

CLEARING THE SMOKE ABOUT THE CANNABIS INDUSTRY



**THE CURRENT STATE OF THE
INDUSTRY FROM A REGULATORY
SECURITY POINT OF VIEW**

ABOUT US

- Global security/risk consultancy that specializes in high risk/high value facilities and events
- One of only 21 Internationally Certified CPTED Practitioners
- Consults regularly with 3 levels of government on policy, regulations and strategies
- Has successfully advised and supported more than 300 Health Canada Cannabis Act licenses (Application, security design and SOP's)



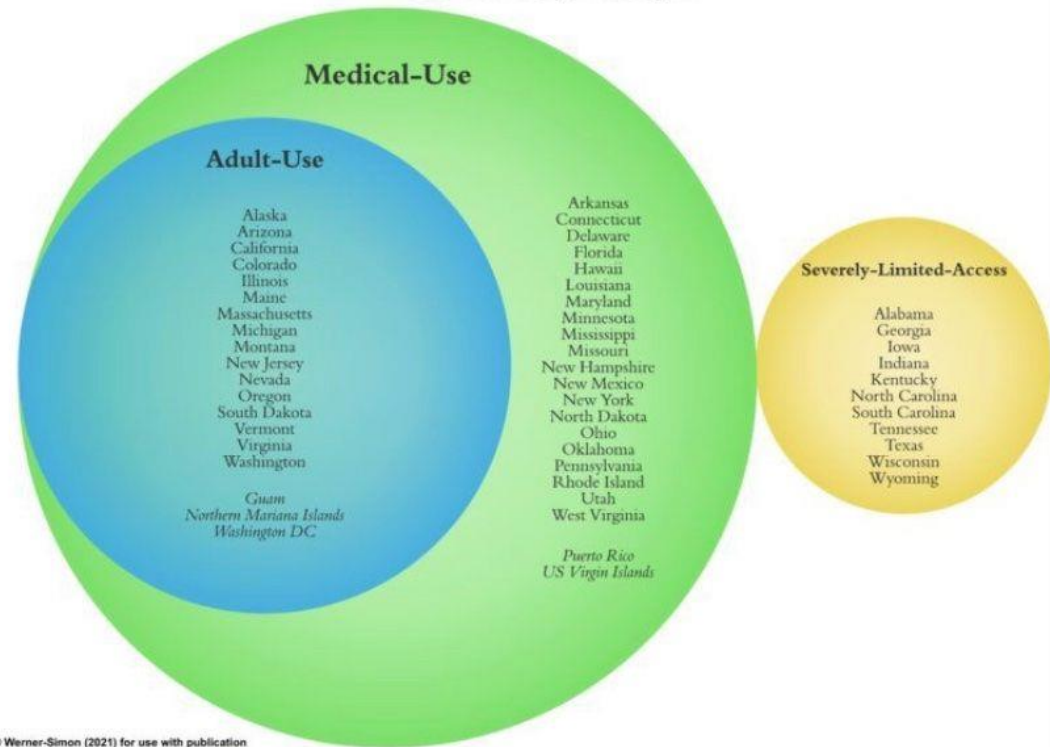
DAVIDSON GLOBAL
ADVISORY GROUP INC

SECURITY.RISK.STRATEGY

WHERE THE LEGAL CANADIANS ARE “GROWING” TO

CANADIAN COMPANIES ARE
SEEN AS LEADERS DUE TO HIGH
STANDARDS SET BY HEALTH
CANADA ON SECURITY,
PRODUCT AND OPERATIONS
(GMP/EU-GMP/GPP
REQUIREMENTS)

Illustration 2
Venn Three-Degrees Diagram



CANADIAN REGULATORY PICTURE

- LH STANDARD
- LH MICROS
- PSYCHEDELIC
- ACMPR (FORMERLY MMAR)



- STANDARD LICENSES (CULTIVATION, PROCESSING, RESEARCH) UNDER THE CANNABIS ACT DICTATE SPECIFIC AND STRONG SECURITY MEASURES, GPP AND GMP STANDARDS AND COMMUNITY ENGAGEMENT
- MICRO LICENSES UNDER THE CANNABIS ACT ARE SPECIFIC TO GPP AND GMP STANDARDS, SECURE STORAGE AND COMMUNITY ENGAGEMENT BUT VERY WEAK ON SITE SECURITY
- PSYCHEDELIC LICENSES ARE GOVERNED BY HEALTH CANADA UNDER THE CONTROLLED DRUGS AND SUBSTANCES ACT, DIRECTIVE ON PHYSICAL SECURITY REQUIREMENTS
- ACMPR (ACCESS TO CANNABIS FOR MEDICAL PURPOSES) REGULATIONS – LET'S DISCUSS THIS FURTHER...

PROVINCIAL REGULATORY PICTURE

IMPORTANT TO NOTE THAT HEALTH CANADA AND THE FEDERAL GOVERNMENT HAS DOWNLOADED OVERSIGHT OF RETAIL BUT NOT FEDERAL LICENSE HOLDERS, CAUSING A CHALLENGE WITH INFORMATION SHARING REGARDING LICENSE HOLDERS AND ENFORCEABILITY

RETAIL - (MARCH 29/21)

- ALBERTA JUST REACHED 600 APPROVED CANNABIS RETAILERS.
- ONTARIO HAS 550 CURRENTLY APPROVED AND NEW AUTHORIZATIONS AT A RATE OF 30 PER WEEK.
- BC HAS THE THIRD HIGHEST NUMBER OF APPROVED RETAILERS, WITH 320 PRIVATE RETAIL LOCATIONS APPROVED AND ANOTHER 25 PUBLIC STORES APPROVED. BC IS THE ONLY PROVINCE WITH BOTH PUBLIC AND PRIVATE RETAIL CANNABIS STORES.
- BOTH ONTARIO AND ALBERTA HAVE ONLY PRIVATE RETAIL STORES, ALTHOUGH MANAGE DISTRIBUTION AND ONLINE SALES THROUGH THE PROVINCE.
- MANITOBA HAS 71 STORES
- SASKATCHEWAN 68
- QUEBEC 66
- NEWFOUNDLAND 30
- NOVA SCOTIA 24
- NEW BRUNSWICK 20
- NORTHWEST TERRITORIES 7
- YUKON 5
- PEI 4
- NUNAVUT 1



MUNICIPAL REGULATORY PICTURE

DIFFERS FROM MUNICIPALITY —
GENERALLY THE FOLLOWING
APPLIES:

FEDERAL LICENSE HOLDERS (CANNABIS ACT)

- MUST NOTIFY MUNICIPALITY PRIOR TO APPROVAL
- REQUIRE BUILDING INSPECTIONS (BUILDING & FIRE CODE)

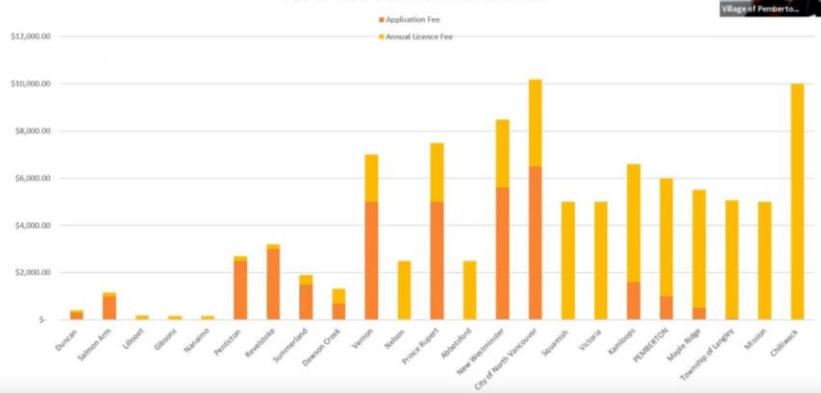
RETAIL LICENSE HOLDERS

- LOCAL BUSINESS LICENSE
- ZONING CONTROL
- BUILDING & FIRE CODE

ACMPR LICENSE HOLDERS

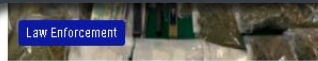
- NO REQUIREMENT FOR NOTIFICATION
- NO BUILDING INSPECTION REQUIREMENTS UNDER LEGISLATION RELATED TO CANNABIS

Business Licence Fees for Cannabis Retail Stores



WHAT WE SEE

- MOST LE SEIZURES ARE AGAINST UNLICENSED OPERATIONS
- HEALTH CANADA HAS REVOKED LESS THAN 5 LICENSES SINCE 2018 DESPITE SIGNIFICANT MONITORING
- PUBLIC PERCEPTION/STIGMA STILL OUR TOUGHEST CHALLENGE IN THE COMMUNITY (LACK OF COMMUNITY REPORTING, ACMPR DIVERSION, ETC.)



RCMP arrests five, seizes 43 kg of cannabis and over 1.5 kg of cocaine being exported to the Caribbean

March 1, 2021 · 2 min read · Morton Robertson

The RCMP announced today an investigation that began in September 2020 and concluded this January uncovering a drug trafficking network shipping cannabis and cocaine to

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Customs officers in India seize 300 grams of cannabis mailed from Toronto

February 23, 2021 · 1 min read · Staff

Customs officers in India say they recently intercepted 300 grams of cannabis that arrived from Toronto, Canada in postal parcels. The discovery was made by

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Ontario police seize cannabis products from Markham convenience store, charge owner and employee

February 23, 2021 · 2 min read · Staff

York Regional Police in Ontario say they have seized illegal cannabis products from a Markham convenience store that was selling them to underage teens. Following

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Ontario police charge man connected with illicit cannabis delivery service

February 23, 2021 · 1 min read · Staff

Ontario Police in the Muskoka area say



Ontario man charged after 3 year old consumes unregulated edibles

February 22, 2021 · 3 min read · David Brown

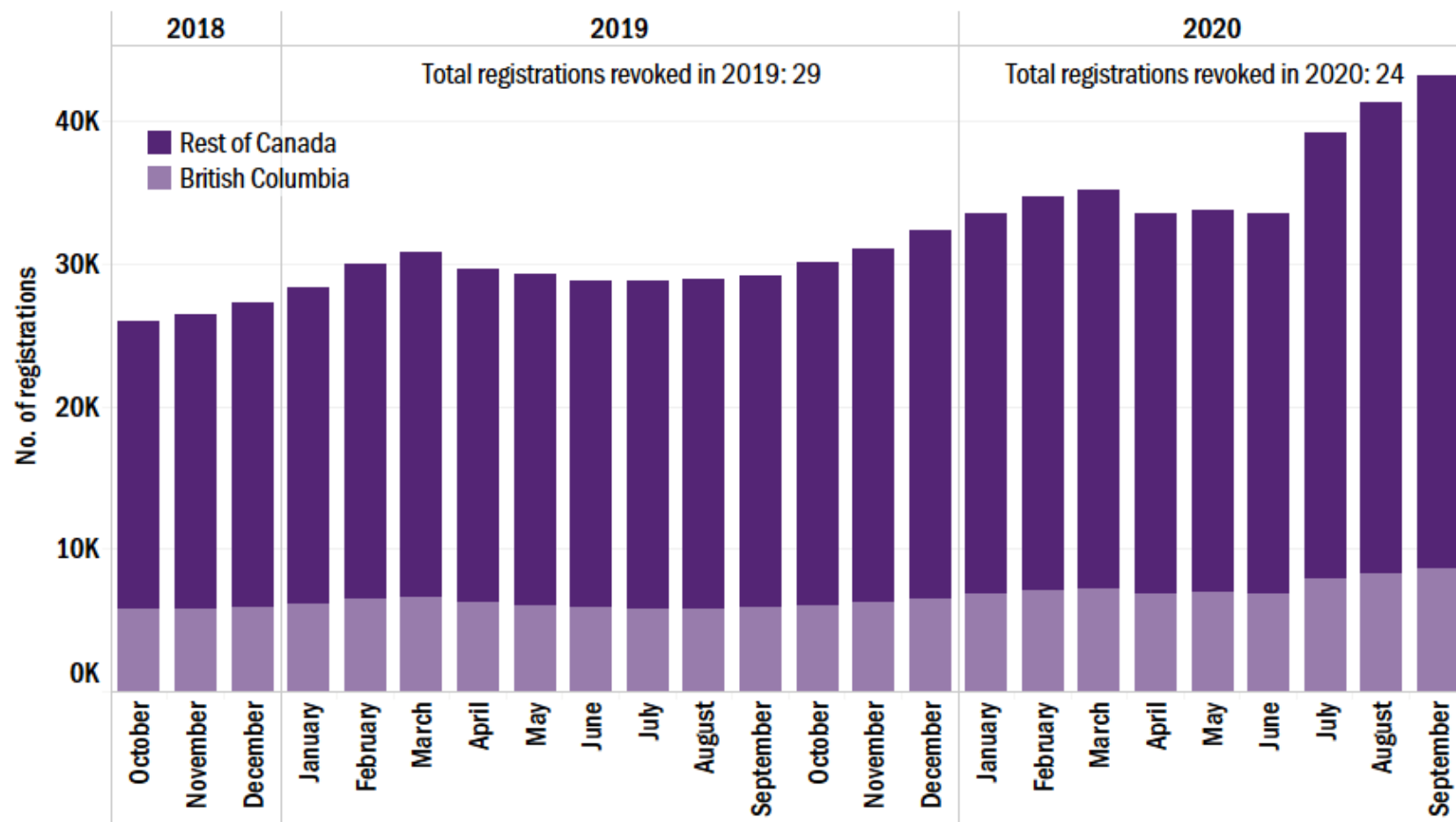
Ontario police say they charge a Quinte



Another large cannabis raid in Ontario seizes more than 5,000 plants

February 18, 2021 · 2 min read · Morton Robertson

Personal or Designated Medical Cannabis Cultivation Registrations



Source: Health Canada

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BUMPS ON THE ROAD...

- PATH TO LICENSING
 - DISTRIBUTION
 - TESTING
 - ACMPR
- PATH TO LICENSING IS BECOMING CLEARER AND MORE STANDARDIZED, ALLOWING FOR ENFORCEABLE STANDARDS, BUT IT IS EASIER TO OPERATE A NUCLEAR FACILITY THAN CANNABIS OPERATION
 - DISTRIBUTION ON THE RETAIL SIDE IS A MIX ACROSS THE COUNTRY, CREATING BUSINESS CHALLENGES FOR THOSE STAYING WITHIN THE LINES
 - TESTING HAS NOT BEEN STANDARDIZED AT THE LAB LEVEL CREATING SHOPPING FOR RESULTS (+THC), QA STANDARDS NOT DEVELOPED YET
 - ACMPR HAS SEVERAL AREAS THAT AFFECT OUR COMMUNITIES



IMPACT ON COMMUNITIES

LICENSED FACILITIES UNDER CANNABIS ACT

- ENVIRONMENTAL (CULTIVATION/PRODUCTION)
- SOCIAL
- ECONOMIC

ENVIRONMENTAL

- FACILITIES MUST MEET ODOUR CONTROL STANDARDS
- WATER/SOIL/GROWTH MEDIUM IS REPORTED AND MONITORED

SOCIAL

- STIGMA ATTACHED TO CANNABIS
- NEW BUSINESS OPERATORS NOT FROM AREA
- SIZE OF FACILITIES

- ECONOMIC

- SIGNIFICANT EMPLOYMENT OPPORTUNITIES
- SIGNIFICANT INCOME/TAX BASE
- CANNABIS SECTOR HIGHEST GROWING INDUSTRY – 50% GDP GROWTH (2020)



IMPACT ON COMMUNITIES

ACMPR

- ENVIRONMENTAL
(CULTIVATION/PRODUCTION)
- SOCIAL
- ECONOMIC

ENVIRONMENTAL

- NO FEDERAL STANDARDS
- NO FEDERAL TESTING REQUIREMENTS

SOCIAL

- STIGMA ATTACHED TO CANNABIS (MEDICAL)
- OFTEN “HIDDEN” OR ATTEMPTED COVERT OPERATIONS
- SIZE OF FACILITIES – DEFINED BY LICENSE/PRESCRIPTION – MULTIPLE LICENSE HOLDERS MAY USE SINGLE SITE
- DIVERSION TO BLACK MARKET
- NO REQUIREMENT FOR COMMUNITY/GOVERNMENT ENGAGEMENT
- INFO NOT AVAILABLE DUE TO MEDICAL CLASSIFICATION OF LICENSE HOLDER

ECONOMIC

- NO \$\$ RETURN TO MUNICIPALITY SUPPORTING PROPERTY
- OPERATION SITE DOES NOT NEED TO BE COMMERCIAL ZONED BY LICENSE CLASS
- COMPETES DIRECTLY WITH PROVINCIAL RETAIL MODEL IN MANY CASES



OPPORTUNITIES FOR ENGAGEMENT

- RETAILERS LOOKING FOR CREATIVE WAYS TO CONNECT
- EDUCATION BOTH WAYS
- BRINGS STIGMATIZED USE INTO OPEN

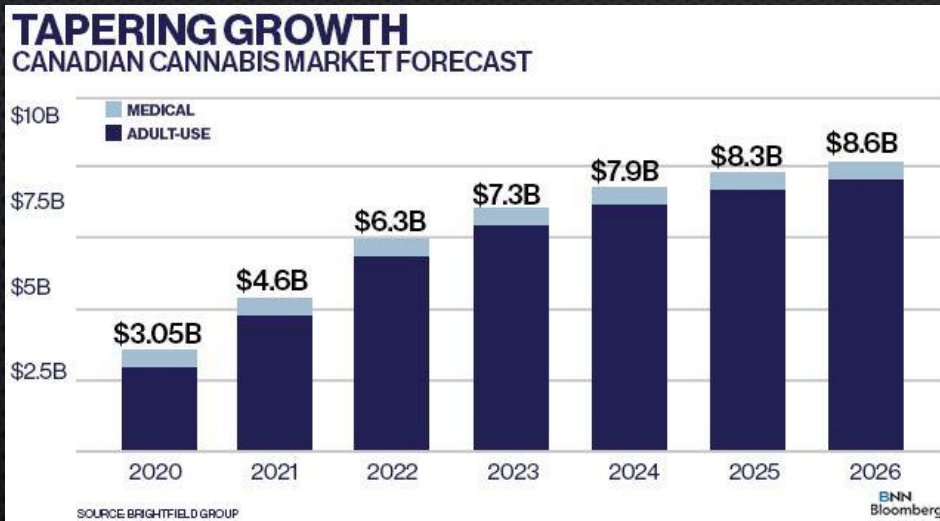


- RESPONSIBLE BUSINESS OPERATORS WILLING TO CONNECT WITH COMMUNITY (HAMPERED BY CANNABIS ACT ADVERTISING RULES)
 - HILL STREET BEV – MADD CANADA
 - ETHICAL IMAGE – TREES FOR THE FUTURE
 - TREC BRANDS – 10% GROSS PROFITS TO COMMUNITY
- OPPORTUNITY TO EDUCATE ABOUT MEDICAL/THERAPEUTIC USE
- UTILIZE AGENCIES (PLANNING, FIRE, BYLAW) TO INSPECT AND GUIDE COMPLIANCE TO LOCAL CODES

THE FUTURE

- ECONOMICS
- THE EXPECTED “LEVELING”

- CANNABIS HAS THE ABILITY TO ASSIST COMMUNITIES WITH EMPLOYMENT AND ECONOMIC BOOST
- FEDERAL LICENSE HOLDERS OFTEN LOOKING TO BUILD “BRAND” THROUGH COMMUNITY CONNECTIONS AND PROFILE
- GLOBAL MARKET IS OPENING UP FOR CANADIAN PRODUCERS
- INDUSTRY IS INTO YEAR 3 OF A LEVELING AND NEW GROUP OF BUSINESS LEADERS APPLYING BUSINESS FUNDAMENTALS TO ORGANIZATIONS



QUESTIONS

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