

ALTERNA MEDICINALS CANADA



Security Systems and Preventative Measures

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Executive Summary

- Located in “Region III” – Lowest risk rating
- Exceeding Health Canada’s security requirements for the production capacity
- Two Vaults: One for salable product and one for waste
- One Safe for Sample Retention
- Increased security room for network
- Motion-sensor enabled security fence surrounding the property
- 24-hour visual security monitoring. Both on-site and off-site
- Proximity card readers on doors
- Solid block and concrete construction throughout the facility
- Glass break sensors on all windows
- Secured HVAC ventilation system
- Motion detectors covering the entire facility, inside and out
- Strict protocol for delivery drivers
- Strong Standard Operating Procedures enforced by the “Person In Charge” and Security personnel
- Implementation cost: \$3 Million
- Timeline: 6 Months

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Federal Regulation

The security requirements for licensed medicinal marihuana producers are outlined in the 2013 *Marihuana for Medical Purposes Regulations*. However, much of the legislation is directly linked to the *Directive On Physical Security Requirements For Controlled Substances* which is the security guideline for licensed dealers in possession of controlled substances. Health Canada has designed its security regulation to allow for diversity, preventing a thief with industry knowledge from exploiting that knowledge when attempting to steal from another company¹. The minimizing of expense is also a consideration in the regulations; Health Canada wants companies to implement a thorough system that can be easily upgraded as required. The importance of this structure is especially prevalent in the marihuana industry as federal regulations governing marihuana are expected to change drastically, therefore changing the security requirements.

Regulations have shifted in a way that recognizes the medical utility of cannabis; especially in cases of terminal illness. It is the responsibility of licensed producers to ensure their product is distributed only to authorized users. There are elements of risk the licensed producer must address, and continue to monitor, under their regular course of business. Instances of robbery, pilferage, and theft must be minimized through preventative policies and stringent monitoring practices.

Alterna Medicinals Canada has developed a security plan that addresses all elements of Health Canada's legislation and goes beyond expectations to ensure the safety of the staff, customers, and the local community.

¹ http://www.hc-sc.gc.ca/hc-ps/pubs/precurs/dealers-distrib/phys_securit_directive/index-eng.php#c8

Facility Location

Health Canada has created a region index to identify licensed producers operating in areas subject to heightened crime rates. The regions have been established as follows:

- Region I
 - Toronto plus any location within 100 km radius
 - Montreal plus any location within 100 km radius
 - Vancouver plus any location within 100 km radius
 - Edmonton plus any location within 100 km radius

Cities such as Hamilton, Kitchener, and Victoria fall within Region I because they are within 100 km of a city mentioned in Region I.

- Region II
 - Halifax plus any location within 50 km radius
 - Quebec City plus any location within 50 km radius
 - Ottawa-Hull plus any location within 50 km radius
 - London plus any location within 50 km radius
 - Winnipeg plus any location within 50 km radius
 - Calgary plus any location within 50 km radius
 - Windsor plus any location within 50 km radius

Any other location in Canada falls under Region III and is identified as being lower risk. Therefore, a facility in Region III requires a lower security investment for the same amount of controlled substance on site as a Region I or II. Alterna Medicinals Canada has leased a former Monsanto Seed Science facility in Southern Ontario. The facility is 125 kilometers from downtown Toronto, placing it well outside of high-risk areas but still within moderate driving distance of several major urban centers and within Region III.

The requirements for Licensed Producers also stipulates a minimum distance from schools and residential areas. This has already proven to be a constraint for companies operating in Region I, where urban sprawl has brought residential areas within 500 meters of growing facilities. Alterna Medicinals Canada is located 3 kilometers from the center of town, 2 kilometers from the nearest school, and 1 kilometer from the nearest residential area. The facility is located in the Agricultural Commercial and Industrial Zone of the town; it is across the road from a large auto parts

manufacturing plant and adjacent to a meat processing facility. It is highly unlikely that a residential development will be built in this area as it is primarily zoned for industry and agricultural usage.

Vault Inventory Controls

Licensed dealers are given inventory limitations depending upon their region and dollar value of the controlled material in their possession. Controlled substance market value ranges from A to K. Cannabis falls under level H, \$10,000/ Kg. At full capacity after expansion, Alterna Medicinals Canada can produce up to 300 Kg of cannabis every ten weeks which puts it at Security Level 7. However, to limit risk further and in the case of inventory surplus, the company intends on renovating its facility to exceed the minimum security requirements and meet those of Level 8. To meet level 8 standard, the licensee must install motion detectors around the vault in addition to perimeter security. Moreover, there must be a clear area of 60cm around the vault for inspection purposes.

Vault Security

Alterna Medicinals Canada will be equipping its vaults to comply with level 8 security measures. Two vaults will be fitted in the facility, one for product storage and one for waste. Vaults must be constructed in a way that adheres to several mechanical requirements including; electrical detection systems, physical location within the building, construction materials, door quality, and ventilation.

Electrical Detection: There must be a smoke detector inside cannabis storage vault, detectors to indicate unauthorized access to the vault, penetration, or removal of items from the vault. Proximity detectors are also required for the vault. All vault alarms and security systems are to be placed in a separate location from other warehouse detection systems. Also, vault security systems must be monitored by a U.L.C. approved monitoring station

Location: Vaults must be constructed at least 1 meter away from outside walls and accessible roofs with at least 0.6m of clear surrounding area in all directions for inspection and maintenance purposes.

Walls, Ceiling, and Floor: To avoid any issues with compliance to vault specifications, Alterna Medicinals Canada will opt for modular vaults that are rated at level TRTL-30 by ULC (Underwriters Laboratories of Canada) which meet security Level 8 in accordance to the Directive of Physical Security Requirements for Controlled Substances vault requirements. Alterna Medicinals will be sourcing these vaults from Securifort Inc. which has decades of experience developing safes and vaults.

Door: Must be fire-resistant bank type door with a steel face plate of at least 0.62 cm and a relocking device. No operational inside escape handles are allowed (May install a telephone or intercom for emergencies). The door must also have a changeable combination lock with at least three manipulation-proof tumblers and a spy-proof dial.

Ventilation: Any ventilation openings located in a vault must have an area that does not exceed 619 cm² with one at least one dimension not exceeding 15 cm. Also, all openings must be either reinforced with steel rods of a specific size at specified intervals, or, covered by a 10-gauge metal mesh welded on a securely anchored metal frame of specified thickness.

Proximity to Emergency Services

The town is serviced by an Ontario Provincial Police (OPP) detachment, the local Fire Department, and County EMS. These services are centrally located in the town and are 3.23 kilometers away from the Alterna Medicinals Canada Facility. Emergency response times are quick as the facility is a 5-minute drive from the OPP detachment and is located on the same road as several industrial and retail businesses. In addition to its proximity to emergency services, Alterna

Medicinals' facility is located on an access road used by the OPP throughout the day. This provides the facility with additional police presence outside of standard patrolling.

The OPP's approach to crime prevention is based on Ontario's Mobilization and Engagement model of community policing. Under this initiative, local businesses are responsible for identifying areas of concern and offering support programs and training to help deal with societal issues related to their operations. The initiative encourages businesses to meet with the police and community forums to become community partners. The risk of crime is mitigated as the community becomes more aware of the nature of the business and can provide assistance to address security concerns.

Alterna Medicinals Canada has support for the project from the local town council, OPP Detachment Commander, and Fire Chief. These officials have formalized their support through signed letters which have been included with the application to Health Canada.

Perimeter Access Control

Intrusion detection equipment will allow the facility to be monitored at all times (24 hours per day, seven days per week, year-round) by an internal security system located in a secure area within the facility, and further monitored by a remote station controlled by a licensed security company. Alterna Medicinals Canada will restrict access to the property by building a standard height fence that is 3 meters high by 560 meter long security fence with a fiber optic intruder detection system. The fence will work in tandem with high definition surveillance cameras that will be placed throughout the property. If an intruder were to trip the optical sensor on the fence; any pan, tilt, and zoom cameras in the vicinity will focus their attention on the breach and record all movement to the central server. Cameras will be checked as per Standard Operating Procedure, such as every two hours, to ensure functionality and will surveil the entire facility leaving no blind spots. Rooms containing cannabis will have several cameras placed at different heights, and all exterior doors will have eye-level cameras that will be used for facial recognition. The cameras'

footage will be kept in a secure room and backed up for a minimum period of two years requiring hundreds of terabytes of storage space. The secure monitoring data room will have restricted access limited to senior and security personnel only. In addition, it will be constructed in a secure manner where the walls are constructed with a total of three layers of gypsum board, carbon steel security mesh, and plywood. Smoke detector, motion detector, and all controls will be located in this room in addition to standard surveillance monitoring.

Under Health Canada guidelines, the Sample Retention Room will be a security level 6; exceeding the minimum requirements for a room of that nature. A level 6 secure room requires a smoke detector, motion detectors to indicate unauthorized access, a proximity detector, conduit not exceeding 3.8 cm in diameter, and to be placed 1 meter away from any outside wall. In addition, walls must be constructed of 30 cm of concrete but not reinforced, floor and ceiling will be 20 cm of concrete reinforced with steel, and ventilation openings will not exceed 15 cm, reinforced by steel rods at the 15 cm point and horizontally at 40 cm. The door must be wooden, wrapped in steel with a metal frame and secured with an approved padlock. Alterna Medicinals Canada may use a cage in place of a secure room but prefers to use a level 6 secure room to satisfy regulatory requirements as the business expands.

The facility's front gate is designed to prevent unauthorized entry while allowing emergency vehicles access when necessary. The system is called a Siren Operated Sensor (SOS) which can be triggered by a RFID transmitted by an emergency vehicle. The property will be observed 24/7 by security personnel that will have access to the camera and alarm systems. Visitors access through the main gate is initiated with a video intercom system; thus requiring security personnel to authorize entry to the property. The video intercom system will be built into all entrances to the facility and will connect directly to the security desk. During work hours, there will be two security officers on-site to check and document any security breach and to notify the "Person In Charge" immediately to confirm if the action/ person is authorized. If not, and deemed safe, one security officer will go to the incident location, and another will contact the police if necessary while

continuing surveillance. Outside of work hours, the alarm company will monitor the alarm and camera systems, contact the police and “Person In Charge” as well as document the incident. The “Responsible Person In Charge” position carries several responsibilities; they are considered the representative of the applicant and must have the authority, as an authorized official, to bind the applicant. They are responsible for the activities carried out by the licensed producer under their license and must hold a valid security clearance conducted by the RCMP.

The security camera system will use network cameras in conjunction with LED exterior lighting. LED lights are favorable because they have lower operating costs, higher lumens, and longer operating time.

Signage

Signage represents a large component of the preventative security measures set forth by the Alterna Medicinals Canada team. The building and property will have no signage indicating the nature of the business inside. There will also be “No Trespassing” signs at 50-meter intervals along the fence line.

Facility

The Alterna Medicinals Canada team has leased a former Monsanto Seed Science facility to cultivate medical marijuana. The building is well suited to this purpose as it is already outfitted with laboratories, greenhouses, offices, and employee amenities. The building’s construction is well suited to a pharmaceutical grade facility. The exterior access doors are steel and are mounted on steel frames which vastly increases the difficulty in gaining entry. The walls are constructed out of concrete brick and covered by steel siding. Aesthetically, the building is very generic, which will prevent it from drawing unnecessary attention.

Marihuana producing facilities are required to have four levels of security depending on the area:-

1. **Uncontrolled licensee areas** are generally considered the exterior of the facility. This provides a buffer zone that indicates to the public the area of responsibility of the licensee. From a security perspective, this space improves the effectiveness of security systems
2. **Controlled licensee areas** have a double keycard reader instead of one. Washrooms and locker rooms have no cameras. However, there is one camera in each office and the lunchroom to ensure the presence of footage for any potential security breach. Security will be enforced by employee protocols and management's oversight, requiring all staff to know procedures in case of visitors, contractors and identifying as well as reporting any unusual or suspicious event.
3. **Restricted areas** are only accessible to approved and authorized employees who are granted access to general security areas – this would be all production (Grow, trimming, drying, packaging) as well as the record keeping room and any testing areas. Restricted access will be regulated by keycards, which can be individually programmed to allow access to predetermined locations based on the individual's role and job requirements. These restrictions will be enforced by the on-site security team as well as the responsible or alternate people in charge.
4. **Secure areas** are normally located in a restricted area in which is housed highly sensitive equipment and information as well as material for which access is restricted to authorized personnel – This would include the vaults for cannabis product storage, cannabis waste, and security systems. Access to these areas requires the presence of a "Responsible Person In Charge" or an "Alternate Responsible Person in Charge." Alterna Medicinals Canada will require at least two people to be present in secure areas at a time.

The first floor of the building will be used for the medicinal marihuana facility. There is a second floor that is secured by kalamein steel doors at all entrances. A kalamein door is a fire door that's wood core is covered with galvanized sheet metal; they are designed to be used as exterior doors in areas prone to vandalism. Interior access control is enforced by door locks with strike

plates rated to 1500lb static strength, making it virtually impossible for an intruder to gain unauthorized entry. All doors will have proximity card readers which will be located on the interior, exterior, or both sides of the door. Special rooms, such as the records room, production area, and vault will only be accessible to cardholders with authorized access.

Any room containing cannabis will be of solid block construction. Other secure room walls will be constructed with 9 cm metal studs with horizontal channels covered in pre-finished steel wall panels, or stucco embossed steel with foam insulation to form a bonded secure wall. A tamper proof-film will be applied to all windows in addition to a glass-break sensor. The tamper-proof film is designed to prevent the windows from shattering. Upon impact, the glass break sensor will automatically detect the vibrations in the glass and notify both the on-site security desk and the remote monitoring service of the breach.

The building will also be equipped with a number of sensors and panic buttons to alert emergency services in the event of a security breach. During business hours, a series of hard-wired and wireless panic buttons will be placed strategically throughout the facility. All hard-wired devices are protected by a PVC conduit not exceeding 3.8cm in diameter to prevent damage from the elements and vandalism. After hours, the facility is protected by motion sensors placed in every room, hallway, and surrounding the exterior. Vibration sensors will be utilized on walls, ceiling, and floor of vaults, as well as exterior walls and the rooftop.

Lastly, ventilation systems will be secured to prevent access by intruders, animals, and debris. All duct work and HVAC systems larger than 15 cm or with an area bigger than 619 cm² will have ten gauge steel mesh or steel reinforced rods anchored into the wall or ceiling on 15 cm centers and horizontally reinforced on 40 cm centers. In the event the HVAC system is breached, interior motion detectors will alert onsite security and the remote monitoring service.

Standard Operating Procedures (SOP)

Alterna Medicinals Canada has developed security oriented SOPs for staff and support personnel linked to the business. For example, deliveries and pickups will only be completed while delivery vehicles are completely inside the facility. Products, such as fertilizers, seed or other equipment will be received at the facility and product for customer delivery will be picked up. In each case, the company will be responsible for ensuring that they know who is making the delivery and pick-up as well as the expected operation time. Security will be notified of these events in advance. As with contractors, due diligence should be conducted on delivery companies when possible, and there should be a file with company and driver(s) information from which the property is being received.

All delivery personnel will report to the office upon arrival and will identify themselves and the product being delivered. They will then be directed to the delivery door, where they will be met by a designated employee and the product will be received. Delivery personnel will not be permitted access to the inside of the premise at any time. Any need for these persons to be inside, including the use of any washrooms or services, will be restricted to the office area only. The shipping/receiving area is an interior area separated from any other interior area with a Double Door Dual Reader and from the exterior with another Double Door Dual Reader as well as Video Intercom System.

Cost and Implementation

The company requires \$3 million to outfit the building for security infrastructure. Implementation time is expected to be six months. Upon completion, Health Canada will inspect the facility to gauge whether or not the facility complies with regulatory requirements.

Alterna Medicinals Canada will meet and exceeded the requirements of Health Canada. The management team hired ITC Security Consultants to prepare an in-depth report that would suggest how to best comply with Health Canada requirements. The security consultants are known for their

work with companies in the Canadian medicinal marihuana industry and have advised several licensed producers on their security precautions. This report outlines in considerable detail the extensive security around the production plant and how the employee, the community, and the customers are protected.

LPWS

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