license to operate. This patchwork approach to cannabis regulations poses challenges to individual operators and more significantly to Multi-State Operators (MSO). This decentralized approach also causes many of the support industries to thrive in some states and stumble in other.

Moral: Experience increases probability of license awards

The Fed Tomorrow - New requirements will reek havoc

It is commonly believed that the federal government cannot continue to forgo the opportunity to legalize and regulate the Cannabis industry and collect extensive tax revenues and fees. The banking and credit card industries are also lobbying to gain access to the industry. These players want to tap into significant income generated by transactions fees, interest fees and owner/operator wealth.

While there will be benefits to federal legalization of cannabis, there will be several negative effects caused by the eventual enforcement of federal regulations. One potential risk is focused on construction methods and standards. Operators may be designing facilities below the standards which are anticipated when the FDA becomes involved thereby requiring additional investment to comply. Another will be felt by those operators who build their security plans around low quality and non-integrated security systems which will require even more investment to upgrade to federal performance levels. Finally, those federal non-compliant operators, who wish to sell their companies after federal legalization will see their market valuation severely depressed based on federal regulations.

Moral: Planning will avoid significant risk and expense



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Security Plans - Vital Element in license decisions

The operator-submitted security plan is always heavily weighted in the state's decision to grant an operator's license. Often the security plan represents up to 30% to 50% of the final score. Reviewing the state security plan requirements demands a detailed analysis of the requirements and knowledge of how to transform those requirements into an executable plan. The correct security plan may be the key element to gain the desired licenses. One significant challenge is that the operator must know **what to include and what not to include** in the application plan.

The Security Plan is commonly added to the checklist by the state regulators when conducting the final inspections for operational approval. Therefore; *Nice-to-have* features of the plan versus *Must-have* elements can become very expensive and unnecessary deliverables in the end.

Moral: The right plan will make or break an application



Security Plan Elements - Know the necessary elements

Security plan elements and the details thereof vary from state to state. As states however copy requirements from other states into their codes, several elements are often included.



Standard Operating Procedures (SOP)

SOP's are broadly required throughout the cannabis application to describe the ways in which the operator will run the business and comply with all the state regulations. They include detailed descriptions of how the product is produced, tracked, labeled, tested, dispensed and many more details. The Security Plan SOP's layer over all those operational SOP's to ensure that the operator is protecting the people, product, facilities and visitors from danger, diversion and theft.

Security SOP's should include security staffing, training, organizations, policies and procedures, state reporting, security systems operations and several other elements. Once again, these commitments must be measured and appropriate to receive license approval while protecting the operator from unnecessary commitments, restrictions and expenses.

Moral: Experience will include the right elements

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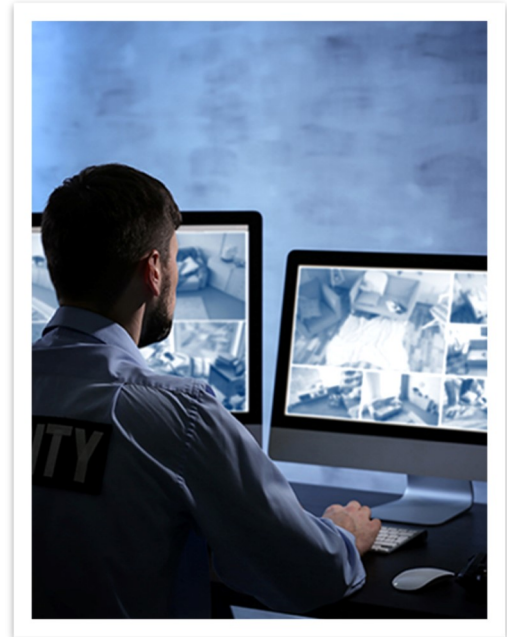
Security Systems Plan - Expensive deployments which must be correct

State cannabis security systems requirements vary drastically from state to state. The security systems plan explains how the operation will be secured through the deployment of several layers of security technology and procedures. This plan is vital to license approval and has long term effects on the successful operation of the facility. This plan will define one of the largest investments in opening the facility and ongoing expenses. As such, this plan must be extremely well thought out and developed with potential federal compliance in mind.

The security systems must be designed to not only secure the operation but must also be designed to integrate with other operational systems like product tracking and environmental systems. Considerable leverage can be accomplished when all site systems work in concert toward one goal of operational success.

Security of a site is enhanced by layering security controls and countermeasures into concentric layers around the assets to be protected. These countermeasures come in several forms from fencing systems, to surveillance systems to intrusion alarms to access control systems and multiple layers of monitoring of the site and systems. All these security instruments can be cost effectively designed and deployed and *MUST* be future proofed to allow for unexpected changes in the security and reporting requirements. For example, when the federal government gets involved.

Moral: Experience will design and deploy the appropriate systems and controls



Surveillance - Rapidly changing, expensive technology and critical for license approval

In surveillance some states go so far as to require specific pixel density in certain areas of the operation. Others only require a level of surveillance that produces facial recognition quality images throughout the facility. The intended use of the facility also has a great deal of effect on the level of surveillance coverage. Cultivation, processing and dispensary facilities have very different requirements and each of those facilities has varying mandates based on specific areas within the building.

States typically detail the amount of video which must be maintained as readily retrievable in days of storage (i.e. 60 days on-site) and they typically define the mode of recording they require such as: Record on motion or 24X7 recording.

Current surveillance systems are IP network based. Many factors including video storage volume, record mode, camera type, lens type, pixel density, camera count, and other factors will define the network infrastructure and computing platforms needed to meet the state surveillance requirements. These are vital calculations which drive success in this layer.

Moral: Experience will significantly reduce cost and risk

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Access Control - Very detailed and far reaching effect on licensing

Access control systems provide an operator the ability to deliver on many of the operational SOP's required by most states. By controlling the access of employees to specific areas of the facility with specific time schedules, the operator can know who, when and where their employees have traveled. In all facilities and specifically in a multipurposed facility, like a cultivation/processing facility, the state requires proof that only approved employees are given access to those areas where they are allowed, and not to other areas of the building.

Access control also encompasses visitor management and facilitates many of the alarm points throughout the facility. The access control system must be methodically designed door by door and alarm by alarm.

Moral: Experienced designs will directly effect license approval



Intrusion - Highly variable state-specific requirements

All states require at least one layer of intrusion detection and some require two separate layers of intrusion detection being monitored by multiple central sites monitoring companies. Typically, the two systems must also be installed by two different certified installation companies.

In addition, a third layer of intrusion detection may be required within product and cash vaults. These subtleties are not always clear and if missed can add significant costs in post construction installation and loss product production while awaiting corrective actions.

Intrusion detection systems also have varying performance requirements based on the specific state. Some states will require multiple alarm notifications prior to deployment of first responders and may also require video verification of the incident prior to dispatch. All these requirements must be defined and programmed into the systems in order to pass the state licensing inspections.

Moral: Experience will design and deploy the correct combinations



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Crime Prevention Through Environmental Design (CPTED) - Security must be designed in from the beginning

Many factors are covered by the application of CPTED best practices. Security experts must be involved in every phase of construction from facility design through final commissioning. For example: the layout of the building must provide appropriate choke points for access control and/or man traps to secure the facility. Dispensaries have public access to front lobbies and sales floors where a cultivation facility has most of its access from the rear or loading area of the building. These designs and their security requirements are two entirely different models.

Case in point; In a dispensary, movement of product from the delivery door to the vault must be well planned and controlled to avoid interaction with the sales floor or lobby. This must all be designed in from the beginning.

Likewise, the perimeter protection for the front of a dispensary must be present but non-restrictive to customer flow, while the perimeter protection for the rear of a cultivation or processing site must be very strong and evident.

Moral: Experience knows what solutions to apply at each security level

Integration - The highest value return for experience

Without a doubt the most overlooked and under-utilized area of security systems design is the integration between the layers of security systems. Response time to an event is negatively affected by unintegrated security layers which require human interaction to investigate an event in additional security layers and systems. Conversely, when an event causes all the pertinent data, video, alarm, time, location and supporting information to be delivered to a smart device and/or command post, response time is fractionalized, **which can save lives.**

Future Proofing:

Several situations can cause a security system to change. The addition on new requirements, like federal legislation, the failure of a system vendor, growth in coverage to additional sites, sale of a facility and countless more. If the system selection and design of the security systems have included *future proofing* in the criteria, these events are easily managed. However, if these requirements are not included, any of these events can cause tremendous pain and expense.

Moral: Experience in these two tasks will return giant dividends



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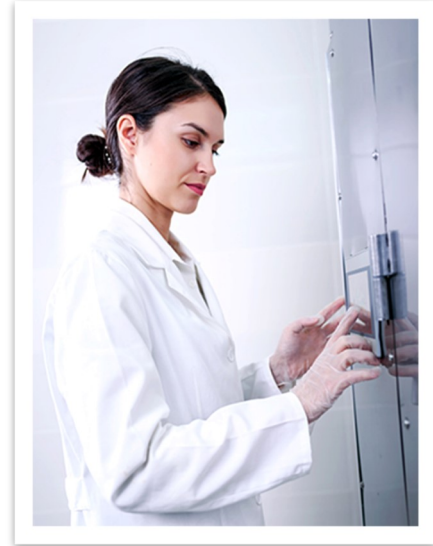
Conclusion - The High Level of Risk/Reward around Security

The cannabis industry is responsible to secure their products and the overall industry to achieve the stratospheric growth that many experts project. The security plans and security systems which are required to accomplish this monumental task are vital to the success of the industry.

Successful cannabis security plans require experts to design and deploy them. Cannabis Operators who underestimate the level of experience needed for these tasks severely risk their potential to gain a license and to maintain that license.

Use of a highly trained and **Experienced Security Consultant** with a track record in the cannabis industry will pay dividends and dramatically improve the probability of success.

Moral: Put a Cannabis Security Expert on your team?



About the Author:

Tom Clancy is CEO of Alert Security Consulting, Inc (ASC) and recently was Head of Security/Asset Protection at a Multi-State Operator (MSO) in the cannabis industry and a lead retailer in the CBD industry. Prior to his MSO leadership role Tom lead ASC in the cannabis industry and many other industries. Tom has authored numerous Cannabis Security Plans in several states and designed and implemented many Cannabis Security Systems in multiple states. Tom has been a leader in the security systems integration industry for over 15 years and before the security industry, Tom was a leader in multiple advanced technology companies for over 30 years. You can contact Tom at: tom@alertsecurityconsulting.com

