



The Leading Security Solutions Provider to the Legal Cannabis Industry

Canna Security America (CSA)

Address:

4704 Harlan Street

Suite 520

Denver, CO 80212

Phone:

(888) 929-4272

Status:

Public: (OTCQB:CSAX)

Website:

www.CannaSecurity.com

Key Contacts

Chief Executive Officer:

Daniel Williams

Chief Operating Officer:

Tom Siciliano

Market/Industry Snapshot

Industry:

Legal Cannabis

Sectors:

Physical Security

Market Size:

2014: \$2.7 Billion

2015E: \$3.5 Billion

2018E: \$10.2 Billion

Key Financial Data

Financial Snapshot:

2013 Revenue: \$194,906

2014 Revenue: \$633,615

2015 Revenue: \$789,159

Balance Sheet:

Stock Price (1/5/16): \$0.41

52-Wk. High/Low: \$0.65 - \$0.10

3 Mo. Avg. Daily Volume: 919

Market Cap: \$41.11M

Float: 40.4M

Shares Outstanding: 100.3M

Business Description

Canna Security America ("CSA" or the "Company") is the leading comprehensive security solutions provider catering to businesses in the licensed cannabis industry. As security industry experts headquartered in Denver, Colorado, CSA has expanded its operations to serve the increasing number of state-licensed cannabis cultivators, processors, infused products manufacturers, and retailers in the United States. CSA has built an unparalleled reputation for quality and dependability with its customers, strategic partners, and the national media. CSA is recognized as the gold-standard in security services and technology for the industry, with systems installed in over 400 permitted facilities across multiple states, all achieving a 100% licensing approval rating. As a national leading security firm, CSA knows where risk points exist for cannabis businesses and how to tailor services to ensure maximum loss prevention and legal compliance.

Unrivaled Expertise. By assisting Colorado regulators in drafting security requirements, Canna Security America was able to seamlessly enter the Washington market and position itself as the first comprehensive national security solutions provider for the cannabis industry. Through the Company's experience in Colorado and Washington, CSA has developed a greater understanding of the particular needs of the industry, as well as an ability to navigate the complex regulation regarding security created by states. As the national leading security firm in the cannabis industry, CSA knows where primary risk points exist for cannabis businesses, and how to tailor services to ensure maximum loss prevention and legal compliance.

Comprehensive Turnkey Security Solutions. CSA consultants design site-specific electronic video surveillance, access control, and perimeter security systems based on a thorough threat assessment and extensive cannabis industry field experience. All CSA systems include custom floor plans to aid clients in compliance with various state regulations regarding the security of marijuana businesses. CSA utilizes a combination of high quality cameras, state-of-the-art access control, video surveillance management, and intrusion and perimeter alarm systems that, when installed and used correctly, creates a truly effective deterrent to theft and external intrusions of all types.

Large Market Opportunity. The shifting regulatory environment in favor of legal marijuana combined with increasing demand has led to the legal marijuana industry becoming one of the fastest growing industries in the United States. The industry size was approximately \$1.4 billion in 2013, \$2.7 billion 2014, \$3.5 billion in 2015, and is expected to exceed \$10 billion by 2018. The cash-only basis of this rapidly growing industry has positioned security as one of the most crucial aspects in the operations of cannabis businesses. Businesses need security system solutions not only to protect business assets and mitigate theft but also, in many cases, to comply with regulations.

Diversified Business Model. In 2014, CSA expanded its service offerings to include consulting for clients entering new cannabis markets. CSA partnered with several consulting firms and new clients to provide security plans for firms applying for licenses in MA, CT, WA, IL, and NV. This helped CSA further expand its reach in the industry and position itself as a market leader. CSA consulting engagements were successful in aiding clients in obtaining licenses in each new state. Seeing a further need for a comprehensive solution for the industry, CSA introduced The Cloverton Group, which addresses the need for on-site armed guards, armored transport of cash and product, background checks, license plate tracking, and security consulting.

This report is published solely for information purposes and is not to be construed as investment advice or as an offer to sell or the solicitation of an offer to buy any security in any state. See Important Disclosures on back page of this report.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
THE COMPANY	4
MARKET AND OPPORTUNITY	5
COMPANY HIGHLIGHTS	7
GROWTH STRATEGY	13
MANAGEMENT AND DIRECTORS	16
THE COMPANY	19
PRODUCTS AND SERVICES OVERVIEW	21
BUSINESS MODEL	27
SALES AND MARKETING	28
OPERATIONS	29
RECENT FINANCINGS	31
LEGAL MARIJUANA INDUSTRY	32
MARKET SIZE AND GROWTH RATES.....	37
COMPETITIVE LANDSCAPE	40

EXECUTIVE SUMMARY

THE COMPANY

Canna Security America (CSA) is the leading comprehensive security solutions provider catering to businesses in the licensed cannabis industry. As security industry experts headquartered in Denver, Colorado, CSA has expanded its operations to serve additional legalized U.S. states with sustainable medical and adult-use cannabis regulations as part of a national rollout. CSA is successfully leveraging its brand capitalizing on opportunities to serve the rapidly ever-increasing number of state-licensed cannabis cultivators, processors, infused products manufacturers, and retailers across the country.

For state-licensed cannabis cultivators, dispensaries, and infused product manufacturers, there are many strict U.S. state government rules and regulations to which to adhere, and meeting the safety and security guidelines is paramount. Colorado, Washington, Oregon, Alaska, and Washington, D.C. have already legalized the growing and dispensing of marijuana for medicinal and recreational use. Many other states are following suit and moving towards the legalization of cannabis. One thing has become apparent for any business touching the plant: they must fully comply with the law, ensure safety, and protect valuable infrastructure and assets.

Founded as a zero capital startup by CEO and president, Dan Williams, in 2009, CSA was the first and only security company entirely dedicated to the emerging cannabis industry until late 2013. CSA has thrived in a highly competitive environment in the industry as other providers have entered the market. The company has been fiscally responsible and, to date, has not taken on debt to fund growth. CSA has built an unparalleled reputation for quality and dependability with its customers, strategic partners, and the national media. Over 400 permitted facilities across multiple states, the bulk of which are in Washington and Colorado, have CSA security systems installed, and all of these facilities have achieved 100% licensing approval rating, which is critical to the viability of those businesses.

In 2014, CSA expanded its service offerings to include consulting for clients entering new cannabis markets. CSA partnered with several consulting firms to provide security plans for companies applying for licenses in Massachusetts, Connecticut, Washington, Illinois, and Nevada. This helped CSA to further expand its reach in the industry and position itself as a true market leader. CSA consulting engagements were successful in aiding clients in obtaining licenses in each new state. Seeing a need for a comprehensive solution for the industry, CSA introduced The Cloverton Group, a wholly owned subsidiary of CSA, that addresses the needs of cannabis businesses for on-site armed guards and armored transport of both cash and product.

MARKET AND OPPORTUNITY

The shifting regulatory environment in favor of legal marijuana, combined with increasing demand for marijuana products where already legal, have made the cannabis industry one of the fastest growing industries in the United States. The estimated value of this burgeoning industry was approximately \$1.6 billion for 2013, growing 77 percent to approximately \$2.7 billion in 2014 and another 30 percent to approximately \$3.5 billion in 2015. These estimates are likely on the low side as they only account for legal sales of cannabis and undercount ancillary products and services. The long-term growth outlook for the industry is strong. One estimate has the market exceeding \$10 billion by 2018, which many experts believe is accurate, if not conservative, based on current market growth and the potential that comes as additional states move to legalize marijuana for medical and/or recreational use.

CSA witnessed this growth first hand in 2014 as business rapidly expanded to meet the demand of adult-use cannabis in Colorado. Many of CSA's existing customers expanded their cultivation facilities or secured additional large cultivation facilities to keep up with the increase in cannabis consumption. Additionally, the average size of cultivation facilities increased. In previous years, an average facility was around 10,000 sq. ft., but now the average size facility is 20,000 sq. ft. or more, leading to average security costs 50% greater than before.

Even with the shifting views of the general public, as well as many federal officials, and the rapid growth of the legal industry, cannabis is still classified as an illegal substance in the United States. The Drug Enforcement Agency (DEA) and the Food and Drug Administration (FDA) still classify marijuana as a Schedule I drug under the Controlled Substance Act. The classification makes it illegal under federal law to manufacture, distribute, or dispense marijuana and has created a discrepancy between the laws in states that permit the distribution and sale of medical and recreational marijuana and federal laws that prohibits any such activities.

The discrepancies between federal and state laws have created a complicated and risky environment for businesses in the industry, especially in regards to restricted banking access for legal cannabis companies. The banking system in the U.S. is, in most states, federally mandated. Since possession or distribution of marijuana violates federal law, banks that provide services to legal marijuana companies face the threat of prosecution and assorted sanctions, such as loss of their federal depository insurance. As a result, many marijuana-related businesses are denied the ability to deposit cash, process electronic payments, or obtain loans and cash management services, consequently forcing these companies to transact on a cash-only basis. This failure of the legacy financial establishment to react to demand has necessitated a very high level of security with cash-filled safes, armored transports, and tax compliance, creating opportunity for specialty finance companies and physical security providers.

Businesses need security system solutions not only to protect business assets, but in many cases also to comply with state regulations. State regulations regarding the cultivation and dispensing of cannabis are some of the strictest laws around, and every state has a different set of laws. There are stringent security standards and codes that need to be met, including everything from how many surveillance cameras are needed and the placement of certain types of security cameras to the types of security DVRs and the number of days of recorded video required. Another security challenge for licensed cannabis businesses is protecting their crops, and this requires everything from proper planting to pest control and protection from intruders. Cannabis crops are expensive to grow and are a high-value target for thieves. One of the biggest security challenges for state-licensed cannabis businesses is employee theft. Regardless of whether it's a small-scale or large-scale facility,

the ability to monitor employees is essential. This has made protecting the perimeter as well as the interior of cultivation and dispensary facilities with a high quality video security system an essential factor for ensuring safety and also protecting the crops, equipment, and other assets.

As a result, security consulting has emerged as high-growth vertical of the legal cannabis industry. These security-consulting companies assist in security and transportation logistics for legal marijuana businesses, as well as provide on-site license verification to ensure that local business owners are operating lawful and regulatory compliant establishments.

COMPANY HIGHLIGHTS

Profitable Business Model

Recognizing that the legal cannabis industry's youthfulness has resulted in a lack of structure and oversight, CSA developed their security solutions and technology to create structure and process and, in the end, ensure maximum loss prevention and legal compliance. CSA is successfully leveraging its comprehensive security systems and services and capitalizing on opportunities to serve the rapidly increasing number of state-licensed cannabis cultivators, processors, infused products manufacturers, and retailers across the country. In 2014, CSA expanded its service offerings to include consulting for clients entering new cannabis markets. CSA partnered with several consulting firms and new clients to provide security plans for firms applying for licenses in Massachusetts, Connecticut, Washington, Illinois, and Nevada. This helped CSA to further expand its reach in the industry and position itself as a market leader. CSA consulting engagements were successful in aiding clients in obtaining licenses in each new state. Seeing a further need for a comprehensive solution for the industry, CSA introduced The Cloverton Group, a division of CSA. The Cloverton Group addresses the need for on-site armed guards at cannabis businesses, armored transport of cash and produce, and tertiary services such as background checks and executive protection.

The Company conducts an analysis of potential, future revenue by geographic territory and customer. For geographic territory analysis, CSA reviews the states that have legalized medical and/or recreational marijuana and states that are near legalization of one or both uses. As of the end of 2015, the following states had legalized marijuana use:

- Medical: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Washington, and the District of Columbia (D.C.)
- Recreational: Alaska, Colorado, Washington, Oregon, and the District of Columbia (D.C.)

The following states are expected to consider legalizing use in the next 12 – 24 months:

- Medical: Arkansas, Florida, Ohio, Pennsylvania, and West Virginia
- Recreational: Arizona, California, Maine, Massachusetts, Montana, Nevada, New Hampshire, New York, Rhode Island, and Vermont

After the state analysis, each territory is examined for the number of potential licenses to be issued by governmental authorities, as well as the level of security requirements for these new businesses as governed by the Department of Revenue, Department of State, and the Department of Health. Because of the evolving nature of this industry, it is difficult to estimate the number of licenses to be issued in all of the territories listed above, which account for approximately 47% of the U.S. population (149.21 million out of 318.86 million). However, the industry estimates that thousands of licenses could be issued.

While market data sources are limited for this industry, it is estimated there will be over 6,600 permitted cannabis facilities within legal cannabis territories in 2015. Conservatively, the average installation spend per facility is \$20,000. As such, the market for those states is estimated to be in excess of \$130 million for installation services alone.

New states legalizing medical or recreational cannabis, in addition to the expansion of cannabis programs in more mature markets, will increase the addressable market for security and imply substantial expansion potential beyond near term market opportunities. In addition, CSA is now seeing expansion of its existing customer base in places like CO and WA where successful brands are expanding operations into new markets like NV and Ill, paving the way for the first national cannabis brands that touch the plant.

First Mover Advantage

By assisting Colorado regulators in drafting security requirements, CSA was able to seamlessly enter the Washington market and position itself as the first comprehensive security provider for the cannabis industry. Through its experience in Colorado and Washington, CSA has developed a greater understanding of the nuanced needs of the industry as well as an ability to navigate the complex regulatory environment at the state level regarding security protocols. States nationwide are looking to emulate Colorado's regulatory model, which requires tight business security and compliance enforced by rules established by industry oversight agencies.

State regulation is generally placed under the jurisdiction of states' health agencies, although other alternatives include Department of Revenue in Colorado, the Department of Consumer Protection in Connecticut, and, with regard to Vermont, the state public safety agency. Where separate state licenses are required for cultivation and for dispensing, regulation of both activities tends to be placed under the jurisdiction of the same state agency, as it is in Colorado, Connecticut, Maryland, Nevada, and Oregon (although Illinois divides state-level jurisdiction between two different state agencies, specifically the Department of Agriculture and its financial and professional regulation agency).

The following table lists the states with regulated medical cannabis dispensaries and outlines their basic regulating authority.

State	Regulation
Arizona	Registration by Department of Health Services
Colorado	State Licensure by Executive Director of the Department of Revenue; County Licensure by local licensing authority
Connecticut	Licensure by the Commissioner of Consumer Protection
Maine	Registration by the Department of Health and Human Services
Maryland	Licensure by the Natalie M. LaPrade Medical Marijuana Commission
Massachusetts	Registration by the Department of Public Health
Minnesota	Registration by the Commissioner of Health
Nevada	Registration by the Division of Public and Behavioral Health Department of Health and Human Services
New Hampshire	Registration by the Department of Health and Human Services
New Jersey	Permit from the Department of Health
New Mexico	Licensure by the Department of Health
New York	Registration by the Commissioner of Health
Oregon	Registration by the Oregon Health Authority
Rhode Island	Registration by the Department of Health
Vermont	Registration by the Department of Public Safety

CSA is currently assisting regulatory authorities in states and localities proposing new legislation in drafting security regulations for legal cannabis facilities. Being involved in the introduction of the benchmark for regulations in the industry has provided a unique market advantage and opportunity to establish the CSA brand on the national level. As a result, the Company is positioned as a first mover in each of the new states in which cannabis is deemed legal.

Turn-key Comprehensive Security Solutions

CSA has positioned itself as a recognized market leader in security services and technology for the industry. CSA's staff help to separate the Company from its competition by researching the advances in the security industry that can be adopted to address industry needs, to bring value to its clients, and to successfully implement profitable solutions. As the national leading security firm in the cannabis industry, CSA knows where primary risk points exist for cannabis businesses and how to tailor services to ensure maximum loss prevention and legal compliance. All CSA systems and services are guaranteed to meet individual state regulatory requirements. Through its subsidiary, The Cloverton Group, CSA provides armed guards, armored transport, site risk assessments, and consulting services. By providing effective security solutions to cannabis businesses, including the design and installation of security systems and consultation through state licensing processes, CSA is able to offer turn-key comprehensive security solutions to the cannabis industry.

Strategic Partnerships

Strategic partnerships help to best leverage CSA's products and services to achieve maximum success. These synergistic alliances offer effective marketing strategies and, when well-developed, provide critical competitive advantages for the companies involved.

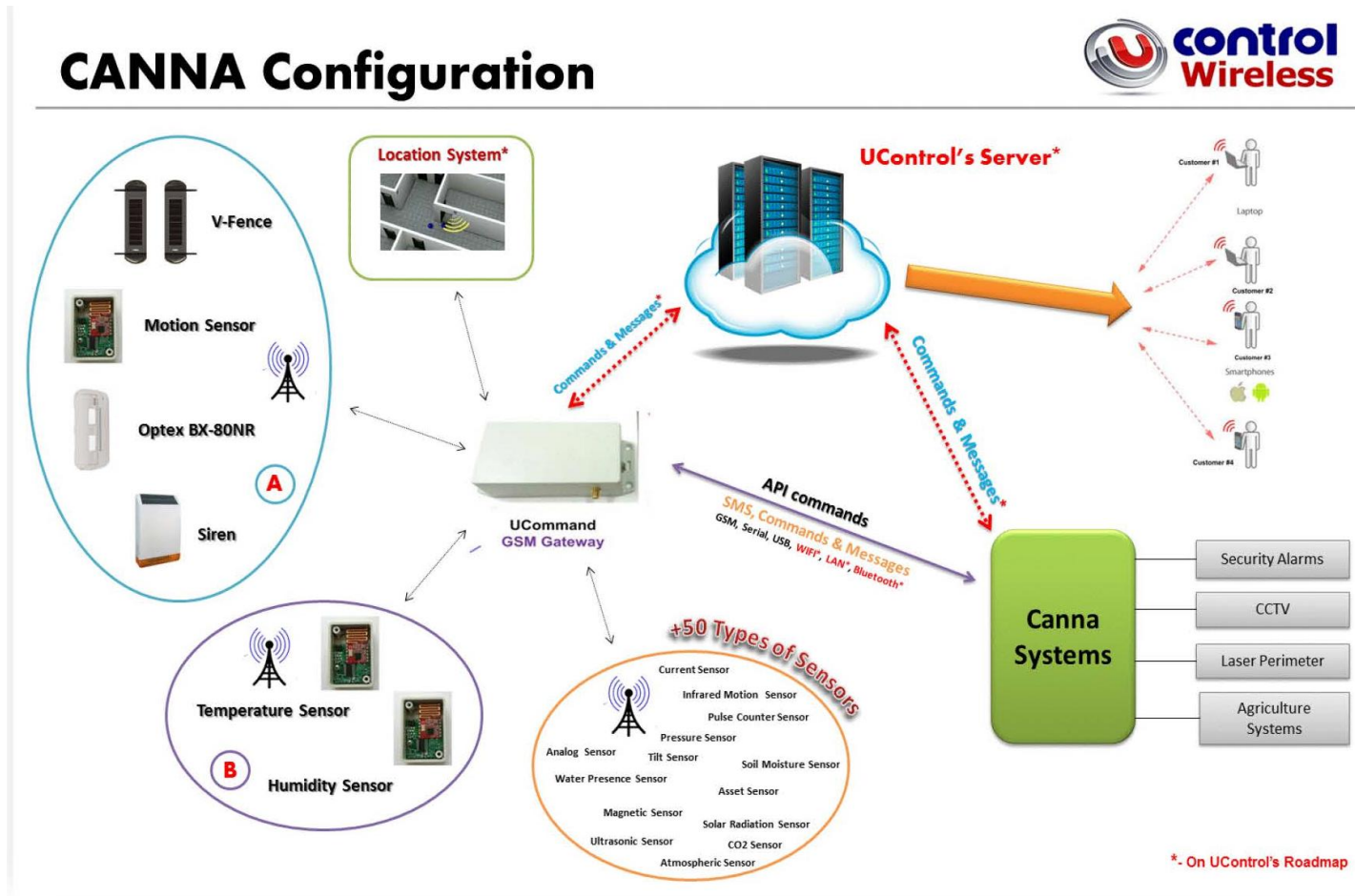
Ucontrol, Inc.

www.UcontrolInc.com

CSA, through its recent strategic partnership with Ucontrol wireless, a leading provider of next-generation home security and automation solutions, is positioned to set a new industry standard for monitoring and controlling remote objects. By utilizing the Ucontrol process, CSA is able to offer clients a single solution for operating business security processes remotely. In addition to offering a UL-listed monitored security and fire protection system, the platform redefines the cannabis business security experience with remote control and management of all aspects of customers' security systems. Through web, mobile, smartphone, tablet, and in-home touchscreens, end users can view video, see the current status of their facilities, and also schedule or control actions. Email or text message alerts can be sent whenever events do – or do not – occur. The system enables CSA customers to:

- *Monitor* – Set parameters to monitor any activity
- *Alert* – Deviations produce event alert via notifications, SMS, and/or email
- *Activate* – Manage and regulate events by activating objects remotely
- *New Market* – Access new markets, broadening the scope of customer services
- *Reduce Costs* – Mitigate installation and unit costs to reduce overall expenses

The picture below depicts the Ucontrol platform combined with CSA's security systems. Through API commands, all configured sensors can be accessed and controlled. The integrated platform is built by two major units – the UConnect and UCommand.



Blade Global

www.BladeGlobal.com

CSA offers license plate tracking, traffic camera access, security consulting, risk assessment, and executive protection services from Blade Global through its strategic partnership with Blade Global and Seal Team Six. Blade provides government and business leaders with innovative security solutions, versatile open-source intelligence collection and processing techniques, and tactical planning to meet clients' needs while mitigating risks and offering flexible solutions. Combining years of hands-on experience at the highest levels of government, private, and academic sectors, Blade's expertise encompasses all facets of risk management, crisis prevention, tactical training, and recovery. Blade global provides comprehensive, systematic, and effective practices to secure the most important assets.

Dixie Elixirs

www.DixieElixirs.com

"At Dixie, we believe that cannabis is powerful, that quality is important, and that accurate dosing is everything. That is why, since 2010, we've been leading the industry through research, education, and advocacy, and we have established ourselves as the trusted source for innovative, safe, effective, and delicious cannabis products along the way. We handcraft every product with pure, CO₂-extracted THC and a process we're proud of. We go

far above and beyond the mandated batch testing and triple lab test every product we sell. Because when it comes to cannabis, consistency and accuracy are highly important. At Dixie, we're a lot more than the producers of THC-infused products. We are the future of cannabis."

Guardian Data Systems

www.GuardianDataSystems.com

"Founded in 2008, Guardian has built an unparalleled reputation as the undisputed leader in comprehensive financial management, payment solutions, and banking for the cannabis and other high risk industries. We strive daily to promote the equal rights in banking and payments for the cannabis industry while always aiming to exceed our clients' expectations. Guardian is a compassionate financial and merchant services provider founded on credibility, legitimacy, and transparency."

4Front Ventures

www.4FrontVentures.com

"Formed in 2011, 4Front Advisors provides unparalleled support and access to the best practices and people within the rapidly evolving marijuana industry. 4Front established its reputation by successfully supporting numerous prospective dispensary and cultivation businesses through state-managed competitive application processes. To support the significant regulatory requirements and the standard operational needs of entrepreneurs in the legitimizing marijuana industry, 4Front has invested heavily in its support capabilities to ensure clients are operating most efficiently while maintaining compliance with local regulations. In addition, 4Front Advisors leverages its vast industry intelligence network to stay abreast of important industry trends to support the professionalization of the industry."

Witlon, Inc.

www.WitlonInc.com

"Witlon, Inc. is an administrative services organization providing payroll management, human resource implementation, recruiting and staffing, product representation, and construction and maintenance project management. We support marijuana-related businesses by providing customized solutions to help our clients grow their business and execute operations. Witlon offers a full service solution for our clients in order to serve the demands of the cannabis industry. Our experience managing W2 compliance processing, staff recruiting, construction services, and industrial equipment procurement are built to help you grow."

Ms. Mary Staffing

www.MsMaryStaffing.com

"The amazing growth of the marijuana industry keeps surprising us all. It's beyond our expectations, and it may keep surprising us. That's a good thing, but it also means that you can find yourself short-staffed and need qualified, trustworthy people on short notice. Ms. Mary marijuana staffing agency has all the personnel you need. We take care to find the best candidates and screen them rigorously to make sure they're right for the job. When you need people, we work hard to match you up with just the right candidate."

GROWTH STRATEGY

Execute on Current Business Pipeline

The divergence of marijuana's legal status between state and federal levels has led to state regulation and compliance emerging as essential factors for success in legal cannabis markets. Although many states have enacted laws that permit the medical use of cannabis, a number of these states have not implemented regulations in regards to dispensaries and cultivation operations. CSA can provide comprehensive cannabis industry security solutions to clients living in states and localities that have legalized cannabis. With officials realizing the need for regulatory structure to ensure success of their legal marijuana programs, many states started to institute comprehensive regulations for their programs toward the end of 2013.

Currently, 18 (Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, and Vermont) of the 23 medical states incorporate some form of distribution system into their programs. As a result, at the end of 2015, 46% of the U.S. population, compared to 22% in 2011, lives in states that are planning for or have established medical marijuana dispensaries. Of those 18 states with some form of medical marijuana distribution system, 17 states (with the exception of California) provide for statewide regulation of the distribution systems.

A major catalyst for growth for CSA has been the importance of security within implemented state-wide regulations. In order to prevent medical marijuana from being diverted from legal marijuana establishments, all 17 states require cultivation centers and dispensaries to comply with various security requirements. Some requirements are as simple as installing a functional security alarm, while others require facilities to meet certain design specifications. At a minimum, most states require installation of an alarm system and video surveillance of the premises.

The table below outlines the various security requirements imposed on cultivation centers and dispensaries among the seventeen states:

State	Security Requirements
Arizona	Alarm, video surveillance, exterior lighting, single entrance
Colorado	Lighting, physical security, video, alarm, internal control procedures
Connecticut	Alarm, video surveillance, storage vaults, backup power, failure notification system
Delaware	Alarm, exterior lighting, video surveillance, inventory controls
Illinois	Alarm, security plan reviewed by state police including but not limited to: facility access controls, perimeter intrusion detection systems, personnel identification systems, 24-hour interior and exterior surveillance
Maine	Fence, exterior lighting, intrusion detection, video surveillance
Maryland	--
Massachusetts	Alarm, storage vaults, exterior lighting, video surveillance, backup systems, failure notification system
Minnesota	Alarm, facility access controls, perimeter intrusion detection systems, personnel identification system
Nevada	Alarm, single entrance, intrusion detection, exterior lighting, video surveillance, battery backup, failure notification system
New Hampshire	Lighting, physical security, video security, alarm requirements, measures to prevent loitering, on-site parking
New Jersey	Alarm, exterior lighting, video surveillance, power backup, automatic notification system
New Mexico	Alarm system
New York	Surveillance system
Oregon	Alarm, video surveillance, safe
Rhode Island	Alarm, emergency notification system, exterior lighting
Vermont	Alarm, exterior lighting, intrusion detection, video surveillance

Increasing regulations in many states' legal marijuana programs have allowed CSA to begin targeting new markets, translating to an expansion of their business pipeline. In early 2013, CSA's business pipeline consisted of clients only in Colorado and Washington. By July 2015, CSA had installed systems in Colorado, Washington, Oregon, California, and New Jersey and had provided licensing consulting services in Colorado, Washington, Oregon, Connecticut, Massachusetts, Nevada, and Illinois. As the aforementioned markets come online, CSA will gain significant market penetration through its efforts to insert itself into the application process and assist its clients through licensing and compliance processes.

In addition, CSA will continue to achieve market penetration in key states by working with state regulatory agencies to influence security compliance, by adding key personnel, by generating brand awareness through word-of-mouth, by expanding its client base into new markets, and by launching targeted marketing campaigns in Arizona, Alaska, Oregon, and California, states that make up the majority share of new opportunities outside of Colorado and Washington.

Potential Partnership Synergies

The CSA business model has the potential to create profitable integration synergies with many products and services, such as seed-to-sale software, merchant solution services, and real estate solutions, to the cannabis industry. By finding the right strategic partners, CSA is able to offer its clients a greater breadth of services without losing focus on its capabilities and specialization. In addition to forming strategic partnerships, CSA plans to make investments in other companies in the ancillary cannabis sector, which the Company believes are viable and have growth potential.

Strategic Acquisitions

The cannabis industry is very fluid and dynamic, creating many M&A opportunities for Canna Security America to drive “inorganic” growth through strategic partnerships and acquisitions. With CSA recently becoming a public company, CSA has the added advantage of using publicly-traded equity as consideration for these strategic initiatives.

CSA has identified potential acquisition candidates with vertical integration synergies in the cannabis industry, resulting in new markets, advertisers, and revenue streams for the Company. Due to the innovative technology in the broader security industry, the Company plans to pursue ancillary companies in the cannabis industry as well as technology providers in the broader security market. CSA targets companies with significant stand-alone growth and integration synergies. As a result, the Company expects to be able to generate operational efficiencies by sharing best practices across the portfolio while simultaneously leveraging size and scale. The management team evaluates acquisition candidates on a macro- and microeconomic basis valued at multiples below future consolidated multiples.

The types of companies that CSA is looking to acquire include, but are not limited to, those:

- Specializing in state-specific consulting services for dispensaries and cultivation centers
- Providing inventory tracking software, point-of-sale systems, and related technologies that help enhance dispensaries’ and cultivation centers’ seed-to-sale capabilities
- Specializing in merchant services and armored transport for cash deposits
- Holding valuable intellectual property

MANAGEMENT AND DIRECTORS

CSA management has extensive experience in law enforcement and the security systems business, both within the cannabis and conventional industries. Management has leveraged expertise as security solutions providers with mainstream businesses and proven successful at advancing best practices in the cannabis industry.

Daniel Williams, *Chief Executive Officer*

Daniel Williams founded Canna Security America (CSA) in 2009 intent on making CSA the premier security solutions provider for the medical marijuana industry. Upon graduating from Wheaton College in the spring of 2000 with a bachelor's degree in economics, Dan was hired as interactive producer for Pappas MacDonnell, a well-established branding and identity firm with over 20 years of proven branding results for Fortune 500 companies such as Alliance Capital, Coca-Cola Bottling Company, Boehringer-Ingelheim, Taylor-made Adidas Golf, Pitney Bowes, Fidelity Investments, and GE Capital.

Following the disaster of 9/11, Dan left Pappas MacDonnell in 2002 and founded SpecOps Surveillance, LLC, in Westport, Connecticut, specializing in custom surveillance system design and technologies to enter the security market that was rapidly emerging as one of the fastest growing markets in the United States at the time. Over the next five years, SpecOps created and implemented unique CCTV system designs for Mercedes-Benz, Cadillac, Jeep-Chrysler, Honda, Hyundai, Mitsubishi, Lexus, and others, finding a niche in the automobile industry designing roving sentry motion-activated camera systems, which had not yet been available to this market, to monitor lot inventory. In 2007, Dan left the East Coast and moved to Denver, Colorado, intending to move SpecOps with him. Upon arriving in Colorado, Dan met with ex-Megapath founders Matt Steinfort and Robert Hagens who had recently formed Envysion, Inc. in Boulder, Colorado. Envysion is a CCTV custom software development startup which secured its first large national contract, Chipotle Mexican Grill. Over the next three years, Dan created brand-specific security standards, coordinated national system implementation installations, and managed rollouts from inception to completion, often running up to seven separate installation teams, actively working in different parts of the country, each day. Dan has formed working relationships with installation teams and security professionals from coast to coast including Alaska and Hawaii. When Dan Hartman, former Director of the Colorado Medical Marijuana Enforcement Division, asked Dan to adapt the security regulations for the medical marijuana industry, he saw an immediate opportunity for an industry-specific solutions provider in an emerging industry. Reducing the standards from the initially proposed \$1,500 pan/tilt/zoom cameras to \$150 stationary cameras by mandating strategic placement of each camera, fighting to include \$1,200 DVR systems on the approved DVR list as well as more advanced \$5,000 DVR systems as a low cost industry solution, and proposing that all security providers undergo a strict state licensing procedure to ensure the proper level of service are just a few of the ways Dan has assisted the medical marijuana by supporting functional state regulations, making him an established leader in the medical marijuana industry.

Tom Siciliano, *Chief Operating Officer*

Mr. Siciliano has had a distinguished career and an outstanding record of revenue and profit growth. He has a background in sales and operational performance improvement initiatives that have a focus on cost conscious growth, within startup companies as well as Fortune 500. From 1995 – 2000 Tom worked as an SVP of sales for Aramark Uniform Services. He was selected by the president to restructure and lead the National Sales and Marketing Group in an effort restore growth. Within just a few months, he established sales growth of 15% while reducing expenses \$2.5 million. After his successes at Aramark Uniform Services, he went to work for Corporate Express as a vice president of sales and operations. During his tenure there, he created a comprehensive sales

and infrastructure strategic plan. Following a complex merger, Tom was challenged to lead sales, customer service, and team integration. In 2001, Tom applied his skills at Integrity Associates, LLC as the chief operation officer and SVP of sales. His achievements led to multiple speaking engagements and co-authorship of a book on the subjects of leadership and sales. Tom left Integrity Associates, LLC in 2012 and joined Classic Party Rentals as the vice president for the Eastern United States. He led a transformation by establishing leadership and new SOP strategies. Tom consolidated locations and built new branding, marketing, and operational efficiencies. This drove new sales growth by 25%, all with wider account penetration, and delivered 32% increased incremental EBITDA.

Josh Ray, *Director of Operations*

Mr. Ray has over 11 years of law enforcement experience and is a former deputy sheriff from Maricopa County, Arizona. Where he was awarded numerous accommodations for his role in many significant events with the Sheriff's Office. He was also awarded a Life Saving Medal while on patrol. After three years in patrol he was assigned to the SWAT team, where he became a SWAT school instructor. He was a SWAT operator through the MCSO from 2006 – 2014. Josh is also a certified bomb technician through the FBI. He served as a bomb technician for MCSO from 2012 – 2014. Josh focused his attention on writing policies, procedures and training protocols for the SWAT division. Josh is now the director of operations and security for The Cloverton Group, a division of Canna Security America. The Cloverton Group's services consist of armed/unarmed guards, armored transport, background checks, executive protection, risk assessment, and license plate tracking. Josh has developed and written the policies and procedures as they apply to the company. He is an advisory board member for the FOCUS Group, which emphasizes the creation of uniform national standards for the cannabis industry. He has been a speaker at the Secure Cash and Transport Association conference. Concentrating on educating the Cash in Transit community about cash and product transportation in the cannabis industry.

Signe Martin, *Director of Sales*

Ms. Martin was a top performer with a Fortune 500 company in national account management for 14 years. She developed accounts from the initial cold call to establishing multi-million dollar nationwide placements. These accounts required consistent, personalized, and ongoing care in contracts, installations, training, and software support. She has a track record of establishing new markets, earning the President's Club award eight times. Signe ventured into litigation support with a top firm in Denver. There she established some of the largest law firms as new partners and worked closely with attorneys on preparing for trial. She built the framework for new account development and strategic relations. Prior to The Cloverton Group, Signe was a lead sales manager for two small start-ups. She played an integral part in the ongoing account evolution and sales success in both companies, developing Denver as a top sales territory. As the director of sales for The Cloverton Group, Signe has established numerous strategic partnerships, seamlessly integrating Cloverton's service offerings with partners'. Together, clients are provided with maximized efficiencies, convenience, reliability, and top of the line services. Signe's specialties are strategic partnerships, account retention, uncovering competitors' weaknesses, and revenue generation. She's an expert at business development and raising the standards in transportation and guard services in the cannabis industry.

RECENT NEWS AND PRESS RELEASES

Canna Security America Appoints Tom Siciliano as COO, *November 30, 2015*

Canna Security America (CSA) announced that it hired Mr. Tom Siciliano as its chief operation officer, a position in which he will lead and grow CSA to become the national leader in cannabis security.

Canna Security America (CSA) Begins to Trade as Public Company, *December 7, 2015*

Canna Security America (CSA) announced that it completed its merger and began to trade as a public company, under the ticker symbol CSAX, on the OTCQB. As the Company's business continues to grow and expand to multiple states and an increasingly diverse set of clients, it is critical that CSA has access to the proper capital to support and fund this growth, which is why the Company chose Gibraltar Advisors to take CSA public.

Canna Security America (CSA) Engages Viridian Capital Advisors, *November 30, 2015*

Canna Security America (CSA) announced that it engaged Viridian Capital Advisors for financial and corporate advisory services. CSA has been nationally expanding at an unprecedented rate in order to keep up with the exponential growth of the cannabis industry and is looking to Viridian Capital Advisor's expertise to help facilitate this in both U.S. and foreign markets.

THE COMPANY

Canna Security America (CSA) was created in 2009 by CEO Dan Williams and officially launched in March 2010 to meet the growing needs and peculiarities of the evolving medical marijuana industry from legal, regulatory compliance, and security aspects. CSA was instrumental in the development of Colorado's legal marijuana market, with the Company working on the rule-making committee in the Department of Revenue to help formulate the security regulations for medical marijuana in the state. Currently, CSA is recognized as a leader in security and compliance services for the legal marijuana industry by providing high quality, dependable solutions that are adaptable to meet the constantly changing security and compliance challenges in the industry. Due to its vast experience and knowledge relating to the industry, CSA can assist cannabis entrepreneurs in this young and dynamic market place by offering a full range of services to help clients' businesses achieve sustainable growth.

Security is a primary concern for licensed cannabis businesses as well as state regulators who oversee each program. Permitted facilities must adopt strong security systems to protect their businesses and comply with regulations. These businesses maintain valuable inventories on-site and typically also have significant cash holdings since business-to-business and business-to-consumer transactions are often conducted in cash. Facilities are also exposed to theft, both from outsiders and employees. In addition, business operators in most legal cannabis states must show regulatory agencies that security systems carefully protect and track inventories and transactions. Failure to do so could not only result in large losses but also threaten businesses' operating permits and force closure. In WA and CO, the new adult-use laws enlightened the industry to the need for on-premise security to control and enforce age restrictions without visitors being screened by the state (as is the case in a medical dispensary).

From its inception, CSA has specialized in engineering custom security systems specifically to ensure full compliance with all federal, state, and local laws and regulations for cultivation and retail facilities catering to the medical and recreational cannabis businesses. CSA provides effective security solutions to cannabis businesses, including designing and installing security systems and consulting businesses through state licensing processes. Best practices include handling all aspects of installation through a network of subcontractors and providing free service for 60 days following installation completion as well as a 1-year warranty on all equipment.

CSA now services over 130 clients and their more than 400 facilities in 14 legal marijuana states and is currently consulting with new clients that are preparing to roll-out recreational or medical facilities in the coming months in Alaska, Illinois, and Nevada. Even with many states implementing different regulatory models, generally, these states establish similar security requirements. Most require alarms, video surveillance, and exterior lighting at a basic level, while some states require additional security measures. With an increasing number of states implementing regulated dispensary models, CSA is able to leverage its expertise in complying with different states' security codes, standards, and guidelines to provide clients with innovative and cost-effective security system designs and installations as well as security management services in new regulated states as they come online.

In 2015, CSA announced the release of its new physical security solutions division, The Cloverton Group. Through this new division, CSA can now offer armored transport, armed and unarmed guards, comprehensive background checks, and site risk assessments. The Cloverton Group's guards dress professionally with Cloverton identification and have either a law enforcement or military background. Its new fleet of Mercedes-Benz Sprinter vehicles are up-armored with the latest bullet-resistant technology, are GPS tracked, and are equipped with a 4-point camera system that transmits live streaming footage to the Company's command center.

This guarantees total traceability from pickup to drop-off. In 2016, The Cloverton Group will continue to expand by developing strategic partners in order to launch services in multiple states.

New customers are also asking for additional state-of-the-art technology solutions like GPS tagging, optical iris scanners, outdoor motion detectors, and other outdoor grow facility security solutions as used in both Colorado and Washington. With the majority of thefts of coming from internal sources, CSA is devising high- and low-tech integrated solutions that combine both system and physical security to mitigate loss associated with internal theft. Over the next 12 to 18 months, CSA plans to roll out additional product lines that will enhance its market penetration and offer its clients an overall turn-key solution that addresses every aspect of their security needs.

CSA's is positioned to become the de facto market leader and brand name in the cannabis security industry. With the introduction of The Cloverton Group, the Company can now offer sophisticated, professionally trained armed guard and armored transport services utilizing the latest in technology to meet the existing and upcoming needs of the cannabis industry.

PRODUCTS AND SERVICES OVERVIEW

Canna Security America (CSA)

From its inception, CSA has offered commercial-grade equipment, including alarms, door access, and video surveillance systems, all installed by certified technicians. The Company provides comprehensive security solutions, security system design and installation services, and consulting services to businesses in the state licensing process.

Canna Security America (CSA) consultants design site-specific electronic video surveillance, access control, and perimeter security systems, adaptable to each client's changing needs and budget, that are based on a thorough threat assessment and extensive cannabis industry field experience. CSA's security system solutions include state-of-the-art equipment and services for customer installations. All of CSA's systems include custom floor plans to aid clients in compliance with various state regulations regarding the security of marijuana business establishments.

CSA utilizes a combination of state-of-the-art high quality cameras as well as access control, video surveillance management, and intrusion and perimeter alarm systems, that, when installed and used correctly, create a truly effective deterrent to theft and external intrusions of all types. CSA also offers extensive product training and technical and marketing support to ensure customer satisfaction.

IP CCTV Systems

In each state, growers and dispensers of cannabis must meet the legal requirements for security. Many states require video cameras to be installed and to be operating 24 hours a day, recording all areas where cannabis is present. Some states require video surveillance data to be stored for as long as a year.

In the state of Washington, surveillance systems must be IP compatible, have the ability to display timestamps, and have a minimum camera resolution of 640x470 pixels. The cameras must record 24 hours a day, and the recordings must be stored a minimum of 45 days. Camera placement is highly regulated as well, requiring all entrances, exits, and perimeter areas, as well as anywhere that marijuana is handled, under clear surveillance.

Oregon's state regulations are similar to those in Washington, although they require a minimum of 30 days of video storage instead of the 45 days that Washington's regulations require. Some of the additional requirements that Oregon regulations include are a failure notification system and video encryption that ensures the authentication of recordings.

Monitoring and safely storing all video surveillance data is a big task. Many cannabis-related businesses have multiple locations with dozens of cameras per location, have large remote properties, or both. These operators face a challenge in finding a reliable, established video surveillance company that wants to participate in the industry as it is illegal under federal law.



Canna Security America (CSA) fills this void in the industry by designing and installing commercial-grade CCTV camera systems, which are customized to meet the security needs of the clients as well as the compliance requirements around various state regulations. Each system includes a security floor plan for submission with state regulatory bodies as well as an MMED Approved Guarantee Contract. CSA offers over 40 name brands of CCTV brands including Samsung, Pelco, Sony, and Panasonic.

Access Control

Access control provides another layer of security with the ability to grant or deny access at the door and track who enters and exits facilities. CSA's IP-based access control solutions are easy to install, simplify administration and building access management, and provide a cost-effective security solution for its cannabis client's facilities. CSA installs Kantech™ commercial-grade access control systems for secure employee and visitor tracking. CSA offers Access Control Starter Kits to provide businesses with every component they need to build an effective and reliable access control system. These systems are modular so small- and medium-sized businesses can adapt the technology and easily scale their systems as their business grows. CSA's Expansion Kits remove the need to assemble an assortment of parts into a working access control system, saving the client valuable time and money that is better spent running their business.



The Company's state-of-the-art access control systems provide time stamps of every instance when someone accesses or doesn't access a room, and door contacts let business owners know every time a door is opened or closed. The combination of CSA's access control with video cameras and management systems, create a resource for business owners to track and document everything that is happening within their facilities. With the video and data gathered, tasks can be studied and analyzed and steps taken to better manage the process.

Intrusion and Perimeter Alarm Systems

CSA installs fully wired intrusion and perimeter alarm systems that provide clients with advanced security measures while complying with all applicable state regulations.

CSA offers systems from Telguard Advantage, DSC, and GE's Security Pro line. Basic alarm systems include keypads, control panels, sirens, motion detectors, and door sensors. Additional options for additional security include wireless remotes, panic buttons, and sirens with added strobe lights.

Consulting

Cannabis businesses have some of the most stringent security regulations of any industry. Navigating the rules and regulations of your state and finding the right answer to regulatory questions can be frustrating, time consuming, and sometimes even misleading. When a business breaks a regulation, it can lead to delays in opening or even a shutdown of operations, both of which can lead to loss of revenue.



CSA has worked directly with state law makers as regulatory consultants since its inception in 2009, ensuring the Company's dedicated security consultants have the experience and the regulatory knowledge needed to navigate states' security regulations. CSA provides consulting that is driven by client needs and is focused on cannabis security issues. By using precise technology, detailed methods, and years of experience, CSA is able to create customized consultation programs for its proprietary security systems and physical security programs. Currently, the Company offers specialized consulting services in three distinct verticals: state regulatory consulting, state licensing consulting, and risk/threat assessment.

State Regulatory Consulting

The divergence of legal cannabis on the state and federal level has led to state regulation and compliance emerging as the essential factors of success for each respective legal cannabis market. For state-licensed cannabis cultivators, dispensaries, and infused product manufacturers, there are many strict U.S. state government rules and regulations to adhere to. Meeting these rules and regulations is paramount. CSA works, on a pro bono basis in support of a successful legalization platform, directly with state governments and regulatory commissions to write regulations that are both functional and meet their state's individual needs.



State Licensing Consulting

One thing has become apparent for any business touching the cannabis plant: a business must be in full compliance with the law to ensure the safety and security of its valuable infrastructure and assets. With the industry's dynamic regulatory landscape, CSA's comprehensive regulatory knowledge is invaluable to companies looking for a smooth entry into the cannabis industry. Applicants must demonstrate competence and thoroughness in their submitted applications. CSA helps those pursuing a cultivation, medicinal or recreational dispensary, or an infused-product manufacturing license with achieving full compliance with regulatory code.

Many states grant licenses on the basis of merit, so it is imperative that applicants strengthen their candidacy and maximize their chances of being awarded a license. CSA offers in depth consulting to help clients at any stage of the licensing process navigate the complex regulations and ensure each client's application meets all rules and regulations.

Risk/Threat Assessment

CSA provides threat assessment and consulting services for all aspects of cannabis business' security operations and makes recommendations to better protect company assets. Leveraging its security consultants' and management's expertise, the Company systematically analyzes property's interior and exterior exposures and carefully notes the vulnerabilities of property's high security areas.

After the threat assessment, clients are informed about the areas of concern regarding security cameras, alarms, and access control and then are provided with comprehensive plans of action. Moreover, CSA will troubleshoot existing security systems to determine where problems exist and how they can be resolved to prohibit unauthorized breaches. Furthermore, CSA's team of consultants are able to execute facility-specific security protocols such as emergency procedures, critical incident response plans, and extensive background checks. As the national leading security firm in the cannabis industry, CSA knows where primary risk points exist for cannabis businesses and how to tailor each individual client's risk assessment to ensure maximum loss prevention and legal compliance.



The Cloverton Group

Protecting product and cash throughout the distribution channel is fundamental to the legal cannabis industry. Growers ship product from their cultivation facilities to independent laboratories where it is tested for compliance with state-mandated parameters. From labs, the product is then delivered to retail dispensaries where it is sold to the public. Due to the current banking and regulatory environments, payments between each step in the distribution network, from the grower to the customer and back to the grower, are made in cash. Therefore, cannabis businesses are forced to transport bags of money between the multitude of locations involved with their businesses.



The risk of theft of cash and product is present at every stage, even when assets are not in transit. Accordingly, all cannabis businesses require security measures to prevent theft, mitigate risk to employees, and maintain regulatory compliance. In 2015, after realizing the need for a comprehensive solution for the industry, CSA introduced The Cloverton Group armed guards and armored transport services. CSA additionally provides armed guards, armored transport, site risk assessments, and consulting services. CSA has made significant investments in armored vehicles, state security licenses, and highly trained staff in anticipation of the release of The Cloverton Group division to the Colorado market. They have, to date, focused on providing system security services. In March 2015, CSA ramped up its efforts with the Cloverton Group by hiring former SWAT officer Josh Ray. His background in the writing of SWAT security and procedural operating manuals for agencies around the country as well as providing state-by-state training to these teams makes him the ideal candidate to head-up physical security efforts nationally' to increase readability.

Physical Security

Uniformed Armed & Unarmed guards

Grow sites are often highly secretive and located in nondescript locations. Due to the large investment needed to equip and maintain an efficient and profitable grow site, security is imperative for the long term profitability of a grow operation. Furthermore, retail cannabis stores and medical marijuana dispensaries are high profile targets for crime and robbery. Physical store-front locations are often seen as easy targets for thefts as well as hold-up and smash-and-grab robberies. Cloverton uniformed officers provide highly visible deterrents to reduce vandalism, theft, violence, and/or property destruction.

These officers work within client security plans to provide services as required. In many situations, a uniformed security officer is enough of a visible deterrent against potential violence. However, as the threat or potential for violence increases, an armed security officer can add an additional level of security protection. The Cloverton Group can provide armed security officers for any security assignment. The Company's officers are highly trained, screened, and licensed in all applicable firearms training as required by state and local regulations. Furthermore, each guard is equipped with a law enforcement-grade body camera.



Armored Transport



The Cloverton Group offers integrated transportation solutions for cash and cannabis. Cloverton's highly trained officers provide increased security for grow sites and dispensaries by transporting cash off-site to either a secure storage location or to banking partners, validating all cash in a secure location, as well as transporting clients' valuable cannabis products from cultivation facilities to retail or dispensary locations. To ensure the highest level of security, The Cloverton Group recently purchased a new fleet of Mercedes-Benz Sprinter vehicles that have been up-armored in Detroit and fitted with live HD video cameras, advanced GPS transmitters, and law enforcement-grade body cameras. All video, location, and pickup and drop-off information is transmitted via satellite to CSA's command center in Denver for storage and review in order to provide the most advanced banking traceability solution in the industry.

Executive Protection

Individuals and businesses in the legal cannabis industry are often targets of theft, robbery, and organized crime. The Cloverton Group understands the wide range of risks facing corporations, politicians, organizations, and celebrities engaged in the legal cannabis industry, and therefore has the ability to provide executive protection details to protect these individuals from possible risks, threats, and dangers. Cloverton's executive protection specialists provide business leaders, dignitaries, celebrities, and other high-profile individuals the benefits of discreet, professional executive protection at work, at home, and during worldwide travel.



Background Checks

While the cannabis sector presents great opportunity, the opportunity comes with risks that are unique to the very nature of the cannabis market, specifically in regard to the backgrounds of some of the management and investors in this sector. To better serve and protect clients, the Cloverton Group conducts specialized background checks in such areas as past employment, education, military service, medical history, and, subject to applicable state laws, criminal and other background searches. The Cloverton Group is TLOxp certified, giving access to direct federal and state databases that provide the most comprehensive background checks available.

Investigations

With the high-risk environment of the cannabis industry, clients may have specific issues that require specialized services to determine responsibility for on-site incidences. To better serve clients, The Cloverton Group offers insurance and internal investigations as well as an array of investigative capabilities for employee theft, shoplifting, drug use, and more.

Risk Assessment & Consulting

The Cloverton Group provides threat assessments and consulting services on all aspects of cannabis businesses' security operations and makes recommendations that protect assets and are within clients' budgets. Leveraging its management's expertise, The Cloverton Group systematically analyzes properties' interior and exterior exposures and carefully notes the vulnerabilities of properties' high security areas. After the Company's threat assessment, clients are informed of the areas of concern regarding security cameras, alarms, and guards and are then provided with comprehensive plans of action. Moreover, Cloverton will troubleshoot existing security systems to determine where problems exist and how they can be resolved to prohibit unauthorized breaches.

BUSINESS MODEL

CSA increased its revenue in 2014 by more than 350% as compared to 2013 revenue. In 2015, CSA increased its revenue an additional 25% over its 2014 revenue and is on pace to dramatically increase revenue again in 2016 as it adds new services that will augment the overall growth and profitability of the company. 2016 will be a year for expansion as CSA acquires more market share in existing markets and prepares for the significant influx of business from newly legalized states.

The Company generates revenues from various sources including security system installations (CCTV, alarm, and access control), armored transport services, guard services, consulting, alarm monitoring, off-site video, and field service. The Company's current revenue model is composed of the following income streams:

- Security system installations
- Armored transport services
- Guard services
- Consulting fees
- Providing alarm monitoring and offsite video backup

The continued success of CSA depends on states continuing to legalize the use of marijuana for medical and recreational purposes and the adoption by such states and the individual localities in such states processes to license marijuana-related facilities. Furthermore, CSA depends on the continuation of the current federal policy of not enforcing the federal prohibition on the use of marijuana in states that have legalized it.

SALES AND MARKETING

In the legal marijuana security industry, customers' selection of solutions provider is based primarily on the price, quality, and scope of services performed, as well as name recognition, recruiting, training, the extent and quality of security officer supervision, and the ability to handle multiple worksites on a nationwide basis. To account for these factors as well as the particular risks that come with the cannabis industry, CSA's sales and marketing efforts are designed to focus on quality-conscious customers in all current and future legal medical and adult-use marijuana markets in the U.S.

The development of CSA's target markets derives from the progress of state legislation. Due to specific markets not currently being available, CSA's management leverages its industry experience to monitor the progress of legislation and predict with some degree of certainty when new geographic markets will be fully functional. The current legislative environment translates to the Company being able to specifically target its limited sales and marketing resources to newly established medical and adult-use cannabis markets. In addition, CSA is now seeing expansion of its existing customer base in places like Colorado and Washington from which successful brands are expanding operations into new markets like Nevada and Illinois. The Company has the advantage of having its products and services often featured in the media during the legislation process prior to the establishment of the new market, helping drive brand awareness and increase the Company's credibility.

The Company's key marketing vehicles are sales literature, security and marijuana industry conferences, trade shows, advertising, public relations, its corporate website, electronic marketing, and direct mail. CSA's marketing team strives to position the Company as the industry leader and foremost expert on safety, security, and training. To ensure this industry-leading status, CSA's marketing team provides safety and security information to customers and prospects and provides a resource for the media covering these topics.

OPERATIONS

Canna Security America (CSA) recruits, screens, hires, trains, outfits, schedules, and supervises the security officers who are deployed at customer locations. The Company also uses market-specific services for each of the vertical markets in the marijuana industry it targets, such as bike patrols for dispensaries, vehicle patrols for cultivation facilities, as well as armored vehicle transports and escorts for high value assets or financial transactions.

The Company provides its security officers with badges and uniforms and is responsible for their compensation, including benefits, and for personnel administration. CSA also provides any required bonding or workers' compensation insurance.

CSA generally renders its security services pursuant to a standard form security services agreement that specifies the personnel and/or equipment to be provided at one or more designated locations and the applicable payment rates, which typically are hourly rates per person. The Company's rates vary depending on whether its services are provided during normal business hours, overtime, or during holidays, as well as the length of time for which it is engaged. The security services incorporate certain management functions, including threat assessments, personnel scheduling, compensation, outfitting, equipment, training, and supervision. These security services agreements also provide customers with flexibility by permitting reductions or expansions of the security force on relatively short notice.

To determine whether adequate security requirements have been established prior to commencing service for a customer, the Company conducts a threat assessment of customers' sites and prepare recommended changes to existing customers' security programs or services. While CSA prepares site assessments and issue recommendations, the security plan and coverage levels are ultimately determined by the customers.

CSA is increasingly dependent on information technology networks and systems to process, transmit, and store electronic information. Specifically, CSA depends on its information technology infrastructure for electronic communications among its locations across the country and between its personnel, customers, and suppliers. Based on the level of contracted services, CSA uses sophisticated electronic security and access control equipment, including computerized systems, video surveillance equipment, and electronic accountability technology, to monitor and log security officer patrols and generate user-friendly reports for customers and internal use. Furthermore, CSA uses technology to support efficiency, accuracy, and dependability in administrative functions, including those for finance and accounting. In addition, labor and operations management services such as scheduling, reporting, payroll, billing, and training management are integrated through a third party vendor software platform.

CSA recruitment and training practices are based on the belief that the high quality of its security personnel is essential to its ability to offer effective and reliable services to their clientele. To ensure this high quality, the Company hires and deploys professional teams of security experts, primarily comprised of ex-law enforcement professionals and those with former military experience. In addition, CSA encourages the retention rate of its security personnel and seeks to control operating costs through effective management of the hiring process, including extensive candidate screening, training, and development.

The Company requires all applicants for physical security personnel positions to undergo a detailed pre-employment interview and background investigation covering such areas as past employment, education,

military service, medical history, and, subject to applicable state laws, criminal, and other background searches. Employees are selected based on a number of criteria including physical fitness, maturity, experience, personality, perceived stability, and reliability, among others. CSA frequently conducts medical examinations and substance abuse tests on potential candidates, subject to applicable laws and regulations. The security personnel supplied to customers are employees of CSA, even though they may be stationed regularly at the customer's facilities.

By leveraging its management's extensive experience in the security industry, CSA has created one of the most comprehensive training programs in the legal marijuana security industry. Its training program ensures that not only do its security personnel meet all state and federal requirements for training, but also meet the Company's internal rigorous standards in specialized areas pertaining to the legal marijuana industry. Furthermore, the training program is designed to be flexible, allowing the program to keep up with the constantly changing legal landscape of the industry and to adapt to meet new requirement within commercial, local, state, or federal government customer contracts. CSA's training process has created a competitive advantage for the Company by fostering an employee culture that emphasizes personal career development and provides rewards for long-term, quality service.

CSA's recruitment and training practices foster a favorable turnover rate for its security personnel as compared to industry averages. This low turnover rate assists in decreasing the Company's operational costs, including recruiting, screening, training, and uniform outfitting costs. Moreover, CSA is able provide a higher overall level of service to its customers by providing consistent security staff.

RECENT FINANCINGS

CSA was one of the ArcView Investor Networks' earliest funded start-ups. CSA was a part of a group of entrepreneurs that pitched at the 2nd ArcTank for their initial raise, and, with the assistance of Steve Berg, crafted its presentation and pro forma investment package that raised \$920,000 from owner partners that include Tripp Keber of Dixie Elixirs.

On March 25, 2015, Canna Security America (CSA) entered into a merger and share exchange agreement with Asta Holdings, Corp., a publicly traded Nevada Corporation, with the merger transaction closing on September 4, 2015. To reflect the post-merger company operations, the Company changed its name from Asta Holdings, Corp. to CSA Holdings, Inc., effective July 9, 2015. As a result of the name change, the Company's OTCQB trading symbol was changed to CSAX, effective August 7, 2015.

Concurrent with the closing of the merger on September 4, 2015, CSA issued to 17 accredited investors 907,564 shares of its 5% Series A Convertible Preferred Stock at an original issue price of \$1.00 per share for an aggregate purchase price of \$907,563.42. The holders of certain indebtedness of Canna Security America (CSA) in the principal amount of \$460,500 plus accrued interest of \$18,063.42 agreed to exchange their debt for shares of the 5% Series A Convertible Preferred Stock at an exchange rate of \$1.00 of their debt for each share of Series A Preferred.

As of November 13, 2015, the Company sold an additional 125,000 shares of its Series A Preferred Stock for \$1.00 per share resulting in gross proceeds to the Company of \$125,000.

LEGAL MARIJUANA INDUSTRY

Overview: United States

The legal marijuana industry has experienced a major transformation over the past three years. Massive shifts in the business environment have changed the industry landscape in a variety of ways. The American population's increasing support for the legalization of marijuana has been a primary driver of this rapid change, with the trend being validated by the Gallup Poll released in October 2013 showing that 58% of Americans are in favor of legalization, a 10% increase from 2012. The accelerating momentum of support has given rise to not only the passage of new marijuana regulations in many states but also multiple law reforms that are currently underway in others.

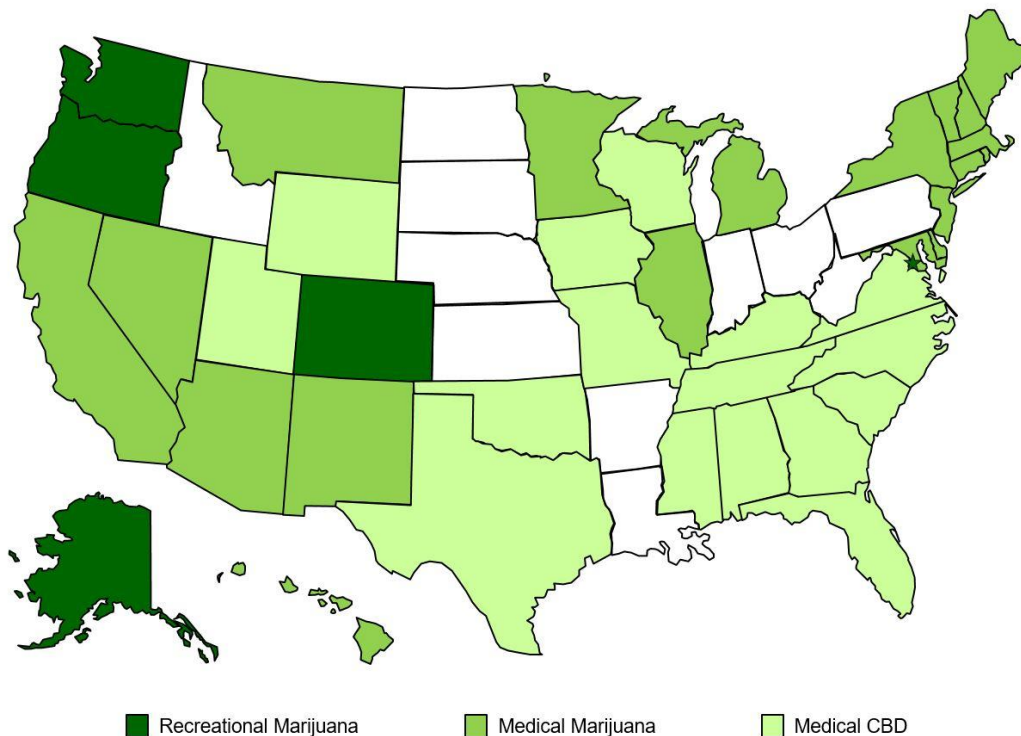
In the past year, eight new states, Massachusetts, Illinois, Connecticut, Vermont, Delaware, New Hampshire, Minnesota, and most recently New York, plus the District of Columbia have approved new medical marijuana sales regulations. With the new legislation in place, the total number of states permitting medical marijuana use has risen to 23. Moreover, on January 1, 2014, Colorado and Washington became the first state in the nation's history to implement recreational marijuana use policies. With these states benefitting from substantial tax revenue from these inaugural policies, many experts estimate that seven to fourteen new states could attempt to enact similar recreational use policies by 2017. In the November 2014 midterm election, Oregon, Alaska, and the District of Columbia successfully passed legislation to legalize recreational cannabis. This will help to propel the cannabis sector in several key ways, from increasing the flow of capital into legal marijuana companies to setting up a 2016 legalization push in California and other states.

Oregon and Alaska have joined Colorado and Washington State, which legalized recreational marijuana in 2012, in legalizing recreational marijuana. Oregon's recreational sales began in the second half of 2015, and state officials in Alaska are moving to create the administrative system for marijuana sales, which are expected to begin in both states by 2016. Voters in the District of Columbia passed what has been called "soft legalization," which allows citizens to possess and grow small amounts of marijuana but does not create cannabis stores (the D.C. initiative must also be approved by Congress, where opposition is brewing).

The successful legislation in Oregon, Alaska, and the District of Columbia, along with the close result in Florida, will make 2015 another critical year for the cannabis industry. These midterm results will offer lawmakers in other states the confidence to introduce new initiatives for action in 2015 and placement on 2016 ballots. This trend will be accelerated if the sale of recreational marijuana in Colorado and Washington State appears to be a success.

Each state's regulatory structure is unique, making it critical for potential business owners in the industry to know and understand each state's regulatory landscape. Understanding individual state markets require potential business operators to account for multiple levels of regulatory understanding and compliance, such as who is allowed to legally purchase marijuana and how it may be sourced, processed, and distributed.

Chart 1: Cannabis Legal Status by State



Even with the shifting views of society as well as many federal officials, marijuana is still classified as an illegal substance in the United States. The DEA and the FDA still classify marijuana as a Schedule I drug under the Controlled Substance Act. The classification makes it illegal under federal law to manufacture, distribute, or dispense marijuana and has created a discrepancy between the laws in the states that permit the distribution and sale of medical and recreational marijuana from federal law that prohibits any such activities.

The discrepancies between federal and state law have created a complicated and risky environment for businesses in the industry, especially in regards to restricted banking access for legal marijuana companies. The banking system in the U.S. is, in most states, federally mandated. Since possession or distribution of marijuana violates federal law, banks that provide services to legal marijuana companies face the threat of prosecution and assorted sanctions, such as loss of their federal depository insurance. As a result, many marijuana-related businesses are denied the ability to deposit cash, process electronic payments, or obtain loans and cash management services, consequently forcing these companies to transact on a cash-only basis. This failure of the legacy financial establishment to react to demand has created opportunity for finance companies and physical security providers.

Another variable adding to the complexity of legal marijuana market is the local laws at the city, county, and municipal levels. Even when a state enacts legislation legalizing marijuana, cities, counties, and municipalities have the right to exercise restrictions on marijuana activities such as cultivation, sale, or consumption. One particular area that this has been observed is in regards to zoning requirements, since zoning is set by local

governments. This has restricted many businesses in the emerging marijuana industry with regard to how and where their marijuana operations can be located, as well as the manner and size in which they can operate.

There is action being taken in the legislative, judicial, and executive branches to clarify the legality of banks, as well as cities and municipalities, for doing business with the cannabis industry. In response to the passage of recreational cannabis use regulations in Colorado and Washington State, the U.S. Department of Justice Deputy Attorney General James M. Cole issued a memorandum, the 2013 Cole Memo, to all United States Attorneys, providing updated guidance to prosecutors and law enforcement concerning marijuana enforcement under the Controlled Substances Act. The memorandum indicated that states with tightly regulated marijuana laws and oversight would be allowed to enforce their own laws. Moreover, the memo laid out eight top federal cannabis enforcement priorities that act as guidance to where cannabis enforcement resources will be targeted. It focuses on addressing the most significant threats in the most effective and consistent ways possible. These priorities include:

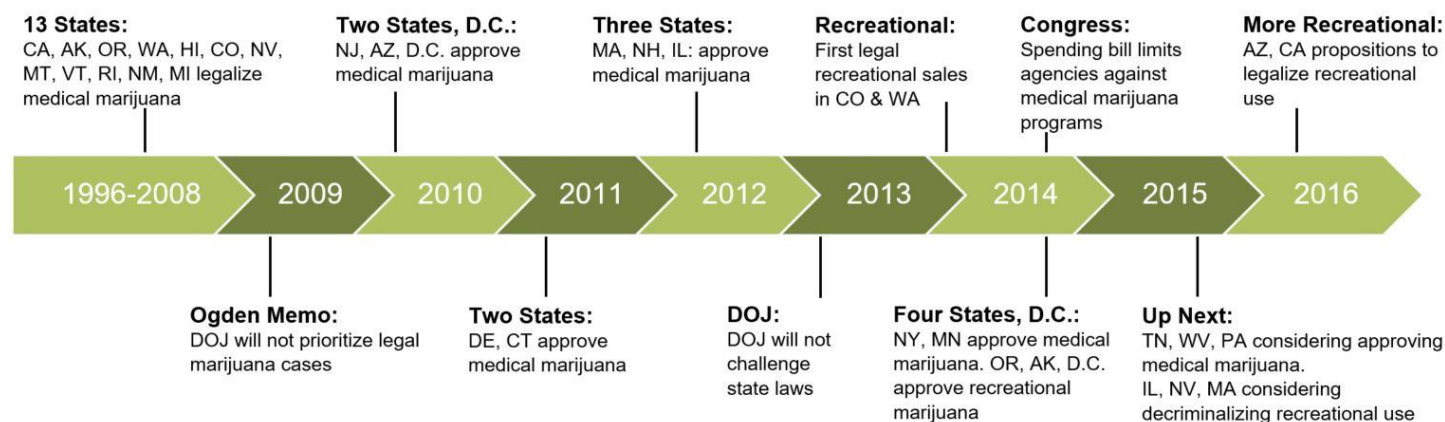
- Preventing the distribution of marijuana to minors
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use
- Preventing growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands
- Preventing marijuana possession or use on federal property

A more substantial development occurred in February 2014. The Obama administration gave banks a road map for conducting transactions with cannabis companies operating within state regulations so that these companies could have the same access to financial services as traditional businesses. The move was designed to let financial institutions serve such businesses while ensuring that they know their customers' legitimacy and remain obligated to report possible criminal activity. However, there still remains nothing expressly protecting banks that work with state-legal, state-licensed marijuana businesses from prosecution.

The most encouraging news regarding the legal cannabis industry came on December 13, 2014 when Congress passed the federal spending bill, which contains protections for medical marijuana and industrial hemp operations in states where they are legal. The spending bill includes an amendment that prohibits the Department of Justice from using funds to go after state-legal medical cannabis programs. This bill brought the federal government one step closer to ending raids on medical marijuana dispensaries as well as stopping arrests of individuals involved with marijuana businesses that are complying with state law.

The bill protects medical marijuana programs in the 23 states that have legalized marijuana for medical purposes as well as 12 additional states that have legalized CBD oils, a non-psychoactive ingredient in marijuana that has shown to be beneficial in some severe cases of epilepsy. This landmark passage marks the first time Congress has approved nationally significant legislation backed by legalization advocates and brings almost to a close two decades of tension between the states and Washington, D.C. over medical use of marijuana.

Chart 2: United State Legalization Timeline



Ancillary Businesses

As more states continue to loosen their marijuana laws, the demand for marijuana-related products and services is expected to grow rapidly. This rapid growth, combined with the professionalization of the marijuana industry, has spurred the emergence of cannabis-related niche markets. These ancillary markets include, but are not limited to, dispensary and cultivation consulting, technology, insurance, IT, security consulting, packaging services, legal counseling/consulting, merchant processing, and dispensary management. Ancillary businesses that cater to the legal marijuana industry are well positioned to benefit from the growth in the industry, since private marijuana producers and sellers often have difficulty acquiring these types of products and services from traditional venues. In addition, due to ancillary businesses operating in legal marijuana markets without physically handling the plant, they have less legal risk than companies directly involved in the production and sale of cannabis.

Consulting and Advising

The complexity of legal marijuana markets has created a strong demand for consulting and advisory services in different aspects of the cannabis industry. These services are designed to help entrepreneurs develop comprehensive strategies based on market need and growth opportunities by addressing everything from site selection and design to license procurement and facility build-outs. Consulting services for license procurement are one of the areas experiencing the strongest demand. Applicants are required to demonstrate competence and thoroughness in their application submissions, with many states granting licenses on the basis of merit. This has translated to applicants spending tens of thousands of dollars on consulting fees to strengthen their candidacy and increase their chances of successfully being awarded cannabis licenses. With the industry's dynamic regulatory landscape and financial limitations, these services are invaluable to companies looking for a smooth entry into the industry.

Physical Security

Due to the current dichotomy between state and federal legal status of the cannabis industry, a cash-only environment has been created with virtually no banking services, as credit card companies and banks are regulated by the federal government, according to which cannabis is illegal, through the Interstate Commerce Clause of the Constitution. This has positioned security as one of the most crucial aspects in the operations of cannabis businesses, since all cannabis businesses require security measures to prevent theft and mitigate risk to employees. Businesses need security system solutions not only to protect business assets but also, in many cases, to comply with state regulations. Most states require dispensaries to take specific security precautions, with many of states having similar requirements: most require alarms, video surveillance, and exterior lighting at a basic level, with some states requiring additional security measures. The table below shows these precautions by state. It is important to note that dispensers and manufacturers will likely take security very seriously, regardless of how stringent security regulations are, simply to protect their financial interests (like any other business owner would). With the exception of Minnesota, Illinois, Oregon, and New Hampshire, these regulations are set by departmental rule, rather than by statute.

Security Requirement	States
Alarm	Arizona, Colorado, Connecticut, Delaware, Illinois, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, Vermont
Video Surveillance	Arizona, Colorado, Connecticut, Delaware, Illinois, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Oregon, Vermont
Lighting	Arizona, Colorado, Delaware, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Rhode Island, Vermont
Intrusion Detection	Illinois, Maine, Minnesota, Nevada, Vermont
Failure Notification	Connecticut, Massachusetts, Nevada
Single Entrance	Arizona, Nevada
Security Guard	Colorado, New Hampshire
Storage Vaults	Connecticut, Massachusetts
Facility Access Controls	Illinois, Minnesota
Personnel ID Systems	Illinois, Minnesota
Backup Power	Connecticut
Inventory Controls	Delaware
Safe	Oregon
Measures to Prevent Loitering	New Hampshire
Perimeter Fence	Maine

As a result, security consulting has emerged as a high-growth vertical of the ancillary cannabis industry. Security-consulting companies assist in security and transportation logistics for legal marijuana business and provide on-site compliance verification to ensure that local business owners are operating lawful and inspection-ready establishments.

Many companies in the space have also started seeking alternative solutions to keep their money safe, but none of these solutions can truly replace the need for conventional banking access.

MARKET SIZE AND GROWTH RATES

United States

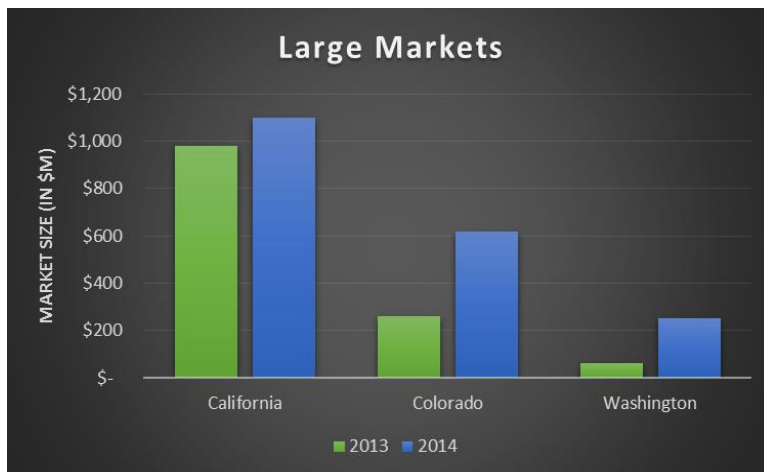
The total market for cannabis, legal and black market, is estimated to exceed the economic value of corn and wheat combined, which is why it is widely considered the largest cash crop in the United States. According to a report by the Associated Press in July, it is estimated that the value of the total domestic cannabis market ranges from \$35 billion to \$50 billion. Even though it is illegal in most of the nation, the legal cannabis industry is among the fastest-growing markets in the United States. The industry was valued at approximately \$1.43 billion for 2013. Furthermore, the market grew approximately 77%, to \$2.7 billion, in 2014, and approximately another 30% to \$3.5 billion in 2015. However, these figures are likely conservative as they undercount the added value from ancillary products and services. The long-term growth outlook for the industry is even stronger. Based on growth in the current market and more states moving to legalize medical and/or recreational cannabis, it is believed the market will experience growth to over \$10 billion by 2018.

Chart 3: Annual Retail Sales by Industry

Industry	Annual Revenue
Beer	\$100 billion
Recreational Marijuana (if fully legalized)	
<i>High Estimate</i>	\$120 billion
<i>Middle Estimate</i>	\$40 billion
<i>Low Estimate</i>	\$14 billion
Wine	\$36 billion
2014 Legal Cannabis Sales	\$1.9 – \$2.1 billion
e-Cigarettes	\$1.5 billion
M&M's	\$0.6 billion

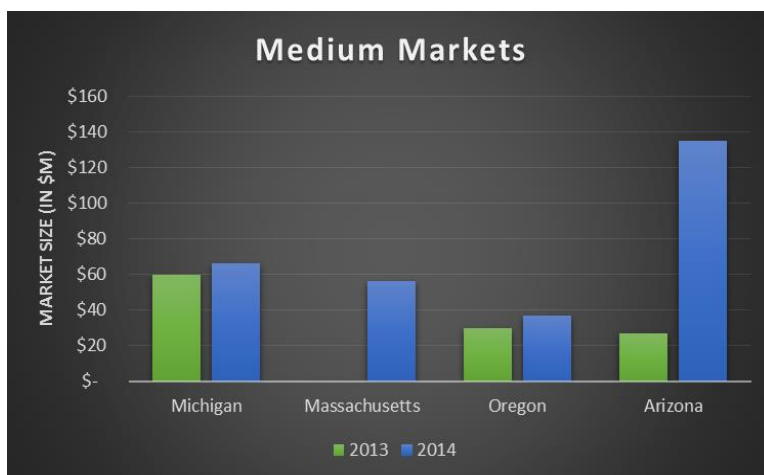
In comparison to other comparable markets, such as beer wine and vodka, the legal cannabis market is still small. The small size is due to the market's immaturity as well as cannabis' classification as an illegal substance on the federal level. However, legal cannabis is estimated to have experienced experience growth of 77% in 2014, a time in which the domestic beer market grew around 2%. The market's growth has severe constraints caused by the legal status of cannabis in most of the nation. If the government was to legalize the substance on a federal level, the legal cannabis business would have the potential to grow at a pace much faster than what was experienced from 2013 through 2015. Bloomberg estimates that if cannabis was legalized, the U.S. market potential would be between \$35 billion to \$45 billion.

Chart 4: Market Size (Large Markets)



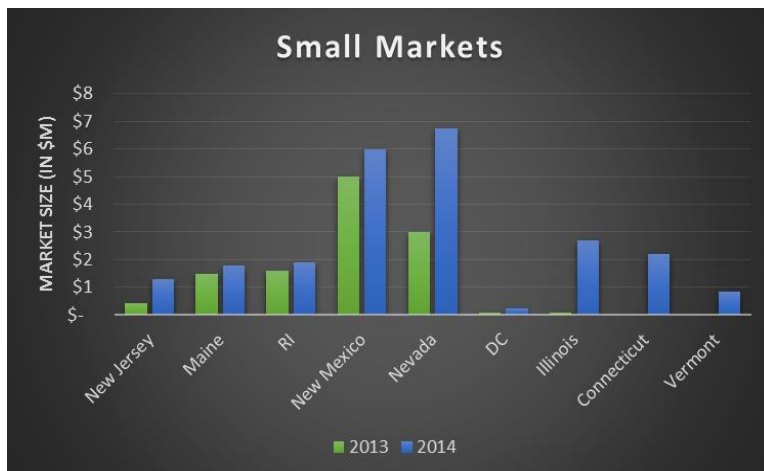
Source: ArcView Market Research

Chart 5: Market Size (Mid-sized Markets)



Source: ArcView Market Research

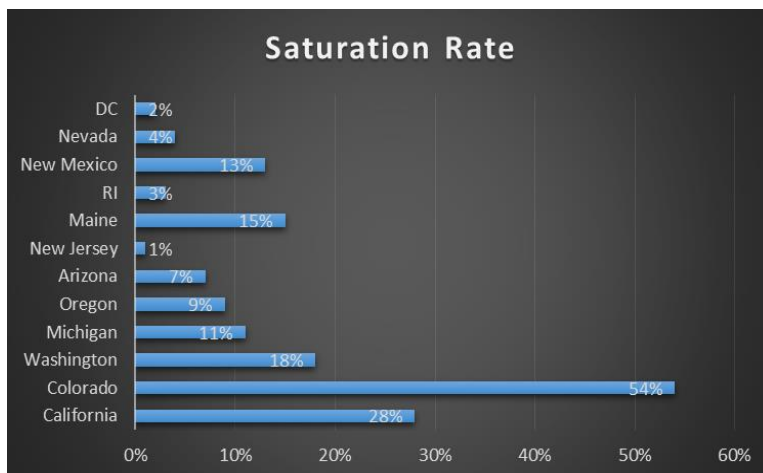
Chart 6: Market Size (Small Markets)



Source: ArcView Market Research

Many states' legal marijuana markets have seen significant growth over the past couple of years. The industry will experience rapid growth as new states begin adopting favorable legislation for medical and/or recreational marijuana use. One strong indicator of future growth potential in a specific market is the saturation rate, the percentage of the customer population that is actively purchasing legal medical marijuana relative to the potential patient population that qualifies to make those purchases. Low saturation rates in a majority of the nation's medical marijuana markets present a favorable environment for growth.

Chart 7: Saturation Rate by State



Source: ArcView Market Research

Business revenues vary widely across the industry as well as within key sectors and states. These variances are driven by differing regulations and market dynamics. Additionally, the existence of three levels of marijuana-related businesses factors into the wide dispersion of business' revenues:

Small Local Businesses

Ranging from cultivators supplying inventory for just one small dispensary to edibles producers working out of a small kitchen, these businesses may only generate \$50,000 or less in annual revenues. Many are not interested in, or do not have the skill or financial resources to, become larger organizations.

Mid-sized Regional Businesses

These businesses include established dispensaries, consultants, and services firms such as lawyers and accountants with a specialized client base. Many of them have past entrepreneurial experience, but may not want or may not have the ability or resources to grow their business beyond a handful of employees. Their revenues range from \$100,000 to about \$750,000.

Large National Brands

These include the largest local dispensaries, especially those with multiple locations, as well as infused product companies with popular brands and ancillary companies that serve the national market. Some are publicly traded companies on over-the-counter markets. Their owners and shareholders are focused on significant growth of the company, including licensing, franchising, and aggressive national distribution at some point in the future.

COMPETITIVE LANDSCAPE

Initially, when the cannabis industry emerged, there were hosts of newly formed security firms that specialized in the cannabis space, as well as some major brand names operating in this space. Today, the majority of these security companies no longer service the cannabis industry due to the strict regulatory demands enforced by states. CSA has been instrumental in helping state regulators in writing the compliance rules now in effect.

The risk of new competition from other security firms entering the market is always present. When Washington and Colorado both passed adult-use cannabis laws, there was a big shift in competition within the industry. For the first time since the founding of the company, new cannabis-focused security companies began to appear. Small- to medium-sized security firms have recognized the opportunity to serve cannabis businesses and compete with CSA. However, their primary focus and core competency is providing physical security services such as armed guards, armored transport, and consulting. While these competitive threats exist, CSA believes smaller security firms lack the specialized experience CSA has in the industry and that these competitors will not be able to effectively leverage themselves as they lack an established brand and reputation. CSA also believes larger corporate security firms will not choose to enter or reenter the market unless federal legalization occurs, which is unlikely for at least several years. In fact, the larger firms may look to acquire CSA once they choose to provide services to cannabis companies.

CSA has embraced the competition and is thriving in this newly competitive environment by remaining true to its vision and by adapting quickly to reinforce its value as a provider of both security systems and services. Being involved in the introduction of the benchmark for regulations in the industry has provided a unique market advantage and opportunity to establish the CSA brand on the national forefront.

Blue Line Protection Group, Inc. (OTCPink:BLPG)

Blue Line Protection Group, Inc. provides armed protection, financial solutions, logistics, and compliance services for businesses engaged in the legal cannabis industry. The company offers asset logistic services, such as armored transportation service; security services, including shipment protection, money escorts, security monitoring, asset vaulting, VIP and dignitary protection, and others; financial services, such as handling transportation and storage of currency; training; and compliance services. It serves marijuana dispensaries in Colorado, with operations in Washington and Nevada. Blue Line was formerly known as The Engraving Masters, Inc. and changed its name to Blue Line Protection Group, Inc. in May 2014. Blue Line Protection Group, Inc. was founded in 2006 and is headquartered in Highlands Ranch, Colorado.

CannaGuard Security

CannaGuard Security is a Northwest cannabis security company based in Portland, Oregon. Current clients reside in Oregon and Washington, and more locations will be added as additional states come online. CannaGuard consults nationwide to ensure its clients' designs and product choices meet their requirements and budgets.

CannaGuard specializes in engineering custom security systems specifically for the cannabis industry. CannaGuard designs, sells, and installs Oregon Medical Marijuana Program (OMMP) and Initiative 502 compliant security systems for dispensaries, retail locations, and grow operations. Its security systems offer wireless connections, monitored alarms, alert notifications, two-way voice, and crash and smash protection.

In addition to cannabis security systems, CannaGuard also provides residential and commercial security systems at OmniGuardSecurity.com.

MPS International

MPS International is a consulting firm that provides security services to business and individuals in the legal cannabis industry. MPSI has been family owned and operated for over 47 years and brings decades of experience in providing professional security services to its clients.

MPSI offers security officer services as well as secure transportation of assets, electronic surveillance, and cultivation operation security. When security officers are needed, MPSI contracts exclusively with MPS Security to provide uniformed security officers and management.

MPSI operates with California, Colorado, Washington State, Nevada, and Arizona.

SELECTED FINANCIAL DATA – Calendar Year 2015

Revenue

Revenue

Access Control System Service	3,615.00
Alarm Monitoring	24,520.00
Alarm Service	32,387.00
Armored Transport	5,793.00
CCTV Monitoring	20,530.00
CCTV Service	199,252.50
Consulting	14,025.00
Discount	(48,134.40)
Equipment & Parts	442,038.51
Fees	2,222.73
Guard Services	68,106.00
Permit	1,650.00
Shipping Income	30.00
Revenue – Other	21,699.00

Total Revenue	787,734.34
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Other Revenue	1,425.00
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Total Revenue	789,159.34
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Costs of Goods Sold

Costs of Goods Sold

Armored Transport Labor	700.00
Cloverton Labor	45,667.91
Cloverton Service	5,265.00
Cloverton Subcontractor Labor	4,047.00
Commission	36,904.27
Equipment & Parts	253,715.00
Equipment Rental	2,057.08
Labor	105,994.97
Monitoring Service	15,338.11
Permits	3,675.00
Shipping	112.48
Subcontracted Labor	50,720.00

Total Costs of Goods Sold	524,196.82
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Other Costs of Goods Sold	-
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Total Costs of Goods Sold	524,196.82
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Gross Profit	264,962.52
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Expenses

Advertising – Employment	365.00
Bad Debts	1,958.39
Bank Service Charges	3,253.69
Communications	7,365.37
Company Event	6,077.88
Computer & Internet	15,408.24
Conventions & Conferences	37,484.02
CSA	49.04
CSA Automobile	16,987.25
Dues & Subscriptions	3,050.66
Insurance Expense	66,069.33
Inventory Adjustment	-
IPN Fees	178.56
Licenses & Permits	4,042.97
Marketing & Advertising	1,825.42
Meals & Entertainment	5,462.30
Merchant Services	4,470.83
Miscellaneous	(161.00)
Office	6,542.28
Office Supplies	7,415.99
Payroll	998,836.46
Petty Cash	790.00
Postage & Delivery	1,583.76
Printing & Reproduction	1,046.05
Professional Fees	258,615.08
Rent	55,945.50
Safe Deposit Rental	260.00
TCG Automobile	19,880.00
The Cloverton Group	13,064.33
Training	500.00
Travel	69,223.13
Total Expenses	1,607,591.48
Net Ordinary Income	(1,342,628.96)
Other Income/Expense	(39,216.37)
Net Income	(1,381,845.33)

LEGAL NOTES AND DISCLOSURE

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Risk of Prosecution for Marijuana-Related Companies. If you are considering investing in a company that is connected to the marijuana industry, be aware that marijuana-related companies may be at risk of federal, and perhaps state, criminal prosecution. The Department of Treasury recently issued guidance noting: “[T]he Controlled Substances Act (“CSA”) makes it illegal under federal law to manufacture, distribute, or dispense marijuana. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, as of the date of this guidance, 20 states and the District of Columbia have legalized certain marijuana-related activity.

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