

SOPs for Inventory Control, Storage, Diversion Prevention

INVENTORY CONTROL

Before commencing business, Tambre will, per N.J.A.C. §17:30-9.13(a)(2)(i-ii), conduct a comprehensive inventory of all cannabis available, including finished cannabis ready for sale, unusable cannabis, and all cannabis products at the facility. Inventory will take place on the date Tambre first engages in sales and will include damaged, defective, expired, or adulterated cannabis awaiting disposal, including the name, the quantity, and the reasons for which the cannabis business is maintaining the cannabis. The initial inventory will be reported to the CRC utilizing the inventory tracking system.

Tambre will establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of stored, usable, and unusable cannabis per N.J.A.C. §17:30-9.13(a)(3). All inventory records conducted pursuant to N.J.A.C. §17:30-9.13 will include, at a minimum: the date of the inventory, a summary of the inventory findings, and the name, signature, and title of the employee who conducted the inventory, as per N.J.A.C. §17:30-9.13(b). Inventories will also include the name, quantity, and reason Tambre is maintaining any unusable cannabis. If Tambre commences business with no cannabis on hand, the employee will record this fact as the initial inventory.

Per N.J.A.C. §17:30-9.13(a)(4-7), product inventory will be updated on a daily basis. Tambre will also conduct a monthly inventory audit of stored, usable, and unusable cannabis. Additionally, Tambre will conduct a comprehensive annual inventory audit at least once every year from the date of the previous comprehensive inventory. Reports will cover a complete and accurate record of all cannabis and cannabis products. Inventories will be promptly transcribed in the inventory control system. The employee performing the inventory will directly input their findings into a device that interfaces with the inventory control system.

Upon commencing business, Tambre will begin conducting a weekly inventory in an electronic format of all cannabis and cannabis products, which will, include, at a minimum:

- The date of the inventory and a summary of the inventory findings
- The name, signature, and title of the employee who conducted the inventory
- The date of sale or disposal date of all cannabis and cannabis products
- The name of the recipient to whom the cannabis or cannabis product was distributed, the address of such person, and the kind of cannabis or cannabis product
- The quantity of cannabis or cannabis products.

If Tambre finds an irreconcilable discrepancy between its physical inventory and the inventory tracking and monitoring system database, Tambre will conduct an audit, and notify the CRC of any reportable activity. Pursuant to N.J.A.C. §17:30-9.13(a)(1)(i-ii), Tambre will use the inventory tracking system and any product identification tags or stamps designated by the CRC, as well as be responsible for any fees from aforementioned items.

Tambre has identified the following areas as Critical Control Points for dispensing operations: Physical Inventory Control, including security, storage, and recordation; Electronic Inventory Control, including the inventory control system and the inventory tracking system of the CRC; and Inventory Accuracy, including lost, stolen, or destroyed products, reconciliation of inventory, and discrepancies and recalls. To integrate these Critical Control Points, SOP's reference materials include Document Management SOPs, Facility SOPs, Quality Assurance SOPs, and Inventory Control User Manuals and Documents.

Any changes made to the POS/inventory control system (e.g., product conversion vouchers, quantity adjustments, shake, by-product vouchers, physical inventory adjustments, item-edits, etc.)

will be reviewed and approved by dispensary management. Reconciliations to inventory will be performed twice, by two separate employees including one uninvolved in regular inventory management. Any problems or concerns with the reconciliation will be brought to the attention of the Security Manager, who will immediately take all appropriate steps including, but not limited to, contacting the appropriate authorities if there is suspected criminal activity.

Within 30 days of employment and annually thereafter, all individuals requiring training will complete at least eight hours of onsite or online training courses per N.J.A.C. §17:30-9.8(a). Per N.J.A.C. §17:30-9.8(b), topics will include state and federal laws regarding cannabis; state and federal laws regarding privacy and confidentiality; informational developments in the field of cannabis; the proper use of security measures and controls that have been adopted; and specific procedural instructions for responding to an emergency.

STORAGE

Storage policies are designed to ensure that storage areas of all cannabis are kept in a secured manner during business and non-business hours. At this time, all cannabis will be stored in the Vault outside of operating hours. All cannabis items will be stored in an enclosed indoor, locked area pursuant to N.J.A.C. §17:30-9.12(b), where access to such area is limited to an owner, principal, employee, volunteer, or management services contractor that possesses a Cannabis Business Identification Card when acting in their official capacity, as per N.J.A.C. §17:30-14.7. Tambre will abide by all odor and noise regulations as set forth by the City. The interior of the premises will be screened from adjacent uses to prevent a view into the interior from any public place. No cannabis or cannabis paraphernalia will be displayed in any storefront window. Any inventory held for quarantine or recall will be stored separately from other cannabis. Usable cannabis and cannabis products will be stored in compliance with N.J.A.C. §17:30-9.12(b)(1)(i-vi), with consideration of:

1. The quantity of cannabis items kept on hand;
2. The inventory system for tracking and distributing cannabis items;
3. The number of owners, principals, employees, volunteers, management services contractor staff, or vendor-contractors who have or could have access to the cannabis items;
4. The geographic location of the cannabis business and its associated environmental characteristics, such as the remoteness of the premises from local populations and the relative level of crime associated with the area;
5. The scope and sustainability of the security alarm system; and
6. The findings of root cause analyses of any breaches of security and/or inventory discrepancies for cannabis items at that location.

The Vault has been designated to be the only area to store all ready-for-sale, quarantine, and pending-disposal cannabis and cannabis products outside business hours. The drywall of the walls and ceiling of the Vault will be reinforced with maximum-security ASM .50-13 mesh which is used to secure government, commercial, and retail buildings all over the world. Security mesh will be fastened to metal studs to inhibit bending or the ability to cut. The attached Secura Clips recessed center holes will provide over 68% more holding strength than standard screws. Finally, the maximum-security mesh will be finished with fire-resistant gypsum.

The Vault door will also be installed with a commercial grade combination lock and proximity access reader. Authorized individuals will have to use their personal security proximity access card and enter the combination to open the Vault door. This two-factor authentication will prevent access to individuals using only the proximity access card of an authorized individual. A log of all entries and code changes into the Vault will be maintained with the security records. The walls

and perimeter of the Vault will be equipped with an alarm system which will notify personnel in the Manager's Office, Security Office, a third-party security monitoring company, and the appropriate police agency.

All cannabis will be stored in a secured and locked safe room, safe, or vault, and in a manner to prevent diversion, theft, and loss, except for limited amounts of cannabis used for testing samples. At this time, Tambre intends that all cannabis products including quarantine and pending disposable cannabis will be secured and stored in a 30-minute or more Tool and Lock-rated (TL) safe with a 5-minute time delay Group 1 outside lock. All the storage safes for cannabis will also use Group 1 outside combination and PIN code locks to secure the safe door. A Group 1 combination lock is resistant to skilled manipulation attacks for up to 20 hours. TL safes are the standard safes used in most high-risk industries such as the jewelry, firearms, and the pawn industries. TL safes offer much more security and protection than a standard gun safe model or non-rated safe due to superior design and construction.

All cannabis and cannabis products in the Customer Sales Area will be stored in locked and secured display cases designed to protect the product. These locked cannabis display cases will have an interior alarm system installed that will activate when the display case doors are opened without turning off the alarm. All cannabis product display cases will feature 15mil safety laminate glass to deter break in attempts during business hours. At the end of the business day, all cannabis and cannabis products will be removed from display cases and stored in the Vault. No cannabis and cannabis products will be allowed outside the Vault after business hours.

A drop safe will be placed below the POS counter for large bills or for register amounts above \$1000. Management will periodically check registers to confirm cash totals are safe. The drop safe will be emptied at the end of each day. Currency will be counted in the Manager's Office before being secured onsite overnight in a Class 1 Tool and Lock 30 rated (TL-30) safe.

DIVERSION PREVENTION

Management will be attentive of potential diversion and will follow, encourage, and enforce strict procedures and policies to detect diversion. Signs of internal theft or diversion include: an employee's purchasing abilities increase at a rate inconsistent with their income; an employee accessing an area not assigned to them; and an employee removing anything from a limited-access area without supervisor approval.

Waste destruction will follow the requirements of N.J.A.C. §17:30-9.14 to prevent diversion of cannabis not intended for sale. Similarly, strict compliance with N.J.A.C. §17:30-9.17 will ensure that recalled cannabis products cannot be diverted and misused.

Background Checks

Criminal history background checks will be done for all employees and management prior to hiring to ensure that no one with a history of theft, product diversion, or other criminal activity that would deem the individual a hazard or potential threat is hired. Security guards will also be trained to be alert and aware to potential cannabis and cannabis product diversion. Tambre will utilize tools to prevent hiring employees who will encourage theft and diversion. Tambre will contract with a third-party background services firm which merges advanced search methodologies from multiple investigative databases and public record sources with interpretation by investigative specialists. This process ensures that Tambre will have complete and accurate information before deciding to employ an individual. Tambre will utilize behavioral assessments which offer insight into individual behaviors that not only may steal or divert cannabis, but also may perform poorly or fail to uphold security standards.

Internal Theft Prevention

Tambre will limit access to storage areas containing cannabis items as per N.J.A.C. §17:30-9.12(a)(1-2). When it is necessary for visitors to be present in or passthrough cannabis item storage areas, Tambre will provide for adequate observation by cannabis business personnel who are specifically authorized by policy or job description to supervise the activity. The SOPs will identify personnel with authorization to access storage areas.

Employee identification cards will be worn at all times while on the licensed premises and cards will identify levels of access to portions of operations. The card will indicate access to specific areas the employee is authorized to enter when performing scheduled job functions. A person that is not a holder of a valid employee identification card is prohibited from accessing the premises unless they receive authorization and obtain a visitor identification badge. All photo identification badges will be worn at chest height on breakaway style lanyards. All photo identification badges will be placed inside a plastic transparent identification holder. Employees will not be permitted to place any item in or cover any part of their identification badge holder. Employees will be expected to follow the Code of Conduct.

All employed persons will not impede, obstruct, interfere with, or otherwise not allow the CRC or law enforcement to conduct an inspection or to review or copy records or recordings or other documents. Employees will not conceal, destroy, deface, damage, falsify, or otherwise alter any records, surveillance recordings, or other documents.

Consumer Diversion Awareness

Employees will exercise professional judgment to determine whether to dispense cannabis to a consumer if they suspect that dispensing any cannabis may have negative health or safety consequences for the consumer or the public. In accordance with N.J.A.C. §17:30-14.3(a)(1-4), before allowing entrance to the facility and additionally prior to selling or serving cannabis items to a consumer, for each transaction, employees will examine any one of the following pieces of photographic identification and will confirm the consumer is of legal age to purchase cannabis:

1. The person's United States passport; other country's passport; or proper government-issued documentation for international travel, provided it is lawful to use as identification in the United States;
2. The person's motor vehicle driver's license, whether issued by New Jersey or by any other state, territory, or possession of the United States, or the District of Columbia, provided the license displays a picture of the person;
3. A New Jersey identification card issued by the New Jersey Motor Vehicle Commission; or
4. Any other identification card issued by a state, territory, or possession of the United States, the District of Columbia, or the United States that bears a picture of the person, the name of the person, the person's date of birth, and a physical description of the person.

Prohibitions

Smoking, ingestion, or consumption of cannabis will be prohibited on the licensed premises at all times. This policy will be implemented pursuant to N.J.A.C. §17:30-9.9(a) and N.J.A.C. §17:30-9.5(a), and this policy will be made available to the CRC as per N.J.A.C. §17:30-9.9(b). Tambre will not sell any food, beverages, alcohol, tobacco, or nicotine products on or at the premises, in accordance with N.J.A.C §17:30-9.5(b), and will maintain a contract with an approved New Jersey employee assistance program as per N.J.A.C §17:30-9.9(c). No person will be allowed to possess an illegal drug of any kind while on the licensed premises. No employee or volunteer will be under the influence of a controlled substance. Tambre will not allow entry onto the premises by a person who is under the age of 21 unless the individual is accompanied by and supervised by a parent or

legal guardian or is otherwise permitted by law. Employees will not sell or give for consumption any cannabis items to a person under 21 years of age, in compliance with N.J.A.C §17:30-9.5(c-d).

Reporting

When there is evidence of diversion, employees will be trained to follow strict procedures that will result in an investigation and written report submitted to the CRC. Per N.J.A.C. §17:30-9.11(a), Tambre, upon becoming aware of a reportable loss, discrepancies identified during inventory, diversion or theft, whether or not the cannabis, funds, or other lost or stolen property is subsequently recovered and/or the responsible parties are identified, and action taken against them, will immediately notify appropriate law enforcement authorities by telephone and notify the CRC no later than three hours after discovery of the event. Pursuant to N.J.A.C. §17:30-9.11(b)(1-4), Tambre will notify the CRC within 24 hours by telephone, followed by email notification within 5 business days of any of the following: (1) An alarm activation or other event that requires response by public safety personnel; (2) A breach of security; (3) The failure of the security alarm system due to a loss of electrical support or mechanical malfunction that is expected to last longer than eight hours; and (4) Corrective measures taken, if any.

Creating a Culture of Honesty

Tambre will strive to create a “Culture of Honesty” and will have an open communication policy. It will be the responsibility of all employees to report theft or dishonest behavior to management. Tambre understands the need to cultivate a safe work environment and will not tolerate behavior that affects the safety of employees or other individuals. Tambre will create an open and honest environment for its employees by creating a set of strict policies and procedures that clearly state the appropriate actions that employees should take in specific situations. Failure to follow these policies will not be tolerated as it would compromise the safety of the employees and the security of the premises. Tambre will also establish a toll-free internal employee theft tip hotline program. Most companies struggle to detect internal fraud and conduct employee theft investigations. An anonymous, or whistleblower, toll-free telephone number gives honest employees opportunities to provide information on theft and other criminal activities happening in the workplace without fear of retribution. This theft hotline is one of the most effective tools in investigating a theft in the workplace. The theft tip hotline will be operated by a third-party company that will communicate concerns to senior management.

Packaging and Advertising

All advertising done by Tambre will full comply with advertising standards of N.J.A.C. §17:30-14.2. Specifically, Tambre will not promote diversion by appealing to anyone under 21 years of age. In accordance with N.J.A.C. §17:30-14.3(f), Tambre will only sell to consumers cannabis items that have been properly tested, packaged, sealed, and labeled in accordance with the provisions of N.J.A.C. 17:30-16.2 and 16.3.